

FRONT PAGE NEWS >>>

[www.klc.org](http://www.klc.org)



**Your City. Your Future. Your Session.**

Kentucky's cities serve as the economic engines for the state. City governments and local leaders carry an important responsibility for the state to ensure a good quality of life for citizens. By providing public safety for communities, building roads, supplying water and electricity, building and maintaining important infrastructure and numerous other services that go beyond their limits cities make Kentucky a great place to live.

Although most people think of Kentucky as a rural state, cities are home to an estimated 53 percent of the state's total population. Just 50 years ago, only 37 percent of the population lived in incorporated areas.

Almost three in four Kentuckians are employed in cities. Daytime populations increase 27 percent as over 100,000 people commute into cities to work. Over 80 percent of the state's total retail sales occurs in Kentucky cities, which

will represent close to \$40 billion of sales in 2008. The people and the action are in cities.

To ensure that cities can create the top-notch communities that citizens of the 21st century demand, the Kentucky League of Cities will work diligently to bring three priorities to the attention of the legislature during the 2008 session: skyrocketing retirement costs, shortfall of revenue from the telecommunications tax and limited local revenue options.



TOP LEGISLATIVE PRIORITY >>>

**Address Skyrocketing Healthcare and Retirement Costs**

Although the problems with the pension system are very complicated, one fact remains clear: increases in health insurance and retirement costs threaten to bankrupt cities if the system isn't fixed.

In Fiscal Year 2008 cities must pay an amount equal to about 33 percent of a hazardous duty employee's salary to CERS, an increase of five percentage points from the previous year. Unless reforms are made cities will pay over 46 percent of a hazardous duty employee's salary to CERS by FY 2018. The increase is fueled primarily by dramatic increases in healthcare costs.

A 2006 KLC survey found more than 40 percent of respondents had tapped surplus funds to cover increased retirement costs or had made the difficult decision to reduce the number of city employees. Without action by the General Assembly this pattern is sure to continue, and worsen, throughout local governments in Kentucky.

The Governor's Blue Ribbon Commission (BRC) on Public Employees Retirement Systems met in

December and adopted recommendations aimed at cutting the cost of public employee retirement benefits. The Commission did not ask the General Assembly to make substantial cuts in health insurance, the primary retirement cost-driver, but approved a series of relatively minor money saving administrative changes.

The BRC recommended an end to the annual cost of living adjustments for pensions provided to state and local retirees and only provide it when the state can afford to pay for it. It was also recommended that the General Assembly study strategies designed to extend the years of service needed for state and local government employees to qualify for retirement. Commission members attached a plan for creating a lower-cost retirement benefit tier but offered the specifics of the plan as a menu of options for the General Assembly.

Other recommendations made by the BRC can be viewed at [www.klc.org](http://www.klc.org).

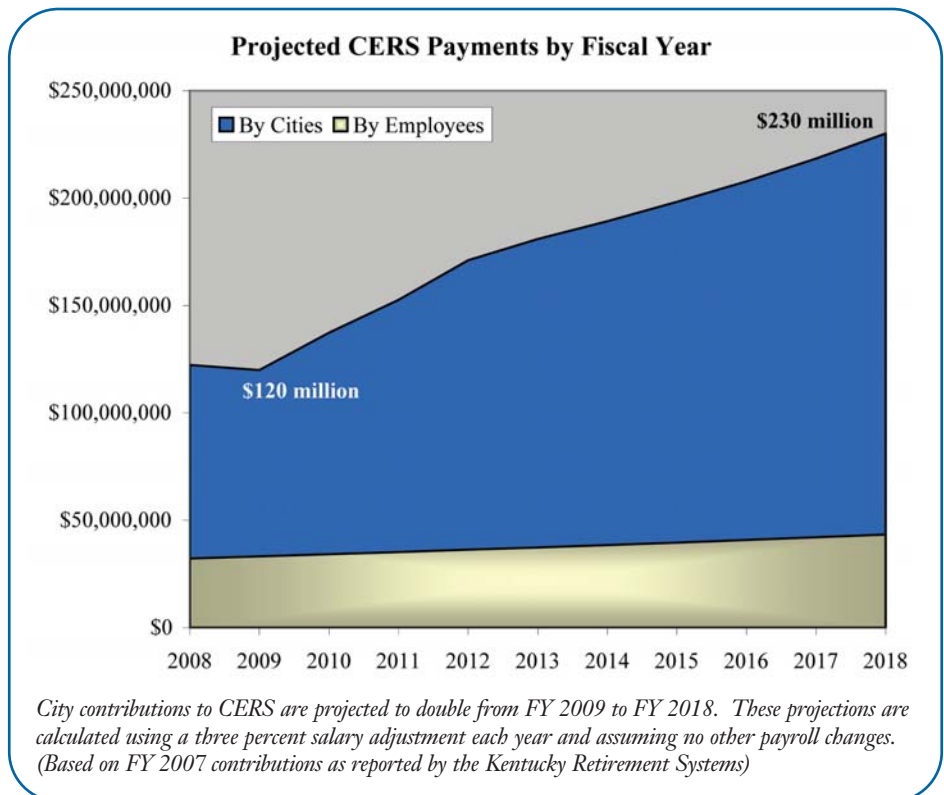
KLC will work diligently throughout the 2008 session to find the answers cities need to avoid cutting services or personnel. Solutions KLC will advocate include:

