

2011 Municipal Management Survey

Preliminary Findings

Sponsored by the New Jersey State League of Municipalities (NJSLOM)
in partnership with the Rutgers Center for Executive Leadership in Government

Leila Sadeghi, Ph.D.

Kathe Callahan, Ph.D.



November 15, 2011

Dear NJLOM Conference Attendee,

Welcome to Atlantic City and to the New Jersey League of Municipalities 96th annual conference.

We are pleased to share with you the results of a survey we conducted this summer on service delivery strategies local governments in New Jersey are adopting as they face budget shortfalls.

First and foremost, we would like to thank the business administrators, municipal managers and municipal clerks who took the time to complete our survey.

What we provide in this report is a preliminary summary of the survey findings. We offer no analysis or interpretation of the findings; rather we provide a description of what the respondents told us. We look forward to future opportunities to discuss these findings with you both virtually and at public forums. Together, we hope to develop a better understanding of the decisions currently being made, the long and short-term impact of these decisions and the overall effect these decisions will have on local governments in New Jersey.

This summary report can be found on our websites (njslom.org; celg.rutgers.edu). We encourage you to download this information and share it with your constituents, neighbors, friends and other interested stakeholders. We encourage your feedback and look forward to your comments. Please send all comments, suggestions, and/or observations to Dr. Kathe Callahan, Associate Director, Rutgers Center for Executive Leadership in Government at kathe@docs.rutgers.edu or 732-932-6998 x.604.

Thank you for your interest and support,

William Dressel
Executive Director
NJ League of Municipalities
609-695-3481
bdressel@njslom.com

Raphael J. Caprio, Ph.D.
Executive Director
Center for Executive Leadership in Government
Rutgers, The State University of New Jersey
848-932-5935
caprio@docs.rutgers.edu

Introduction

In August of 2011, researchers at the Rutgers University Center for Executive Leadership in Government (CELG) in partnership with the New Jersey State League of Municipalities (NJSLOM) conducted a survey of New Jersey's 566 municipalities to ascertain the strategies that are being considered at the local level to close current and projected budget gaps. The purpose of this survey was to explore how local government officials plan to minimize the multiple impacts of the: 1) looming economic crisis; 2) increasing number of foreclosures; 3) increasing number of property tax appeals; 4) 2 percent property tax cap; and 5) reduction in state aid on their ability to maintain the service delivery standards their residents expect. As local governments look to maintain services and trim budgets, we wanted to develop a better understanding of the decisions being made at the local level.

Based on preliminary research, and conversations we had with municipal managers throughout the state, we anticipated that strategies such as reductions in workforce, reduced hours, furloughs, layoffs, cuts to programs and services, and service consolidation would be the primary methods adopted and we included these strategies as potential responses in our survey. We wanted to know if local decision-makers were entering in to shared service agreements or looking to privatization as service delivery options. We were also curious to learn about the adoption of new technologies as a service delivery strategy as well as the implementation of sustainability efforts as a way to contain costs.

Methods

The survey was distributed on-line using an online survey platform called surveymonkey.com. Online distribution was chosen as the primary method of survey distribution, although municipalities had the option of a hardcopy mailing and/or downloading the survey and faxing back a response. In an effort to reach all 566 municipalities across the state, email addresses were obtained by the NJSLOM. The survey was emailed with a unique link to a database of

municipal clerks and provided them with an option to have the survey forwarded to their public manager, mayor or financial officer. All survey responses were kept confidential and no identifiers were obtained. Over a one-month period the survey was emailed four times to increase the response rate. Of the 566 municipalities surveyed, roughly one-third or 171 responses were collected resulting in a 30 percent response rate.

