

Rhode Island League of Cities and Towns



LEGISLATIVE GOALS 2014

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FOREWORD

The results of a public confidence survey conducted by Alpha Research Associates for the RI League of Cities and Towns have framed the legislative goals which follow. This survey confirmed that our state's citizens believe that our cities and towns are more highly regarded than either the federal government or our state government in the following areas: efficiency, spending, addressing citizen needs and dependability. Rhode Island's municipal leaders want to capitalize on and strengthen the overwhelming confidence our residents have in local government's ability to meet the needs of its citizens. Indeed, that is where the priorities of our cities and towns lie — meeting the needs of our residents and businesses!

In order to continue to meet these needs, local government officials need **DEPENDABILITY!**

MUNICIPAL FINANCES



Dependability in knowing that our state and legislative leaders will develop a sound financial strategy and plan to deal with the dramatic losses in state gaming revenue upon the advent of casino gambling in Massachusetts.

■ The introduction of gambling in Massachusetts over the next several years will have serious consequences for state finances. The state's five year financial projection forecasts that lottery receipts, even with the advent of table games at Twin River, will decline from \$399.9 million in FY 2015 to \$285.3 million in FY 2019. Most of this decline will occur from FY 2016 to FY 2018 and would be dependent on the timing and location of Massachusetts facilities. Half of the state's structural imbalance in the forecast

We need to stabilize municipal finances and reduce local government reliance on the property tax to support municipal services.

is driven by the decline in lottery revenues. It is uncontroverted that while the state's tax structure is in the middle of the pack when it comes to the broad based sales and income tax, we rank fourth in the nation

when it comes to collections in property taxes to support local government services. Any solution to the state's long term fiscal problems, driven by the decline in lottery receipts, and which relies on decreases in state aid and a resulting increase in property taxes, is unacceptable to taxpayers. And it should be! Cities and towns need to be a participant in these decisions.

■ The need for a sound financial strategy to deal with the losses in state gaming revenue is underscored by recent history. As the recession bottomed out, several cities were

in such dire financial straits that a new act was passed that created a state oversight framework for troubled cities. The driving force in creating near insolvency was cuts in state aid accompanied by stock market losses in pension assets. Municipal officials objected to the details of the act but not the need. They still object to the details. In particular, there is lack of clarity on the continued responsibilities of Mayors, Managers, and Councils during oversight and there is an imbalance in the determination of when oversight will end.

■ Cities and towns have worked hard to improve their financial position since the depths of the recession and the loss of hundreds of millions of dollars in state aid. Most of them have been successful. Since 2010, unreserved fund balances of our 39 cities and towns have increased by more than \$80,000,000. Unfortunately, some have been more successful than others. It remains the case that Rhode Island's urban core cities remain in a financially precarious position. Employees have sacrificed, services have been cut, and property taxes have been increased, but that has not been enough. It was a positive that the school aid formula was funded, but much more needs to be done to help stabilize local municipal finances and reduce local government reliance on the property tax to support municipal services.

RETIREE BENEFITS



Dependability in having the fiscal resources to finance retirement and post employment health insurance programs and not having to worry about higher municipal pension and health care contributions due to either court ordered mediation or legislative modifications to existing pension and post employment benefits .

Pension Reform — Locally Administered

■ Many cities and towns made commitments to their retirees for pension benefits in a period when inflation was high. A 3% COLA was modest when inflation was 8%. Now inflation is below 2% and long term investment return expectations are ratcheting down. Cities and towns need help from the state in affirming change is necessary just as the state acted to modify benefits for its employees and teachers in 2011. The current and expected long term investment climate do not support the sustainability of existing programs. We encourage a statutory funding benchmark which would allow for suspension of COLAs.

Pension Reform — State Administered

■ Cities and towns also need the General Assembly to demonstrate extreme caution in their consideration of any potential mediated benefit changes to the enacted changes of 2011 for teachers and many municipal employees who participate in the

Higher pension contributions would be cataclysmic to many of our cities and towns.

Municipal Employees Retirement System. It is important to remember that *cities and towns are not at the table in the on-going court-ordered mediation* meetings. Thus, it would

be irresponsible for the parties involved in the mediation process to reach any type of agreement which could increase the employer contribution rate paid by local governments for school teacher and municipal employee retirement benefits. The implication of higher pension contributions, especially for police and fire pensions, would be cataclysmic to many of our cities and towns.

Retiree Health Insurance

■ Similar to pension commitments, decisions on retiree health insurance were made when costs were relatively modest. After decades of near double digit medical cost increases, these presumed guarantees on plan design and lack of participation by retirees are unsustainable. Our cities and towns support state assistance in creating a foundation for municipalities to modify plan design and require retiree participation in health care plans which at least mimic what is provided to active employees.

TAX POLICY %

Dependability in knowing that local revenue streams generated from taxation or fees are not tampered with to appease a myriad of special interests whose interests are strictly theirs, and not those of the local property taxpayer.

■ Cities and towns have been responsible participants in complying with the 4% property tax cap instituted in 2006. Exceptions have been requested and granted in limited extraordinary circumstances usually as a result of significant losses in state aid. There remain some significant challenges

Significant challenges to municipal leaders remain in a number of tax policy areas.

to municipal leaders in a number of tax policy areas. The exception to levying a tax based on value for rehabilitated multi-family affordable

housing is one issue of special concern. While we recognize that deed restrictions on such property may warrant a lower valuation for tax purposes, we don't believe that the current law which limits such taxes to 8% of gross rental revenue is the correct approach. Instead, we believe assessed values should be adjusted downward to reflect the actual reduced value of the property in an arms-length transaction.