- ◆ Maintain, to the extent possible, the defined benefit portion of the retirement benefit because it is not the cost driver for CERS. In addition, a shift toward defined contribution plans - such as a 401K -

will cost the system millions of dollars in the short term.

- ◆ Because it is clear that employer costs will continue to increase,

**CONT. INSIDE (page 5)**





LEGISLATIVE PRIORITY >>>>>

## Constitutional Amendment on Local Revenue Options: HB 361

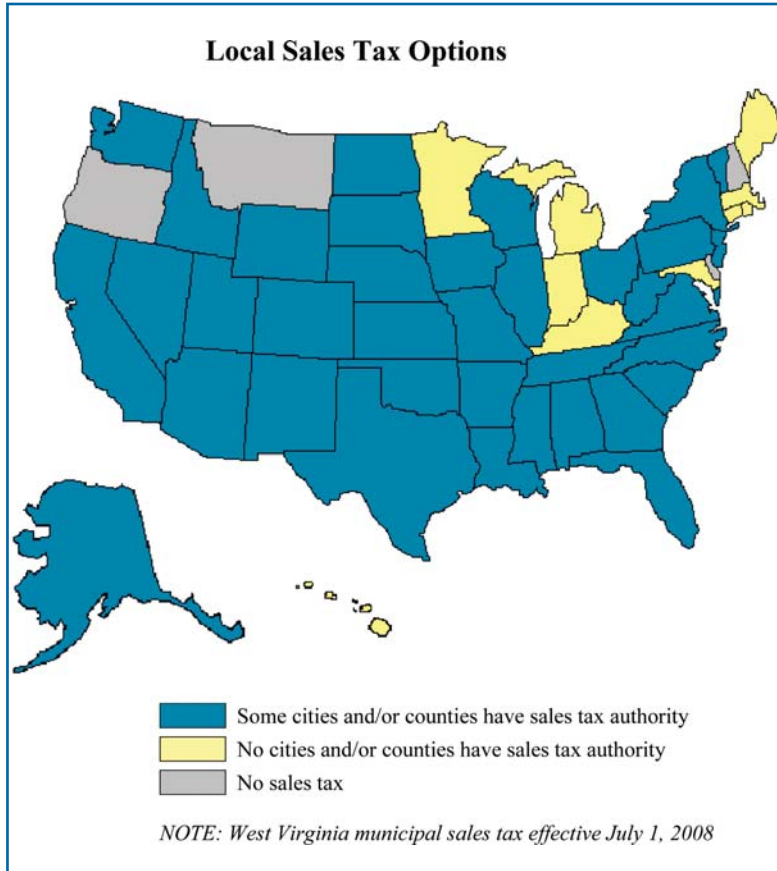
Current restrictions under the Kentucky Constitution limit communities on their abilities to raise funds, reducing local decision making on important programs and projects that support vibrant communities. KLC is proposing an amendment to the Kentucky Constitution that will provide an option to all city and county governments to impose a local sales tax. House Bill 361, sponsored by Rep. Kathy Stein (D-Lexington), will simply give citizens the ability to vote on how to pay for projects and programs that they support in their own communities.

The constitutional amendment on local revenue options will provide an option to city and county governments to impose a local sales tax, but only under the following conditions:

- ◆ The tax can only be imposed after a local referendum; it is not mandatory.
- ◆ The referendum must specify a local project or program.
- ◆ The tax can only be levied for a time sufficient to generate the amount of revenue needed to fund the project or program specified in the referendum.
- ◆ The tax could only be administered in the same manner as the state sales tax with all exemptions applying.

