

*Retirement Costs Likely
to Keep **GOING** Up!*

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LEADERSHIP ADVANTAGE

KLCIS Board Report

Chaired by Fort Mitchell Mayor Tom Holocher, the Kentucky League of Cities Insurance Board of Directors completed another Successful Year!

Insurance Board Meeting Notes

- ♦ **Excess Insurance** - KLC has strengthened its excess insurance program by changing its Workers' Compensation excess carrier from NLC Mutual to American Reinsurance. All lines of coverage are reinsured by "A" rated companies providing a high level of financial security to the program.
- ♦ **Growth** - The insurance programs have experienced steady and consistent growth adding new cities and municipal agencies. Former members have also returned citing the quality of claims and loss control services. Premium growth from all programs is estimated at \$1.6 million.
- ♦ **Insurance Renewal** - The 2006-07 policy renewal was completed several weeks early this year at the request of members to help them develop more accurate budgets.
- ♦ **Rates** - KLCIS has held rates consistent with or better than the commercial market. Several lines of business experienced no or very modest increases. It was noted that property rates are driven by the increased costs of reinsurance, building materials, and labor following record losses during 2005 - the single largest property loss year in US history.
- ♦ **Member Services** - All insurance members can access their account information online at the members only section at www.klc.org and can view and print claims information, loss ratios, policies, limits, deductibles, premiums, auto and property schedules. All information is password protected and secure.
- ♦ **Education** - The Kentucky Municipal Environmental Safety and Health Association (KMESHA) Conference March 1 -3, 2006 had another successful year with more than 144 public works, police, fire and utility professionals.
- ♦ **Safety Grants** - The 2006-07 Safety Grant program application process began July 1, 2006 for members of the KLCIS programs. The program matches funds up to \$2500 for equipment and training to reduce losses and improve employee and public safety.

FRONT PAGE NEWS

Retirement Costs Likely to Keep Going Up!

Kentucky cities discussed the looming financial crisis because of increasing mandated contribution rates for the County Employees Retirement System (CERS) at KLC's recent 2006 City Summit, held on June 29. Around 150 city officials and staff discussed the growing stress CERS contributions are placing on city budgets.

Almost all full-time city employees are enrolled in CERS, a defined-benefit pension program created by the Kentucky General Assembly. Most police, fire and emergency medical staff are covered under hazardous duty while other city employees are categorized under non-hazardous duty. This program provides generous benefits to retirees, and requires cities to pay a varying percentage of an employee's salary into CERS.

Mandated increases in city contribution rates have cost cities millions of dollars in the past few years, and the worst is yet to come - both hazardous and non-hazardous duty employer contribution rates are expected to almost double by 2016. Without any structural changes to the system, cities will pay CERS over \$2.5 billion from FY 2006 to FY 2017. On average cities will pay over two-and-a-half times more for CERS

contributions in FY 2017 than in FY 2006, even without hiring any additional employees. All City Summit attendees were given personalized projected contributions for their city over the next 10 fiscal years.

To address this growing policy concern, a panel of experts was convened at the City Summit, which was broadcast via video conference to locations throughout the state. These speakers conceded that a fix would not come easily, but they agreed better controlling the rising cost of health insurance must be included in a comprehensive solution.

For more information about future CERS rates or projected contributions for your city, contact Joseph Coleman, KLC's policy resource manager, at 1-800-876-4552 or jcoleman@klc.org. To download a copy of the KLC Policy Development department's recent research publication entitled "The Payroll Pinch: Cities Face Mounting Wage, Benefit Pressure," visit www.klc.org/research under "publications."



LEGISLATIVE UPDATE

KLC's 2006 Legislative Update Available Online

KLC's 2006 Legislative Update is available on the KLC website at www.klc.org. The Update is an easy to use summary of bills enacted by the 2006 General Assembly important to Kentucky cities in such areas as eminent domain, environmental protection, homeland security, law enforcement, legal publications, public safety, telecommunications and many others.

The effective date of all enacted legislation is July 12, 2006, unless a bill contains an emergency clause or specifies a future effective date as noted in the Update. KLC is proud of its 2006 legislative effort resulting in passage of three bills initiated by KLC and others supported by KLC. If you have a question about any bill, call our legislative staff at 1-800-876-4552.

