

MAY 2015 | icma.org/pm

PM

PUBLIC MANAGEMENT

INSIDE

2 ETHICS ENFORCEMENT

12 CLOSING THE LIBRARY

16 WHEN IRS AUDITS

24 ENCOURAGING ROOFTOP SOLAR

LEVERAGING BROWNFIELDS TRANSFORMATIONS

5 Proven
Finance Tools
for Revitalization
Results

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cover story



LEVERAGING BROWNFIELDS TRANSFORMATIONS

Applying the development
finance toolbox is helping
redevelop brownfields.

Emily Moser AND Jason Rittenberg,
COLUMBUS, OHIO

6

features

12 CLOSING THE LIBRARY

Temporary closure raises public awareness of library funding.

Catherine Alloway AND
Thomas Fountaine, STATE COLLEGE,
PENNSYLVANIA

16 WHAT TO EXPECT WHEN THE IRS AUDITS YOUR COMMUNITY

Helpful insights to help you cope
with an audit.

Kent Clark, SPANISH FORK, UTAH, AND
Cathy Jensen, AMERICAN FORK CITY, UTAH

5 Cat Problem?



departments

2 Ethics Matter!

Understanding ICMA's Ethics
Enforcement Process

4 On Point

What Is Your Favorite Part of the
Community That You Manage?

5 @icma.org

20 Your Replies

The Future of Women in Local
Government

22 Council Relations

A Good Governance System

24 Active Living

Encouraging Rooftop Solar

26 Innovation Edge

Building Resilient Communities

27 Calendar of Events

29 Professional Services Directory

32 By the Numbers

Local Government + Data Breaches

icma.org/pm

This issue of PM is available online and
mobile at icma.org/pm April 27, 2015.

BY MARTHA PEREGO

UNDERSTANDING ICMA'S ETHICS ENFORCEMENT PROCESS

Answers to frequently asked questions

Based purely on the trends, the likelihood that a member will go through the ICMA ethics enforcement process sometime in his or her career is reasonably low. With a total membership of more than 9,500, ICMA receives only 30 to 40 ethics complaints annually.

The lack of familiarity with the enforcement process, though, generates a number of questions when incidents of wrongdoing hit the light of day. Given the profession's commitment to accountability, making sure that the process for enforcing the Code is clear and understood is important.

Here are the answers to 10 frequently asked questions:

Who is covered by the Code of Ethics?

As a condition of membership, all ICMA members agree to comply with the Code. Members who are working for a local government, special district, municipal league, or council of governments, on a full-time, part-time, or interim basis, or as an intern, must adhere to the entire Code.

Members who are working in another field, students, and retirees must follow Tenets 1 (Democracy) and Tenet 3 (Integrity).

What constitutes a valid complaint?

Filing a complaint with ICMA is a simple, straightforward process: Put it in writing, clearly outline the alleged misconduct, and support the allegation with documentation.

With a valid complaint in hand, the next test is whether the alleged

misconduct, if proven to be true, would actually violate the Code of Ethics. If the answer is yes, ICMA will proceed with an ethics inquiry.

Unsure if something is really worthy of review? You can discuss the matter with ICMA staff on a confidential basis. No action is taken until a formal complaint is filed.

Does the ethics complaint process end if the member quits ICMA? No!

Once a case has been opened, ICMA will continue the process to its conclusion. That said, ICMA cannot open a case with a former member unless that person agrees to participate.

Who complains? The good news is that ICMA members are the most common source of ethics complaints. That shows a level of commitment by the profession to pay attention and police its own. Complaints also come from elected officials and residents who know about ICMA's standards.

Anonymous complaints get processed as well, but only if supported by the requisite documentation. ICMA has a long-standing practice of taking complaints from individuals who do not wish to go on record as the complainant. They are not anonymous, just confidential.

Is it really confidential? The entire review process is confidential, unless and until it results in a finding by the ICMA Executive Board that a member has violated the Code and the appropriate sanction is a public one. Absent that,



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Public Management (PM) (USPS: 449-300) is published monthly except February by ICMA (the International City/County Management Association) at 777 North Capitol Street, N.E., Washington, D.C. 20002-4201. Periodicals postage paid at Washington, D.C., and at additional mailing offices. The opinions expressed in the magazine are those of the authors and do not necessarily reflect the views of ICMA.

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REPRINTS: Apply to the editor for permission to reprint any part of the magazine.

SUBSCRIPTIONS: U.S. subscription rate, \$46 per year; other countries subscription rate, \$155 per year. Printed in the United States.

Contact: 202/289-4262; subscriptions@icma.org.

POSTMASTER: Send address changes to *Public Management*, ICMA, 777 N. Capitol Street, N.E., Suite 500, Washington, D.C. 20002-4201.

ARTICLE PROPOSALS: Visit icma.org/pm to see "Editorial Guidelines" for contributors.

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PRINTING

Westland Printers

Laurel, Maryland



icma.org | icma.org/pm

2015–2016

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THE OPPORTUNITY TO EXPLAIN WHAT TRANSPIRED AND PROVIDE SUPPORTING DOCUMENTATION AS WELL AS STATEMENTS FROM OTHERS IS KEY TO GETTING AT THE FACTS.

every ICMA member must maintain confidentiality about the review.

What about the member's point of view?

The process begins with the assumption of innocence. After all, the information presented may not be accurate. And the member's perspective on what transpired hasn't been heard.

Starting from that position, the member is given the opportunity to review the entire complaint and all documents. The member then has the chance to provide a detailed written response to the ICMA Committee on Professional Conduct. The opportunity to explain what transpired and provide supporting documentation as well as statements from others is key to getting at the facts.

The committee reviews the member's response to the allegation and if the facts are clear, it can draw a conclusion as to whether or not the member's conduct violated the Code. If the committee decides that it lacks the necessary information to proceed, the next step is to ask the state association to appoint a fact-finding committee.

What role does fact finding

play? Members assigned to the fact-finding committee gather the missing information and report back to ICMA in 60 days. They do not determine guilt or innocence. Their efforts may involve interviewing the member at the center of the ethics review; interviewing others; collecting public records; or in the case of legal matters, obtaining court records.

Once all the available facts are collected, the fact-finding committee submits its findings to the ICMA Committee on Professional Conduct for review. This is the final step in the data-gathering process.

Who decides? The ICMA Committee on Professional Conduct is solely responsible for determining whether the member violated the Code or not, based on the information made available. If the committee concludes that the member didn't violate it, the case will be closed.

If the committee concludes that the member did violate the Code, it can select from an array of censures, including private censure, public censure, suspension from membership for up to five years, permanent membership expulsion or bar, and credential revocation. All of the options beyond a private censure require approval by the ICMA Executive Board.

Is there an appeal process? Any sanction can be appealed to the executive board, where the member has the opportunity to address the board in a hearing.

How is the outcome publicized? At the conclusion of every review process, ICMA notifies the complainant and the state association president that the matter has been resolved. When a public censure is issued, notice of that action is shared with the news media as well as the appropriate governing body.

ICMA members must be willing to report in good faith matters of concern. Allow an objective peer review process to sort out the facts and reach an independent judgment. Allegations of unethical conduct by public officials that go unaddressed can undermine the public's trust and harm the reputation of the profession. **PM**



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WHAT IS YOUR FAVORITE PART OF THE COMMUNITY THAT YOU MANAGE?



SHERILYN LOMBOS, ICMA-CM

City Manager
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It is hard to narrow down the list of my favorite parts of the community that I manage. I certainly love our library. Several years ago we rebuilt the library, almost doubling its size and adding amenities that make it an inviting living room-type space with a fireplace, unique art, and interactive features.

I also love our parks. We have invested heavily in the city's parks; they are beautiful, inviting, and highly used. One in particular—Ibach Park—has a fun and distinctive climbing structure in the shape of a mastodon rib cage. It also has extensive trails, where I have jogged out many a day's stress while my kids played lacrosse on the sports fields.

And I love the people—the high-caliber staff who work for the organization and the good folks who live, work, play, and visit here. They make managing this community a fulfilling and worthwhile job.



WILLIAM (BILL) EBEL

City Manager
Overland Park, Kansas
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This is a great question because we have a vibrant and wonderful community with so many exciting things going on right now. If I had to just pick one part, my favorite would have to be all the employees and the staff of our city organization.

I am convinced we have some of the best public service employees in the country. Every day I am amazed at the dedication, professionalism, and public service commitment that they display while doing their jobs. The best part of each and every day is if I get to spend some time with any of the employees while they are out in the community assisting residents, visitors, and businesses, or if they are within our organization helping each other with whatever issue they may have.

