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An Overview of County Administration: Interview with NACA President, Pete Austin, County Administrator, McHenry County, Illinois

Introduction by Bob McEvoy, managing editor

Thanks to our wonderful colleagues at NACo Research, we now have a thoughtful and forward looking research analysis of the evolution of county professional management structures throughout the United States. Cecilia Mills, NACo Research Associate and Liaison to NACA, has researched and documented the current role of County Managers and Administrators throughout the United States.

We are pleased to preface her report with a personal interview with NACA President, Pete Austin. This was presented as a podcast on the NACA and NACo websites. The audio file can be accessed at this link, and a transcript of the highlights are provided below.

Podcast Transcript

It is hard to label exactly what County Administrators do but I think first and foremost we talk about how it's the county administrator's job to carry out the policies and directives of the county board. The county board, they are policy leaders, they come in, they vote on things, they set the course, and it is up to the county administrator to see that the staff who's here every day carry out those policies.

I have a 24 member county board so I need to understand the different motivations of 24 different people who are very important to my life and

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NACo NATIONAL ASSOCIATION of COUNTIES

COUNTIES ADVOCACY RESOURCES EVENTS ABOUT

PRESS RELEASE

County administrators play major role in serving residents

By BRIAN NAMEY Jun. 30, 2015

Tags: Management & Administration

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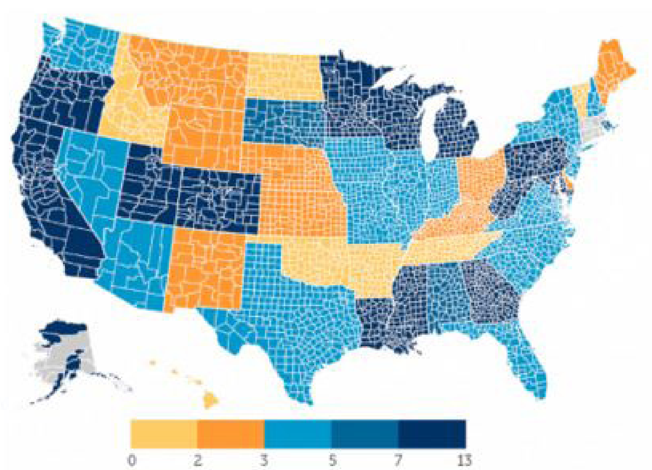

WASHINGTON, D.C. – New research shows that many county governments turn to county administrators to help deliver core services like health care, criminal justice, public infrastructure and economic development. More than four out of 10 county governments appoint county administrators to implement board policies, prepare annual budgets and run daily operations that serve millions of residents, according to research released today by the National Association of Counties (NACo).

PRESIDENT'S CORNER

by Peter B. Austin, County Administrator, McHenry County, Illinois

NACA President, Peter B. Austin

I welcome this first opportunity to greet NACA members in the new year and hope that our respective counties envision a successful 2016. We are looking forward to gathering at the upcoming NACo Legislative Conference in Washington, D.C. this month.

Please join your NACA colleagues at the events highlighted on page 5, and on the NACA website. Our traditional Idea Exchange is your opportunity to ask questions, share successes and challenges, and learn from your colleagues. Please submit Idea Exchange topics to NACA@icma.org by February 20, to ensure their inclusion on the agenda. The topics of performance analytics and cybersecurity have already been suggested for discussion. Please note that the NACA Executive Board meeting is open to all interested members and all are welcome to our Sunday reception on February 21, at 5:30 p.m., generously sponsored by ICMA-RC.

In advance of the Legislative Conference, NACA board representatives will meet with key staff at NACo and ICMA to further the collaborative efforts that were initiated by my predecessors, past NACA presidents Peter Crichton (Cumberland County, ME) and Robert Reece (Pottawatomie County, KS). Among our goals, we want to ensure that NACo conference content provides sessions that attract county professionals, and that ICMA ensures a county perspective in professional development offerings to ICMA members throughout the year and especially at the ICMA Annual Conference. You will see recent NACo research initiatives on professional county administration highlighted in this issue of the Journal. Our new NACo liaison to NACA, Cecilia Mills, will assist us in ongoing efforts this year.

I am pleased to announce that for the second consecutive year, NACA will offer scholarships to emerging county professionals to attend the ICMA Emerging Professionals Leadership Institutes and Regional Summit events being held in five locations during March, April, and May. Each of the five scholarship will provide complimentary registration, and a stipend of up to $1,500 for transportation and lodging. The application process and deadlines are available at this link on the NACA website. These scholarships are made possible through the support of ICMA-RC in their commitment to NACA's work on next generation initiatives and efforts to attract and support future leaders to the profession of county administration.

