

March 31, 2017

RE: WEEKLY UPDATE

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Mayor:

I. State Policy Issues

a. PRFS Legislation Update, S-3040

A bill ([S-3040/A-99](#)) that could lead to dramatic property tax increases or drastic cuts to vital services is now on the Governor's desk. This legislation would disproportionately shift control of the Police and Fire Retirement System (PFRS) from balanced labor-management control to a union dominated (7-5) decision making structure. In its current form, the bill will allow public safety union members and retirees to enhance their own benefits; while forcing their public employers and New Jersey taxpayers to assume a disproportionate amount of the risk.

The League, along with the New Jersey Conference of Mayors and the New Jersey Association of Counties, opposes the bill for the reasons outlined below. Yesterday, [we urged you to contact the Governor's Office](#). **In addition, please continue to communicate with your Legislators with your concerns.**

Our objections to [S-3040/A-99](#) are:

- The bill creates a system where taxpayers are responsible for funding 70% of the system, but are a minority on the board which governs decisions and thus bear the majority of the risk;
- As a result the unions are responsible for funding just 30% of the system but are in control of the board governing decisions on such matters as contribution rate, benefit levels, and investments.

Please keep these facts in mind as you talk with your legislators.

PFRS is a defined benefit plan. Retirement pay is calculated on a formula, using factors like length of employment and salary history; not on the return of the funds' investments, like a 401K. In the event of any shortfall in a return from investments, the employers (in this case municipalities, counties and their property taxpayers) must make up the difference. Employers with a minority seat at the table will have an uphill battle in preventing run-away costs that will

ultimately be passed on to the taxpayers. Since employers have the greater risk the board should be comprised of an equal number of labor and management representatives.

If the board composition is to remain in favor of labor, then we strongly believe that the plan must be changed from defined benefit to a defined contribution plan, with a flat contribution rate from the employers (property taxpayers). Otherwise, a system will be created that provides public safety unions with control, but with little risk. This is a concerning prospect for taxpayers.

Ultimately, the League shares the same objective as the public safety unions, that is, to secure the local PFRS system. But, the system created in S-3040/A-99 does not provide adequate safeguards for New Jersey's property taxpayers.

Again please contact your Legislators to explain to them the serious problems that plague this legislation, as currently drafted. If the Governor either vetoes or conditionally vetoes the bill, it will go back to the Legislature for further action. Your continued engagement is vitally important.

Contacts: Lori Buckelew, Sr. Legislative Analyst, lbuckelew@njslom.org, 609-695-3481 x112. Michael Cerra, Assistant Executive Director, mcerra@njslom.org, 609-695-3481 x120.

b. Court Counterclaim Fees

In response to concerns raised by the League and the State Bar Association regarding the conflict in charging municipalities for filing fees in the Tax Court, the New Jersey Supreme Court recently adopted amendments to Rule 1:43 to eliminate filing fees for municipal counterclaims and responsive pleadings.

Thus, effective March 7, 2017, taxing entities are no longer subject to filing fees for counterclaims in the tax court. Fees collected since Nov. 17, 2014, from taxing districts for filing counterclaims in both small claims and non-small claims matters will be refunded to the taxing districts.

[Please click here for a copy of the order.](#) We thank our former staff attorney, Ed Purcell, Esq. and associate legal counsel, Martin Allen, Esq. of DiFrancesco Bateman for first bringing this to our attention.

Contact: Michael Cerra, Assistant Executive Director, mcerra@njslom.org, 609-695-3481 x120.

c. Requesting Veto of S-690 Increases Consolidation Costs

We have asked Governor Christie to veto, or conditionally veto, [S-690](#). This bill in its current form, would grant tenure, continued employment and terminal leave rights to selected employees of consolidating municipalities.

The sponsors claim that the bill is intended to increase flexibility and provide new tools that would be available to municipalities considering consolidation. In its current form, the bill will actually limit local flexibility, increase consolidation costs and, thereby, discourage future consolidations.