It is also important to remember that the KLC legislative program is partially supported by member participation in KLC's finance and insurance programs.



KLC Board Meets in Morehead

Mayor Brad Collins and the City of Morehead hosted the annual KLC summer board meeting in early June. Elected officials and city personnel from over 40 cities across Kentucky were represented. Sylvia L. Lovely, Executive Director/CEO of KLC, underscored the importance of this meeting in which officials discussed common concerns and goals.

"Having the chance to meet firsthand with other locally elected officials enables each member of the board to share information on effective programs they have implemented in the past year, and to learn from one another," Lovely said. "We encourage innovative approaches to create a better life for all Kentuckians, and this meeting is always a good forum to explore new methods."

Business items covered during the meeting included the KLC goals and objectives for the coming year, the annual budget, current legislative concerns, bylaw revisions and an update from the legislative tax task force as well as on other issues important to member cities.

LEGISLATIVE FLASH

Coal Severance Update



A group of city officials representing coal impact counties and KLC leadership met with Governor Ernie Fletcher on June 23 to discuss the Governor's veto of single-county coal severance projects for coal impact cities. The veto removed the line-itemed single-county coal severance monies and returned the control of coal severance projects to county governments in the form of a competitive grant process as outlined in statute.

The legislation that governs this grant program specifically names the county fiscal court as the only

eligible applicant and this situation has created a great deal of concern among cities. Some of the mayors indicated that they worked well with the current fiscal court, but that many of them had been defeated and the future was unclear. Several wanted the Governor to support legislation that would give cities, as well as counties, the ability to apply for coal severance projects.

The Governor indicated that he was stressing the importance of multi-jurisdictional applications and that the county must work with the city to ensure that all projects critical to city and county residents are considered. The Governor also encouraged city officials to make sure that the Governor's Office for Local Development (GOLD) is aware of the priorities of the cities. He further encouraged cities to copy GOLD on all project requests sent to the local fiscal court.

It is still not clear how this will be handled in the future. The legislature could try to maintain control of coal severance projects as it has done in the past. As for the remainder of this year, however, it is important for cities to work through the process and make sure GOLD gets copies of your proposals.

KLC Obtains Favorable Court Ruling in Law Enforcement Citation Fee Case

On June 20, The Franklin Circuit Court ruled in favor of the Kentucky League of Cities and its member cities in the lawsuit challenging the Finance and Administration Cabinet's interpretation of HB 413 (law enforcement citation fee).

The lawsuit, filed last fall, contested the Finance and Administration Cabinet's decision to distribute a portion of the citation fee proceeds to sheriff departments. The court agreed with KLC's position that the General Assembly did not intend for sheriffs to receive any of the funds collected under HB 413. As a result, the judgment directed the Finance and Administration Cabinet to exclude sheriff departments in making all future distributions to cities and counties that have police departments or contract for police services.

HB 413 was enacted by the General Assembly in 2004 to help replace the base court revenue program. The legislation added a \$20 law enforcement fee to existing court costs for circuit and district court criminal convictions.

Most of the funds generated from the fees are earmarked to go to local governments that have police

departments or contract for police services. However, the Finance and Administration Cabinet was including sheriff departments in the quarterly distributions, which reduced the funds distributed to eligible cities and counties by nearly \$2 million each year.

Once the allocations to the sheriff departments were discovered by KLC staff, the cabinet agreed to escrow the portion of funds it had been distributing to sheriff departments until the dispute could be resolved. Under the ruling, the funds held in escrow will be distributed to cities and counties that have police departments or contract for police services.

While parties to the lawsuit have 30 days to appeal the ruling, KLC has no reason to expect an appeal will be made. Should it occur, however, we will certainly apprise you of the situation.

I'd like to extend a special thanks to KLC Deputy Executive Director Neil Hackworth and the KLC legal staff for their diligent efforts on behalf of all our cities. Our legislative team and each of you had worked hard to replace the base court revenue program and this positive outcome will be of significant financial benefit to our cities.