Preliminary Findings

Current Service Delivery Methods

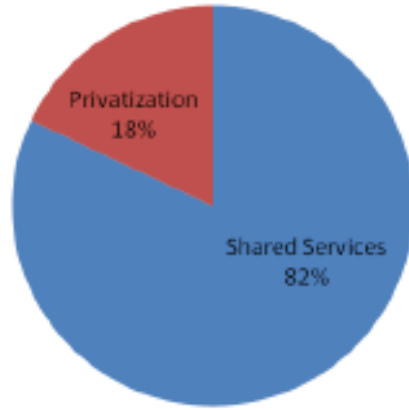
Respondents were asked to identify how specific services in their municipality are currently provided. In particular, the question asked whether services were provided internally by the municipality, externally through a contract, through shared service agreements, by volunteers or not provided by the municipality. Table 1 provides an overview of the most frequent services provided by local governments in New Jersey and the frequency to which they are provided through shared service contracts or private contractors. Street repair, recycling and fleet management were the functions most frequently provided by government employees. Public health services and police/fire dispatch were the functions most frequently provided through shared service agreements. Legal services and computer maintenance and repair were the most frequently privatized functions.

We asked if within the past year they had either entered into a shared service agreement or privatized any service. Eighty-two percent of our respondents indicated they entered into shared service agreements within the past year, compared to 18 percent who indicated they privatized some functions (see Figure 1). Within the past year the most commonly pursued shared service agreements for local governments were for court administration, animal control and chief financial officers. The most frequently privatized services within the past 12 months were public works functions such as lawn maintenance, pothole repair and building maintenance.

Table 1: Municipal Services and Methods of Delivery

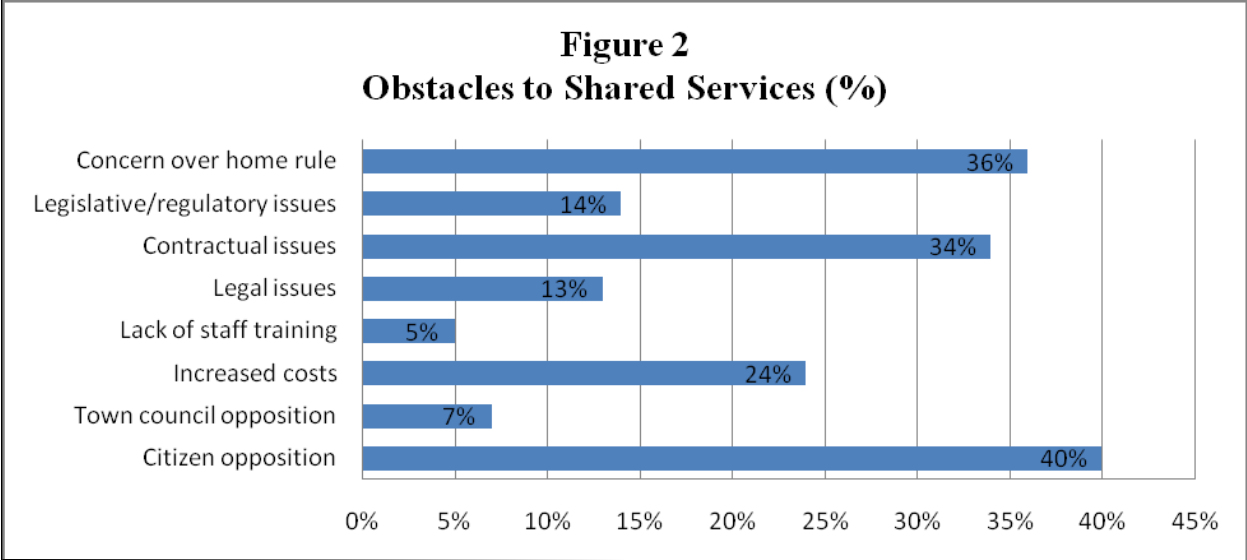
Municipal Service	Provided internally through the municipality	Provided through shared services	Provided by a private contractor
Residential solid waste collection	29%	12%	51%
<i>Street repair and recycling</i>	83%	5%	11%
Police/fire dispatch	42%	51%	2%
<i>Public health programs</i>	22%	61%	4%
Programs for the elderly	37%	33%	2%
Library services	38%	32%	2%
Fleet management/vehicle maintenance	74%	8%	31%
Payroll services	62%	1%	53%
Data processing	78%	2%	23%
<i>Legal services</i>	21%	0%	84%
Computer infrastructure	34%	7%	69%
Computer maintenance & repair	28%	7%	81%
Website development	46%	5%	54%
E-government services	54%	6%	26%