Cities have very few revenue options, including an insurance premium tax that is very difficult to administer, an occupational license fee that is difficult to collect and assess and a property tax that is limited by House Bill 44 ceilings.

**Check out [www.klc.org](http://www.klc.org) to download a fact sheet on the constitutional amendment on local revenue options and for updates on other important legislative issues.**



In many cities the tax options that are available are maxed out, unpopular and not flexible enough to fit unique situations. These taxes are almost entirely paid for by community residents and businesses. When cities need additional revenue the tax burden continues to increase on local people and local businesses.

Kentucky is one of only 14 states and the only state in the Southeast that does not allow at least some local governments to use a local sales tax to fund projects and programs. Cities around the nation have used this type of local voting option with much success (see map).

The Kentucky League of Cities is proposing this constitutional amendment during the 2008 legislative session as HB 361. Contact your House and Senate members to voice your city's support on the need to help your city get local funding for the projects and programs that your citizens support. Key points to emphasize include:

- ◆ This can only be implemented by local referendum to pay for a specific project or program.
- ◆ The constitutional amendment would simply make a local sales tax an option, not mandatory.
- ◆ Communities can choose when and if they need this additional revenue source.
- ◆ Communities can only implement a local sales tax to last long enough to pay for the approved project or program.

Passing a constitutional amendment is a monumental undertaking and it cannot be done without your support and your voice. Please tell your legislators that local decision making should be done on the local level and your citizens want to decide how to pay for the projects and programs they want in their own communities.



LEGISLATIVE PRIORITY >>>>>

## Cities Need Telecommunications Tax Hold Harmless Fix



The 2005 General Assembly passed a telecommunications tax to replace public service property taxes and local franchise fees on cable and telephone companies. A "hold harmless" amount was written into law, but most cities are experiencing a 15 percent shortfall compared to previous collections.

KLC will ask the General Assembly to ensure that the next state budget includes the almost \$20 million owed to cities since the law was implemented in January

2006. Additionally, KLC will ask that approximately \$7.5 million is added each year to fully fund the amount that local governments were receiving prior to the passage of the tax. This will complete the original agreement made to cities.

### OKLAHOMA CITY USES LOCAL OPTION SALES TAX FOR SUCCESSFUL TRANSFORMATION



In the early 1990s Oklahoma City was in the midst of an economic decline and had just lost a bid to become home for a major airline industry. This adversity motivated city officials to create an ambitious program that changed the fate of downtown Oklahoma City forever.

In December 1993 voters approved Metropolitan Area Projects (MAPS), a program funded by a temporary one-cent sales tax that was in effect for 66 months. Over \$309 million was collected and used to fund nine public projects that sparked a renaissance in downtown Oklahoma City. The tax revenue earned about \$54 million in interest that was also invested in MAPS.

Funding was used to renovate downtown projects that included the convention center, civic center, fairgrounds, new trolleys, downtown library and the restoration of an overgrown riverbed. Oklahoma City is believed to be the first city in the country to undertake a public facility enhancement project of this size. These projects have created a tourist magnet in the downtown area and led to the creation of more parks, office and commercial development and a new minor league baseball stadium.



Smaller communities have followed the success with similar actions. In Escambia County, Florida, and Houston County, Georgia, local option sales taxes were used to support numerous city and county infrastructure projects.

*(Photos courtesy of the Greater Oklahoma City Chamber.)*

## LEGISLATIVE PRIORITY >>>>>

### It's Your City, Your Future and Your 2008 Session

The 2008 General Assembly is already underway and it's brought some tough budget decisions for the state. At the same time many of our cities are facing their own budgetary crisis. Local officials want to create top-notch communities but have fewer resources and more financial demands.

There are no easy solutions to the many challenges that are ahead for cities, but the Kentucky League of Cities will bring attention to the cash flow crisis during this session. We need your help! This special edition of *KLC Direct* outlines many important issues, but it's essential that you stay up-to-date on what is happening in the session and understand how key issues affect your city.

Check out [www.klc.org](http://www.klc.org) and watch your email for the *Legislative Bulletin* for real-time updates and calls to action. Taking the time to respond to those calls to action is the most crucial element for cities to have a successful legislative session. Every issue that we are addressing may not affect your city today, but it could be imperative to the city down the road. Legislators depend on your feedback to

decide how to vote on the issues, and we must ensure that city voices are heard.