MEMBERSHIP NEWS

Kentucky Transportation Cabinet Offers Unique Programs for Children

Governor Fletcher and the Kentucky Transportation Cabinet are working to reach out and educate our communities about health and safety. The Transportation Cabinet has two new initiatives which are targeted to educate and create a safe and healthy environment for our children.

The "Safe Routes to School" program is designed to improve the safety of students in grades K-8 who walk or bicycle to school. By creating a safe and more inviting path for children to exercise by riding their bikes or walking to school, the expectation is that children will be healthier. Infrastructure projects and non-infrastructure related activities including, but are not limited to, the construction or repair of sidewalks, on-street bicycle facilities, and traffic calming and speed reduction improvements are eligible for funding from the

Transportation Cabinet. The next round of applications will be accepted February 1 through March 31, 2007. The 2006 fund recipients will be announced at the end of June. All schools are encouraged to apply. For more information, please visit www.saferoutes.ky.gov.



In addition, the Cabinet has partnered with the Education Cabinet to produce a program that will equip teachers with a tool to motivate K-12 students through aviation to accelerate their understanding of math and science concepts. The Kentucky Aviation Teacher Institute Program, taught by professional pilots and educators with aviation backgrounds, is directed to address problem areas identified by CATS testing.

Interested teachers may visit www.transportation.ky.gov/aviation/education for more information.

KLC Direct

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The voice of Kentucky cities.

KLC Direct is published monthly by the Kentucky League of Cities (KLC). KLC is a voluntary association of nearly 400 cities and provides a multitude of services to assist in improving local government. Please address any correspondence to KLC Direct, Kentucky League of Cities, 100 East Vine Street, Suite 800, Lexington, Kentucky 40507-3700. Phone (859) 977-3700 or 1-800-876-4552. Fax (859) 977-3703. www.klc.org.

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By providing pertinent information, the Kentucky League of Cities does not necessarily endorse the views, services, programs or initiatives described in the listed references or websites, nor is the Kentucky League of Cities responsible for any statements or material contained therein. This publication provides information and links as a service to readers for their consideration.

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Is Your Mail Room Up to Date?

The US Postal Service initiated a meter decertification plan over ten years ago to transition existing postage metering systems to advanced technology that provides improved security and efficient access to postal products and services. The foundation of the system is an *Information Based Indicia Program*, which enables postage to be applied using digital technology. An **IBIP** compliant system prints a two-dimensional barcode on the envelope with an embedded digital signature. This combination provides technology-based security for tracking postage purchased and used as well as printing verifiable postage.

By the end of 2006, the USPS has mandated that over 300,000 of the more than 1.6 million mailing machines currently in service be replaced. This is not a simple meter exchange but rather a total replacement of the current mailing system to an **IBIP** compliant unit.

For additional information, visit www.usps.com/postagesolutions.

INSURANCE NEWS

We've Got You Covered!

KLC Insurance Service (KLCIS) insures more Kentucky municipalities and agencies than all other insurers! Some recently insured projects . . .



Middletown: The newly renovated city hall, located adjacent to the city park, was originally a 1785 stage coach stop and inn.



Princeton: The property front is an historic church. The addition to the back serves as the Princeton City Hall and Tourist Welcome Center.



Somerset: The Somerset Water Park is a new investment for Somerset.

KLC Insurance Helps Bring New Life to Historic Harrodsburg Building

After years of neglect and disrepair, Diamond Point, in Harrodsburg, Ky., is now a landmark of pride for the community and state.

The historic, 7,000 square foot house was built in 1840 for Henry Heironymous and his family. Ownership of Diamond Point changed several times, since its construction before it was purchased in April 2003 by Harrodsburg First, Inc., which was established to implement the Main Street Revitalization program in Harrodsburg.

In order to get funding for the renovation project the building had to be insured. However, in the words of Greg Souder, vice chairperson on the Harrodsburg First, Inc. Board and member of the Diamond Point Foundation, Inc. Board, "No one is going to be interested in insuring a building that is old, in bad repair and vacant. These things mean death for a building." Although this might be true, the Kentucky League of Cities saw the potential to refurbish a piece of city's history and insured the building so the renovation could begin.

