Sharing Services in New York State

Successful Cases in Energy, Health Insurance and Joint Purchasing

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SHARED SERVICES

Summary

New York municipalities have been sharing services for decades. The current challenge is to identify new areas for sharing where savings might be possible. **This report focuses on the principles behind success by three cases in energy purchase, health insurance and shared procurement. We find there are many barriers to be overcome – in state regulations, information and design of the sharing agreement, and in management once the agreement is in place.**

Background:

In light of Governor Cuomo's call for local governments to reduce spending by sharing services and consolidating, NYS local governments need to determine the most promising areas for success and criteria by which to assess them. Sharing and consolidation are not new for New York's governments. Given the hundreds of cases of sharing across the state, the task to find new arenas for sharing becomes more complicated. It requires finding potential areas for sharing while determining the best strategies for maintaining success in current cases. This report aims to highlight successful cases and extract the principles leading to their success.

A survey conducted by Cornell University in 2013 found sharing is common among NYS municipalities. However, only a small portion of sharing was reported to be in administrative services despite their high potential for savings. (Homsy, et al. 2013) (See Table below) For example, only 8 % of municipalities reported engaging in sharing information technology services, but 73% of those that did, reported achieving cost savings. Therefore this report seeks to profile cases where sharing is being explored in administrative services.

The cases we discuss below represent key examples of administrative services that achieved success in savings and improved service quality. We explore examples of shared purchasing and the role of shared infrastructure to enable sharing. Based on interviews with the key designers of these cases, this report explores the reasons behind their success and ability to achieve savings and how they faced the challenges of sharing.

Sharing purchases of supplies or services between neighboring municipalities is an efficient way to deliver services while saving costs. **Joint purchases may reduce administrative costs** by decreasing the number of transactions. Most importantly, **joint purchasing helps small municipalities gain the benefits of**

Administrative and supportive services:

	Municipalities engaged in sharing	Avg. length of sharing arrangement years	Most common arrangement	Reported Cost Savings Achieved
Tax assessment	39%	17	MOU	71%
Energy (production or purchase)	25%	10	MOU	88%
Purchase of supplies	17%	14	MOU	88%
Health Insurance	12%	10	MOU	79%
Tax collection	12%	23	MOU	51%
Information technology	8%	7	MOU	73%

Source: New York State municipal shared services survey, 2013 N=947

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"economies of scale" where item price decreases. Our first two cases focus on energy purchase through MEGA "Municipal Electrical and Gas Alliance," and on health insurance through the Tompkins County Health Consortium. Energy and health insurance are two large budget areas where cost savings through sharing may be achieved. One of the challenges of shared purchasing is the need for information sharing to help municipalities determine, in real time, if shared purchasing will represent a savings for them. Our final case profiles an example of shared infrastructure in the form of an electronic purchasing and bidding website being launched by Nassau County.

Cases:

Sharing Energy Purchases:
MEGA "Municipal Electrical and Gas Alliance"

MEGA is a not-for-profit local development corporation located in Tompkins County that offers services for municipalities, school districts, businesses and other not-for-profits around New York State. **It aims to achieve the most competitive prices for electricity and natural gas for its members** to reduce energy costs in the near term. It does so by aggregating utility customers, receiving bids with the most favorable conditions for these customers and managing all contract processes with suppliers and professional consultants. In addition, the corporation interacts with the Public Service Commission to ensure support for its mission and makes sure to inform the public on the available choices (MEGA, 2001).

MEGA was organized circa 1998 as a two-county (Tompkins and Tioga) alliance after the deregulation of electricity. Following a successful pilot program authorized by the Public Service Commission to test the aggregation model, **the alliance was formally incorporated in 2001 and has expanded to include 34 counties and serve over 700 customers including residential entities, municipalities, school districts and private businesses.** The yearly energy supply reaches millions of kilowatts and therms. For example the total commodity value for the year 2013/14 (not including utility delivery charges) was about $35 million (The Lansing Star, June 2014).