Mark your calendar for KLC's City Night Reception on February 19 at the Frankfort Convention Center from 5:00 to 8:00 p.m. We need to come out in masses to show our legislators that we are committed to the issues that our communities face.



We are looking forward to seeing you in Frankfort!

Sincerely,

Sylvia L. Lovely

KLC Executive Director/CEO



Glenn V. Caldwell

KLC President

and Williamstown Mayor

## LEGISLATIVE ISSUES >>>>>

### HB 369 Would Exclude Municipal Cemeteries from Requirement to Maintain Perpetual Care Fund

Kentucky is almost alone in requiring its cities to set aside funding for municipal cemeteries in perpetual care funds. KRS 367.952 requires all sellers of cemetery lots, including cities with municipal cemeteries, to place 20 percent of the gross selling price of each grave space into a trust fund. Interest income from the account may be used for general care and maintenance of the cemetery. This income covers a small

portion of the city's expense for upkeep of the cemetery. Most of the costs are paid by the city's general fund.

Some cities with municipal cemeteries question the need to maintain and pay administrative fees for a trust fund that will never be used. While perpetual care funds are standard practice for privately owned cemeteries, cities do not need the same regulation since they are not at

risk of going out of business and municipal cemeteries are administered by elected officials who are subject to public scrutiny if the cemeteries are not adequately maintained.

Rep. Johnny Bell (D-Glasgow) is sponsoring House Bill 369 to exempt municipal cemeteries from the perpetual trust fund requirement, freeing up the funding for other needs.



### Cities Face a Decline in 911 Funding

Funding sources for 911 have decreased for some cities as citizens switch from land lines to cellular phones. Although the state levies a fee on cell phones for 911 services and distributes the funds to cities, it is not covering the cost of the service in many places. Kentucky

lawmakers formed a special task force on local taxation in 2006 that recommended allowing alternative sources for funding of local 911 services. KLC is working with legislators to make this a reality in 2008. Watch the *Legislative Bulletin* for updates on this important issue.

### Billboard Legislation Poses Threat to City Green Space

Kentucky's green spaces have been endangered several times in the past by proposed legislation that would allow the removal of trees and shrubs blocking the view of billboards.

This type of legislation has appeared in several different forms, but generally it seeks to establish a process for billboard owners to apply for a "vegetation control" permit. The permit would allow them to cut trees and other vegetation on public land that is blocking the view of their signs from the highway.

Allowing billboard owners to

cut vegetation could harm green spaces within city limits, leave home owners exposed to noise and view of the interstate and federal aid highways and could potentially motivate other sign owners to seek the same privilege. This legislation could seriously impact the many highways that run through cities.

During the 2007 General Assembly this type of legislation was presented as SB 155, also referred to as the "clear-cut bill."

Thanks to your quick and vocal

opposition, local governments successfully defeated this legislation last year. If the bill is filed again, KLC will call for the same loud opposition to protect the green spaces in our cities.



## ▶ [TOP TIPS FOR ADVOCATING FOR YOUR CITY]

**1 STAY INFORMED.** KLC emails members a weekly *Legislative Bulletin* to keep you updated on bills that affect cities and to request action from city officials. Please promptly read the bulletin and communicate with other officials and employees who may need to be informed about legislative actions.

**2 SPEAK UP.** Legislators want to hear from local government officials so they will know how their decisions will impact cities in their districts. Meet face to face at home or in Frankfort, send letters or emails or make a phone call to ensure that your city's voice is heard.

Watch the *Legislative Bulletin* for calls to action on important legislative issues. The importance of contacting a legislator promptly cannot be overemphasized. The most articulate letter or phone call does no good if it arrives after a vote.

**3 SAY THANKS.** Remember to thank legislators regularly and publicly for work that makes a positive impact on your city. Effective ways to say thank you include recognition at a city council meeting, presentation of certificate of thanks or a letter to the editor of your local newspaper praising your legislators' response to a local need.

**4 KEEP KLC STAFF INFORMED.** If you send a letter or make a phone call about a legislative issue, please let us know! KLC staff cite your letters when they talk with legislators and use your local circumstances when testifying before committees.