This past fall, NACA spearheaded a discussion to launch a county consortium to participate in the ICMA Insights performance analytics program. By forming a consortium, NACA will be invited to advise ICMA on county specific measures to be integrated into the robust tool offered to jurisdictions. NACA participants also will enjoy benefits beyond the standard participant features, including meeting facilitation and support from ICMA, a consortium case study, savings on custom measure development, a discount on the annual subscription fee in the first two years, and three virtual training sessions. These sessions will be developed around the consortium's specific interests.

McHenry County hosted an initial conversation on this consortium proposal this past fall. I would welcome expressions of interest or any questions you might have.

Once again, I look forward to seeing you in Washington this month and to leading NACA efforts to support you in your daily work as county professionals.

Peter B. Austin, NACA President
County Administrator, McHenry County, Illinois

NACA

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my profession.

Because that "what's my role?" changes day-to-day, hour to hour. Sometimes it changes in terms of what's being asked of me and which county board member I'm dealing with but I think generally maybe first and foremost I am a leader. I am, in my role to ensure that the policies that the county board has set are being carried out by our staff. We have over 1200 staff members on McHenry county payroll and they're here to carry out the policies that are set by the county board. So first and foremost I'm a leader in that regard." Stop 6:07 (discusses McHenry County carrying out policy and ensuring county staff implement policies)

I'm also a coordinator – I need to coordinate the activities of county board the agendas of county board, the ideas of the county board. I need to coordinate them amongst themselves and I need to coordinate the ideas with our department heads and with our countywide elected officials.

Maybe this is a little bit of an informal role, but I'm kind of a buffer. I'm a buffer between the county board and the countywide elected officials. But I think that's an important role also and it's one that isn't quite often talked about but I think it is a real value of having a professional staff in place to make your government run as smooth as possible.

Other duties as assigned is how I would finish this. You never know what responsibilities you might be asked to take on I often say one of the things I like about my job is you never know what's going to be at the end of the telephone call when the phone rings. That's an enjoyable part. Other duties as assigned is always an interesting part of the job.

When we look at today's environment when we have such finite resources and such, so many competing interests for financial capabilities of our local governments that becomes a real challenge. But I think it underscores the importance of professional management. In the olden days it was often we were just helping to manage analysis or helping elected officials measure the benefits of perhaps service A versus program B. If you got a finite amount of resources and you need to make a decision of where those resources are going to go, that was an important role of professional managers. Today when there's so much pressure on local government finances and there's a genuine desire to make cutbacks, that's a real role for county administration as well. Helping elected county board manage all sorts of reductions and resources that just seem to be so much a part of everyday life in local government right now. Having a professional county manager or county administrator at the center, someone who's uniquely positioned to be aware of all the services and all the pressures for those services to help provide an even level head to those elected officials that are ultimately going to put their name on those budget reductions has been a really important role for county administrators, not only in McHenry County but all over the country.

As life got more and more complex, and the services that were asked for and provided to residents got more and more complex, you needed to have a position like a county administrator to help with some of that simple coordination. That role of coordinator, when you're providing services like human resources and information technology and facilities management and geographic information services and coordination of transportation network, you benefit from having a central office to help with that coordination. So I think McHenry County went through that transition in the mid-80s like a lot of counties particularly counties that are on the edge of suburbia where you had people that were expecting a certain level of service.

McHenry County was not unlike a lot of counties around the country that when you saw growing population demanding increasing levels of services we needed to look at who is going to coordinate all these services beyond those core services that are dealing with the elected officials like a sheriff or clerk or circuit clerk of court or coroner.

First county administrator served McHenry county the mid 1980's – 1986 or thereabouts. And while I can't tell you exactly what was involved in that decision-making process I could guess that McHenry County was, knowing what I know about its lifecycle, growing very fast in in the mid-1980s and dealing with what a lot of counties were around that they were growing fast. Life was getting more complex and needed some simple coordination in the middle of all that complexity.

We've built buildings, or built roads, and say this project that we took from beginning to end and now we're here and people are using this road or people are using this nursing home or people are using this animal control facility- those are always nice projects to be a part of because they're going to outlast me. Those additions to McHenry County are going to be here long beyond me and that's very rewarding.

During my tenure here we have strengthened the organization's commitment to professional government management, we've strengthened how we do things and our understanding of the value of professional government management and the protection that it provides everybody that we know we're doing things the right way. So that's what I'm most proud of. I just think that in my time here the organization has moved along a continuum where we just are continuing to do things more professionally to a point that I think we're not going to be retreating on this front. We are really accepting professional government management as the best kind of management for McHenry County….." Stop 15:10 ■

Latest NACo Research: An Overview of County Administration: Appointed County Administrators

By Cecilia Mills, NACo Research Associate and Liaison to NACA

County administrators play a major role in county operations, typically implementing board policies, running daily operations and help preparing annual budgets. Despite their importance to county government, there is little understanding of the variety of responsibilities, titles and positions that fulfill county administrator functions around the country, as well as the reasons behind the rising number of county administrator appointments. To educate county elected officials and other stakeholders, The National Association of Counties (NACo) released in July, *An Overview of County Administration: Appointed County Administrators*, an analysis that establishes a national baseline about appointed county administrators and managers around the country.