MEGA does not charge the participants a membership fee. **All administrative costs and consultant fees are covered by the designated energy suppliers' fee** to MEGA. This fee is specified in the bid per Kwh of electricity or therm of gas.

Unlike options offered by the utility companies, MEGA participants have a choice of either variable or fixed price contracts. Those who choose variable pricing accept the variability of daily market priced electricity or gas. Fixed price contracts, while slightly more expensive, guarantee stability and the ability to project budgets for two or more years. The attractiveness of this feature has resulted in 80 percent of MEGA's customers locking into fixed pricing which differs from one municipality to another based on size, location, load profile and date of contract (Blanchard 2014). **Over the 10-year period 2001 – 2011, cumulative savings to MEGA participants totaled over $12.5 million**

For example, Sullivan County was able to cut its electric supply rate by half. Sullivan County Office of Management and Budget Research Analyst, Heather Brown, stated that between June 2008 when the county joined MEGA, and 2013 the electric supply rate decreased from 13.5 cents/KWH to 6.7 cents/ KWH resulting in over $500,000 in savings annually since 2008. While some of this decrease is the result of market fluctuations and national economic conditions, Sullivan officials explain that saving even one penny a KWH would be equivalent to saving $100,000 a year for the county (Ellen, 2011).

How was MEGA able to achieve savings?

Energy purchasing is one of the services with great potential for sharing and saving. First, it is a complicated service common to all municipalities. Therefore, **creating a structured model for joint purchase can be of help for a majority of the state's municipalities.** Second, the Cornell survey shows that while only 25 percent of municipalities reported sharing energy production or purchasing, of those who did, 88 percent reported achieving cost savings on this service. This indicates that there could be potential for more sharing and savings in this area.

MEGA uses an aggregation model that brings customers with similar energy needs together to attract energy providers, a process that especially provides smaller customers with improved chances to enjoy lower prices and attain benefits of economies of scale. The Governmental Services Director in St. Lawrence County, Michael J. Cunningham, explains, "We're required to competitively bid for electricity because it's not a monopoly. Electricity is always difficult to bid out individually." St. Lawrence County was able to save $12,000 in one year after it joined MEGA in 2009 (Ellen, 2011).

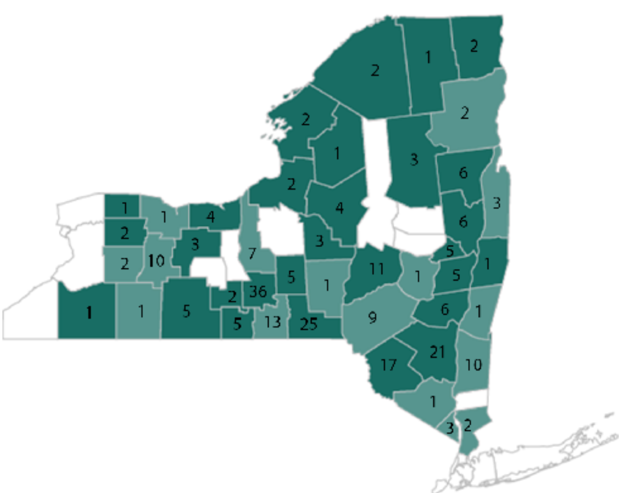
MEGA's process also saves on administrative costs for customers. The aggregation approach avoids replicating many bureaucratic steps since MEGA manages the bidding process on the customers' behalf. All bidding documents satisfy the specific customer group's needs as well as the NYS General Municipal Law, county and education law governing the public bidding process. Barbara Blanchard, MEGA's Manager of Customer Relations, explains the importance of the process in achieving savings, "So these municipalities don't have to go and do their own procurement. You can save a community from the expense of preparing a bid document and advertising it and, in the case of energy, finding someone that can explain the results of the bid. It is more complicated than buying tires... We are saving them the cost of staff, and bids… if you think of consultants that they would have had to hire – it is a huge cost [that the process is] saving for them and it is more efficient" (Blanchard, 2014). Participants also have access to MEGA's professional energy consultants at no cost for advice on energy matters.