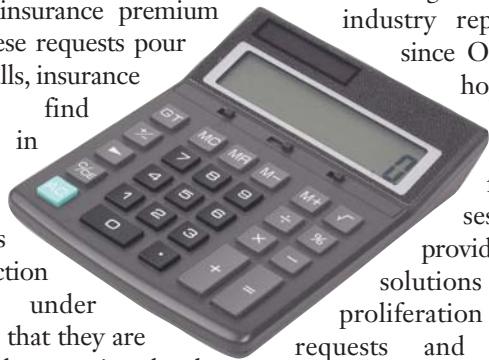
**5 REACH OUT TO LOCAL MEDIA.** Consider sending letters to the editor or opinion pieces (op-eds) on the local impact of legislation under consideration. Contact KLC if you need assistance drafting these materials.

Stay connected by signing up for the weekly *Legislative Bulletin!* Contact Tresa Short at [tshort@klc.org](mailto:tshort@klc.org) or 1.800.876.4552 to sign up.



## KLC Continues to Work for Insurance Premium Tax Reform

Cities across the state are facing an increasing number of refund requests from insurance companies claiming erroneous payment or overpayment of the municipal insurance premium tax. As these requests pour in at city halls, insurance companies find themselves in federal court as defendants in a class action lawsuit under accusations that they are not properly assessing local insurance premium taxes. Both of these events have created the perfect situation for a Kentucky first - local governments and the insurance industry working



together to search for solutions to the complicated tax system.

KLC and other local government representatives have been meeting with insurance industry representatives since October. We hope to create a legislative proposal for the 2008 session that provides workable solutions to the proliferation of refund requests and creates a framework for the proper allocation of risks to a taxing jurisdiction. While no legislation has been introduced yet, all parties have agreed to the

adoption of a two-year statute of limitations for refund requests and have agreed in principle to providing the statutory architecture to encourage or mandate sound risk allocation practices by insurance companies.

KLC is encouraged by the progress made by the diverse workgroup and will continue to participate as a representative of city interests. Watch *KLC Direct* and the *Legislative Bulletin* for future developments.

*If you have any questions about insurance tax premium legislation, please contact J.D. Chaney at 1.800.876.4552 or jchaney@klc.org.*

## KLC, Kentucky Press Association Propose HB 330 to Modernize Open Meeting Notices

KLC and the Kentucky Press Association have worked together on HB 300, introduced by Rep. Dennis Horlander (D-Shively), to permit cities and other public agencies to use email as notification of special meetings to the public and members of the media who request it. Current law requires

special meeting notices to be sent by mail, fax or personal delivery at least 24 hours in advance of the meeting.

HB 330 would permit those who prefer email notices in lieu of fax, mail or personal delivery to elect it as an option. For those who do not elect the email

option, the city or public agency will still have to use one of the original three modes for the delivery of notices. If the legislation passes, it would provide city clerks and others responsible for sending notices a valuable and convenient alternative.

## Update on Key Federal Issues

The First Session of the 110th Congress wrapped up official action on December 19, and several pieces of legislation important to cities were considered throughout the year and others will likely see action during the Second Session this year.

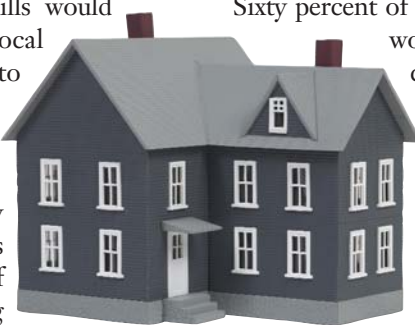
### FY 2008 Budget

The adjournment came just days after Congress approved a massive omnibus spending bill to fund \$484.7 billion in non-defense federal spending through September 2008. The Democratic majority resorted to passing the omnibus package after they reached a stalemate with the White House over spending levels in 11 of the 12 separate appropriations bills. (The \$459.3 billion defense spending bill was signed into law November 13.) Although the final version met the President's overall budget cap, several local programs received budget increases. For instance, funding for Community Oriented Policing Services (COPS) increased to \$587 million after it was proposed earlier this year to be practically eliminated. The President signed the bill on December 26.

### Collective Bargaining

The House passed H.R. 980, also known as the Public Safety Employer - Employee Cooperation Act, by a 314-97 vote on July 17. All six Representatives from Kentucky voted in favor of the bill. Companion legislation (S. 2123) was filed in the Senate on October 1. The bills would require all local governments to collectively bargain with public safety officers they employ.