"County administrator" as a function includes many possible titles and varying levels of authority. NACo's analysis found 115 possible titles of positions that fulfill the county administrator function around the country. Boards may hire an individual for the position of county administrator or may add county administrator duties to the responsibilities of a current county employee, depending on the county governance structure and the existing state statute.

The specific county administrator position— solely dedicated to fulfilling county administrator duties— may have one of 102 titles, ranging from "chief administrative officer" to "county director." Other county staff — most often county clerks — are appointed as county administrators and complete administrator duties in addition to their main obligations.

What do county administrators do?

This research found that almost half of the 1,323 appointed county administrators around the country have a high level of administrative authority: they can appoint and remove all or most county department heads, supervise county departments, prepare the budget and oversee the day-to-day operation of the county. For example, three quarters of the county administrators in Western counties fulfill all of these responsibilities.

Another third of county administrators are in charge of the daily operations of the county and the coordination of the annual budget, but cannot appoint or remove most department directors and have no direct supervisory authority over some county departments. Most of the county administrators in Northeast fit this description.

The remaining county administrators have a lower level of administrative authority, mainly coordinating between county departments, ensuring administrative action on the county board policies and the preparation of draft ordinances and reports.

Notes: National classification based on Roger Kemp, *Forms of Local Government: A Handbook on City, County and Regional Options* (Jefferson, NC: McFarland & Company, Inc., Publishers, 2007). For clarification purposes, this analysis uses the terms "high level authority", "mid-level authority' and "low level authority" instead of "county manager", "chief administrative officer "and "administrative assistant.

The county administrator is a recurring function across counties. Nearly half of counties (43 percent) have a county administrator. Counties of varying sizes, from Petroleum County, Mont. (485 residents) to Los Angeles, Calif. (more than 10 million residents) appoint county administrators. Northeastern counties are most likely to appoint an administrator, with almost three-quarters employing an administrator.

In contrast, only 30 percent of Midwest counties make use of this

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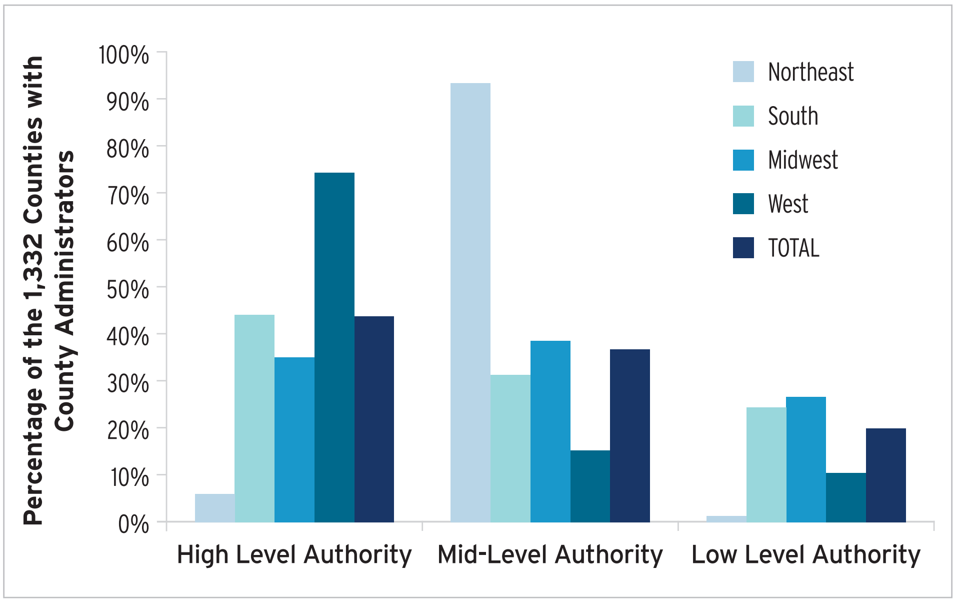
Level of Authority of County Administrators by Region, as of May 2015



Source: NACo analysis, as of May 2015

(“Latest NACo Research” from page 4)

function, most often small counties — with fewer than 50,000 residents. All counties in Arizona, Delaware, Maryland, Massachusetts, North Carolina, New Jersey and Virginia appoint administrators, while none in these five states: Arkansas, Hawaii, Oklahoma, Tennessee and Vermont.

To appoint administrators, county boards can choose to implementan enabling state statute, enact an ordinance or merely hire an individual to fulfill county administrator responsibilities.