What are key principles behind the success of the Municipal Electrical and Gas Alliance?

1. Leadership and Innovation

MEGA had its share of challenges as the 2-county alliance took the lead on the aggregation model in energy purchase sharing, but the ensuing success of the model has turned the challenges into successes

Map 1: Number of MEGA public sector participants by county



Source: megaenergy.org, retrieved August 2014 N= 254 municipalities in 47 counties

especially in reaching a larger number of participants. MEGA had to get the Public Service Commission's approval to test the new aggregation model in the original pilot project. Blanchard summarizes MEGA's efforts to receive the approval for a pilot project, "We kept talking, this is how we will do it, this is how we identified lower income groups to be included. We did everything we could do to cooperate with the PSC. I guess they (the PSC) just thought we have to give these people a chance." (Blanchard 2014) This persistence and cooperative approach gained MEGA the respect of the PSC as well as NYS municipalities and communities.

2. Representative Legitimacy

One of the important lessons learned from MEGA's case is the significance of elected officials' support. Gaining the local government's trust can be tricky when presenting a new initiative. Many local officials would be skeptical, especially with initiatives introduced by new groups. MEGA established its legitimacy early on by centering its leadership in the Tompkins and Tioga Counties legislative bodies. Both legislative chairmen supported the initiative and participated actively in the formation of the group including incorporating business and education leaders in its formation. Barbara Blanchard explains that the key for their success and expansion was the approval of elected officials that ensured representative legitimacy for their initiative. She states, "Whatever we have done was approved by people you elected, that represent you. Having a sponsoring group, that has legitimacy. Other municipalities and members of the community can then say 'I know these people, they are ok'." The Office of the New York State Comptroller in their report on Shared Service in Local Government agrees with this point as it recommends involving government officials in the sharing process saying, "It is very important that the involvement and support of the appropriate elected officials be obtained early in the process... Otherwise, a great amount of effort can be wasted on developing a program that may not get the required approvals, including funding, from key decision makers and the elected governing board" (OSC, December 2009, p. 3).

How can other municipalities benefit from this case?

Sharing energy purchases through MEGA has been a successful process so far. It has expanded to include participants in most of the state's counties (see map 1). Some of New York State's municipal entities have special arrangements and cannot engage and benefit from this process. State-sponsored authorities manage electricity and natural gas on Long Island and in New York City. Several western New York counties are located near Niagara Falls and its large Power Authority resources, while others are located in the Adirondacks. As the map shows, even with MEGA's success to date, **there are a large number of municipalities around the state that might benefit from participating in MEGA or similar programs.** These are potential participants that can achieve savings. Challenges and successes of the previous participants are an asset that helps potential participants understand the process and navigate it more easily.

Renewable Energy Projects: MEGA

MEGA also provides its participants with affordable choices and chances for saving through options of purchase of Renewable Energy Credits and the development of renewable solar and micro-hydro projects.

- **Renewable Energy Credits:**

Renewable Energy Credits (REC) represent the environmental and financial added value of renewable energy over conventional methods of electricity production. These credits incentivize the development and consumption of renewable energy facilities by making them more financially viable. This helps further develop these facilities (Renewable Choice). In addition to basic commodity, MEGA electric suppliers offer RECs at an additional affordable cost that varies depending on generation source. (Blanchard, 2014)