The Kentucky League of Cities does not oppose the use of collective bargaining for public safety officers or other city employees; however, KLC believes those decisions are best made on the local level and opposes the federal mandate of H.R. 980 and S. 2123. Although the Senate has not acted on the bill, it was proposed as a floor amendment to the Farm Bill (H.R. 2419) in December by Senate Majority Leader Harry Reid (D-Nev.). Senator Reid withdrew the amendment without a vote on December 13, but it will likely resurface for consideration later this year.



### Affordable Housing

The House passed H.R. 2895, the National Affordable Housing Trust Fund Act, by a vote of 264-148 on October 10. The bill would provide more than \$1 billion annually for the production, preservation and rehabilitation of 1.5 million affordable homes over 10 years.

Sixty percent of the funds would go to cities and towns, and 40 percent would go to states. Funds could be used for construction, rehabilitation, acquisition and preservation of affordable housing. Costs for administrative, advocacy, counseling or tax-preparation assistance activities would not be eligible expenses. The White House opposes the measure, and it is unclear when the Senate will consider the legislation.

*If you have questions about these or other federal issues, contact Joseph Coleman at 1.800.876.4552 or jcoleman@klc.org.*

## [HOUSE LEADERSHIP]



**Representative Jody Richards (D)**  
Speaker of the House



**Representative Larry Clark (D)**  
Speaker Pro Tempore



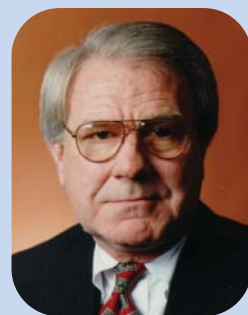
**Representative Rocky Adkins (D)**  
Majority Floor Leader



**Representative Jeffrey Hoover (R)**  
Minority Floor Leader



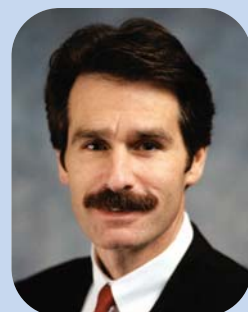
**Representative Charlie Hoffman (D)**  
Majority Caucus Chairman



**Representative Bob DeWeese (R)**  
Minority Caucus Chairman



**Representative Rob Wilkey (D)**  
Majority Whip



**Representative Stan Lee (R)**  
Minority Whip



**[SENATE LEADERSHIP]**



**Senator David L. Williams (R)**  
Senate President



**Senator Katie Kratz Stine (R)**  
President Pro Tempore



**Senator Dan Kelly (R)**  
Majority Floor Leader



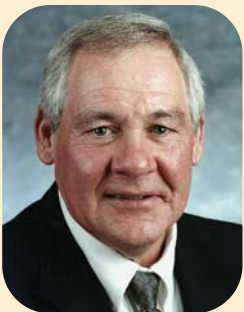
**Senator Ed Worley (D)**  
Minority Floor Leader



**Senator Dan Seum (R)**  
Majority Caucus Chairman



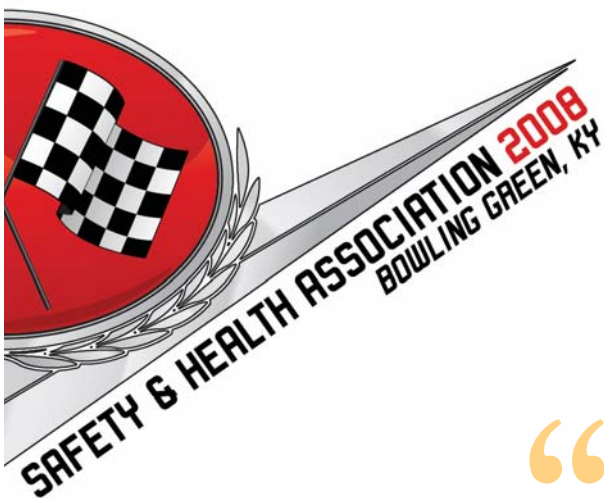
**Senator Johnny Ray Turner (D)**  
Minority Caucus Chairman



**Senator Carroll Gibson (R)**  
Majority Whip



**Senator Joey Pendleton (D)**  
Minority Whip



## Letter to My Colleagues on the Constitutional Amendment

Dear Colleagues,



Mayors and city officials all over Kentucky are faced with the same problem. Cities are dealing with increased expense of doing business and very few options and very little flexibility to raise revenues on their own.

The constitutional amendment that KLC is proposing will give your city more options to raise revenue if you choose to use it. Although Jackson might not need additional tax options right now, every city should have the option to raise revenues if they want to take on any other projects or programs that their citizens see as important.