Thirty-four out of the 43 states with appointed county administrators have current state statutes sanctioning this function. The counties in these states often decide not to use the state statute, but appoint the county administrator by county ordinance. For example, Idaho, Iowa and North Dakota have enabling state statutes, but counties with county administrators in these states did not use them. These are often appointments with more limited authority than under the state statute.

State laws and the influx of appointed county administrators peaked in the 1970s and 1980s. Some states passed statutes permitting the appointment of a county administrator as early as the 1920s, but the vast majority of states – 13 out of 34 states - enacted these laws throughout 1970s and 1980s. Simultaneously, counties in 19 states appointed their first county administrator with some counties predating the enabling state statute.

The rise in county administrator appointments and qualifying state laws during the 1970s and 1980s paralleled a dramatic increase in population and expanded county responsibilities. An increase in the number of federal programs and unfunded federal mandates in the 1970s and 1980s contributed to counties’ decision to centralize their administration in the hands of professionals.

County administrators assist county boards in implementing board policies, oversee county operations and ensure counties provide quality services and keep counties resilient in the face of unexpected changes. As a function, county administrator is fulfilled by various positions, 115 different titles and with different levels of authority around the country. The majority of states sanction the appointment of a county administrator by statute. In the 1970s and 1980s, more counties started to operationalize their management under a county administrator structure, faced with growing county populations and a rapid rise in the number of federal programs and unfunded federal mandates.

The reader can find the complete analysis at *www.naco.org/countyadministrators*. To access the companion interactive maps and the individualized state level profiles, go to NACo’s County Explorer interactive map www.naco.org/countyexplorer and select “County Administrators” in the “County Structure” category. ■

NACA EVENTS AT THE 2016 NACo LEGISLATIVE CONFERENCE

EVENT	DATE	TIME	LOCATION
Executive Board Meeting	Saturday, Feburary 20	3pm – 5pm	Marriott Wardman Park ROOM: Roosevelt 4 / Exhibition Level
Idea Exchange	Sunday, Feburary 21	3:30pm – 5:30pm	Marriott Wardman Park ROOM: Washington 1
Reception sponsored by ICMA-RC	Sunday, Feburary 21	5:30pm – 6:30pm	Marriott Wardman Park ROOM: Balcony B
No Host Dinner	Sunday Feburary 21	7pm	Washington D.C. (TBD - Cleveland Park / Woodley Park area
Past Presidents’ Breakfast	Monday, Feburary 22	7:30am *(tentative)*	Marriott Wardman Park: Location TBD

By Bob Schultze, President and CEO, ICMA-RC
and John Saeli, Vice President, Market Development and Government Affairs, ICMA-RC

President Signs Public Safety Bills
Governmental Accounting Standards Board ("GASB") Issues New Accounting Standards Addressing Other Post-Employment Benefits

President Signs Public Safety Retirement Bills. President Obama signed into law the "Don't Tax Our Fallen Public Safety Heroes Act" on May 22. The law, for federal income tax purposes, excludes from gross income compensation from certain federal and state programs received by beneficiaries of a public safety officer who dies or becomes disabled as a result of an injury sustained in the line of duty.

In addition, the President signed the "Defending Public Safety Employees' Retirement Act," on June 29, which can benefit local government public safety employees in certain instances. Under current law, there is a 10 percent penalty for early distribution from most retirement plans, generally prior to age 59½. Governmental 457 plans are exempt from the penalty unless the distribution comes from a rollover from a non-457 plan. There are a number of other exemptions, including distributions made to employees after separation from service after attainment of age 55.

There is also an exemption for distributions after separation for qualified public safety employees from a defined benefit plan, for distributions after age 50 (rather than 55). The IRS position has been that this exemption is not available when a distribution from a defined benefit plan is rolled over into a defined contribution plan and then distributed. The act extends this age 50 exception to distributions for public safety (e.g., police, fire, and EMS) employees to defined contribution plans. It appears, therefore, that a rollover from a defined benefit plan to a defined contribution plan, including a 457 plan, which is subsequently distributed, is eligible for the exemption.

The act applies to distributions taken after December 31, 2015, so public safety employees contemplating a 2015 distribution who would otherwise be impacted by the 10 percent tax may find deferring such distribution to 2016 to be beneficial.

Senate Finance Committee Working Group on Savings and Investment Issues Bipartisan Report. The Senate Finance Committee Working Group on Savings and Investment, co-chaired by Senators Mike Crapo (R-ID) and Sherrod Brown (D-OH), issued their report in July. While the group had jurisdiction over a number of areas, the mandate that the group focus on consensus, bipartisan policy solutions led their review to focus on retirement savings.

