

Innovations in Shared Services

The Need for an Administrative Backbone

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OVERVIEW

Intermunicipal sharing is one important way that local governments respond to recent state fiscal measures, such as the Tax Cap of 2011 and the subsequent Tax Freeze of 2014.

However, New York's local governments are no stranger to sharing, with over half a century of experience with service sharing. A 2013 survey of NYS local governments found that they share on average 27 of the 29 services measured and the average length of the sharing agreement was 18 years (Homsy et al 2013). **One of the challenges in shared services however, is the need for administrative structures to facilitate sharing** (Qian and Warner 2014).

Among school districts, where sharing is also longstanding, BOCES, the Boards of Cooperative Educational Services, provides the administrative structure to create and design sharing agreements (Hayes 2013a). **BOCES offers combined planning which can assist both school districts and local government to share back-office services** (Hayes 2013 b). **State aid incentivizes sharing among school districts with differences in wealth, something that is needed to promote more service sharing across municipalities** (Qian and Warner 2014, Yang and Warner 2014). BOCES represents the *institutionalization* of sharing.

WHY INSTITUTIONALIZE?

As a branch of administrative support, BOCES reduces the transaction costs associated with sharing. BOCES has both the personnel and budget to help municipalities and schools create service-sharing partnerships. Further, the one-year nature of the BOCES contract allows partners to exit the system if the sharing practices are not working for them.

This also creates pressure on BOCES to keep and attract partners as its operations are funded by service fees of the arrangements. The board of a BOCES unit is elected by the local school districts, attracting the endorsement of residents (Hayes, 2013 a).

USING BOCES AS A MODEL FOR LOCAL GOVERNMENT SHARING SUPPORT

While BOCES does engage with local governments, it is still predominantly an educational asset: 20% of services are administrative, 80% are educational in focus. As an institution its purpose is to serve the state's children. Hayes (2013a) argues that some BOCES-local-government arrangements can enhance educational opportunities, however, as an institution, its purpose is to serve the state's children.

Local governments need an administrative support system of their *own* to institutionalize service-sharing. This could be a new regional entity, empowering councils of government or county governments to provide this critical coordination role.

Under the Governor's tax freeze local governments are pressured to share more services. However, **the State has failed to provide a support system to aid municipalities in creating successful sharing arrangements, like BOCES does for school districts.**

This brief highlights three examples of administrative structures for local government sharing that can support more successful sharing across municipalities.

TCCOG: SHARED SERVICES IN TOMPKINS COUNTY

In Tompkins County, a region that has pushed sharing as a means to enhance government efficiency for decades, sharing is implemented with the intent of a "win-win" (Younger, 2014).

Sharing, for Tompkins County, has aided in:

- Eliminating intergovernmental inefficiencies
- Consolidating to enhance productivity
- Reducing government spending
- Enhancing service quality.



The push for shared services in Tompkins County began with the formation of the Tompkins County Council of Governments, or TCCOG, an association of local governments working towards a “more efficient and fiscally responsible delivery of government services” (Tompkins County NY Government, 2014).

The goals of TCCOG range from the facilitation of periodic discussion between neighboring local governments to the negotiation of formal agreements to resolve the duplication of services.

Six villages, nine towns, and one city are represented within TCCOG with meetings held once a month.

THE EIGHT CORE TCCOG SHARING SUCCESSES

1. Consolidated Real Property Assessment
2. The greater Tompkins County Municipal Health Insurance Consortium (see El Samra, 2014)
3. *Digital Records Management*
4. Tompkins County Area Transit (TCAT)
5. Consolidated Emergency Dispatch 911
6. The Southern Cayuga Lake Intermunicipal Water Commission
7. Ithaca Area Waste Water Treatment Facility
8. Cayuga Heights Wastewater Treatment Plant

TOMPKINS COUNTY DIGITAL RECORDS MANAGEMENT PROJECT

Fully indexed and digitized 196 years of records.

Designed a web portal for remote access.

Eliminated the need to house the **9,000 boxes** from **29 different departments** that were digitized through this effort (CARDI, 2013).

FISCAL BENEFITS

Estimated \$5.5 million saved by the county since 2010.

Avoided costly construction of a records building.

Secured existing database.

Eliminated costs of restoring lost or damaged records.

Streamlined day-to-day practices.

The most interesting byproduct of this consolidation effort are the methods by which Tompkins County is making its records available among its nested government agencies—including local towns and villages—using a shared services approach.

The project will not only equip smaller governments with their own dedicated repositories, but it will allow them access to a robust document management system that they can then tailor to fit their own needs (Younger, 2014).

THE TOMPKINS COUNTY SHARED SERVICES WORKING GROUP

TCCOG’s ability to facilitate successful sharing, both in the case study described here, and in its other seven successful cases, emerges from its breadth and organization of all associated local governments. It is through this core administration that efforts, such as the digital records management project, have been able to extend to the level of the citizenry, spreading positive externalities beyond the county level.

Aside from organization, TCCOG has also played a central role in responding to Governor Cuomo’s Tax Cap and Tax Freeze, with its subsidiary group, the Tompkins County Shared Services Working Group. Through weekly meetings, this team, comprised of senior members of TCCOG, is working to develop a response to the Governor’s initiative that better recognizes the long history of sharing and budgetary efficiency in highly functioning counties such as Tompkins.