After three years of renovation costing around \$1 million, Diamond Point has been completely restored to its original beauty. Now that

renovation is complete, The Harrodsburg/Mercer County Tourism Commission, Harrodsburg First, Inc., the Harrodsburg/Mercer County Industrial Development Authority and the Mercer County Chamber of Commerce have taken up residence in Diamond Point.

"This project is a classic example of many organizations and all levels of government coming together to achieve a common goal," Souder said.

Some examples of this are grants from the Transportation Cabinet and Renaissance on Main Project, as well as other grants and monies from city, state and federal governments. The renovation itself was also a great collaboration, the Kentucky Heritage Council, who provided architects, contractors and various other workers, as well as helpful advice, local contractors, the local FFA club, and even Class D felons involved in a work program helped complete the project by painting the exterior of the house!

KLC insurance is pleased to help bring a building back to its glory.



Harrodsburg: This recently renovated historic site is now used for local economic development and tourism office space. Financed and insured by KLC.



**REGISTER NOW FOR
THE KLC CONVENTION
AND EXPO!**

www.klc.org

**WELCOME
NEW
MEMBERS!**

**New Kentucky League of Cities
Insurance Services Members:**

- ◆ City of Ashland
- ◆ City of Jackson
- ◆ Jackson Utilities

Welcome CORNERSTONE PARTNERS

(as of June 29, 2006)

MARBLE

Bridgeway Medical, LLC

SLATE

Frost Brown Todd, LLC

Sturgill, Turner, Barker & Moloney, PLLC

Walther, Roark, Gay & Todd, PLC

LIMESTONE

CDP Engineers, Inc.

Codell Construction Co.

GRW

Infinity Business Group, Inc.

National City Bank

Sweeney and Fiser, PLLC

To contact a Cornerstone Partner or view the full listing, visit www.klc.org.

CITY BEAUTIFUL

KLC Gift of \$50,000 will Help Remember Kentucky's Fallen Heroes

Over 340 Officers Listed on Memorial



KLC and KLCIS present a \$50,000 donation to the Kentucky Law Enforcement Memorial Fund. (From l-r) DOCJT Director Don Pendleton, KLC Executive Director/CEO Sylvia L. Lovely, DOCJT Commissioner John Bizzack, KLC Law Enforcement Specialist Tony Hampton, Morehead Mayor and KLC President Brad Collins, Ft. Mitchell Mayor and KLCIS Board Chair Tom Holoher, KLC Deputy Director Bill Hamilton, and KLC Law Enforcement Specialist Mark Filburn.

On June 16, The Kentucky League of Cities proudly made a \$50,000 gift to the The Kentucky Law Enforcement Memorial, which is expanding and relocating. The memorial was dedicated in 2000 to honor Kentucky officers who have died in the line of service. Each May, the Department of Criminal Justice and Training conducts an annual service to recognize any fallen officers in the past year.

The idea to make the unprecedented gesture of support came from Paul Dienes, KLC's Deputy Administrator of Insurance and Loss Control after he attended the moving recognition ceremony last year

during which time the names of three officers were added to the memorial.

"KLC works regularly with police departments across Kentucky through our loss control, law enforcement and education programs, so we felt it extremely important to show our respect for their commitment to service", said Sylvia Lovely, KLC Executive Director/CEO.

In fact, KLC is the largest insurer of police officers, police departments, police dogs and police vehicles in the Commonwealth. "These fallen officers and their families are people we care deeply about as individuals and as a profession serving all of Kentucky," said Dienes. "Our donation is not nearly as important as the safety, education and consultation programs we provide for law enforcement to KLC insurance members. We wish we never had to add another name to this memorial."

In her final remarks to the group of nearly 100 people who attended the check presentation, Lovely said, "It's important to remember."

KLC's support is a \$50,000 commitment over a ten year period which will be used to assist in expansion and relocation of the memorial to a grassy area in front of the John W. Bizzack Law Enforcement Complex on the campus of Eastern Kentucky University in Richmond.

For information on how you can support the memorial foundation, visit the web site at www.klemf.org or call 859-622-2221.

TECH EDGE

What a Site!

www.klc.org

KLC's IT and Communications Departments have been working for several months to create a new website which makes life easier for KLC members.