- **Procurement of Renewable Energy programs via remote net-metering:**

Net-Metering is a state initiative[1] under the new Section 66-j of the Public Service Law, which allows customers to enter into agreements with generation sources located at any distance from the customer's property but within the same utility service area. Customers then can purchase energy generated by these remote sources. (MEGA RFP, 2014) As a result, local governments will have access to renewable energy without the need for purchasing RECs attributable to a package of renewable energy sources somewhere in the U.S., or installing a renewable source "behind the meter" on the customer's property, such as rooftop solar. (MEGA RFP, 2014) Local governments will be able to meet their sustainability goals, lower reliance on foreign energy sources while stabilizing and reducing energy costs. (MEGA, Feb. 2014)

MEGA, in partnership with Tompkins County and the New York Association of Counties, created a statewide purchasing arrangement. This arrangement benefits from remote net-metering to provide renewable sources to MEGA's participants in the form of solar and hydroelectric projects. Participant governments have the opportunity to enter into agreements for up to 20-years. (MEGA, Feb. 2014)

MEGA went through a competitive procurement process to select renewable solar and hydroelectric energy suppliers for their participant municipal governments. Beginning 2014, MEGA participating were able to access the stabilizing benefits of small hydroelectric facilities owned and developed by Gravity Renewables, Inc., Boulder Colorado that was selected by MEGA's process. (Gravity Renewables, 2014) This arrangement is supported through a Power Purchase Agreement for approximately 20 years. As for solar energy, MEGA selected SolarCity Corp. SolarCity offers solar pricing proposals to MEGA customers that are also stabilized for up to 20 years. MEGA members will have prequalified Power Purchase Agreements (PPAs) that would offer streamlined procurement for solar energy and include a guarantee of solar kWh generation. (MEGA, July 2014).

Why are Renewable Energy Projects a good area for savings?

The importance of renewable energy programs lies in the variety of benefits. They aim at reaching four goals; obtain electricity from a renewable generation source, stabilize electric costs long term for a portion of the customer's requirements, foster economic development of expanded renewable energy generation and support decentralized energy generation to improve Smart Grid goals. (MEGA RFP, 2014) Blanchard describes these benefits as "a package of valuable things" (Blanchard, 2014). In addition to the commodity and benefits of renewable energy, there are savings on costs of bidding and energy purchase and bills. Lee Kishishian, the representative of Solar City, one of the renewable energy suppliers, states the gains of these programs saying, "Local governments can save taxpayer money, lock in their energy costs and meet their sustainability goals with clean solar energy" (MEGA, Feb. 2014).

Savings generated by net metering agreements impact not only the commodity cost delivered by the utility, but also the fixed utility as it reduces the

1 The new program has been made possible by a net metering bill and signed into law by Governor Cuomo in 2012.

intake from the utility. (MEGA RFP, 2014) On the other hand, the generation owner, after signing an agreement with one customer, would be receiving more for the electricity generated than they would have received from the grid. This is described in an example provided by MEGA RFP on remote net-metering, "if a customer is presently paying 8.5 cents per kwh including utility and energy supply, they could reach agreement with a renewable generator at, say, 6.5 and save 2.0 cents/kwh. The renewable generator might have been averaging 4.5 from the market, or grid, so its revenue would rise while the customer still saves. A win-win." (MEGA, RFP 2014) Eventually this would have a bigger impact as the enhanced pricing to the generator would allow them a better return on investment, the incentive to expand renewable generation capacity, create jobs and pay local taxes. (MEGA, RFP 2014)

While fossil fuels have fluctuating prices, renewable sources can provide more stability in energy prices. For example, solar energy rates can be up to 50% lower than current retail utility rates, depending on location and installation type. Also, neither Solar City nor Gravity Renewables Projects require capital investment. MEGA offers the Solar City and Gravity Power Purchase Agreements that require zero capital investment (MEGA, July 2014). MEGA's programs for solar and hydroelectric projects, thus could eliminate the need for capital investment, reduce operating costs and lock in a long-term energy hedge.

These initiatives are still new and have potential to expand and help a larger number of municipalities achieve lower renewable energy prices. This is especially true given MEGA's wide customer base across the state, where partnerships and trust are already established among the municipalities and with the corporation.

