

# FAIR committee confronts city finances, intergovernmental relations

Global rating scales and the need for strengthening our intergovernmental partnerships were among discussion topics at the National League of Cities' Finance, Administration, and Intergovernmental Relations (FAIR) Steering Committee meeting.

By JoAnne Bush, League president

**AURORA, COLO.**—The National League of Cities' FAIR steering committee met Sept. 11-13 to research and discuss priority policy topics and finalize policy amendments and resolutions for 2009. Many issues affecting municipalities nationwide have come to the forefront, including global rating scales, issuing letters of credit and the home foreclosure crisis.

## Cities filing for bankruptcy

In Vallejo, Calif., the bankruptcy judge ruled in favor of supporting the city's decision to file for bankruptcy, a unique situation for California. This is not the first time for a bankruptcy proceeding; usually the decision to file is caused by an inverse condemnation lawsuit such as what happened in Orange County, Calif., where bad investments caused the area to file for bankruptcy.

Vallejo's situation serves as a cautionary tale of what cities should not do. Vallejo was one of 25 charter cities to first adopt binding arbitration. Binding arbitration covers compensation and minimum staffing levels. It created problems in the city as they tried to balance their budget. They tried to reduce fire department staff, but were restricted by binding arbitration. The city also neglected to address their financial situation. While they experienced growth in recent years, the downturn in the housing markets, loss of construction jobs, loss in property taxes and overall unfavorable economic conditions highlighted the fact that they were not well prepared to handle swings in economy.

In Vallejo, filing for bankruptcy was a tactic to vacate current financial obligations, including negotiations of wages, compensation and staffing levels. A substantial part of the general fund is public safety for municipalities—upwards of 80 percent. However, this may not be a true indicator of what cities are spending, as other services such as park maintenance could be contracted out.

There is concern from the constituency about the fact that property crimes investigation is currently not

being funded or even provided. Foreclosures and a lack of work opportunities are also contributing factors.

Most cities in California, however, are facing an economic crisis right now. The state is looking at a tax increase, if they can reach an agreement on the state budget. Tax increases must go to voters and require a two-thirds vote if earmarked. In Vallejo, a citizen group formed to amend the city charter to delete binding arbitration contracts. There is currently no movement on it, but that may change in 2009.

## GASB update

Brian Murphy, NLC representative to GASB, provided an update on the latest issues surrounding GASB. Service Efforts and Accomplishments (SEAs) is an issue that NLC, with input from the FAIR committee, and in collaboration with other state and local organizations, has been actively working against. The perceived implication is that while GASB has stated that SEAs are just a guideline by which local governments could set their own performance measure standards, it will inevitably become required.

Murphy reported that GASB has stated in revisions and clarified that its role is not and will not be to establish standards for performance reporting. To the extent that work is done by GASB on this issue, it will be to pursue voluntary suggested guidance.

GASB would like to hear from cities on this issue. The deadline for written comments is Oct. 31. There will also be a hearing at the NLC conference on Nov. 14 in Orlando. The deadline to notify GASB of an intention to participate in the hearing is Oct. 31. Members are encouraged to participate in the hearing to share local perspectives on SEAs and how they would affect their communities.

## 2009 policy amendments and resolutions

The committee approved nine resolutions for 2009, including three new resolutions on the Municipi-

pal Bond Fairness Act, the need for an intergovernmental partnership, and continued funding for the 2010 Census. The committee directed staff to address the following issues with a few of the resolutions:

- Clarify the bill language in the Terrorism Risk Insurance Act and edit resolution language as needed.
- Make the resolution entitled "Local Government Opposition to Requirements for State Collection and Administration of Local Telecommunications Taxes in Federal Legislation on Streamlined Sales and Use Tax" the first resolution as listed for 2009.
- Consider the need for a resolution on the U.S. Court of Appeals for the 6th Circuit ruling to deny local government's request for relief from federal rule that preempts local government control in the video franchise process. Staff will determine the need for this and update the committee accordingly before the Congress of Cities.

### **Intergovernmental policy brief**

The committee reviewed a policy brief on intergovernmental partnerships. There were many interesting topics for discussion, but the topic that I think we should work very aggressively toward is building back our intergovernmental partnerships. This policy brief, in addition to a variety of others, including housing finance, public safety, sustainability, infrastructure, poverty reduction and healthcare, will serve as NLC's formal policy positions on these issues for both presidential candidates' transition teams

The NLC has published a draft entitled "Policy Brief: Governments Working Together." This draft speaks to the problem of "an unraveling intergovernmental partnership." With localities struggling to meet increasing needs in several areas, and with cities and towns facing fiscal problems resulting directly from state and federal policies, the time is right for a broader national discussion of how to strengthen the intergovernmental partnership. To accomplish this task, NLC recommends the following:

1. Conduct a summit of local, state, and federal leaders to discuss our intergovernmental relationship, the principles and practices of federalism, and the steps we take to ensure an effective partnership on behalf of the American people.
2. Create a permanent venue that:
  - a. Is comprised of representatives of local,

state, and federal leaders, as well as private citizens.

- b. Fosters improved relations, consensus-building, and generation of policy solutions among local, state and federal leaders.
  - c. Provides quality and timely information, data and analysis about the health of the intergovernmental system, including an annual report to the President and the Congress on the status of the intergovernmental system. The report should include a discussion of the prospective consequences of new revenue and spending proposals as well as recently enacted changes affecting all levels of government, including accounting for preemptions and unfunded mandates.
3. Amend the Unfunded Mandates Reform Act (UMRA) to include the intergovernmental fiscal effects of federal law changes, such as mandates. This would permit members of Congress to raise a point of order if the covered mandates exceed certain cost thresholds. At the same time, the fiscal cost thresholds should be lowered to facilitate the same level of scrutiny about potential federal actions that previously were excluded from the provisions of UMRA.

NLC Past President John DeStefano of New Haven, Conn., put it well when he stated, "The intergovernmental system provides a window into American values. This is really about what we want America to be and what we want for our nation. And what is the role of government in getting us there? We need to come together at all levels to answer these questions so that we can build a better, stronger nation."

Our next FAIR Steering Committee meeting will be Nov. 12 in Orlando, Fla., at NLC's Congress of Cities. The committee will present policy amendments and resolutions to the full policy and advocacy committee. I look forward to presenting future updates. Please contact me at 870-265-2228 if you have questions.



*JoAnne Bush is Mayor of Lake Village, President of the Arkansas Municipal League and a member of the FAIR Steering Committee.*