In fact, if for some chance I do not get an opportunity to speak with any of them, my day is somewhat empty. I draw my energy from them, and they inspire me to be the best leader I can for this community and for them.



KRISTI LUGER, ICMA-CM

City Manager
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Excelsior is a small community with a historic downtown that attracts a lot of tourists. I love the variety of my work and the unique challenges that come with balancing our small-town quality of life with the tourism that is such a big part of our history.

It is rewarding to see the downtown filled with visitors, to hear the sounds of our historic streetcar and steamboat, and to see our population swell from 2,100 people to 10,000 people right before the fireworks on the Fourth of July.

I am absolutely amazed at the array of proposals that come our way because of our tourism draw. We often find ourselves saying "Only in Excelsior!", and I love that. **PM**

1

HAVE A CAT PROBLEM?

The Humane Society of the United States might be able to help you with that. Its guide, *Managing Community Cats*, provides information on managing stray and feral cat populations.

► icma.org/communitycats



2

MODEL DRUG POLICY AVAILABLE

Collected research in an e-book and magazine articles can provide managers with a plan of action to cope with the likely removal of marijuana from the federal government's Schedule 1 list of toxic substances. The book includes a model drug policy.

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4

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3

ICMA CODE OF ETHICS

Check here for information on the ICMA Code of Ethics with Guidelines.

► icma.org/ethics+guidelines

LEVERAGING BROWNFIELDS TRANSFORMATION

5 Proven Finance Tools for Revitalization Results

By Emily Moser and Jason Rittenberg



ONS



Local governments across the United States contemplating redevelopment financing may find plenty of useful insights from some of the many projects being undertaken in Ohio.

Consider the former Jeep plant near Toledo, Ohio. There has been little to slow down the 125,000 motorists who pass the site each day on Interstate I-75. But, thanks to a creative financing plan that is spurring cleanup and redevelopment on the 111-acre site, there may soon be plenty of reasons to do so.

The Toledo-Lucas County Port Authority (TLCPA), a regional economic development and financing entity, purchased the land in 2010 and leads the site's redevelopment into Overland Industrial Park.¹ The site has excellent highway and rail access, and the first phase of the project removed existing structures and updated roadway, water, and sewer lines in 2013. A building is currently under construction and will be marketed to potential leasees.

Transforming the site is not easy—or cheap. The spec building is financed with bonds issued by TLCPA and a grant from JobsOhio, one of the state's development arms. Earlier redevelopment phases were funded with a \$5 million Ohio Jobs Ready Site grant, a \$3 million Clean Ohio grant, and a \$1 million HUD Cleanup grant, as well as \$12 million from TLCPA and a match from the Ohio Department of Transportation. A bond-backed tax increment finance structure is being considered to finance future development of the site.

This multifaceted approach to brownfields sites redevelopment is complex and aggressive, but also sometimes necessary. Paul Toth, Jr., president and CEO of TLCPA, says organizations like his understand the importance of having “many sources of funds and creative ways to move projects forward.”² This view is shared by local governments throughout the country, and particularly in Ohio.

Development Finance Toolbox

Economic development agencies frequently

use incentives to help spur business and other economic growth within the community. Not all of these incentives are created equal. Some programs simply fund development, while others can leverage private funds through access to a smaller amount of public funds.

Further, no one incentive is capable of encouraging all kinds of growth equally well. A variety of programs is necessary to develop a balanced regional economy.

Helping communities support and grow a strong economy is why the Council of Development Finance Agencies (CDFA) advocates for the development finance toolbox. This approach to economic development encourages local governments to ensure that projects and stakeholders can access a full range of financing tools.³ Not all tools need to be offered by a single agency, but all tools should be accessible within each community.

The development finance toolbox includes five types of tools: bedrock, targeted, investment, access to capital, and support. The specific tools and programs that fit into these areas are private activity bonds, tax increment financing, revolving loan funds, tax credits, and federal grants.

Not all tools need to be used by a single project in order to demonstrate the effectiveness of this approach. Many projects will greatly benefit from just one or two programs, but having a variety of accessible tools will help maximize public leverage for each project.

Applying the Toolbox to Redevelopment

Redevelopment of brownfields sites is an area of economic development that can particularly benefit from a toolbox approach. The former Jeep site has already accessed grants, bonds, and loan funds and will likely access at least tax increment financing and bonds before the project is complete.

Here are additional projects in Ohio that used one or more development finance tools to stimulate cleanup and redevelopment of brownfields sites.



Oakley Station in Cincinnati

has effectively used tax increment financing (TIF), which freezes current tax collections and applies increased collections to development costs for a set period of years. TIF is frequently associated with redevelopment and can be critical to addressing blight in communities.

Formerly a Cincinnati Milacron international machine tool operation, the 74-acre site has been reimagined as a mixed-use development and will include 300,000 square feet of office, 225,000 square feet of retail, and a 300-unit apartment complex, anchored by a movie theater.



The Port of Greater Cincinnati Development Authority

is issuing \$6.8 million in TIF bonds, which are paying for the construction of new and improved street infrastructure and storm and sanitary sewers. Additional financing support for the project is in the form of a special assessment, a tool that applies an additional tax assessment for a specified purpose, a grant for \$2.9 million from the adjacent TIF district, and \$3.3 million in Clean Ohio funds from the state.

The project's use of TIF has been successful in stimulating investment: A large Kroger Marketplace is expected to open in 2015 and serve as a retail anchor for the development.

Federal and state tax credits, which are designed to encourage private investment into projects that advance specific public benefits, have also proven effective in stimulating investment for brownfields projects.⁴ The programs most commonly associated with redevelopment are historic rehabilitation and New Markets Tax Credits (NMTC).



State and federal historic rehabilitation tax credits (HTC) were critical to the redevelopment of the **Atlas Building in Columbus**. The building is one of the

city's first skyscrapers and continued to house offices until financial and structural distress forced the Atlas out of service.

The unique architectural design compelled a local developer, Schiff Capital Group, to rescue the building from tax delinquency, environmental distress, and years of neglect in order to put the property back into use.⁵

The new Atlas offers 98 micro-luxury apartments and 6,500 square feet of retail on the ground floor. The main lobby and rear tenant entry (once a barber shop) and other areas throughout are being restored with marble floors, while some units feature historic original plaster crown molding. New mechanical, electrical, and plumbing systems are being installed.

This comprehensive restoration was made possible through more than \$6 million in state and federal HTC awards to the project. Grants from the state and the Green Columbus organization assisted with assessment and cleanup costs on the project, and the city of Columbus provided \$250,000 for streetscape improvements near the site.

Joel Lilly, chief financial officer for Schiff Capital Group, believes the grants and historic tax credits have been vital to the project. "Traditional construction financing would not have been enough to restore the building and provide quality apartments at current market rates. The demand has been strong with tenants wanting to lease units in our one-of-a-kind Atlas Building that stands apart from the traditional new construction projects currently under development."⁶



The Ironville Terminal project in Toledo

applied NMTCs to help finance redevelopment costs. When TLCPA purchased the former Gulf Oil and Chevron refinery site in 2008, it anticipated a 10- to 15-year redevelopment period for the 172-acre site. As a result of \$15.5 million in NMTC financing provided through the Finance Fund and PNC Bank, the project far exceeded expectations.

The site's redevelopment was able to include an additional 15,000 feet of rail, connecting to the Norfolk Southern rail line. River channel and shoreline improvements enhanced docking for large barges and ocean vessels. The final phase of development included installation of a multimodal delivery system to improve efficiency of unloading freight and a warehouse designed with rail spurs and an overhead crane.

The Ironville Terminal also secured stimulus funding and a grant from the state, but the tax credits provided the necessary financing to fast-track the project.



Public loan funds, as well as tax credits, helped to finance the redevelopment of the

American Can Company building in Cincinnati

Revolving loan funds (RLFs) provided additional financing to fill the remaining capital gap. RLFs are versatile tools that can provide access to capital at lower rates, or higher levels of risk, than a project could access through a bank.

These tools were required to catalyze the redevelopment of a five-story, 180,000-square-foot building formerly used to manufacture tin-can-making machinery. Cincinnati developer Bloomfield/Schon + Partners converted the building into 110 market-rate, loft apartments and 12,000-square-feet of commercial space.

The American Can project was able to move forward due to a combination of multiple development financing tools. State and federal HTC provided more than \$7 million, along with \$1.4 million in stimulus funds, \$8 million from a HUD 221(d)4 loan, and a Clean Ohio grant for \$750,000. The redevelopment project, however, could not have moved forward without gap financing assistance from revolving loan funds.