MEGA has been able to reach many of New York's municipalities and achieve energy costs savings and/or budgeting stability for them and will be continuing to expand its basic procurement program. Keeping up with new arenas for energy production and purchasing incentives is also important for maintaining success and increasing savings. Interest in renewable energy sources is increasing, especially given the state's incentives for renewable energy purchasing, and MEGA will continue to bring these opportunities to its participants.

Sharing Health Insurance Purchasing: Greater Tompkins County Municipal Health Insurance Consortium

Health insurance is a growing cost for New York's local governments. One potential way to save money is to self-insure and to join with other local governments to expand the size of the insurance pool and realize lower rates. A unique approach is the Greater Tompkins County Municipal Health Insurance Consortium, an entity created by the Tompkins County Council of Governments. It is the result of an agreement between 15 municipalities and labor unions of Greater Tompkins County. It was established under Article 47 of the New York State Insurance Law[2] (LGEC, 2008). The consortium functions as a small insurance company (Barber, 2014). They write their policy plans. The insurance plan benefits are owned by the consortium and self-funded by its assets through the participating municipalities and their employees and retirees (GTCMHIC, 2009). However, these plans are administered by Excellus, which is a private company that finances and delivers health insurance. (Excellus).

The goal of the Consortium is to provide affordable health insurance to its employees and eligible retirees, prescription drug coverage, and, when applicable, ancillary benefits to its members without diminishing benefits (GTCMHIC). Today, the consortium includes a range of municipalities (Tompkins County, City of Ithaca, Town of Ithaca, Town of Caroline, City of Cortland and others) with number of contracts (individuals served) ranging from 10 to 1,200. The Consortium currently provides coverage plans for 5000 members including employees, retirees and their dependents These plans are managed by a board of directors headed by an executive director; Don Barber, who is the first director for the consortium.

The Health Insurance Consortium was able to achieve annual savings close to $1 Million (Barber, 2014). Savings were mostly on administrative costs and insurance company commission fees (OSC, November 2009). The Tompkins County Council of Governments received a $266,030 SMSI grant from the state in 2007. This grant enabled them to come together and work on establishing the consortium. (Lynch, 2007) Then, partners had to ante up $ 1.22 million to create a Contingency Reserve before the State would issue the "Certificate of Authority". Now in its fourth year of

2 More about Article 47 is available via the following link: http://**www.nyslocalgov.org/pdf/Cooperative_Health_Insurance_Purchasing.pdf**

operation, the consortium has premium revenue that exceeds $ 30 million. (Blakinger, 2014).

How was the consortium able to achieve savings?

According to the Office of the NY State Comptroller's 2007 Annual Report on Local Government, health insurance is a main component behind the increase in employee benefit costs, as it constitutes approximately 50 % of spending on employee benefits. The New York State Comptroller's office states that employee health insurance costs in the state have grown from $2.1 billion in 1995 to $4.4 billion in constant dollars in 2005, which represents a 107% increase or 7.5 average annual increase (LGEC, 2008). Mack Cook, the director of administration and finance department at the City of Cortland, claims that about 25 cents of each tax dollar go to health insurance coverage of employees and retirees and it is the single largest portion of the budget after police (Cook, 2014). The Cornell shared services survey found only 12% of the 947 responding municipalities reported engaging in health insurance sharing. Of these, 79% reported achieving savings in the cost of health insurance (Homsy et al 2013). Thus there is high potential for savings in this arena.

Sharing health insurance among 15 municipalities helps decrease expenses and risks. The consortium writes its own insurance policies instead of buying them from private companies, so it is financially independent. **The consortium is able to achieve savings by negotiating reduced administrative costs and retaining all financial risk.** Mack Cook, explains, "we pay back in premiums or claims 94 cents of each dollar. Insurance companies pay 86 cents of each dollar. We are more efficient. We are able to keep our rates lower– instead of 12 or 15 % increase we have 5 to 6%" (Cook, 2014). So as health insurance costs increase, the consequent increase in premium rates is limited.