**Figure 1:
Adoption of Shared Services and Privatization
Within the Last Year**



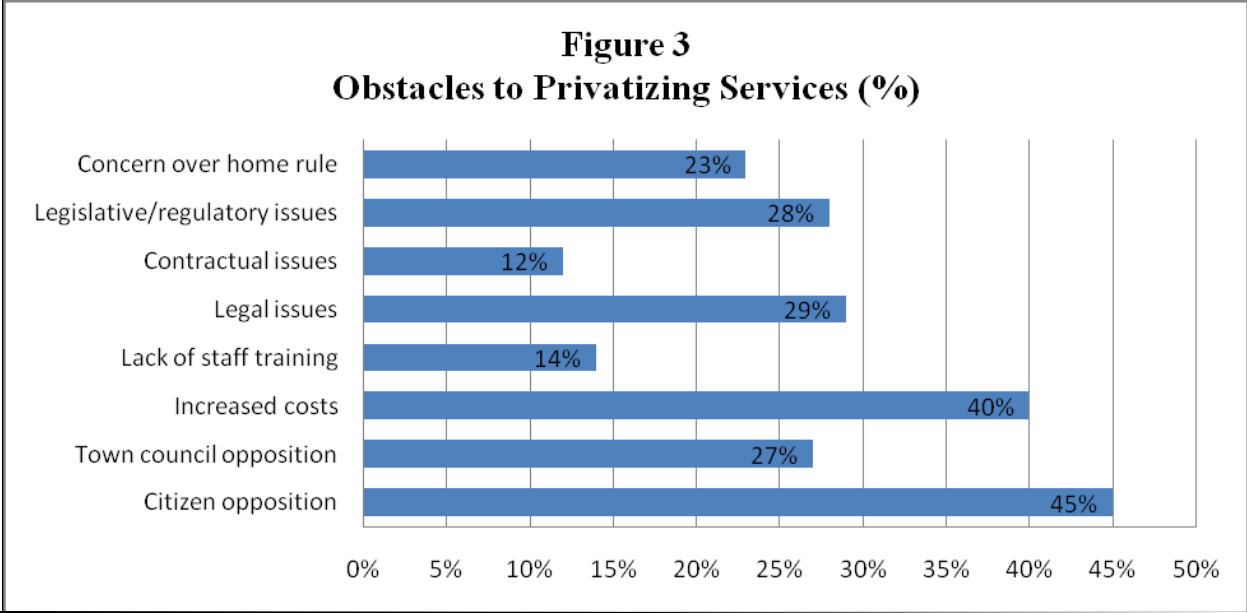
Shared Services

While eighty-two percent of respondents indicated that in the last year their municipality utilized shared service contracts, it was not without opposition. Survey respondents indicated the obstacles they faced during implementation and 40 percent said opposition from citizens was the primary obstacle; 36 percent indicated that concern over the loss of home rule was a driving barrier, and 34 percent indicated issues related to shared service contracts presented challenges. Figure 2 provides a detailed account of the percentage breakdown of obstacles to shared service cited by public officials.