Cincinnati issued a loan for \$2.3 million and a Brownfield Revolving Loan Fund provided a final \$800,000. The project has stimulated the redevelopment of an adjacent former lumber yard and brownfields site that the city has been looking to redevelop for several years.



State and federal historic rehabilitation tax credits were essential to the redevelopment of the Atlas Building in Columbus, Ohio, which now offers 98 luxury apartments and 6,500 square feet of retail on the ground floor.

Susan Thomas, vice president of public finance for the Port of Greater Cincinnati Development Authority, says the redevelopment has made a major impact. “American Can Lofts project would not have been feasible without the public investment in remediation activities. The building is now a regional destination, historic landmark, and anchor for renewed development in Cincinnati’s Northside neighborhood.”⁷

+ Nearly the entire development finance toolbox was accessed in order to catalyze the **Flats East Bank redevelopment in Cleveland**. The \$275 million first phase of the project was funded and financed with grants, federal programs, and a mix of development finance tools.⁸

Bond financing, a debt tool that sells large loans to investors, was critical to the project, as was

the EB-5 Visa Program, which accesses loans and investments from foreign individuals who are then eligible for a special visa. In addition to the variety of financing sources, four federal agencies, the state, two county agencies, and the city all provided access to at least one tool or program in order to finance this undertaking.

The bond finance component of the Flats East Bank project particularly highlights the creativity that can come into play for redevelopment of brownfields sites. Approximately \$145 million in bonds were issued for the project.

Traditional bond investors purchased nearly \$72 million in first mortgage bonds. Ohio Enterprise Bond Fund, Cleveland-Cuyahoga Port Authority, and Development Finance Authority of Summit County provided access to their bond funds for \$28 million of the

CDFA BROWNFIELDS TECHNICAL ASSISTANCE PROGRAM

The Council of Development Finance Agencies (CDFA), Columbus, Ohio, operates the Brownfields Technical Assistance Program, which is a U.S. Environmental Protection Agency-funded effort to help communities throughout the country access the development finance toolbox to support brownfields redevelopment. The program includes educational resources and technical assistance that is free to all communities.

Visit www.cdfa.net to access a monthly newsletter, resource center, financing toolkit, and webinar series, as well as to learn more about the project marketplaces and project response teams that connect communities to brownfields redevelopment financing experts.



Public loan funds and tax credits helped finance redevelopment of the American Can Company building in Cincinnati, Ohio, which was formerly used to manufacture tin-can-making machinery. The building was converted into 110 loft apartments and 12,000 square feet of commercial space.

PHOTO COURTESY OF PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY.

issuance, and EB-5 investors purchased an additional \$45 million in project bonds through the coordination of the Cleveland International Fund EB-5 Regional Center. These additional bond purchasers helped to ensure sufficient market appetite to cover the entire issuance, securing a competitive rate for the project.

The Flats East Bank project is a massive, high-profile redevelopment for Cleveland. The total project is expected to include more than \$500 million in overall development and will include a 450,000-square-foot Class “A” office tower, 150-room hotel, and eight new restaurants.

Without this complex and creative financing package, these 24 acres on Lake Erie would have languished as a former lumber and industry hub. Instead, this site is a cultural and commercial hotspot that is revitalizing Cleveland’s East Bank.

Bringing the Toolbox Home

Communities throughout Ohio have successfully applied the development finance toolbox to brownfields projects,

but this model can work anywhere in the United States. Comparable examples could be pulled from Maine, Georgia, Wisconsin, and Oregon.

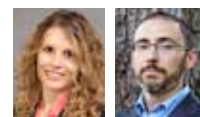
The challenge for a community interested in this approach is rarely a need to develop new authorities—every local government has access to bond financing, TIF can be used in 47 states, and federal tax credits cover the nation.

Joseph Reidy, an environmental lawyer with Frost Brown Todd LLC, works on redevelopment projects in Ohio, including the Atlas Building, and can attest to the need for knowledge and creativity when implementing the toolbox. “By layering the various local, state, and federal financial tools available for the redevelopment of brownfields, significant challenges can be turned into tremendous opportunities.”⁹

Development finance tools can be complex, but they are not inaccessible. Learning to reach beyond “brownfields”-labeled programs to access the full toolbox can be the difference between a community featuring a downtown with blight and abandoned buildings, and a community experiencing revitalization and building a vibrant economy. **PM**

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CLOSING THE LIBRARY

Temporary shutdown raises public awareness of library funding

By Catherine Alloway and Thomas Fountaine, ICMA-CM

PHOTO BY: CATHERINE ALLOWAY

TAKEAWAYS

- › Schlow Centre Region Library offers services focused on budget-balancing techniques.
- › A temporary Schlow Centre Region Library closure was deemed a success but not without painful budget-balancing decisions.
- › The 2015 library budget includes reductions in weekly service hours and in employee hours.

What options exist for public libraries and their funding by local governments when critical revenue streams are reduced?

The public library of the State College, Pennsylvania, region successfully used an unorthodox and focused approach in 2014 to help alleviate budget pressures and increase public awareness of public library funding.

Background Details

Annually, six local governments comprising the Centre Region Council of Governments (CRCOG) band together to provide local funding for the Schlow Centre Region Library located in downtown State College. The award-winning library, located on the one of the busiest corners in the city, serves a population of 92,096.

It attracts more than 310,000 visitors annually and checks out more than 700,000 items on a \$2.2 million budget. Financial records showed that 59 percent of Schlow's 2014 income came from CRCOG, while 19 percent came from the Commonwealth of Pennsylvania.

Government funding for Pennsylvania's 442 public libraries relies heavily on state revenues. In fiscal year 2011, the commonwealth's libraries ranked sixth among all states in state funding for libraries and 46th for local county or municipal funding.¹ Since 2007, Pennsylvania libraries have experienced a steady decline of state revenues in real and inflation-adjusted dollars, resulting in numerous library service reductions and closures, as local governments, particularly in rural areas, struggle to replace lost state aid.

In addition to reduced state revenue, Schlow, like other libraries, has experienced additional revenue declines, including investment interest.

New consumer reading habits have also reduced a long-standing library revenue stream: overdue fines. Fine income is decreasing due to e-mail date-due reminders and e-book checkouts, which do not generate penalties.

The library developed an aggressive fund-raising plan, and donations have increased 130 percent since 2009. CRCOG, meanwhile, has provided annual municipal revenue increases of 2 to 5 percent.

Simultaneously, expenditures have risen, and large annual increases in facility and health insurance expenses have stressed the budget. The high cost of popular e-books, priced higher for libraries, has stretched the ability to buy new bestsellers in the multiple formats readers demand. The first draft budget for 2014 showed expenditures exceeding revenues by 10 percent.

Weighing a One-Week Closure

As library director, this article's author had heard of public libraries that had closed and furloughed staff for a week or more to resolve financial stresses. Although most libraries address budget shortfalls by trimming weekly hours or services, staff wondered: Could a more extreme approach benefit Schlow in a tight budget year?

Typically, reducing schedules or programs here and there tend to go un-

noticed by library users, while gradually whittling away at the library's overall community effectiveness.

Library staff researched extended library closures, but library professional literature yielded few insights, and libraries contacted had no remaining staff who had details of the experience. Meanwhile, these potential benefits of closing the library emerged:

- The inconvenience of closing would be shared by an unserved public and unpaid staff who would have a one-week furlough.
- Closing for seven consecutive days would maximize operational cost-savings, especially for utilities.
- The temporary closure of a valued government service could raise awareness of library value and funding among residents.

The library board of trustees ultimately approved a one-week closure of Schlow to balance the 2014 budget at an estimated cost savings of \$38,000. Trustees acknowledged it was a painful but necessary decision, but wondered how the extreme measure would affect use and support.

Operational Shutdown

Determining the closure dates began with a review of long-term library use patterns. The month of May tends to be a relatively slow time for the library, as college students return home in early May and the K-12 population winds down the school year.

Warm weather, proms, wedding showers, and other spring activities also contribute to reduced library use each spring. A review of historic gate-counter visitor data helped establish the week of May 12–18, 2014, for the shutdown and furlough.

The library estimated that maximum cost-savings could be achieved by closing as many services as possible, includ-



Schlow Centre Region Library in downtown State College, Pennsylvania, serves residents of six local governments and operates with a combination of local, state, and private funds.

ing all on-site and off-site book return drops and portions of the library’s website. Library users could continue to check their accounts online, with only a few other functions available on the web pages.

Extensive preparation was required for the library to prepare its patrons, stakeholders, vendors, contractors, and media for the shutdown. The work was more extensive and challenging than expected, including the catch-up work of shelving and other tasks in the weeks afterward.