The Tompkins County website[3] provides charts comparing plan benefits before and after the consortium in each of the participant municipalities. The comparison shows, in most of the cases, lower rates and more benefits under the consortium plans. For example, the Village of Trumansburg has a co-payment requirement of $10 under the consortium versus $15 before. While the plan under the consortium offers more benefits, like out-of-network coverage for most benefits and other additional benefits like hearing aids.[4]

3 **http://tompkinscountyny.gov/files/healthconsortium/History/Comparisons**

4 Details of the example chart can be found via the following link: **http://tompkinscountyny.gov/files/healthconsortium/History/Comparisons/VillageofTrumansburgEPO.pdf** .

What are the key principles behind the success of the Greater Tompkins County Municipal Health Insurance Consortium?

- Leadership and Innovation

The Tompkins County Council of Governments was the first to start a sharing process under Article 47 of Municipal Insurance Law in 2011[5]. Article 47 is a regulation that was introduced by NYS to the Municipal Insurance Law in 1993 to expand opportunities for local governments of different sizes to collaborate. In theory, ArticleA-47 offers the potential for sharing, but in practice the complexity and ambiguity obstructed any implementation attempt.

The fact that no municipality had implemented a sharing process under A-47 before imposed a great challenge on the Consortium[6]. Many of the rules and regulations were still unclear and unexpected adding to the complexity of the process. This led to a long process of back and forth negotiations between the consortium board and the State. The consortium had to face a series of obstacles imposed by Article 47 like reserve requirements, defining union participation, financial stability, community rates, and securing a minimum of 2000 contracts.

The process took several years. However, these challenges were faced by the consortium's strong leadership. Constant meetings and open discussions were key. Barber explains, "The biggest thing is that we were able to come together as equals. We had great leadership in Tompkins County that others may not have. The fact that we have collaborated in the past a lot [had a great effect]. The biggest show of collaboration was the need to collect $1.2 million [in reserves]. Some municipalities contributed more than their shares– that is huge who does that." (Barber, 2014).

The reserves requirement was one challenge. According to A-47, the collaborators had to put all their reserves out –around $4 Million in the Consortium case– before starting. This was a huge hurdle for the Consortium, first because the amount was large and the 15 municipalities were not able to secure it, and second because this requirement came halfway through the application process.

5 TCCG applied for the SMSI grant in 2007, got certified in October 2010 and started operations on 1/1/11.

6 About a half dozen article 47 type consortiums exist throughout the state, but all were constructed before 1993 when the state decided to regulate this type of arrangement. All pre-existing ones have some permutation of the structure described in Article 47, but Tompkins Consortium does comply with all requirements.

The Consortium board of directors petitioned, and after long discussions, the State reduced the contingency reserve to $1.2 Million while the rest "builds up" over the next year.

Hence, the consortium worked on dividing the amount among the 15 collaborators based on premiums paid. However, not all municipalities were able to contribute their pro-rated share toward the $1.22 M before start up. The amazing action was that other municipalities made up the difference so the consortium could reach its goal and get its Certificate. (Barber, 2014) Don Barber the chair of Tompkins County Council of Governments explains, "we went around the municipalities and we said, this is your share by the number of people you're joining. The largest employers didn't have the money so the other municipalities had to put in more. The town of Caroline [for example] put $30 [thousand] instead of $13 [thousand]. [Eventually] we reached $ 1.22 [million]" … "The good news was that at the end of the 3 years we had paid back every municipality and we had excess above our reserve so [today] we are very strong financially."(Barber, 2014).

- Inclusion

Inclusion is a core concept in any sharing process and a key to its success. The Office of the New York State Comptroller in its report on Shared Services in Local Governments, recommends inclusion as an essential step for success saying, "By including all potential participants right from the start, a shared services program often has a better chance for success" (OSC, December 2009, p.3).

