

Statement by

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Chairman Danielson, Chairman Vander Linden and Members of the Committee, my name is Alan Kemp, and I am the Executive Director of the Iowa League of Cities. I truly appreciate the opportunity to present at this committee today on behalf of the cities across the state of Iowa. I want to bring forward ideas that can help the League and its city members of all sizes, move forward as a partner with the state. With the passage of property tax reform last session--a hard fought compromise--city budgets will certainly be under pressure and cities will be looking for new ways to do business. To that end, we look toward the future and will focus on ways this committee and the legislature can change state law, to partner with cities to foster efficiency and taxpayer savings at the local level. I know we have only a short amount of time with you today, and some of the issues we are raising are complex. We would be happy to follow up with you on any of the topics we present today to help move them forward and to provide additional information.

Infrastructure Funding

The State legislature's decisions can have a significant impact on the efficiency and tools available for local governments. One of the League's Legislative Priorities this session is **Infrastructure Funding**. Shortfalls in road and bridge funding and water infrastructure funding affect the ability of cities to maintain and upgrade infrastructure and to attract and retain businesses and jobs. This affects economic development in the state. Because existing funding sources are inadequate, taxpayers pay more in the long run, when roads are allowed to deteriorate without adequate maintenance and when cities must bond to pay for essential infrastructure. In 2012, the Iowa Department of Transportation estimated a total overall annual shortfall of \$1.6 billion to fund road and bridge projects, and a "critical needs" annual shortfall of \$215 million. Left unfunded, transportation infrastructure conditions may deteriorate further and cost may escalate as a result. From 1997 to 2012, the "buying power" of these infrastructure dollars has also decreased, largely due to inflation and higher construction costs. In fact, this buying power is about 25% less than in 1997, but also with worse road and bridge conditions. The League asks that the legislature change state law to increase available road and bridge funding for cities.

In addition, cities are facing great strain from water infrastructure demands due to changing regulations at the federal and state level, which will ultimately impact ratepayers' pocketbooks.

Cities are facing a nearly 1.3 billion dollar investment to upgrade facilities due to the Iowa Nutrient Reduction Strategy. The League asks that the legislature works in partnership with the League to help establish a workable nutrient trading system to create efficiencies in the nutrient strategy implementation process and provides funding for point sources for nutrient strategy implementation and testing.

The League also supports legislation to increase communication and create a more level playing field between rural water associations and districts and their interaction with cities in the two-mile limit. Municipal and rural water suppliers provide an essential service to the citizens of the state. Under the Iowa Code, there are different legal requirements for rural water districts versus associations, such as open records, even though they perform the same functions. A fair process should be established for the purchase of territory similar to other utility purchase schedules. The current state of the law at the federal and state level has created barriers to economic development and an inefficient use of taxpayer dollars when cities and rural water associations interact within the city's two-mile limit.

The League's smaller cities support programs where the state partners to help deal with abandoned nuisance properties. The Iowa League of Cities conducted a survey in January 2011 to gauge the prevalence of abandoned and derelict buildings, and to identify the types of action communities are taking to address this issue. It was sent to communities across Iowa with less than 5,000 in population. The Iowa League of Cities received 257 responses. Most respondents had a story to tell, and provided the League numerous examples of "problem" buildings in their communities. More recently, the League requested information about abandoned school buildings. In that survey, 294 cities responded, and 80 abandoned school buildings were reported.

Our surveys generated an overwhelming number of examples. Major problematic themes included buildings left in disrepair that would be extremely expensive (or a municipal financial hardship) to repair or demolish; uncooperative property owners; high legal costs to pursue enforcement; and unsafe conditions/health hazards.

While many times seen as a local issue, there is a greater environmental hazard with the need for asbestos removal in these buildings before any demolition or redevelopment can occur and these buildings create an impediment to mainstreet economic development in the state. A grant from the **DNR's [Derelict Buildings Grant Program](#)** can jump-start environmental clean-up and improve mainstreet for cities with buildings in bad need of repair or demolition. Currently, up to \$400,000 from the Solid Waste Alternatives Program can be used for this grant program. By investing a relatively small amount per project, this program can be a catalyst for economic development and save small cities a significant amount in landfill fees by diverting waste. The League supports maintaining or increasing funding for this program.