Community groups making extensive use of the library’s meeting rooms were greatly inconvenienced, and the closure also affected library users far beyond Schlow’s region, as Schlow participates in regional and national interlibrary loan services where libraries exchange materials.

Opportunity for Advocacy

Board members of the Friends of Schlow Library, an independent nonprofit providing fund-raising and advocacy support for the library, joined library trustees to meet with local and state elected officials before the clo-

Closing a library is not to be taken lightly and can reduce resident access and satisfaction with information, public computing, and other vital services.

sure to inform them about the budget pressures and shutdown. The group also hosted a residents’ rally on the steps of the library that week, which drew more than 25 speakers, 75 attendees, and considerable regional media attention.

Trustees and staff reported increased awareness in the community

about library government funding based on feedback after the closure. Library donations online and by mail also spiked after the closing and remained strong the remainder of the year, with Schlow breaking all previous records for annual giving, raising \$238,000, a 20 percent increase over the preceding year.

Was It Worth It?

Overall, the closure was deemed a success. The library saved approximately \$40,000 in salaries and operations because of it and leveraged public attention to achieve a record-breaking fund-raising campaign. The extensive staff work needed before and after closing, however, was deemed extreme.

In the end, the closure was determined to be an activity worth consideration only on a multiyear, cyclical basis or a last-resort budget-balancing technique. The 2015 budget employed a reduction in weekly hours, from 65 to 60, and a reduction of part-time employee hours to achieve strategic goals for the current year.

Libraries considering similar closures should weigh all risks and opportunities. Closing a library is not to be taken lightly and can reduce resident access and satisfaction with information, public computing, and other vital services.

The technique is likely to be most effective when the budget gap is small to moderate, the public is unaware of funding challenges, and elected officials are supportive of the process. **PM**

ENDNOTES

1 Pennsylvania Library Association, www.palibraries.org. Data taken from the Institute for Museum and Libraries Survey of Public Libraries for Fiscal Year 2011, published June 2014, www.ims.org.



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TAKEAWAYS

- › Prepare now to be audited. IRS audits may include one to two years in the past, and you cannot go back in time to make corrections.
- › Get a W-9 for all vendors and review that they are filled out correctly and completely.
- › Issue 1099s to all required vendors.
- › Review all employee benefits to determine if they are taxable.



AUDIT

What to Expect When the IRS Audits Your Community

Helpful insights to help you cope

By Kent Clark and Cathy Jensen

As a finance officer, work is a continuous cycle: audit, budget, quarterly reports, state reports, repeat. Once in a while though, you get that golden nugget of . . . stress.

Stress from the phone call alerting you to the fact that you have been chosen for an IRS audit. If you work for a local government, you're not alone in receiving this "news." These audits are the next frontier for the IRS. We are told that an audit office was opened in Las Cruces, New Mexico, specifically for federal, state, and local government (FSLG) audits.

We both got that call, but we were lucky. We were not the first local governments in our area that were "chosen" to be audited, so we were able to benchmark off of the experiences of our "sister cities" to help us prepare ahead of time. This article might help give you the same advantage.

So, What's Coming Next?

After you get the call, a meeting is set with you, the auditor, and those officials that

you specifically designate. A caution—you may want to consider whom you want to attend. The semiformality of the meeting may not lend itself to inviting certain individuals.

It may be helpful, for instance, to have a staff member attend who prepares the 941 forms. On the other hand, if a staff member is not aware of the gravity of the situation, a frivolity or relaxed demeanor may be a detriment to the efficient operation of the meeting and may give the auditor the wrong impression. The auditor also can request staff holding certain positions to attend the meeting.

Next, you will receive a letter letting you know which year is being examined and which documents you must have ready for the assigned examination date.

The examination is in your local government office. IRS usually selects a year that is two years prior to the current year.

After the single year is completed, the IRS could open another year either before or after, or both. This is at the discretion of the auditor and depends on what he or she finds in the first year of examination.

And then begins the march of the 4564 forms—the information document requests.

What Documents Do I Need to Provide?

The list of documents an auditor may request can be long and varied. Each request for information will come on Form 4564 or information document request.

We were asked to submit these initial documents:

- Accounts payable for the calendar year being audited in Excel format.
- Check registers with description and amount.
- List of employees.
- Authorization and declaration form or whom they can communicate with or who can make decisions concerning the audit.
- Payroll records (W-2s, W-3s, and W-4s for the year being audited).

- Personnel manuals, personnel handbooks, employee handbooks, fringe benefit policies.
- Travel handbooks, manuals, or policies.
- Employee contracts (unions, managers, and attorneys).
- Work papers reconciling 941s to the general ledger.
- Vehicle policies, including names and positions of employees who drive vehicles home.
- Other policies (cellphone and uniform).
- Cafeteria plan documents.

The IRS auditor will decide what additional information is needed.

Some Basics

The first suggestion for participating in an audit is to be prompt and timely in gathering, scanning, and sending information. It is best to provide complete information and be friendly. An adversarial attitude is not recommended in this interaction.

Another suggestion is to consider the level of attorney interaction in the process. The initial contact with the auditor should be friendly and relaxed. You may want to weigh whether it is beneficial to bring a litigious atmosphere to the meeting. Perhaps it may be best to keep the initial meeting light.

On the other hand, it may be to your benefit to have your attorney present in case you need to eventually challenge the decision.

The length of the audit may vary. Our experiences were vastly different; the time between initial meeting and settlement could take between one and five months. The meetings could take place in person or through e-mail and mail contact, and the settlement decisions may be quick or lengthy, depending on the auditor.

What Is the Auditor Looking For?

The auditor will be looking for instances of violations of IRS tax issues. It's recommended that your organization review

the Fringe Benefit Guide for Federal, State, and Local Governments (www.irs.gov/pub/irs-pdf/p5137.pdf). This document will outline many IRS issues that governments encounter.

Areas for Possible Review

This list of items to watch for is not—and is not intended to be—an all-inclusive list. Each organization will have items specific to their entity, region, and structure to monitor.

Use of government facilities. A discount of no more than 20 percent of the price charged to the general public for the service that a resident would normally pay is allowed to be excluded as a taxable benefit on an employee's W-2. For example: admittance to a local government pool or recreation center not created specifically for employees, their spouses, and their dependent children's use.

Gifts. Gifts of more than \$25 and all gift cards are includable as income on the employee's W-2.

Vehicles. Some vehicles used for employee commuting may be excluded as a nontaxable working condition fringe benefit.

To qualify, these vehicles must meet certain guidelines so that the employee is not likely to use the vehicle more than minimally for personal purposes because of the vehicle design. Some of the qualifying vehicles include clearly marked police or fire vehicle, an ambulance or hearse, a passenger bus, bucket trucks, and dump trucks.

A more complete list of qualifiable vehicles can be found in the "Fringe Benefit Guide for Federal, State and Local Governments."

Other commuting use of vehicles may be a taxable benefit, includable on the employee's W-4. The method of calculation of the taxable benefit will vary; again, check the guide.

W-9s. A W-9 is an information form that is generally issued to vendors or providers of services, so they can report their taxpayer identification number (TIN). We suggest that you develop a policy about the issuance and receipt of W-9s from vendors. For us, payment will not be made to a vendor without a valid W-9 on file.

Remember, if the vendor is a limited liability company (LLC), the vendor must completely fill in the line indicating the type of LLC its organization falls under: C-Corp (C), S-Corp (S), or Partnership (P).

Form 1099. Have you followed the guidelines pertaining to when, which form, and to whom 1099s should be issued? Although there is a wide range of 1099s, there are several types that will most likely be used more than others. One version, 1099-MISC, is usually used for general services more than \$600 and paid in the course of business.

The 1099-MISCs are required for services performed by someone who is not your employee, for prizes and awards, for medical and health care payments, and for payments to attorneys. Any medical services vendor or attorney should receive a 1099, even if technically structured as a corporation. The IRS considers veterinary services “medical services.”

The 1099s are not required if services are provided by corporations. Corporations can include LLCs who are designated as C-Corps or S-Corps. An LLC–Partnership should be issued a 1099. Remember, medical, health care, and attorney vendors need to be given a 1099 regardless if they are a corporation or not. Further guidance can be found in the 1099-MISC instructions at www.irs.gov/pub/irs-pdf/i1099misc.pdf.

Backup withholding and payment to the IRS at the rate of 28 percent of the payment to the recipient is necessary if you do not have a TIN.

1099-S is generally for the purchase of land. In addition to regular land purchases, it’s important to remember right-of-way (ROW) purchases for street widening or other circumstances. These purchases sometimes get overlooked in the rush to timely issue 1099s.