Privatization

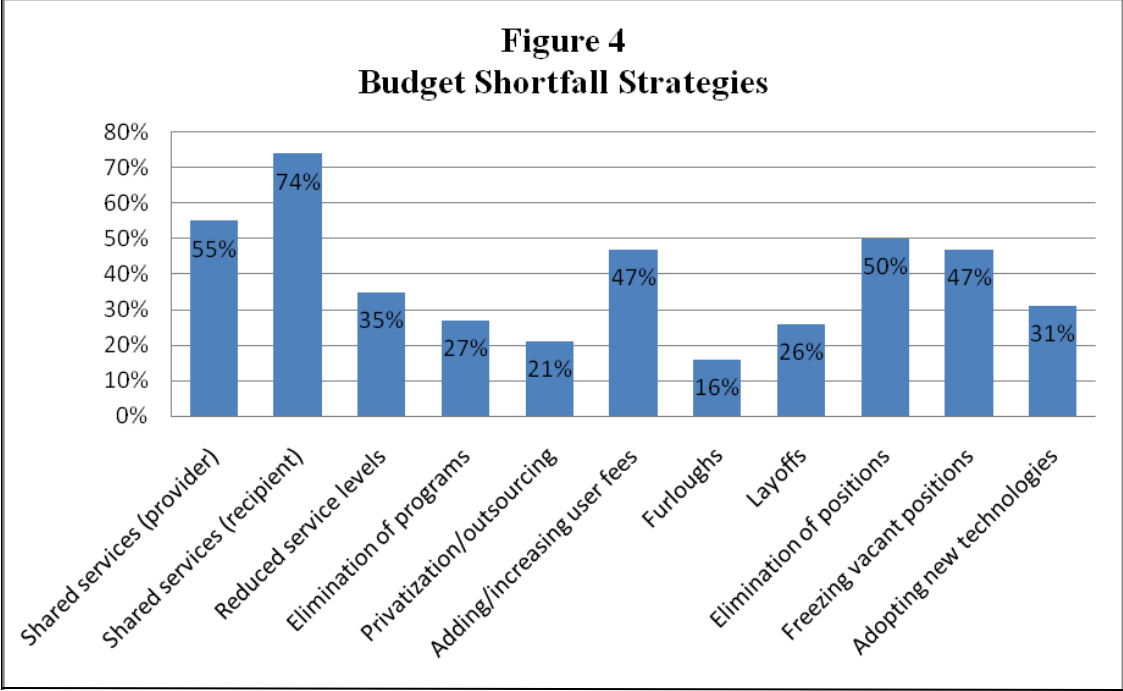
Eighteen percent of the respondents indicated they privatized services during the past year with the most frequently privatized functions being those related to public works such as lawn maintenance, pot hole repair, and building maintenance. When asked about obstacles the majority of respondents, 45 percent, indicated that citizen opposition was the biggest obstacle to privatization and 40 percent indicated increased costs were an obstacle to privatization (See Figure 3).



Budget Shortfall Strategies

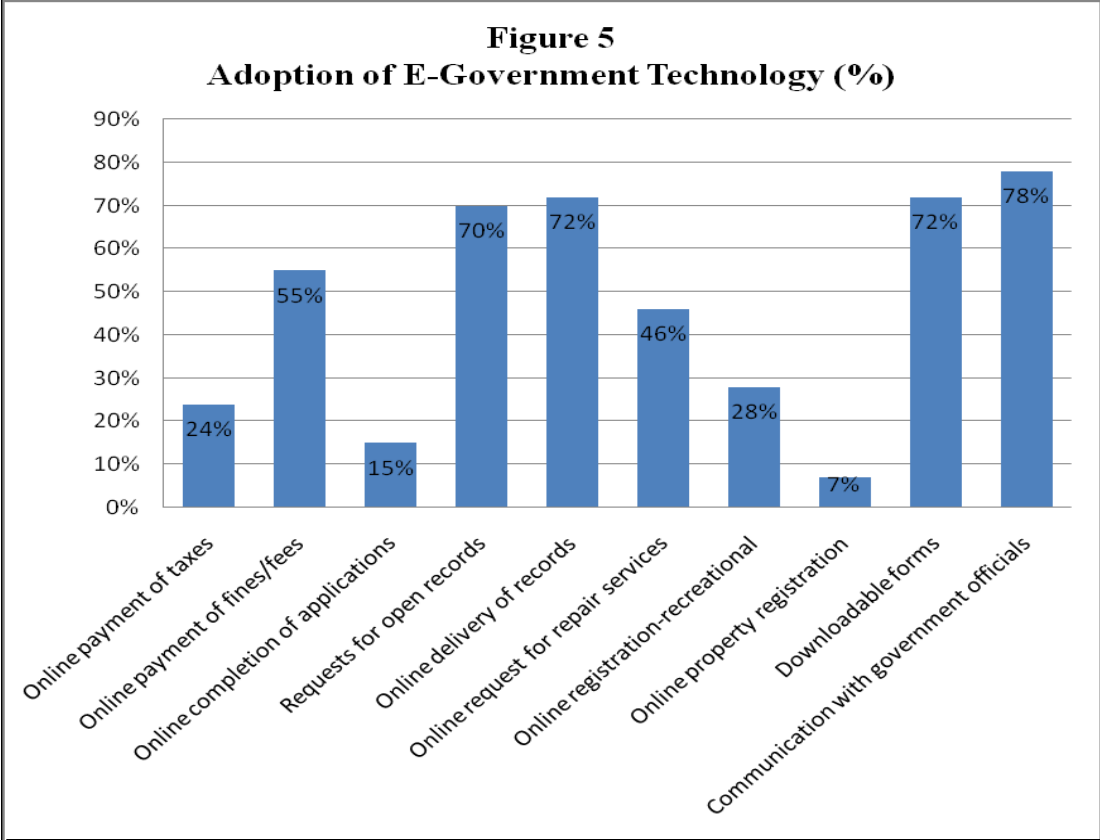
Participants were asked to identify strategies that have been implemented in the past year to address budget shortfalls. Of the 172 responses, an overwhelming majority, or 74 percent, indicated that shared service agreements where the municipality was the recipient of the service was the primary method, while 55 percent indicated that shared service agreements where the municipality was the provider of the service was a strategy being used. Forty-seven percent indicated that adding or increasing user fees was also fundamental to addressing budget shortfalls. Over forty percent of respondents agreed that local government ought to be able to set and raise revenue from other sources (such as user fees, or restaurant taxes, etc.) in an effort to minimize budgetary issues.