Three goals, primarily focused on private sector employers and employees, were identified:

- Increasing access to tax-deferred retirement savings
- Increasing participation and levels of savings
- Discouraging leakage while promoting lifetime income

There was general consensus that already introduced bipartisan proposals should be given consideration. However, there were differences of opinion on both the proposals meriting support and on the forum at which consideration should be given (i.e., through stand-alone retirement savings legislation or comprehensive tax reform). As such, the working group did not endorse any specific proposals.

While the report primarily addresses areas of lesser importance to public sector employers and employees, future legislation (particularly where it impacts tax revenue) may affect public sector retirement programs.

The Savings and Investment Group is one of five bipartisan working groups formed by the Committee earlier in the year to focus on policy options and recommendations for the Committee to consider as part of broader comprehensive tax reform efforts. Altogether, the working groups are:

- Individual Income Tax
- Business Income Tax
- Savings and Investment
- International Tax
- Community Development and Infrastructure

E-Delivery Legislation Introduced in House. Representatives Jared Polis (D-CO), Phil Roe (R-TN), Mike Kelly (R-PA) and Ron Kind (D-WI) introduced the "Receiving Electronic Statements to Improve Retiree Earnings Act," or the "RETIRE Act" on June 4. Representatives Roe and Polis are, respectively, the chairman and ranking member of the House Committee on Education and the Workforce's Subcommittee on Health, Employment, Labor, and Pensions. Representatives Kelly and Kind serve on the House Ways and Means Committee, which has jurisdiction over the Internal

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FROM YOUR NACO REPRESENTATIVE

by Eugene Smith, NACA Past President, County Manager, Dunn County, Wisconsin

The last NACo Board meeting was held December 4-5, 2015, in El Paso County, Colorado. and the Legislative Conference will launch on February 20, in Washington D.C. The new year is firmly in progress!

The December NACA Board of Directors meeting was held at the conclusion of the criminal justice symposium and all of the comments we heard were of a very positive nature.

Board business included the adoption of the 2016 operating budget as recommended by the Finance and Executive Committees. Other regular Board business, i.e. legislative policy review, committee reports, etc., took place without unusual circumstances.

We were particularly impressed with the introductory presentation of a proposed product from the Financial Services Corporation, NACo FSC intends to choose a partner to create a retiree Private Health Care Exchange (PHCE) product as the first step in providing a broader health benefits product platform for member counties and other governmental jurisdictions.

Retiree health insurance options should be available for both Medicare eligible and non-Medicare eligible retirees. It is important to note that NACo FSC is not interested in just endorsing an existing exchange product, but wants a solid business partner that will create value-added products to serve the unique needs of their market.

Services must be available to all NACo member counties and other eligible participating jurisdictions, regardless of the workforce size or number of covered retirees. Services must be available for jurisdictions that do not currently provide retiree health benefits or do not subsidize costs for retirees that participate in their plans.

NACo FSC desires to implement a program that supports member counties and other public jurisdictions through consolidated buying power and pooling of resources to allow options that are beyond the capability of most member counties on their own.

NACo FSC anticipates the need among NACo member counties and other public jurisdictions for two different levels of service:

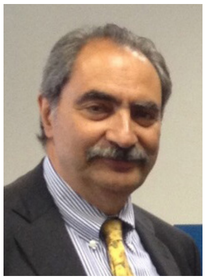
- The Pooled Program Services Model would be sponsored and overseen by NACo FSC with a standardized level of services and plan options along with promotional and plan communication materials reflecting the overall NACo FSC branding, and with limited options for customization. The level may appeal most to smaller counties that cannot meet the minimum requirements to purchase private retiree health care exchange services on their own as well as those that do not provide any current retiree health benefit coverage and/or subsidies and would not be interested in adding any contractual relationship or financial liability.
- The County Purchase Model would be intended to appeal to larger counties and those with established retiree health benefit programs where the county could provide an exchange option or carve all their retirees out to the exchange. This product level would allow full customization of services to fit the plan designs, carriers offered and communications to the county's specific needs. By purchasing through the NACo FSC pipeline, each county could obtain services at a lower cost than if they purchased directly, and could have an option with a lower threshold for numbers of retirees covered than might otherwise be available to them purchasing on their own.

We encouraged the FSC to pursue the selection of a partner and create this opportunity for county government retirees.

Looking forward to seeing many colleagues at the Legislative Conference this month. Don't forget to join us for the NACA Events (see page 5); all are welcome. ■

with Dr. Costis Toregas, The George Washington University

Technology at the administrator's side- empowerment or security hole?