Work clothes and uniforms. Nontaxable work clothes and uniforms must meet these two requirements:

- Employees must wear them as a condition of their employment.
- The clothes are not suitable for everyday wear.

The IRS further qualifies “work clothes” in publication 17, 2014 Tax Guide

(<http://www.irs.gov/pub/irs-pdf/p17.pdf>). “It is not enough that you wear distinctive clothing. The clothing must be specifically required by your employer. Nor is it enough that you do not, in fact, wear your work clothes away from work. The clothing must not be suitable for taking the place of your regular clothing.”

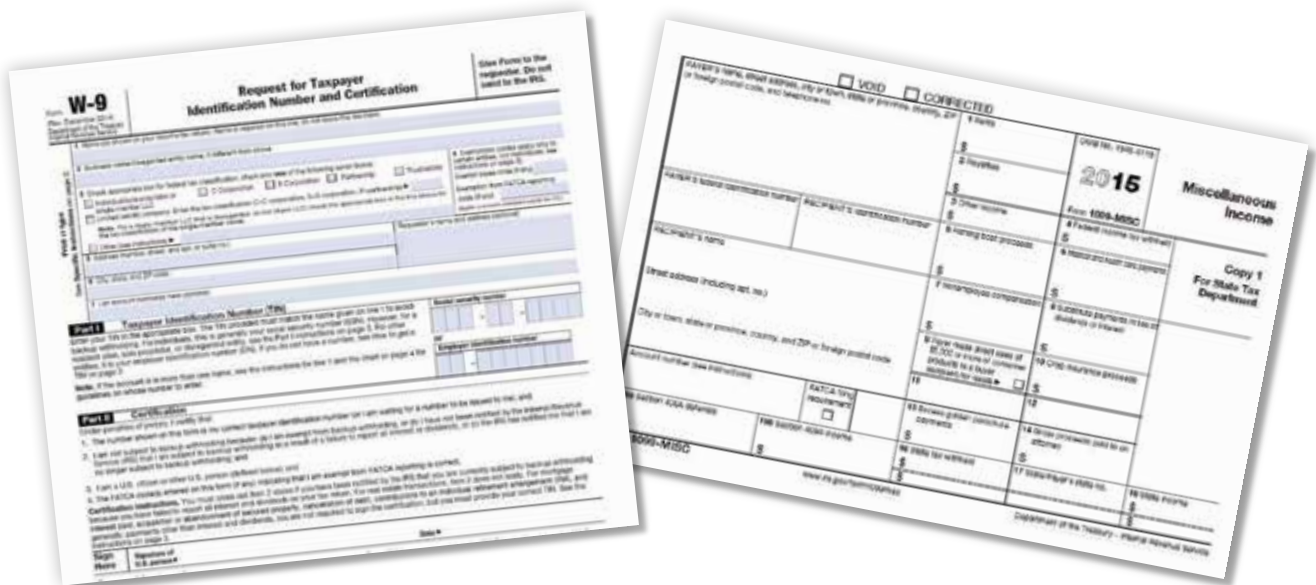
Uniform allowances or reimbursements are includable in income if they fail to meet the accountable rules test:

- Must have a business connection. That is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
- Must adequately account for these expenses within a reasonable period of time.
- Must return any excess reimbursement or allowance within a reasonable period of time.

The IRS definition of “reasonable time” covers these situations:

- Issued an advance within 30 days of the time the expense is incurred.
- Adequately accounted for the expenses within 60 days after they were paid or incurred.

Excess reimbursement is returned 120 days after the expense was paid



or incurred. A periodic statement is given (at least quarterly) that asks the individual to either return or adequately account for outstanding advances, and the individual must comply within 120 days of the statement date.

Awards or prizes. The fringe benefit guide gives instruction on what awards or prizes are taxable. As a general rule, these awards may be excluded from income:

Employee achievement awards. Prizes or awards transferred to charities.

De minimis awards and prizes. Examples of de minimis include nominal gifts for birthdays, holidays, holiday turkey, flowers, coffee mugs, and parking passes for the employee of the month.

The guide also gives examples that are always taxable as wages to the employee:

- Cash or cash equivalent awards such as gift certificates; any amount.
- Non-cash prizes won by employees from random drawings at employer-sponsored events.
- Awards for performance, such as outstanding customer service or employee of the month, years-of-service award.

Specific guidance on awards or prizes can be found at www.irs.gov/pub/irs-pdf/p5137.pdf.

Independent contractors. The IRS states: “People such as doctors, dentists, veterinarians, lawyers, accountants, contractors, subcontractors, public stenographers, or auctioneers who are in an independent trade, business, or profession in which they offer their services to the general public are generally independent contractors.”

Whether these people are independent contractors or employees, however, depends on the facts in each case. The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done.

It is becoming more important than ever to classify employees correctly, when you consider the additional penalties that may come from not paying possible mandated health care coverage from the Affordable Care Act.

The earnings of a person who is working as an independent contractor are subject to self-employment tax (see www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Defined). Two rules-of-thumb determine whether someone should be treated as an independent contractor or as an employee: the 20-factor-test (Rev. Rule. 87-41) or the modernized method of determination called “the common law rules.”

The determination of whether an individual is an independent contractor or employee comes down to three broad-based determinants:

Behavioral control. Instructions on tools or equipment to use, required attendance at meetings, what recognition is given to workers, reprimands for poor performance, and where to purchase supplies.

Financial control. Reimbursed expenses, extent of the worker’s investment, profit or loss options for a worker, and provision of materials or equipment for the job by workers.

Types of relationship. Written contracts, employee-type benefits, permanency of the relationship.

If you’re not sure whether or not an individual qualifies as an employee or contract employee, other criteria are included on the IRS form SS-8, which helps determine the employee status (www.irs.gov/pub/irs-pdf/fss8.pdf). You can also refer to IRS publication 15-A, “Employer’s Supplemental Tax Guide” (www.irs.gov/pub/irs-pdf/p15a.pdf).

If you believe you have misclassified some employees as independent contractors, a voluntary classification

settlement program (VCSP) is available. To apply for this program, you will need to use Form 8952, application for voluntary classification program (VCSP.) You will then need to file IRS Form 8919 to pay uncollected Social Security and Medicare taxes.

It is becoming more important than ever to classify employees correctly, when you consider the additional penalties that may come from not paying possible mandated health care coverage from the Affordable Care Act.

The Final Determination

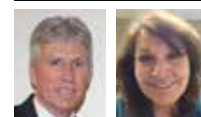
The IRS auditor, depending on the findings, may ask you to file a Form 941-X, which is an adjusted employer’s quarterly federal tax return, to pay additional taxes owed, or to issue additional 1099s or additional forms.

The auditor will then issue a “summary of tax due,” which is a summary of issues, and publication 5 “appeal rights.”

Finally—the coup de grace—the customer satisfaction survey. The IRS, after all, operates in the customer service sector.

In both our situations, we found the IRS auditor to be easy to work with and pleasant. Part of this may have come from our willingness to cooperate and the timely submittal of information.

This experience, however, is not one we are anxious to repeat. **PM**



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BY KATHRYN DODSON

THE FUTURE OF WOMEN IN LOCAL GOVERNMENT

We need research and data, not just speculation

I was incredibly disappointed that “the premier organization of professional local government leaders” led its monthly publication [January/February 2015 *Public Management* magazine] with an article on women in government that felt like it was written in 1981. As a female assistant city manager, I found two major shortcomings in the article.

The first is that after citing the fact: “that only 13 percent of all chief administrative officer (CAO) positions are filled by women, the same percentage as in 1981,” speculation ensued instead of research and discovery. ICMA is in a unique position to be able to find out why women aren’t being hired.

Do women CAOs get promoted into their positions more or less often than their male counterparts? Are the councils and commissions that hire women CAOs different than those who hire men? Are they younger, in more progressive or conservative communities, are they located in different parts of the country?

What percentage of qualified women make it past the first-stage screening as opposed to men? Given ICMA’s connections to local governments and executive search firms, these are questions that can be answered, and answering them will help women find career advancement opportunities.

Find Out Why

The second major shortcoming of the article is that rather than researching why women aren’t advancing as CAOs, it went straight into speculation that women aren’t getting hired because they are doing something wrong. The article’s headlines on “challenges to career advancement” for women insinuate that

women: overestimate the experience they need, are challenged with trying to achieve work/family harmony, and have issues with being assertive.