The Health Insurance Consortium has made a big step by including labor unions within the Consortium's board. They included an element that was usually kept at the receiving end of a service sharing process. The labor unions became a voting member on the Consortium board with 2 votes, which represents 15% of the board. Though defining the union participation and agreeing on the level of their representation took a lot of effort and discussion, it played an important role in the success of the Consortium. Barber describes, "we are in a unique position, we pay the insurance, we write the insurance and our employees sit on the board. You won't find this in any insurance company you run into. So this was a hurdle and an opportunity at the same time."

Labor is the direct beneficiary of the insurance policies. Therefore, by sitting on the voting board, they are able to give and influence informed choices that are protective of labor rights. Since they become aware of how the insurance company operates, their relation with the employers changes from the traditional confrontational stance to a collaborative one. Barber adds, "Having labor in this with us is an opportunity to help us to embrace what they can do and make themselves healthier and happier." (Barber, 2014).

- Diversity

While sharing services and saving on costs, municipalities aim to sustain the ability to address their unique needs and conditions. This is one of the most critical challenges for sharing. Inability to maintain diversity can, in some cases, be an obstacle prohibiting sharing. The Greater Tompkins County Municipal Health Insurance Consortium was able to maintain diversity of insurance policy plans among its 15 participants. **Instead of consolidating the 15 different insurance policies into a single policy to apply to all municipalities, the Consortium offers 8 different plans.** This was a very important step towards success of the sharing process between the large numbers of participating municipalities. It allows flexibility for the different municipalities, their employees and their needs. Participants do not pay unnecessary expenses in premiums, as they choose the plan that best fits their needs.

- Independence and Ownership

An important factor in the Consortium's success is creating an independent entity with a sense of ownership for the policy plans produced. This has allowed Consortium participants to free themselves from the limitations imposed by private companies. Revenues were directed to the Consortium granting it control over policies, and reducing premium rates. For example, Barber explains that private companies can and will change the policies whenever it suits them, to avoid excessive losses. The Consortium, since it uses and writes these policies at the same time, doesn't make changes unless it is for the participants' benefit. Barber describes, "[The Consortium] was successful because there were no changes in the insurance policies. We told Locey and Cahill, [the consultants involved in the initial studies] there could be no reduction in benefit, so we consolidated policies into 8. So the ones with higher benefits stayed [which] made us successful from the employees' perspective." (Barber, 2014).

How can other municipalities benefit from this case?

Some aspects of the Greater Tompkins County Health

Insurance Consortium are specific to Tompkins County and other counties in upstate New York, as they cannot be replicated in downstate regions like Long Island. However, this case offers a lot to learn from. For example, Niagara County's 21 governments were discussing in the last few months the possibility, benefits and concerns of creating a health insurance consortium. Some of the county officials have concerns. For example, Greg Kerth, a Village of Barker trustee asks, "If you have a small village, would the costs of joining this be more than the cost of buying insurance yourself?" Others like Barker's Mayor, Aaron Nellist, see the potential saying, "The big hit is the feasibility study, but on the other hand, we had a 23 percent increase in health insurance last year".

The Tompkins County Consortium offers a case study as it showcases the benefits and the way to face potential challenges. The Somerset Town supervisor states, "At present, Tompkins County has the only countywide health insurance consortium in the state, but because of its enhanced buying power, its health premium increases in the last three years have been well below what members would have experienced on their own." Having a case like Tompkins County that has faced a series of challenges successfully, inspires counties like Niagara to believe in the sharing process. Michael Martone, Gallagher's area president sums it up saying, "Is it daunting? Is it a lot of work? Yes, but it can be done." (Prohaska, 2014).