The League had supported a prior version of this initiative (S-2679, as amended on December 12, 2013), when the Senate sponsor accepted our suggested amendments. Those changes restored the requirement in current law that a voter referendum is required for the approval of a proposed consolidation plan; restored the requirement in current law that a State agency, in making decisions concerning consolidation, take into account local conditions, the reasonableness of proposed decisions, and the facilitation of the consolidation process; and restored the requirement in current law that the Department of Community Affairs prepare a fiscal study of a consolidation. We asked for, and were given, those amendments to ensure better informed voter participation in the process. Based on those amendments, we were happy to be able to support the bill.

However, subsequent Assembly Floor amendments, adopted June 25, 2015 actually limit local flexibility, increase consolidation costs and, thereby, discourage future consolidations. Those provisions, which are now found at Sections 3.e., f., and g. of the bill, grant tenure, continued employment and terminal leave rights to select employees of consolidating municipalities. Further amendments would prevent emergency appropriations needed to support the work of certain consolidation committees. Based on the inclusion of those cost-drivers in the bill, we expressed strong opposition to passage of S-690.

Because of these fatal flaws, we have asked the Governor to conditionally veto S-690, so as to return it to the form it had in 2013 and 2014. In the alternative, we hope that he will veto the bill.

Please contact the Governor's Office to express your position on this legislation.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org , 609-695-3481 x121.

II. Federal Policy Issues

a. Federal Budget Deadlines Looming

The continuing resolution, which was passed by Congress late last year and signed by President Obama, funds the Federal government through April 28 of this year. A new bill will need to be enacted by that date, or we will face another partial shut-down of government operations.

In a related matter, on March 16 the temporary suspension of the Federal Debt limit, which had been put in place by a 2015 budget compromise, expired. Earlier in the month, Treasury Secretary Mnuchin wrote to House Speaker Ryan, urging Congress to raise the debt ceiling "at the first opportunity so that we can proceed with our joint priorities." Secretary Mnuchin wrote, "Honoring the full faith and credit of our outstanding debt is a critical commitment." In the

meantime, the Secretary indicated that the Department of the Treasury would use a variety of bookkeeping maneuvers to continue to finance government operations, including making interest payments on the national debt. However, the Congressional Budget Office has estimated in a report that those measures will be exhausted by sometime in the Fall.

Also on March 16, House Appropriation Committee Chairman Rodney Frelinghuysen issued a statement concerning release of the President's budget blueprint for the 2018 Fiscal Year, which will begin on October 1, and the President's requests for supplemental spending in the current fiscal year. The Chairman noted, "As directed under the Constitution, Congress has the power of the purse. While the President may offer proposals, Congress must review both requests to assure the wise investment of taxpayer dollars. Over the next several weeks, our Committee will work quickly to complete the 2017 Appropriations bills, analyze and make decisions on supplemental funding for national and border security, and begin the task of funding the federal government for 2018."

Working with the Federal Relations staff at the National League of Cities, which serves as the eyes, ears and voice of the New Jersey League, and every other State League of Municipalities, in our Nation's Capital, we will strive to keep you informed of developments on these vital matters.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org , 609-695-3481 x121.

b. League Officers Ask Congress to Protect Municipal Bonds

Earlier this week, League President, Mayor Al Kelly of Bridgeton, was joined by our League Vice-Presidents, Mayor Jim Cassella of East Rutherford, Mayor Colleen Mahr of Fanwood and Mayor Jim Perry of Hardwick, in asking our Congressional Delegation to protect a vital tool for local infrastructure financing.

As Congress considers tax reform and infrastructure investment, we need to protect a vital tool, already in hand – the tax-exempt municipal bond. For more than a century, states and local governments have depended on this reliable and efficient means of financing for essential capital projects.

Tax-exempt municipal bonds finance infrastructure that touches the daily lives of every American citizen – the roads we drive on, schools for our children, affordable housing, water systems that supply safe drinking water, wastewater systems that keep our waterways clean, courthouses, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and utility plants that power homes and businesses.