Whether or not women overestimate the experience they need does not address why they are not getting hired (especially if, as the article suggests, they are more experienced than their male counterparts

AGAIN, FIND OUT WHY WOMEN REALLY AREN’T BEING HIRED, DON’T BLAME THE WOMEN FOR BEING TOO FOCUSED ON THEIR FAMILIES TO ADVANCE THEIR CAREERS.

by the time they apply for CAO jobs). Everyone is challenged with achieving work/life balance, from the single mother who is an administrative assistant to the male who is working on a master’s degree while staying in shape and spending time with family and friends.

Having families does not hamper women in the workforce more than anyone else. In fact, the women I’ve talked to usually think that being working mothers not only makes them better employees, but often makes them better mothers. Unless you can come up with some facts as to why working mothers are worse employees or should not be considered for the CAO position, then it is time (long past time) to stop highlighting this as a reason women don’t have CAO positions.

Again, find out why women really aren’t being hired, don’t blame the women for being too focused on their families to advance their careers.

As to the assertiveness dilemma, this is another old and tired argument. Do you really think that women aren’t

being hired because the hiring bodies think they might be too passive or too aggressive? Is this really a deciding factor in post-interview discussions?

Individuals, regardless of gender, can be great or lousy interviewees, but I do not think there is any evidence that women as a whole are worse interviewees because of the assertiveness dilemma.

Time for Research

Your final point is that “a woman’s career progression may be hampered by the attitudes of hiring authorities and supervisors.” While this may in fact be the crux of this issue, something only further research can validate, this article goes in a truly unfortunate direction.

Inappropriate or illegal behavior certainly needs to be addressed, but is a completely separate issue from why women aren’t getting hired for CAO positions.

Regarding the “checklist” of items to improve opportunities for women CAOs, I would argue that women are already prepared for the next leap in their careers. After all, the article states that women are more educated than their male counterparts, and the experience issue is addressed above.

As to what ICMA can do—instead of finding ways to prepare these already prepared women, find out the facts behind this story. Only when we understand why women aren’t being hired into CAO positions will be able to address, individually and as a profession, how to move the needle on hiring. **PM**



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(continued on next page)

FROM THE AUTHORS:

We greatly appreciate and express thanks to Kathy Dodson for her comments on our article “Women Leading Government” published in the January/February 2015 issue of *PM*. We unquestionably agree with her that additional research is essential to understanding why women are not holding more chief administrative officer positions.

We hope that the article, along with the conversation it has started and the conversations that are occurring in numerous other industries, will lead to valuable research.

It was not our intention to convey a message that women are “doing something wrong.” We do believe that it is empowering women to point out that they can have a tendency to overestimate the experience they may need, and as a result, not apply for positions for which they would be competitive. It absolutely could relate to the 13 percent issue—applying for the job is the first step to getting the job.

The Illinois chief administrative officer research we cited in our article supports Ms. Dodson’s point that having a family does not hamper women in the Illinois CAO workforce; however, we do stand by the additional research in our article and elsewhere with respect to workload issues at home that can be challenging for two-career families.

We believe the assertiveness dilemma women face is real, and that the research we cited in our article supports this. **PM**

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BETSY BAER

Executive Director
Glenview Chamber of Commerce

“The relationship between a mayor and a city manager is an extremely important relationship because it’s that relationship that ensures that people are on the same page in terms of the city government, and that we actually get things done.”

JULIAN CASTRO

Three-Term Mayor, San Antonio, Texas
Newly Confirmed Secretary,
U.S. Department of Housing & Urban Development

ICMA

Leaders at the Core of Better Communities

BY MIKE CONDUFF, ICMA-CM

A GOOD GOVERNANCE SYSTEM

Helping elected officials learn to govern well

Under the able guidance of former mayor and current Executive Director Clarence Anthony, the National League of Cities is reimagining its annual conference pre-training as The NLC University. I was honored to represent ICMA this year by providing a half-day training session on council-manager relationships with my friend and colleague Jim Hunt who is a former mayor, past president of the National League of Cities, and 28-year elected official.

As part of our opening remarks, we asked attendees to give us their “elevator speech” of who they were, where they were from, how many years they had served in either elected or appointed office, and why they had come to our session. These were people who had self-selected to attend, paid a fee, and invested at least an extra day in the conference. We were pleased that there was full attendance, and that it was evenly divided between the policy and administrative components.

Jim recorded the years of service as people introduced themselves on the two halves of our flip-chart pad—one side for elected and one side for appointed. The results were extremely interesting in that the elected half of the room had tenures ranging from 10 months (essentially newly elected) to seven years, along with plenty of two-, three-, and four-year responses. The numbers for professional administrators ranged from a low of five years to a high of 28, with several more than 20.

Governance Glue

We used that flip-chart pad as exhibit number one for the need for a good governance structure. Clearly, the elected officials are the link with residents, and just as clearly, they are the ones who use that linkage to determine the outcome and value proposition direction for the organization—in the language of Policy Governance®: “What good, for which people, at what cost?”

On the other hand, the clear responsibility for implementation and achievement of the outcomes rests with the much longer tenured professional managers and their teams.

It is this governance structural interface that so clearly acts as the glue that keeps everything working. When it is strong, understood, and implemented well, things operate fairly smoothly.

IT IS THIS GOVERNANCE STRUCTURAL INTERFACE THAT SO CLEARLY ACTS AS THE GLUE THAT KEEPS EVERYTHING WORKING.

When it is weak, misunderstood, or poorly implemented chaos results.

It was also why folks had come, the essential responses being these: “We have no cohesiveness between our council and our manager.” “We haven’t done a performance appraisal of our city manager for several years, and I have no clue what he does.” “We have several new councilmembers who are younger than most of our senior staff, and we are having a hard time relating to each other.” “I just survived a close vote for termination of my contract, and I need to understand how to do things differently.”

Again, we used the flip-chart pad as a springboard into a discussion of how a good governance system allows for clarity of roles, eliminates misunderstandings, and empowers all parties in the equation. Jim likes to call it “dancing in the fishbowl.” It takes skill, practice, and a great script.

Using our book *The OnTarget Board Member – 8 Indisputable Behaviors* as our framework, Jim and I used lots of stories to illustrate that, as a group, the councilmembers must connect with their citizen owners, understand their roles, set targets

for the staff, assess risk, delegate achievement, determine progress, stay disciplined, and report back to their citizen owners.

Being Understood

On the staff side, we used additional anecdotes and examples to demonstrate that helping the elected officials develop and understand this framework, and then, as an appointed professional, to act

within the framework, creates the powerful connection necessary to build trust and accelerate accomplishment.

As we closed the session, we thanked everyone for attending and encouraged them to take the learning home. This is, of course, the old Covey adage that, if one of us gets smarter, all of us should benefit from that.

If any of the reasons that these folks invested in this training apply to you, remember that, as the typically much longer tenured and experienced partner in the governance process, we have a responsibility to elected officials to help them understand what they have gotten themselves into and how they can enjoy their public dance more by developing their skills, practicing these skills productively, and staying on script with their governance process.

We can’t govern for them, but we can help them learn to govern well. **PM**



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BY CLARK HENRY

ENCOURAGING ROOFTOP SOLAR

Case study: Chapel Hill, North Carolina



Chapel Hill is located in the Piedmont region of North Carolina, one of three local governments that constitute the “corners” of the Research Triangle, and is home to the University of North Carolina at Chapel Hill (UNC).

More than 57,000 people reside in Chapel Hill’s 21 square miles. The town operates under a council-manager form of government and employs 912 staff. It maintains a vibrant small-town feeling with a strong university presence known for its artistic contributions as much as for its academic achievements.

Building on a tradition of leadership, Chapel Hill is using solar photovoltaic (PV) to improve its environmental and economic performance on public facilities.

Establishing Standards and Removing Barriers

Chapel Hill is using its comprehensive plan to outline expectations for new development and redevelopment projects to incorporate renewable energy, including rooftop solar PV. In 2001, the town council approved a resolution that amended the plan’s energy efficiency policy, establishing

the expectation that private sector rezoning applicants will maximize their potential for energy conservation and use of renewable energy.

This expectation was expanded in 2007 to include the specific goal of a “20 percent more energy efficient” feature in private sector conditional use or rezoning applicants’ development plans.¹

The Chapel Hill 2020 Comprehensive Plan, adopted in 2012, was built around a framework of six core themes, each of which is supported by a series of goals. One theme, Nurturing Our Community, describes the town’s goals for living in harmony with and improving the natural environment.