We can't do this alone. Please talk to your House and Senate members about giving your city more options for the projects and programs that you need. Your legislators want to hear your input on this issue.

Thank you,  
**Michael Miller**  
Mayor of Jackson

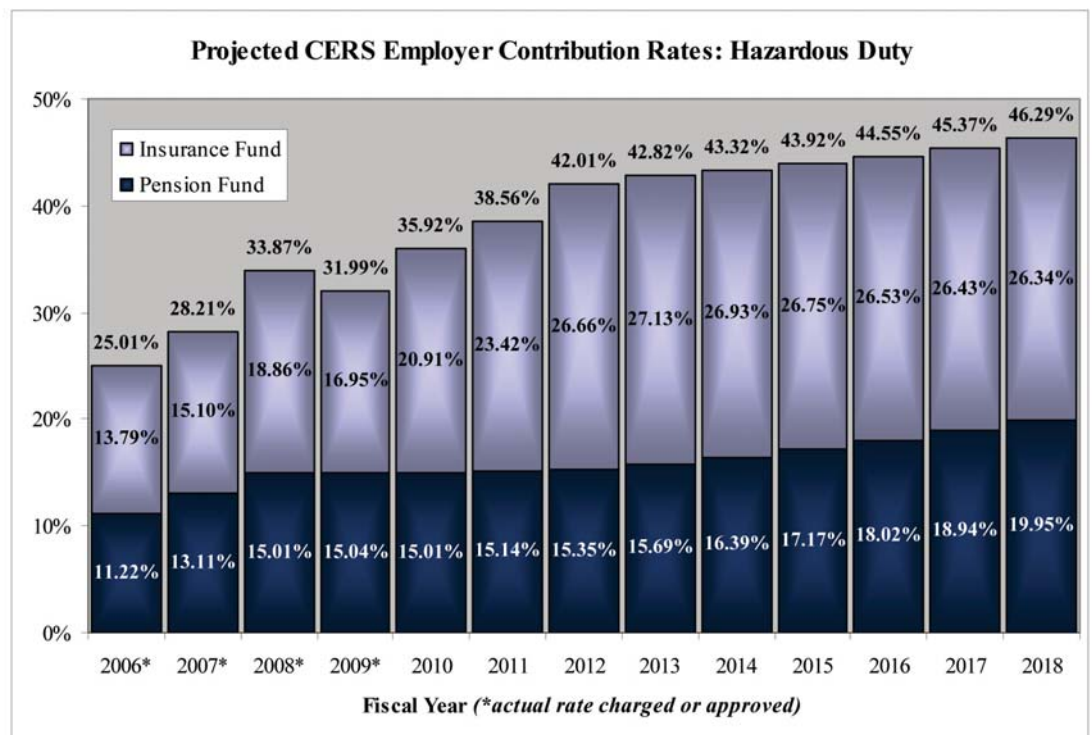
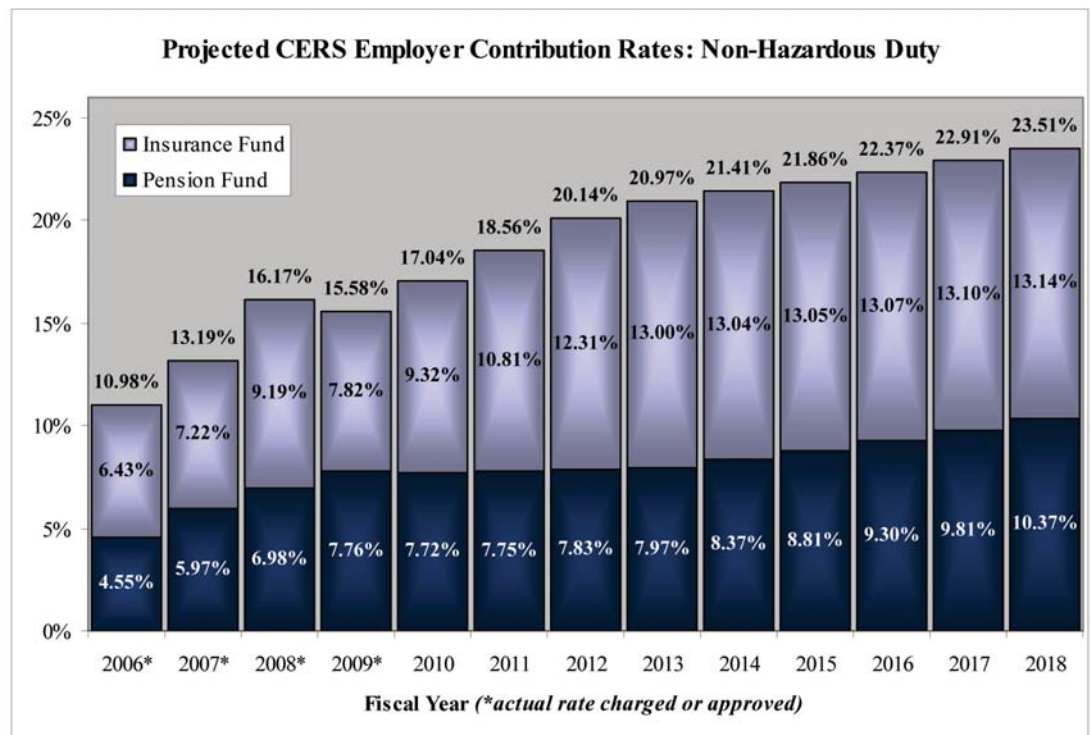
## Top Legislative Priority (cont. from cover)