A number of strategies involving reductions internal to the organization were also implemented. Ninety-eight percent of respondents indicated that staff positions were either eliminated or frozen; 35 percent indicated that a reduction in service levels such as department hours was utilized, with an additional 27 percent indicating that services such as recreation programs were eliminated. Additionally, 16 percent of respondents indicated that furloughs were used to attain cost savings, while 26 percent indicated that layoffs were used. Figure 4 provides a snapshot of these findings.



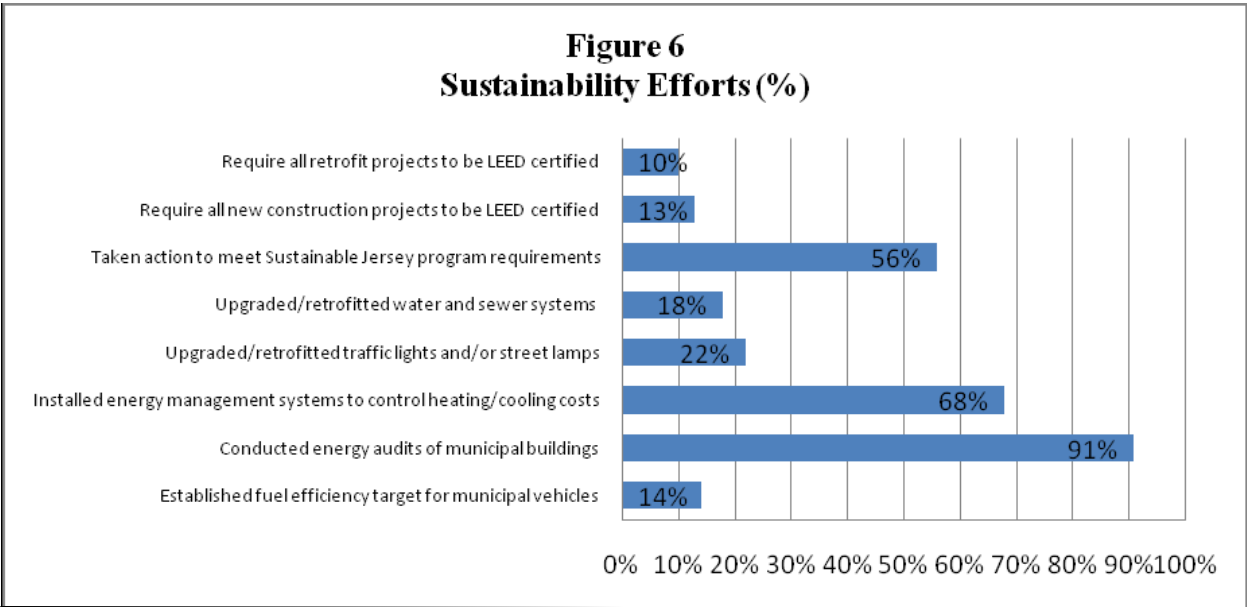
Adopting New Technologies

Seventy-eight percent of municipalities, or 131 respondents, currently offer the public online two-way communication capabilities with their elected and appointed officials via technology, with another 5 percent that plan on offering such service. Additionally 72 percent of municipalities offer the ability to download information and request documents, and 46 percent indicated that citizens can request services such as pothole repair via their municipal website. The ability to pay taxes, fines or fees is a service that over 70 percent of our responding municipalities provide. And 31 percent indicated that adopting new technologies, such as streamlining services through a website portal, was utilized for cost savings. See Figure 5 for a summary of these findings.