One goal, for example, is to “reduce the carbon footprint of all town-owned or managed services and properties; . . . require that all new development meets standards; and . . . support its residents in minimizing their personal footprints.”²

One barrier that the town addressed up-front was the potential for neighborhood or homeowners’ association covenants to restrict or prohibit solar PV. In 2003, the town adopted a land use management ordinance that includes prohibitions against covenants or other

conditions of sale that restrict or prohibit the use, installation, or maintenance of solar-collection devices. This ordinance was adopted prior to North Carolina’s statewide solar access law GS 160A-201, and is believed to provide stronger protection for solar energy.

Embracing Sustainability

In addition to policies and program participation, the town’s commitments led to the creation of the Office of Sustainability in 2008 to facilitate community and business participation in sustainability-oriented programs and resources. Established by Town Manager Roger Stancil in response to the council’s interest in achieving greater organizational and community sustainability, the office was created to help implement, coordinate, and advance many of the policies and initiatives that predated it.

Recognizing that renewable energy is, in and of itself, a substantial topic deserving full-time attention, in 2012 the Office of Sustainability created an energy management specialist staff position focused exclusively on finding energy efficiency and renewable energy opportunities for public operations, including solar PV.

And specific to solar PV, the office provides general guidance to the community regarding an incentive created through state legislation in 1977 that allows for a personal tax credit of up to 35 percent of the cost of a solar PV installation (\$10,500 ceiling) for businesses as well as single and multifamily residences.

Looking Beyond Grant Funding

Chapel Hill is working to increase its capacity to integrate solar PV into public operations. Recent facility expansion and construction has included solar PV, not as an ornamental feature funded by sources of capital with limited availability (short-lived grants), but as a fundamental component of the facility’s function whose costs are covered by

such replicable, reliable, and familiar sources of funding as bonds. Public bonds provide more local discretion over the schedule, eligible uses, and procurement processes than federal grant programs.

Using resources derived and controlled locally underscores the feasibility and practicality of solar PV for public operations. Chapel Hill is working to ensure the viability of solar PV for integration into ongoing operations and regular installations, as illustrated by the following examples.

Library expansion. In 2003, residents voted in favor of a \$16.3 million bond measure to expand the existing public library from 27,000 to 62,000 square feet. In the process, they added 4 kilowatts (kW) of solar energy through rooftop solar panels tied directly into the electrical grid.

The town estimates that this investment provides the grid with renewable energy sufficient to offset the energy demand of the library's floor lamps. This project benefits from having a high profile as it demonstrates the benefits of solar PV to the most visited library in North Carolina.³

Town operations center. In 2007, Chapel Hill finished construction on its new operations center as a consolidated home to the public works and transportation departments. With 36 PV panels generating 15 kW, the investment reduces the facility's power demand by about 1.5 kW per day.

When it was built, it was the largest capital improvement project in the town's history, at more than 80 acres and \$52 million.⁴ Solar PV complements other renewable energy systems used by the new facility, including solar thermal hot water and ground-source heat pumps.

Solar PV Growth

The town's dedication to creating a more sustainable Chapel Hill by advancing

Solar Partnerships

This article was prepared by the SunShot Solar Outreach Partnership, a U.S. Department of Energy program providing outreach, training, and technical assistance to local governments to help them address key barriers to installing solar energy systems in their communities.

solar PV has led to its participation in national and international programs that provide technical guidance, inspiration, and recognition. By making formal commitments in partnership with strategic stakeholders, the town sets a high bar for its own performance, leverages additional resources, and paves the way for further progress.

Chapel Hill participates in the ICLEI - Local Governments for Sustainability's Cities for Climate Protection campaign; the Community Carbon Reduction pledge sponsored by Low Carbon Innovation Centre of the University of East Anglia; and the Sierra Club "Cool Cities" initiative in an effort to reduce its greenhouse gas emissions.

Chapel Hill's Chamber of Commerce also created Green Plus in partnership with UNC to provide small and midsize businesses with expertise, resources, and recognition for their efforts to increase their environmental, social, and economic performance.

While the programs are not specific to solar PV, they provide a working structure in which solar PV plays an important role.

Lessons Learned

Here are two reminders from the Chapel Hill case study:

Build internal capacity. Relying exclusively on grant funding will not provide long-lasting solar PV outcomes. Including renewable energy in public improvements funded through

bond measures resulted in solar PV being installed on the main public library and town operations center. Further, building capacity through staff dedicated to energy provides continuity for identifying opportunities to facilitate solar PV.

Take the long view. Chapel Hill's successes are the result of ongoing efforts to amend policy, planning, investment, and public operations over the long term. Short-term initiatives will result in limited returns on that investment. As such, Chapel Hill is working to establish innovative models for financing solar PV that build on earlier success. **PM**

ENDNOTES

- 1 Memorandum from Roger L. Stancil to J. B. Culpepper, "Expansion of the Policy to Encourage Renewable Energy Planning with Rezoning Applications and Accompanying Special Use Permits," April 11, 2007, <http://townhall.townofchapelhill.org/agendas/2007/04/11/10>.
- 2 2020 Chapel Hill: Our Town, Our Vision (June 25, 2012), 37, <http://www.townofchapelhill.org/home/showdocument?id=15213>.
- 3 The library serves more than 1,035 visitors daily and 375,000 people annually; see Town of Chapel Hill, "Library Expansion," <http://www.townofchapelhill.org/town-hall/departments-services/business-management/capital-improvements-program/library-expansion>.
- 4 Town of Chapel Hill, "Town Operations Center," http://townhall.townofchapelhill.org/news/current_issues/toc.

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BY KAREN THORESON

BUILDING RESILIENT COMMUNITIES

BIG Ideas conference offers inspired insights

Everything can be taken from a man but one thing, the last of the human freedoms—to choose one’s attitude in any given set of circumstances, to choose one’s own way.”

— Viktor Frankl, neurologist, psychiatrist, and Holocaust survivor

“[We are] using 20th century solutions for 21st century problems.”

— Peggy Merriss, city manager, Decatur, Georgia

These quotes are perhaps the most important takeaways from the provocative discussion on building resilient communities that took place at the invitation-only conference—2014 BIG Ideas: The Future of Our Cities—held October 24–26 in Fort Lauderdale, Florida. Resiliency is the ability to bounce back from adversity, but it is more than recovering; it is adapting better for future challenges.

Acknowledging the many challenges facing communities around the globe, leaders focused on how to prepare and emerge stronger, no matter the circumstances. These key themes emerged in discussions throughout the conference:

- **Prepare and plan today.** Conduct a risk and impact assessment, acknowledge your vulnerabilities, and prioritize and integrate strategies.
- **Institutionalize resiliency.** It is a continuous process and it should be integrated into the day-to-day routine.
- **Use a collaborative process.** Connect with others. Empower, engage, and build relationships with staff, residents, nonprofits, business leaders, and the region.
- **Remember that communication is critical.** Establish trust and transparency.

This article includes information that can help jump-start discussion in your own community. Seize the opportunity to become a resilient community that isn’t defined by adversity, but by your response when faced with challenges.

Vulnerability, Resilience, and Innovation

Alliance Resident Futurist Rebecca Ryan kicked off BIG Ideas 2014 by encouraging participants to welcome adversity. “After all,” she said, “Only adversity will teach us about resiliency.”

She framed the conversation through research. Resilience research distinguishes between protective and promotive factors.¹ Protective factors are actions you take to protect or insulate yourself from adversity; promotive factors are characteristics, networks, and traits that enable us to deal with adversity. Research shows that local governments rebound from adversity along a spectrum:

- 1. Resilient reintegration.** The best-case scenario, where disruption leads to stronger protective and promotive factors and individuals emerge more well balanced.
- 2. Homeostatic reintegration.** Individuals “just get over” the disruption, but don’t make any substantive changes in their protective and promotive factors.
- 3. Reintegration with loss.** Occurs when individuals regain their balance, but with reduced protective and promotive factors and greater vulnerability to further imbalance.
- 4. Dysfunctional reintegration.** Individuals remain imbalanced and rely on such destructive coping strategies as substance abuse to deal with the stress of imbalance.

Arizona State University Associate Professor Clark Miller noted that “Ryan concluded by discussing the importance of preparing through ‘disruption scenarios.’ By thinking early about potential disruptions, we are better prepared to face our vulnerabilities. Welcome adversity; innovation and resiliency will occur to those best prepared.”

The Ripple Effect

Bringing years of experience from national and municipal platforms, David Kaufman of FEMA and James Hunt of Amazing Cities set the stage for a discussion on environmental resiliency.

Kaufman began by citing the number of disasters worldwide and the reality that the number is rapidly increasing from decade to decade.

Resource constraint is now commonplace. The structural deficiencies of infrastructure only add to the potential for catastrophic environmental events. But beyond the direct impact of local catastrophic events is the ripple effect these events create. The massive earthquake and ensuing tsunami that struck Japan in 2011, for example, caused iodine buyout, and, ultimately, a change of energy policy in Germany.