The group acknowledges that **long term savings through enhanced government efficiency require initial administrative investments, and the short time frame of the Tax Freeze does not take this reality into account** (Younger, 2014).

STATE SUPPORT FOR MUNICIPAL SHARING

Allegheny County, Pennsylvania is on the forefront of innovation for intermunicipal sharing.

As a lead county of service sharing in Pennsylvania, Allegheny County created the *Municipal Service Sharing & Consolidation Program* as a partnership between the county and the statewide Local Government Academy in April of 2010.

The goal: to encourage service sharing to deliver effective and efficient services to the community (“County Executive”, 2010).

The county’s partnership with the Local Government Academy links municipalities with a state organization’s technical and financial support. The Local Government Academy recognizes that intermunicipal sharing is novel in many cases, meaning municipalities are inexperienced in formulating agreements to work across boundaries.

To support municipalities collaborating through service delivery, “The Academy” developed the Intergovernmental Consensus & Conflict Resolution Program staffed by conflict resolution specialists “who have a minimum of 40 hours of mediation training, as well as experience in at least 25 cases or have served as lead facilitator in at least 25 interactive group processes” (“County Executive”, 2010).

In Allegheny County the elimination of duplicate service delivery programs and increased efficiency saved taxpayers \$22 million by April 2010.

For financial assistance, the Intergovernmental Consensus & Conflict Resolution Program prioritizes grants for municipalities, paying for capital, or mechanisms for structural consolidation to begin intermunicipal service delivery. The grants also present an opportunity for matching assistance from the Pennsylvania Department of Community & Economic Development’s Shared Municipal Services Program.

Allegheny County, The Pittsburgh Foundation, and the Commonwealth of Pennsylvania make the Intergovernmental Consensus and Conflict Resolution Program possible by supporting the Local Government Academy. Through this program other municipalities can receive the services of mediators at approximately 10% of the cost of the service to help them design or improve their shared service agreements (“County Executive”, 2010).

SHARED SERVICE CENTERS

In the United Kingdom, another form of administration is used to support intermunicipal operations. There, shared services are an important innovation for municipalities because they encourage standardization and economies of scale, reducing duplicated tasks and saving municipalities unnecessary expenses.

The UK has created shared service centers to coordinate municipalities. “Through transferring many administrative and transaction-oriented tasks into shared service centers, retained functions can take on a more strategic role and focus on more value-adding tasks” (McIvor et al, 2011, 449).

Essentially local governments contract out certain tasks to the private shared service center, the “vendor”. In one study, eleven government departments agreed to merge administrative Human Resource (HR)

activities and update inefficient Information Technology (IT) departments through careful contracting with a shared service center.



Figure 1: Shared Service Centers in the UK can help to coordinate municipalities when entering into shared service agreements. They can also be contracted to standardize administrative tasks between sharing partners.

The shared service center acted as a “hub” for updating technology, payroll processes, and HR functions. Additionally, the center brought together 30,000 users of HR services through one arrangement with a shared service center.

Case study researchers recognize the innovative capacity of shared service centers, but warn local governments that careful steps should be taken to implement a successful shared service center (McIvor et al, 2011). Within departments, the standardization process of HR and IT functions can be very alarming for employees, especially long-term employees accustomed to performing the daily logistical tasks. These discomforts threaten the infrastructure and inner-workings of an office.

To engage governments in this form of sharing, difficult adjustments are required between offices of different sizes and locations. Finally, the authors emphasize the need for “relational contracting” to develop strong, lasting, and flexible relationships between governments, departments, and the shared service center (McIvor et al, 2011).

The center performs the routine HR functions (queries and transactions, general accounting, accounts receivable, tax processing), leaving each department’s HR personnel to focus on “solving problems for line managers in areas such as absence management, employee morale, and motivation problems” (McIvor et al, 2011, 255). BOCES shared business offices perform this function in NYS (Hayes 2013).

POTENTIAL BENEFITS OF CONTRACTING	POTENTIAL COSTS OF CONTRACTING
CONTINUOUS IMPROVEMENT CAPABILITIES	EXCESSIVE DEPENDENCE ON A SINGLE CENTER
BETTER TECHNOLOGY UTILIZATION	KNOWLEDGE LOSS
COST SAVINGS THROUGH SCALE ECONOMIES	PERFORMANCE MEASUREMENT DIFFICULTIES
PERSONNEL ABLE TO BE FLEXIBLE	VENDOR OPPORTUNISM

STRENGTHENING SHARING IN NEW YORK STATE

These three administrative models, though varied across contexts, represent the ways in which **central administrative bodies can aid in the organization, mediation, and efficacy of service sharing across municipalities.** These administrative groups can also act as centers for policy change, as they react and respond to state fiscal measures.

Current state policy is in contradiction with the current level of support given for sharing at the local level. The 2013 Cornell Shared Services survey found cost savings were only found half the time (Homsy et al 2013). Without the proper administrative tools, municipalities may step into service sharing agreements that do not save money.

By providing the proper administrative backbone, the State can encourage service sharing and ensure that necessary research and administrative support is provided to ensure efficiency and equity through shared service agreements.

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