■ The overall tax appeal process is cumbersome and lengthy for both cities and towns, and plaintiffs. Legislation drafted by the state, the assessors association, and plaintiff attorneys secured passage in the House earlier this decade but failed in the Senate. It is time to resurrect that effort to deal not only with man hours consumed, but to speed up the process, reduce accrued

interest on appeals, and to urge the Superior Court to create a special calendar for property tax appeal cases.

■ One of local government's biggest battles in 2013 was with the R.I. Builders Association over a bill which would have exempted from taxation newly constructed single family homes until they were sold. The bill passed both branches, but fortunately the Governor exercised his veto power. As a general principal, cities and towns oppose carving out special groups for exemptions. It is a different animal from affordable housing where qualifying properties receive special tax treatment, but it is the same species. Cities and towns will vigorously oppose any initiative which will decrease local revenue streams, by any degree and notwithstanding any rationale to do so. We will support initiatives that are revenue neutral and provide more equitable tax treatment for all taxpayers.

LABOR RELATIONS



Dependability in knowing that our cities and towns can effectively and economically manage and direct their local workforces as they see fit and not have salaries, fringe benefits and other terms and conditions of employment dictated by unaccountable interest arbitrators.

Scope of Bargaining

■ Like thirty-seven (37) other states, Rhode Island has enacted public sector collective bargaining laws and in Rhode Island, these important statutes exist for every group of employee working for either the state or its thirty-nine cities and towns. Rhode Island’s laws, however, unlike the collective bargaining laws in the other thirty- seven states, do not provide for a statutory “scope of bargaining” which sets forth those issues which must be bargained for, those which *may* be bargained for if the parties mutually agree to do so, and those subjects which are *prohibited* and cannot be collectively bargained for. R.I. public sector bargaining laws for municipal employees and school teachers should provide for a statutory “scope of bargaining” provision which would protect the inherent managerial rights of cities and towns to direct and control their workforces.

Binding Arbitration

■ Binding arbitration, as a means to resolve public employee contractual disputes for local firefighters and police officers, represents a fundamental violation of local decision-making authority. It cedes basic budgetary decision-making authority to an un-elected, unaccountable, and outside third party. Local government officials oppose any form of binding arbitration for school teachers or groups of municipal employees because

it would take essential spending decisions out of the hands of elected local officials and instead allow un-elected, unaccountable, and outside third party arbitrators to determine the fiscal course of cities and towns.

Evergreen Contracts

■ Municipal officials also are staunchly opposed to enactment of labor contract extension legislation known as “Evergreen” contracts for any group(s) of municipal or school employees as automatic statutory contract extensions can codify, possibly in perpetuity, onerous and costly labor contract provisions which may thwart a municipality’s ability to modify the agreement.

Management Rights

■ City and town officials believe state law needs to affirm that municipal charter provisions may limit an arbitrator’s decision or labor contract language which conflicts or contradicts certain management rights contained in a charter or ordinance. The overriding responsibilities of elected municipal officials to the citizens of their communities requires that the law recognize and define a set of inherent management prerogatives that are not subject to collective bargaining or binding arbitration and which may not be restricted by any provisions of a collective bargaining agreement.

Dependability in knowing that the statutorily-mandated wages and benefits paid for on-the-job illnesses or injuries go only to those who were intended to receive them and not to anyone not deemed to be a first responder in our public safety departments.

On-the-Job Injuries

■ Employees who have suffered legitimate on-the-job injuries should receive fair compensation through an equitable system that avoids incentives for abuse and encourages the earliest feasible return to work. Equity in such a system requires that the level of compensation (measured

Only qualified, uniformed members of our public safety departments should be eligible for benefits under RIGL 45-19-1!

as a percent of regular compensation) be equivalent; however the current system in Rhode Island is not equitable in that it provides a higher level of replacement income for public safety employees through the

Injured-on-Duty (IOD) program than for all other public employees who are covered by standard workers' compensation benefits.

In addition, municipal officials believe that the statutory IOD program for public safety employees should be amended to ensure that only those defined as qualified, uniformed members of our public safety departments should be the only eligible recipients of benefits under RIGL 45-19-1.

SHARED SERVICES



Dependability in knowing that the services taxpayers both want and are willing to pay for will not be modified, changed, altered, shared or regionalized unless it is desired by a majority of the taxpayers who pay for those services.

■ There have been a number of initiatives from various gubernatorial administrations and the General Assembly to encourage and/or force cities and towns to share, regionalize or standardize services. The specific topics have been diverse. They range from a pooled

Final decisions on local services should be made by the taxpayers!

health insurance plan, to regional dispatch or combined fire/police dispatch, from merged property tax collections,

to combining school/municipal functions, and a uniform Chart of Accounts for financial reporting. Some of these ideas cities and towns support; some they do not.

It is an area where there exists a lack of consensus. Cities and towns are mostly on the same page when they encourage combining school and municipal functions or simplifying and standardizing health insurance programs. Municipal CEO's typically support combining fire and police dispatch, but are often undermined by their uniformed employees and labor unions. The bottom line about either regionalized or shared services is quite simple. The final decision to do either should be made by the taxpayers who pay for their services.

UNFUNDED MANDATES



Dependability in knowing that our state officials and legislative leaders have finally realized that there is nothing wrong with the imposition of either state mandates or legislative mandates as long as our state government or legislature allocates all funds necessary to comply with the mandate.

Dependability in knowing that our legislature and its leaders will heed local concerns about the confusing policies of some state agencies which mandate nonsensical processes that seemingly never end and which only drive up the costs of municipal compliance.

■ While most cities and towns are grateful for the continued commitment to the school funding formula, there is great concern over the overhead and multitude of tasks required to apply for school construction and technology aid. The process never ends and while RIDE supports the process as one that is necessary to assure accountability and reduce costs, our cities, towns, and school districts believe modifications are necessary to create cost effective programs.

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