Built around member feedback and suggestions, the site is a dynamic, interactive source of information, tools and communication - a place where members can start their day for the latest news feeds from Kentucky media as well as find all types of information that affects cities and communities. The site also invites members to actively participate in KLC and Kentucky League of Cities Insurance Services (KLCIS) programs or services online.

The "members only" section will allow members secured and authorized access to check insurance information, apply for financing, check out materials from the library, register for convention or training or join a live "forum" about an important legal or other issue. Many KLC and KLCIS members are already using this new feature which is seamless; only one password will be required to perform any KLC function online.

The objective of the website redesign project is to provide KLC members and other stakeholders with a site that is beneficial and

easy to use. The new site is built in logical "pages" for each specific product, program and service at KLC. Collateral information such as associated forms, contacts, publications and training opportunities will be located on the page within the "more info" section. This will provide users/viewers with the information they need on one page.

The home page will be a place to provide several types of information on a rapidly changing basis.

So, check out the new www.klc.org. Spend a few minutes looking it over and give us your feedback... it's your website, so we're happy to make improvements at any time!

With questions or comments, contact Terri Johnson at tjohnson@klc.org or 800-876-4552.

SHOW ME THE MONEY

Pro Bono Assistance Available to Support Local Governments with Clean Energy Purchasing

Initiative Helps Jurisdictions Combat Climate Change by Using Clean Energy

State and local governments have an excellent opportunity to help steer America toward clean, renewable energy by applying for purchasing assistance through the Responsible Purchasing Network. This initiative, launched by the nonprofit Center for a New American Dream, has teamed up with Think Energy, Inc., to provide three jurisdictions with professional advice and assistance in making a large purchase of clean, renewable energy.

To qualify, applicants must be a state or local government, and represent a minimum of 1,000,000 kilowatt-hours of electrical energy use annually. Furthermore, they must have political support and an appropriate level of funding for purchasing clean energy.

For information or to apply, go to www.newdream.org/procure/energyapp/index.php.

LAW ABIDING

Environmental Lawsuit Update

KLC intervened on behalf of member cities in a lawsuit which was filed by several environmental groups against the Environmental Protection Agency and the Kentucky Environmental and Public Protection Cabinet to have water quality regulations invalidated. The reason for getting involved in the case was to support the state and federal governments' efforts to maintain these regulations which are beneficial to cities operating under general storm water permits and regional wastewater treatment facilities.

Recently, the federal court ruled in favor of upholding the regulations of interest. However, that ruling has been appealed by the environmental groups and is currently pending before the 6th Circuit Court of Appeals. KLC will continue its effort to brief the court on issues relevant to cities in this litigation and will continue to keep members updated on the progress of the case as matters develop.

Meanwhile, with questions, contact Temple Juett, KLC General Counsel, at (800)876-4552.

In Memoriam

Silver Grove Mayor Carl Schwarber - died May 23, 2006

Prospect Mayor Lonnie Falk - died June 8, 2006

Former Danville Mayor and City Commissioner Alex Stevens - died June 13, 2006



CALENDAR OF EVENTS

Educate, Celebrate, Participate

AUGUST 2006

18 Planning & Zoning to Meet HB 55 Requirements

8:30 a.m. - 5:00 p.m. (EDT)
 Cost \$99 members; \$89 KLCIS customers
 Russell Acton Folk Center, Berea, KY

23 City Government Basics

9:30 a.m. - 3:30 p.m. (EDT)
 Cost \$99 members; \$89 KLCIS customers
 Pontotoc Community Center, Fulton, KY

For more information on these training sessions, contact KLC Training Assistant Rebecca Brickey at 1-800-876-4552 or email rbrickey@klc.org.

Mark Your Calendar!

Who: KLC member city officials & KLC Cornerstone Partners

What: 2006 KLC Member/Cornerstone Partner Golf Outing

When: Tuesday, August 22, 2006 (all times EDT)

10:00 a.m. to 11:30 a.m. - KLC Training Opportunity

11:30 a.m. to 12:30 p.m. - Lunch

1:00 p.m. - Shotgun Start

About 5:00 p.m. - Fabulous Prizes Awarded

Where: Lexington's Marriott Griffin Gate Resort, Newtown Pike at I-75

Why: To network with KLC members and Cornerstone Partners

Watch your mail for more details or call Joe O'Nan at 800-876-4552 or e-mail at jonan@klc.org.