Information Technology: Cloud-based Shared Services electronic purchasing & bidding website

One of the challenges of shared purchasing is the need for information sharing to help municipalities determine, in real time, if shared purchasing will represent savings for them. The Shared Services Procurement site is to be launched by Nassau County in winter 2014. It is designed and developed by Specbid, which is a private firm. The Procurement is an interactive real-time website that encourages and facilitates shared purchases between the counties' municipalities and sub-divisions. It provides them with a searchable and downloadable database of all county contracts and blanket purchase orders. In addition, the website's dashboard aggregates verifiable data, producing critical analytics in real-time with a live data feed. Municipalities then can easily participate in leveraging buying power after they identify economies of scale and potential purchase partners based on their annual usage amounts on particular items or services.

In addition to being accessible and cloud-based, requiring no additional software, the website also provides other helpful features. These include: the shared Energy Services page where the real-time analytics identify current pricing for the ever-fluctuating fuel and gas markets, and instant email alerts for buyers and sellers that ensure communication and increase operational efficiencies and real-time bidding (Nassau County, 2014).

How is the web-based infrastructure able to achieve savings?

This web-accessible database will be a useful infrastructure for increasing the county's shared purchases and bids. The County's shared services department projects an annual average saving of $ 1.5 million for each $ 180 million in procurement, which is more than a 5 % savings on this value of procurement. (Intagliata, 2014) The convenience and accessibility of the web-based data makes the process more likely to take place. Also, **sharing will not be limited to geographical proximity and previous collaborations. It will be based on the size of purchases, type of item or service, and suppliers.** Therefore, municipalities can find potential partners for more efficient purchasing and bidding.

Future Challenges:

The cases of shared services in this report have been able to overcome a number of challenges to achieve success and savings. However, for municipalities to maintain their success, many challenges are still ahead. **First, municipalities have to keep up with the Property Tax Freeze Credit by finding new areas of sharing.** New York state municipalities have been sharing for decades before the Tax Freeze Credit program. **Many of the existing cases of sharing may not qualify for the reimbursement. Therefore, exploring new areas is critical.** Municipalities are aware of this challenge and are looking back in hopes of including their past sharing in the reimbursement period. For example, last August, Tompkins County passed a resolution that requested the state of New York "reward the existence of efficiencies in a manner that recognizes that longevity of shared-services has been of a greater benefit to taxpayers than more recent implementation of efficiencies." (Tompkins County, 2014). **They are requesting a longer "Look-back" period that**

would include past sharing and "reward" instead of "punish" local governments that have initiated shared services. Unfortunately the guidance released by the State limits the look back period to just January 2012. This is unfortunate and unfairly penalizes early innovators.

Another challenge is administration and professionalization of the process. Cases like MEGA and the Tompkins Health Insurance Consortium have been achieving high savings by reducing members' administrative costs. However **much of the management and administration of these sharing agreements is performed by volunteers on top of their regular municipal roles. Looking to the future, they realize the need for a professionalized management structure.** The challenge is to maintain balance between professionalizing the process and saving on administrative cost. The Tompkins Health Insurance Consortium has a volunteer Board of Directors. And the main difference from the private sector is that there are no shareholders or investors that expect a return on their investment. (Barber, 2014) MEGA has moved from a volunteer board of directors to create part-time positions. Blanchard explains, "It is going to require additional staff effort. All the staff is part time even the CEO… we have to make sure we have this better customer-relations manager. It is more of an expense, but you'll have more revenue as you grow." (Blanchard, 2014).

This issue brief has profiled successful cases of sharing in three areas: energy purchase, health insurance and shared procurement. These are areas that may present new opportunities for savings through sharing. The cases profile the key challenges and lessons learned. They make clear the need for investment in design, management and administrative support to facilitate more shared service agreements. **Municipalities need state support – in clearing regulatory barriers, and in recognizing and subsidizing the design and administrative costs of service sharing.** While savings can be achieved, getting there is not a costless process. It requires innovation, risk taking and a lot of hard work.

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