Nearly two-thirds of core infrastructure investments in the United States are financed with municipal bonds. In 2015 alone, more than \$400 billion in municipal bonds were issued to finance these vital projects. Over the last decade overall state and local borrowing has actually declined in proportion to the economy, while still financing more than \$2 trillion in new

infrastructure investments. And, if simply left alone, municipal bonds likely will finance another \$3 trillion in new infrastructure investments by 2026.

Please ask Senators Menendez and Booker and your own Representative in the House to help New Jersey local officials to continue to serve their fellow citizens, effectively, efficiently and economically. Please urge them to oppose any effort to limit or eliminate the tax exemption on municipal bonds.

Contact: Jon Moran, Senior Legislative Analyst, jmoran@njslom.org , 609-695-3481 x121.

c. FCC Proposed Wireless and Wireline Rules

As anticipated, the Federal Communications Commission (FCC) has released a draft Notice of Proposed Rulemaking, "[Accelerating Wireless Broadband Deployment by Removing Barriers to Infrastructure Investment](#)." What is noteworthy is that it is joined by a second Notice of Proposed Rulemaking, "[Accelerating Wireline Broadband Deployment by Removing Barriers to Infrastructure Investment](#)." [Click here](#) for all the April FCC meeting materials, including the draft Notice of Proposed Rulemakings.

As a reminder, both of these items are DRAFTS and will need to be approved by the Commissioners at their April meeting to move forward with a formal commenting and rulemaking process. However, the FCC has opened dockets for both of these items to allow for some early informal commenting, and the National League of Cities (NLC) will participate in this process.

The fact sheets indicate that they are indeed broadening the discussion to all wireless facilities and reopening conversation on historical and environmental review, as well as examining pole attachments.

Contact: Lori Buckelew, Senior Legislative Analyst, lbuckelew@njslom.org, 609-695-3481 x.112.

III. 2017 League Salary Survey

The League is conducting its biannual compilation of wages and salaries paid to mayors, governing body members and other key administrative personnel, including police officials. We are writing to request your response to a survey to help us gather this data. In order to use the data that you so generously take the time to provide, we request your response no later than **April 12, 2017**.

You may find and complete the survey in 9 minutes by clicking here. If you would prefer to print a copy of the survey to complete by hand, you may do so by clicking here.

Contact: Taran B. Samhammer, Advertising Manager, tsamhammer@njslom.org, 609-6953481 x124. **IV. Also of Interest**

a. April NJ Municipalities Magazine

League Executive Director Michael Darcy [discusses the April issue of NJ Municipalities](#), available now! Visit www.njmmagazine.org to view our magazine bookshelf online, or <https://nj-njslom.civicplus.com/712/Subscribe> to subscribe.

Also, please help other municipalities find vendors, while helping to support the League's magazine. Please tell your vendor about the League's magazine, NJ Municipalities!

NJ Municipalities is an award winning monthly magazine read by over 6,355 readers. It has been a local government news source for over 100 years, and is celebrating its 100th anniversary in 2017!

Advertising can help spread your vendor's message! Let us know your vendor's contact information so that we can send them a free sample.

Contact: Taran B. Samhammer, Advertising Manager, tsamhammer@njslom.org 609- 695-3481 x124.

b. Mayor and County Recognition Day for National Service

On the day for National Service, mayors and county officials will hold public events and use traditional and social media to highlight the value of national service to the nation's cities and counties. Last year, 3,539 elected officials representing more than 178 million Americans participated in the fourth-annual Mayor and County Recognition Day for National Service. The initiative is being led by the National League of Cities, National Association of Counties, Cities of Service and the Corporation for National and Community Service. To spotlight the impact of national service and thank those who serve, mayors and county officials will participate in the fifth-annual Mayor and County Recognition Day for National Service on **April 4, 2017**. To register, [click here!](#)

Sincerely,

Michael J. Darcy, CAE
Executive Director