Sustainability Efforts

Respondents were asked to identify sustainable actions that were taken in the last year, or will be pursued this year, as a cost savings method. An overwhelming majority of respondents, or 91 percent, indicated that they conducted energy audits of municipal buildings to identify ways to reduce energy costs. An additional 68 percent responded that they recently installed energy efficient heating and cooling systems due to outdated equipment and/or the need for more efficient methods. Over 50 percent of respondents indicated that they were pursuing actions to meet the Sustainable Jersey program requirements. The Sustainable Jersey program provides certification to municipalities that take concrete actions towards creating sustainable efficiency plans. Furthermore, forty percent of respondents indicated that they have upgraded or retrofitted outdated equipment either for water/sewer systems or traffic/street lights. See Figure 6 for a detailed summary of these findings.



Managerial Perceptions

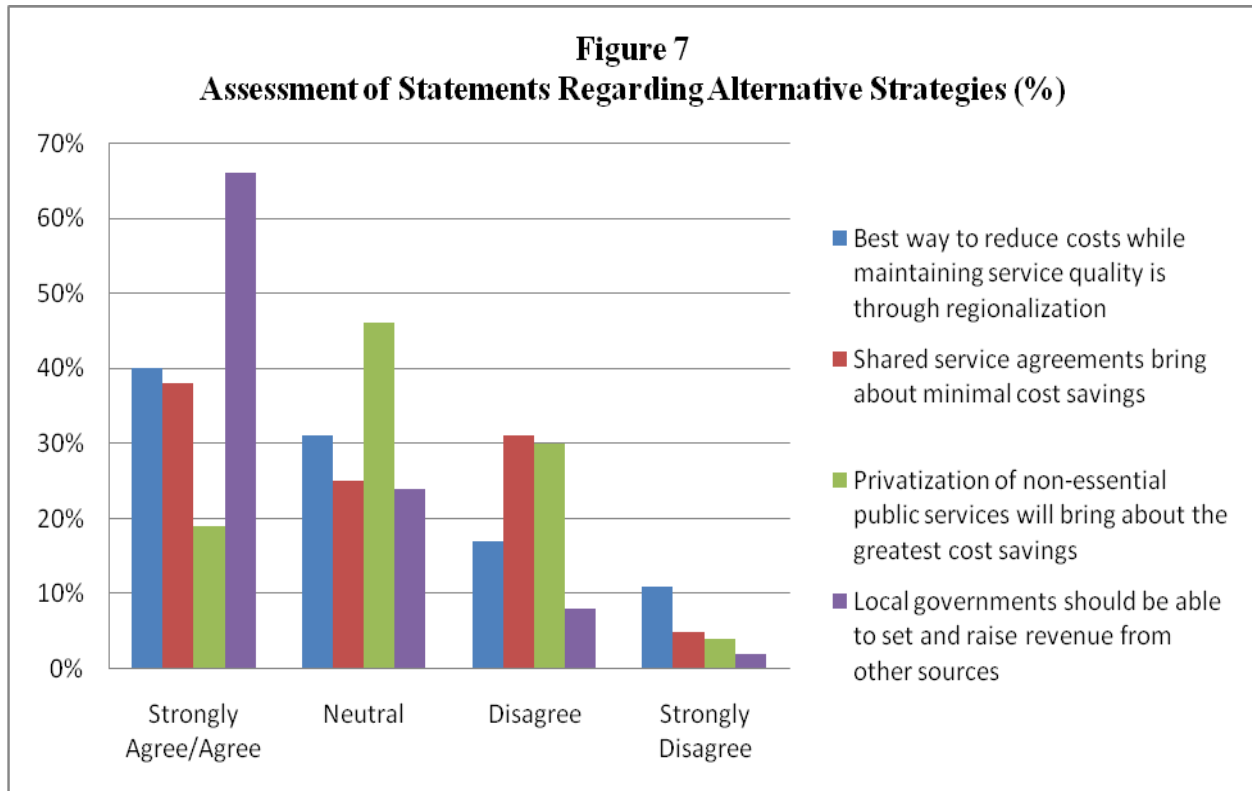
We listed four statements and asked the respondents to tell us to what extent they agreed or disagreed with four statements that addressed regionalization, shared services, privatization and revenue generation (see Figure 7).