The usefulness of technology for the public organization is clear and accepted by all but the worst Luddites in our society. Modern county services simply could not be administered without computers, the Internet and the ubiquitous "Cloud". The sheer volume of transactions are such that the traditional files, folders and cabinets we used to store and process information are a thing of the past. The utility of the technology has also enveloped the administrator with multiple devices that are making decisions and actions easier:

- A desktop computer in the office that can connect to secure email systems and enterprise management systems such as personnel, budget and procurement.
- Perhaps a laptop to take when travelling and to make working at home an easier chore by using a VPN connection to ensure reliability and security of the transactions.
- A tablet to make reading long reports easier and to appreciate colorful photographs or plans that can be enlarged with the pinch of two fingers.
- A smart phone that is coordinated with the email system and calendaring function, so that a promise to a resident to meet or address a concern is not forgotten but enters into the same system the staff people also see.
- … and now smart watches that can bring events and decisions right to the wrist, reminding those who are not afraid to date themselves of the infamous Dick Tracy watches that doubled as TVs and phones.

Five platforms to make life easier- but also five "attack surfaces" through which the bad guys can attack the security of the IT systems and hack in to compromise files of hundreds or thousands of individuals. So what can an administrator who wants to have the latest technology and the best ways to stay in touch with issues in the community do to balance these two twin dimensions of empowerment and security?

In my experience that spans several decades, two general truths have helped navigate the constant churning and changing landscape of managers. The first is simple: never stay put, and keep changing and adapting to the wondrous technological opportunities that open up on a continuous basis. Yes, expand your reach by using the five platforms of connectivity and knowledge-sharing that is available today. And when smaller (or bigger) devices beckon, try them, at least until you discover that they will be of no help to you. SO not blind use, but openness to try and keep those technologies that truly empower you to do more.

The second is more difficult: remember that with connectivity and true interoperability comes the responsibility of safeguarding the privacy and security of the information which can be lost in a flutter of a butterfly's wing. When paper files ruled the world, it would take trucks and winches to steal them and use them for purposes other than those intended. Today, a simple bit of software attached to an innocent- looking email can unleash an instantaneous attack under which millions of data bits can leave the government hands and end up in dangerous hands. So the responsibility to understand the basic essentials of cyber security, to know what to look for in phishing scams or how to identify suspicious attachments is incumbent on you and all your staff. The need to constantly train in the latest techniques is high, and everyone should put aside feelings of "I know it all" or "I don't need to know, because I pay others to do so"…. Our phones and tablets have become the open doorways for smart and determined hackers to do damage to ourselves and the organization we serve.

So it is a balance between empowerment on the one hand and security on the other that must be in our minds. If we begin to shun modern, creative and open systems that put us in touch with our employees and those we serve, we will be bowing to defeat without a fight. And on the other hand, if we rush on adding systems and devices without taking the time to understand the risks, and most importantly to train ourselves to mitigate the risks, we are simply waiting for the bad event to occur- for it is not if, but when such a breach may happen if we are not strong and capable to respond to the challenge.

Technology has taken many twists and turns, and is now becoming intimately enmeshed with our personal life; so it is wise to take the time to understand both the potential, as well as the risks involved, and to become wise users- nothing else will do! ■

FLSA Overtime Rules and GASB: What Local Governments Need to Know

By Amber Snowden, Public Policy Coordinator, ICMA

FLSA Overtime Rules

In March 2014, the Obama Administration directed the Department of Labor (DOL) to update its regulations defining which executive, administrative, and professional employees (white collar workers) are exempt from the minimum wage and overtime pay requirements of the Fair Labor Standards Act (FLSA). On July 6, 2015 the DOL issued its proposed changes.

The specific changes proposed by the Department of Labor include:

1. Set the standard salary level at the 40th percentile of weekly earnings for full-time salaried workers ($970 per week, or $50,440 annually).
2. Increase the total annual compensation requirement needed to exempt highly compensated employees (HCEs) to the annualized value of the 90th percentile of weekly earnings of full-time salaried workers from $100,000 to about $122,148 per year.
3. Establish a mechanism for automatically updating the salary and compensation thresholds going forward to ensure that they will continue to provide a useful and effective test for exemption.

ICMA surveyed members of the Governmental Affairs and Policy Committee on the proposed regulations and submitted comments to the Wage and Hour Division of the Department Of Labor based on this feedback. A majority responded that the proposed standard salary level was not reasonable for their community and 75 percent of the respondents indicated they did not support the rule change as proposed.

The Department of Labor (DOL) does not expect to issue its final rule changing the overtime exemptions until mid-to-late 2016, due to the volume of comments received and the complex nature of the changes. If the final rule is released mid-to-late next year, the changes likely will not go into effect until sometime in 2017.

ICMA's Public Policy team continues to monitor the status of the proposed regulations. NACA members are encouraged to review the employees they currently consider to be exempt and those positions and persons that are being paid close to the salary threshold. These employees will be the ones who may no longer be exempt after the salary thresholds go up.