Pensions and Healthcare

Another key issue for 49 of Iowa's most populated cities is a better partnership with the state on the Municipal Fire and Police Retirement System of Iowa—better known as MFPRSI or the 411 system. This system has created a strain, particularly in recent years, on city budgets. City

contribution rates, which are not capped, have climbed to 30.12 percent (FY13) of covered wages, while the state has phased out its contribution to the system to zero in 2013. The state made a commitment to contribute 3.79 percent of payroll, to cover benefit increases the legislature passed in 1976. Since then, the state froze that amount and then has removed it all together. This means cities pick up that additional cost each year on top of their contribution rate.

In addition, the State of Iowa (the "State") made a commitment to assist in funding the plan in conjunction with the passage of a benefit increase in 1976. Initially, the State committed to pay an annual contribution equal to 3.79% of total member payroll to the plan. In 1992, a statutory change was made to require the State to make a flat dollar contribution to the plan annually. This amount began at a level of approximately \$2.9 million per year, but gradually was reduced over time due to budget hardships. As of fiscal year 2013, the State completely stopped making a contribution to the retirement plan, thus obligating the cities to pay the entire required employer contribution.

The State's decision to reduce and now eliminate its contribution commitment to MFPRSI has had a substantial financial impact on the participating cities. The plan has calculated that the reduction in the State's contribution from its original commitment has required the cities to contribute an additional \$50 million over the past 20 years. The Board strongly believes that the State should uphold its contribution commitment to the plan.

Page 15 MFPRSI Legislative Report February 1, 2013

As the plan sponsor and administrator in control of system changes, the League would ask the state to restore its partnership with the cities to ensure this is a strong 411 Pension plan and to examine ways to help control costs to its member cities.

The League also seeks other ways of helping fund public safety in our cities, including increasing the township levy to allow cities to adequately fund service to the township outside their community, partnering with the state to fund ILEA training and to ensure all users of public safety services are paying a share of the cost of those services.

As you all know, healthcare is changing, but costs continue to rise. Ideas have been floated at the state level to allow cities to participate in the state healthcare plan. Although the League does not have specific recommendations in this area at this time, cities are open to working with the state to explore the possibility healthcare pooling or other ways to reduce healthcare costs.

Local Government Efficiencies

Publication Requirements

Cities have looked for ways to reduce costs and increase efficiencies, and one such way would be to allow online publication of notices and ordinances that cities are mandated by state code to publish in newspapers. The League would like to work with the legislature to reduce city publication costs and work toward efficiency using electronic publication of notices and ordinances while maintaining openness. In 2013 the Pew Research Center in their *State of the News Media* poll showed over the past ten years over 20% growth in news received via online

publications and a decline in print readership by 10%. In addition to cost cities, at times, run into publication timing issues with newspapers moving toward weekly publication and sometimes monthly council meetings.

City elections

The League would like a clarification in the Code for city elections to clear up confusion over when to hold an election when an appointment for a vacancy (for a council or other elected city position) has occurred. Until recently, the understanding was that cities should hold an election for a person appointed to fill a vacancy, at the next CITY election. Direction from some county auditors has been to hold this election at the next GENERAL election. To avoid further confusion and to reestablish uniformity, Cities would like to make clear that these elections should be held at the next CITY election.

Rulemaking

Rules created and implemented by state agencies can and do greatly impact city operations. The League appreciates the changes made to the rulemaking making process during the 2013 Legislative session that moved through the State Government Committees, and supports modifications to the rulemaking process that allows for improved interaction with State agencies.

Diversified Funding Options to Recover Costs

Finally, the League would like the Legislature to allow cities to implement diversified funding options and new ways of local financing. In particular, cities would appreciate being able to have the tools to recover certain costs that are currently unfunded. As an example, cities extend public safety and other services to areas within and outside of the city limits who do not pay for those services. An ability to increase the township levy would provide the ability to recover costs born for the provision of services outside of the city limits and a potential public safety fee would help offset the services within the city for properties that are exempt from paying property tax. Tax exempt properties, especially within larger cities, can make up a significant portion of the footprint of the tax base. Cities strive to provide safe environments for all residents and changes like this can assist in the continued provision of these services.

Conclusion

Chairman Vander Linden, Chairman Danielson and Members of the Committee, thank you again for the opportunity to suggest ways to partner together with the state to enable more local government efficiency. We look forward to working with you on these and other city issues in the future.