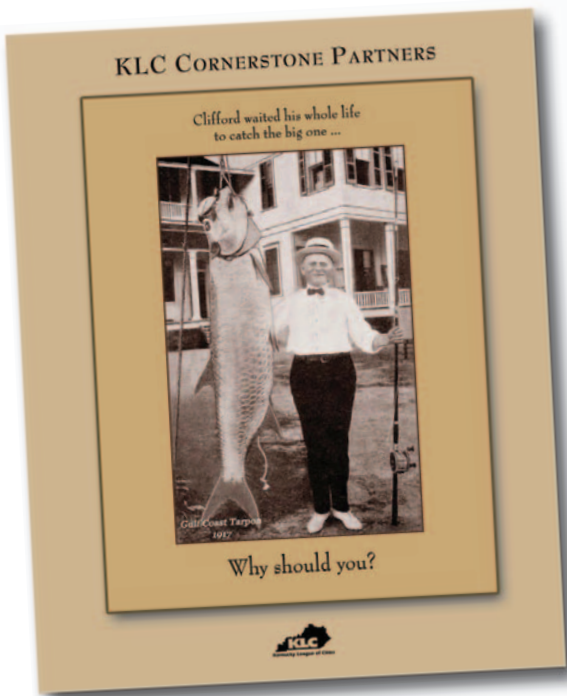


We Want to Hear from You!

To submit a story or commentary for KLC *Direct* departments, please contact the KLC staff listed or go to www.klc.org. For overall feedback, contact Terri Johnson at 1-800-876-4552, ext. 3784, or tjohnson@klc.org.

BIG IDEAS/INNOVATIONS

Our New Cornerstone Partner Program Makes Your Decisions Easier



With annual expenditures of more than \$2.5 billion each year, Kentucky cities have tremendous collective purchasing power. With this opportunity in mind, KLC's Member Services department has redesigned the Cornerstone Partner Program which gives businesses the advantage of access and marketing opportunities to KLC member cities throughout the year. The result is increased sales potential for participating partners as well as more resources and competition for our member cities.

The KLC Cornerstone Partner Program provides sponsorship and marketing opportunities to businesses interested in getting their product or service in front of the wide range of decision makers throughout city hall - clerks, mayors, councilmembers, city managers, parks and recreation directors, utilities superintendents, public works officials, public safety officers, and many more.

KLC is marketing the new Cornerstone Partner Program to targeted businesses seeking to work with cities and anticipates a substantial increase in

Cornerstone Partners and a large exhibit hall during the newly renamed 2006 KLC Convention and Expo.

If you know of a company that does business with your city that you think would be a good Cornerstone Partner, contact Tammy Lyons at 800-876-4552, ext. 3741.



Call Us!

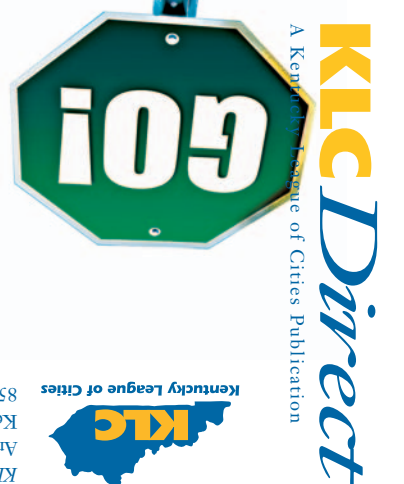
If your city receives information from a company representing itself as a KLC Cornerstone Partner, please don't hesitate to verify their partnership with us by visiting our website, which is updated daily, at www.klc.org or by contacting anyone in the Member Services Department at 800-876-4552. While KLC does not necessarily endorse these products or services, we encourage you to review them and determine for yourself if they are suitable for your city.

KLC Direct is designed internally to save our members money.



CITIES
 MAKE LIFE MORE
 LIVABLE.

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