The first statement was: *The best way to reduce costs while maintaining service quality is through regionalization.* Forty-one percent of the respondents agreed or strongly agreed, 31 percent were neutral and 28 percent disagreed or strongly disagreed.

The second statement was: *Shared service agreements bring about minimal cost savings.* Thirty-nine percent agreed or strongly agreed, 25 percent were neutral and 36 percent disagreed or strongly disagreed.

The third statement was: *Privatization of non-essential public services will bring about the greatest cost savings.* Thirty-five percent of the respondents disagreed or strongly disagreed while 19 percent agreed or strongly agreed. The majority of the respondents, 46 percent, indicated they were neutral as to the cost-savings associated with privatization.

The final statement was: *Local governments should be able to set and raise revenue from other sources (e.g. restaurant taxes, user fees).* Sixty-six percent of the respondents agreed or strongly agreed, 24 percent were neutral and 10 percent disagreed or strongly disagreed.



Discussion

The survey results indicate that shared services is perceived as a more favorable service delivery option than privatization. And while shared service agreements are a favored strategy, it is difficult, at best, to document the cost savings or service delivery efficiencies that may be realized as a result. The respondents were fairly equally divided in their agreement/disagreement with the statement that shared services bring about minimal savings. A real challenge, as several respondents noted, is how do you encourage a wealthy, or high performing town to share services with a neighboring town that is poor performing or in worse financial condition?

Privatization was not embraced as frequently as shared services and a majority of the respondents (46 percent) were neutral, or uncertain, that privatization would result in the greatest cost savings and 19 percent thought it would. Unfortunately, two questions where we asked respondents to 1) place in rank order the frequency in which they adopt different service delivery strategies and 2) place in rank order the cost savings associated with each strategy could not be used as many respondents provided

incomplete answers to these questions making the results less valid. It is interesting to note that 41 percent of the respondents thought regionalization was the best strategy to reduce costs and maintain quality, while 28 percent disagreed.

Providing e-government services to the public has become more widely embraced by municipalities. A majority of our respondents currently offer e-government services to their constituents for the purposes of downloading and requesting documents, online bill payment and to report problems through a municipal portal. It was noted that these services are looked at favorably as a method to reduce costs. Furthermore, many municipal officials are engaging the public in two way communication or plan to offer such services in the near future.

An overwhelming majority of the respondents are taking actions to improve energy efficiency and sustainability as a cost savings approach. Almost all of the respondents have conducted audits of municipal buildings to reduce energy costs and roughly half of the respondents have improved or upgraded outdated systems for public works. A smaller percentage of respondents are requiring LEED certification for new building and construction projects. Furthermore it is interesting to note that over half of the respondents are pursuing Sustainable Jersey certification that demonstrates their commitment to municipal sustainability while providing access to external grants and funding to support future sustainability projects.