GASB:

At the ICMA Annual Conference in Seattle, David Vaudt, the new Chairman of the Governmental Accounting Standards Board (GASB) joined local government leaders for a conversation about GASB's role and standards, its engagement with the local government community, and changes to financial reporting standards relevant to local governments.

Here are some of the issues under examination by the GASB that local governments need to be aware of:

Pensions – GASB Statements 67 & 68

What? These standards significantly revise pension accounting and financial reporting standards. The new standards view the cost of pensions within the context of an ongoing, career-long employment relationship.

Big Changes:

- Use an accounting-based rather than funding-based approach to measure and report any net pension liability;
- The portion of the total pension liability not covered by plan assets will be recognized as a liability on the face of the financial statements as the net pension liability (NPL);
- Local governments participating in cost-sharing plans (i.e. statewide plans) report a proportional share of the collective NPL;
- Discounting of the liability at the long-term expected rate of return is limited to the extent that assets are expected to be available to cover future benefit payment.
- Once a plan's liabilities exceed its assets, the remainder of the liability must be discounted at the municipal bond rate; and
- Only one actuarial valuation approach is now permitted (entry age, as a level percentage of payroll)

When? For pension plans, the requirements take effect for fiscal years ending June 30, 2014 and later. For employers, the requirements take effect for fiscal years ending June 30, 2015 and later

Other Postemployment Benefits (OPEB) – GASB Statements 74 & 75

Big Changes:

- These standards now require employers to calculate their net OPEB liability and, to the extent that liabilities exceed assets set aside to fund the liability, the liability must be recognized on the face of the financial statements;
- Changes in measurement may increase the size of the long-term obligation and annual cost for OPEB;
- In most cases, local governments have not prefunded the OPEB liability at all, meaning that the OPEB liability could exceed the pension liability;
- The standards also require the presentation of more extensive note disclosures and supporting schedules.

(continued on page 11)

WILLIAM N. "BILL" CASSELLA, JR. 1920 – 2015

The Passing of a Great Friend of Professional County Management and Administration, by Terrell Blodgett, Past President of the National Civic League

William N. "Bill" Cassella, Jr., former executive director of the National Civic League (formerly National Municipal League) died September 6, 2015 at the age of 95 at his home on Bainbridge Island, Washington. Bill was born on July 14, 1920 in Alton, Illinois. He graduated Phi Beta Kappa from the University of Illinois before earning his first master's degree from Syracuse University's Maxwell School of Public Administration. Legend has it that despite his thirst for knowledge, he fell asleep one day in the Maxwell library and woke suddenly to a "hot foot" – a lit match lodged into the sole of one of his shoes by a classmate. The young woman laughing hardest at the prank, Margaret (Peg) Powers Crowley, would eventually become his wife.

Bill's interest in further education was interrupted by World War II with Bill serving in the U. S. Navy stationed on the Marshall Islands. He continued in the Naval Reserves for 20 years, retiring as a captain. Upon his return to the states in 1946, Bill and Peg married and moved to Boston where he earned his second master's degree, plus a PhD in Political Economy and Government from Harvard University. He taught public administration at the University of Missouri and later at Columbia University. His developing expertise in politics and state and local government led to an "interim" job at the prestigious National Municipal League, a nonprofit headquartered in New York City. The short term contract ultimately lasted 31 years until Bill retired after 15 years as Executive Director.

Under Bill's leadership, the League's 2 major programs, the All-America Cities competition and the Model City Charter program, flourished. The former began in 1949 and continuing today, salutes cities and counties which have undertaken particularly exemplary projects and initiatives, with specific attention given to citizen participation. Through the years, presidents, including President Ronald Reagan, honored the All-America Cities program by hosting White House "ga rden" ceremonies where mayors of the winning cities were recognized and presented plaques.

The Model City Charter dates back even further, to the establishment of the National Municipal League in 1894. Determined to overcome the widespread corruption in many of the nation's cities in the late 1800s, reformers, led by Theodore Roosevelt met in 1897 and launched a civic reform program which included the publication of the first Model City Charter in 1900. The 1915 edition endorsed the then new council-manager plan of local government. As Assistant Executive Director and later the chief executive of the League, Cassella was influential in later editions endorsing the direct election of the mayor and presenting as an alternative, the election of council members by district as opposed to the original concept of election at large.

Beginning in the mid -1900s, Cassella was deeply involved in subsequent editions of the model including two editions of the model county charter and a unique charter-like document for counties which could not have charters. After his retirement as executive director in 1985, he served as the coordinator of the 7th edition of the charter for the 1989 edition. The charter is now in its 8th edition, the latter published in 2011. The current model continues to be widely used by cities across the country looking to adopt its first city charter or to rewrite its existing document.

The International City/County Management Association paid tribute to Cassella at its annual conference in late September, 2015 in Seattle. Speaking at the business meeting, University of North Carolina Visiting Professor Dr. James H., Svara, generally considered the foremost expert on local government structure in the United States today, paid tribute to Cassella's decades-long leadership in local government reform and his efforts to keep city charters relevant and abreast of the changing environment.