Kaufman closed his remarks by highlighting the current situation for local governments. Basically, the means and methods of service delivery are changing.

Typically when an environmental event occurs, the public is the true first responder. Moving forward, local governments should augment their emergency response by proactively building relationships with the huge, untapped pools of public sector, nonprofit, and community groups.

Having served the city of Charleston, West Virginia, for years, James

Hunt provided a municipal point of view. Calling on his experience with a chemical leak in Charleston, Hunt discussed how environmental disasters can wreak havoc on the public's psyche for years, even after a solution has been implemented.

The chemicals from the leak had been seeping into the local water system, affecting the drinking water for hundreds of thousands of residents. Now, when visitors come to the city and stop by a local restaurant, waiters typically insist they order the bottled water even though the contamination has since been cleared.

Hunt has a motto: If you think something bad will happen, it will, and if you think it's the end of the story, it's not. The key for local government is how city leaders manage a crisis when it is beyond their sphere of influence.

Achieving Economic Resiliency

Dr. Robin White, senior mediator and program director with the Meridian Institute, introduced the discussion on economic resiliency by defining five primary barriers to achieving economic resiliency in our communities.

First, economies are only as resilient as the community/region is resilient. As a nation, we do not recognize how unprepared we are to handle foreseeable risks or to respond to uncertainties. Second, communities lack appropriate frameworks for managing economic issues and priorities on a regional scale. Disasters are both local and regional.

The third barrier shared by White is incentivizing nonresilient behavior and dis-incentivizing resilient behavior. Fourth, communities are not poised for effective risk assessment. White stated, "We have prepared people to be rescued." Community-based resiliency is needed.

The final barrier is failing to deliberately prepare for economic recovery and resilience. Communities plan for emergency response, but not resiliency.

How does a community prepare for economic resiliency? White suggests leaders ask themselves these five questions:

1. What makes up our economic ecosystem?
2. What can't we afford to lose?
3. What is our plan for recovering economic function in our community?
4. Who on our staff is responsible for economic resilience?
5. Where might the capital for rebuilding, restoration, and recovery come from?

Adding to the discussion on economic resiliency, Kristen Jeffers, with Kristen Jeffers Media, shared a personal and emotional plea to not write off the poor. She encouraged the attendees to ask themselves: "What do we do for these people, in an age where science says they are hopeless, but your service provision and tax rolls say otherwise?"

Jeffers emphasized that poverty of spirit and economics can happen to anyone. She asks, "Can you be that civic leader who rallies this grass roots? Can you draw from your own pain?"

Emotional Resiliency

Peter Kageyama, author of the books *For the Love of Cities* (Creative Cities Productions, 2011) and *Love Where You Live, Creating Emotionally Engaging Places* (Creative Cities Productions, 2015) began the discussion on emotional resiliency. Kageyama believes emotional resiliency comes from small things, as well as normal and different things.

Small things. Small things create major impacts. Kageyama used the 2010 Christchurch, New Zealand, earthquake as an example. Christchurch did the big things well, responding to the disaster; however, the real opportunity was in the small things on the emotional level.

During the recovery, residents built pop-up establishments with shipping containers, soccer fields in the rubble,

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bicycled-powered movie theaters, a dance floor with lights hung from temporary poles, and book-lending devices out of old refrigerators.

Normal things. The normal things create a sense of relief and represent progress showing that the community is getting back to normal. Kageyama discussed the rebuilding in Joplin, Missouri, following the devastating tornadoes. For a long time, a blinking yellow light served as a symbol of the devastation, but after being restored to a full stoplight, it came to represent progress to the community.

Different things. Building up resiliency is found in civic experiments and the attitude toward trying something new. The new thing might fail, but we learn about our capacity for change and innovation opportunities increase. Kageyama discussed the difference between competent failure and incompetent failure, stating that our competent failures are opportunities to learn and become change-ready.

Kageyama closed by encouraging leaders to take advantage of the slow times, challenging assumptions and training themselves to become more resilient. Through training, we become change-ready and comfortable with uncertainty, and will have the ability to build an emotionally resilient community.

Nancy Freed, deputy city manager, Aurora, Colorado, continued the discussion on emotional resiliency, sharing Aurora's story and lessons learned from the movie theater shooting in 2012. Freed shared that Aurora now has a

playbook for communities that suffer through a tragic situation and encourages others to think about their playbook as they are just one phone call away from a life-threatening event.

Drawing on the emotional event, she shared these key lessons learned:

- This can happen everywhere.
- Be confident, but recognize your role will change.
- Coordinated communications is key.
- Quality of internal and external relationships is critical. You can't create relationships when disaster strikes.
- Think about how you will handle the money coming in to support victims.
- Mental health services need to be addressed.
- Everyone grieves, but everyone grieves at different times.
- You have to take your time and lead from the victims.

How did Freed know the community was going to be all right? She related how she had received a note from a resident encouraging Freed to look at pictures of the doors of the theater as people ran out that day.

Instead of looking out for themselves, people were holding doors for those who were running out of the theater. At that moment, she knew Aurora had a resilient community and it would be all right.

Moving Forward

If there's one thing that BIG thinkers are good at, it's challenging what we all thought we were good at. The conference gave attendees much to think about. Here are the top three insights I came away from it with:

Resiliency isn't just about coming back. It's about coming back better than you were. Through intentional planning and dialogue with the people affected, we can use the crisis and the opportunity to rebuild in ways that we had only imagined.

We can redesign communities as New Orleans has done or create centers of healing as Aurora has done, and in so doing, make our communities better than they were before disaster hit. But we can't remain stuck in the event that changed us. We have to move forward, acknowledging it, but refusing to let it define us.

Community resilience is about neighbor-to-neighbor connectedness. We are all responsible for creating and nurturing those connections that will sustain us in times of crisis. In all that we do, we must demonstrate and model authentic human response and a commitment to supporting people in helping each other, rather than creating an expectation among our residents that government will rescue them. It can't.

We can't heal without justice. We in positions of leadership must reach out before crisis occurs to those most vulnerable in our communities and create the trust and credibility that will be necessary when disaster strikes. We cannot build credibility at the time of crisis . . . that will be too late.

We must use crisis to rebuild prosperity and opportunity for the least among us, and build trust by telling the truth, facing our weaknesses together, and creating the spirit of resilience as an inspirational and collaborative goal. Our lives and our communities may depend on it. **PM**

ENDNOTES

1 http://www.cssp.org/reform/child-welfare/ppf/SF_ProtectiveFactors.pdf.



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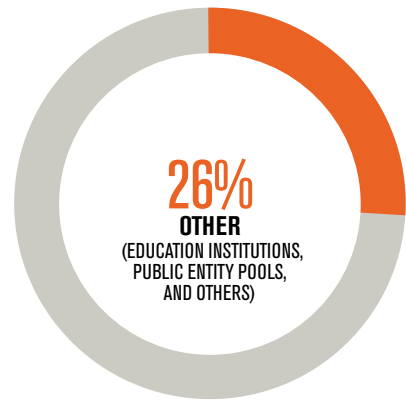
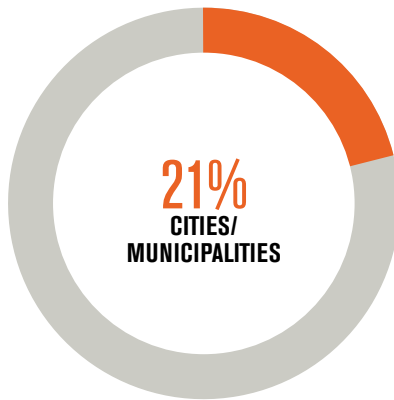
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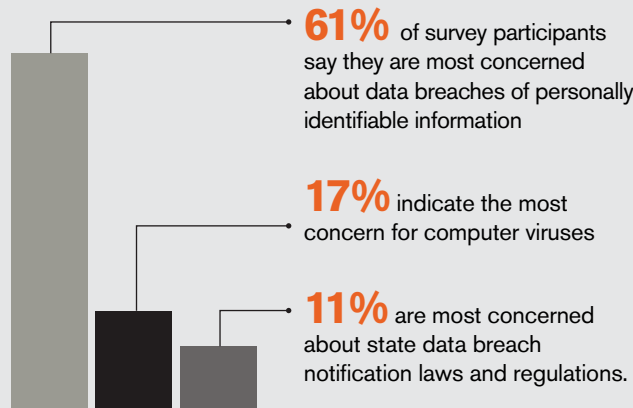
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