After marriage, Bill and Peg settled in Westchester County, New York and raised four sons, John, Stephen, Mark and Kent. During these years, Bill not only researched and wrote about local government, he served on the Greenburgh school board, as chairman of the Westchester Planning Board for many years, and on the vestry of the Zion Episcopal Church. Many years, the family vacation consisted of visiting state capitols and his sons remember that eventually, Bill had photographed every state capitol in the country. I remember his pride on showing me those photographs in his den at his home. He took particular pride in pointing out that he had extended his hobby to include foreign capitals and was pleased that he was able to photograph the renovated Reichstag building in Berlin before his travels were curtailed.

Bill continued his civic work long after his retirement, consulting for city government associations in China, Poland, and Japan. He was a key leader in the Westchester Croton Aqueduct project, preserving an historic greenbelt for his community. He retired early to be a full time caregiver for Peg in the final two years of her life. Still later, he moved to Bainbridge Island to be near his son, Steve. He participated in many events in his retirement community, up to the final days of his life.

He is survived by John and Claire

(continued on page 11)

("ICMA-RC's Capitol Review" from page 6)

Revenue Code ("Code").

Current law restricts the ability of plan sponsors to make electronic delivery the default method of distributing required information to plan participants. Based on the nature of information distributed, any one of four different Internal Revenue Service ("IRS") or Department of Labor ("DOL") standards may apply, making it difficult to have a consistent electronic communication policy, particularly for private sector employers.

The bill would reverse current DOL regulations and allow electronic delivery as the default distribution method for all plan participants. The participant must be able to elect to receive paper versions of the document at no additional direct cost to the individual.

Lifetime Income Disclosure Act. In May, Senators Johnny Isakson (R-GA) and Chris Murphy (D-CT) and Representatives Luke Messer (R-IN) and Mark Pocan (D-WI) reintroduced legislation in the Senate and House that would require defined contribution plans subject to ERISA to annually inform participants how their account balance would translate into a monthly income stream at retirement, based on assumptions to be specified in regulations. Similar legislation was introduced in 2011 and 2013.

A related DOL effort will continue independent from the proposed legislation. The DOL released an advance notice of proposed rulemaking in 2013 seeking comments on how best to mandate a lifetime income disclosure, and DOL continues to work on a proposed rule, which currently is targeted for release in November 2016.

Governmental Accounting Standards Board ("GASB") Issues New Accounting Standards Addressing Other Post-Employment Benefits ("OPEBs"). On June 2, the GASB announced new accounting Standards Nos. 74 and 75 addressing OPEBs that will replace GASB Nos. 43 and 45 and largely harmonize the accounting standards for pensions and OPEBs.

Statement No. 75, which impacts employer accounting for Fiscal Years beginning after June 15, 2017, requires:

- The net OPEB obligation to be reflected on the employer's balance sheet. For many jurisdictions, this will be more impactful than the reflection of the net pension obligation under Statement No. 68, which recently came into effect for pensions.
- For employers who prefund their OPEB liabilities, liabilities will be measured using the expected return on plan assets, while unfunded OPEBs (or the portion of the plan expected to remain unfunded) will be valued using a high quality 20-year municipal bond rate. The OPEB obligation, and its impact on balance sheets and net position, may dramatically differ based on the degree to which the employer elects to prefund the OPEB.

OPEBs, unlike pensions, remain a largely unfunded obligation for most employers. The new accounting standard may prompt employers to consider the benefits of prefunding their OPEB liabilities. ■

("FLSA Overtime" from page 9)

When? For pension plans, the requirements take effect for fiscal years ending June 30, 2017 and later. For employers, the requirements take effect for fiscal years ending June 30, 2018 and later

Tax Abatement Disclosures

What? The goal of this statement is to provide disclosure guidance that is essential to financial statement users on tax abatements granted by local governments, giving users the opportunity to ask valuable questions.

Disclosures required are very high-level, and abatements covered are only those with a specific taxpayer/taxpaying entity.

When? These requirements become effective December 15, 2015. ■

("William Cassella" from page 10)

Cassella, Mark and Lisa Cassella, Stephen and Carol Cassella, William Kent Cassella, plus nine grandchildren and three great grandchildren.

Memorial services were held December 28, on Bainbridge Island and will be held at a later date in Dobbs Ferry, New York. The family suggests that donations may be made in his name to your local Public Broadcasting System network. ■

This obituary has been prepared by Terrell Blodgett, Chairman of the National Civic League, 1986-87, and life member, International City/County Management Association. Much of the material has been taken from a loving obituary written by his daughter-in-law, Carol Cassella, a noted novelist.

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