consider reasonable increases of employee contributions to CERS to help fund cost of living adjustments (COLAs) and any other benefits that are not subject to the inviolable contract.

- ◆ Recommend that the KRS Board of Trustees adopt a 10-

year phase-in plan to fully fund the future health insurance benefits for retirees in CERS. Request authorization for CERS to issue bonds, if market conditions allow, to fund any unfunded liabilities in the system.

- ◆ Ensure funding for legislatively mandated cost of living adjustments (COLA).
- ◆ Seek legislation that would require the Kentucky Retirement System to use a less aggressive approach in calculating employee contribution rates.



*“We in America do not have government by the majority. We have government by the majority who participate.”*

- Thomas Jefferson

**KLC LEGISLATIVE COMMITTEE >>>>>**

The Kentucky League of Cities Legislative Committee is a group of city officials who actively participate in the legislative policy development process and recommend courses of action to the Executive Board. Members are appointed each year by the KLC President. The following city officials served on the 2007-2008 KLC Legislative Committee:

- Connie Lawson, Chair, Mayor, City of Richmond
- Glenn Caldwell, Past Chair, Mayor, City of Williamstown
- David Willmoth, Jr., Ex Officio, Mayor, City of Elizabethtown
- Jill Bailey, City Administrator, City of Taylor Mill
- Edwinna Baker, Mayor, City of Lawrenceburg
- Jerry Bamberger, Commissioner, City of Covington
- Donovan Blackburn, City Manager, City of Pikeville
- Robert Blythe, Commissioner, City of Richmond
- Ed Burtner, Mayor, City of Winchester
- Arthur Byrn, Mayor, City of Mayfield
- J. Byron Chapman, Mayor, City of Middletown
- Will Cox, Jr., Mayor, City of Madiosville
- Jimmy Craft, Mayor, City of Whitesburg
- Gary Crenshaw, Mayor, City of Lebanon
- April Defalco, Mayor, City of Falmouth
- Todd Eberle, Mayor, City of Prospect
- Sheila Enyart, Mayor, City of Radcliff
- Louie Flanery, Mayor, City of Flemingsburg
- Roddy Harrison, Mayor, City of Williamsburg
- Andrea James, Councilmember, LFUCG
- Don Kiser, Mayor, City of Paris
- Kevin Kramer, Councilmember, Louisville/Jefferson County Metro Govt.
- Charleen McIlvain, City Clerk, City of Cynthia
- Russell Meyer, Mayor, City of Nicholasville
- Troy Rudder, Mayor, City of London
- Bill Sheckles, Councilmember, City of Bardstown
- Danny Sparks, Mayor, City of Olive Hill
- Karen Tingle-Sames, Mayor, City of Georgetown
- Tom Watson, Mayor, City of Owensboro
- Diane Whalen, Mayor, City of Florence
- Allen Wilson, City Attorney, City of Eddyville

**KLC CAPITOL CONTACTS >>>>>**

**Call 1.800.876.4552 or 859.977.3700**



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**Jerry Deaton**  
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**Joe Ewalt**  
Director of Policy Development  
jewalt@klc.org



**J.D. Chaney**  
Counsel for Member Legal Services  
jchaney@klc.org



**Bert May**  
KLC Legislative Advocacy and Government Relations will continue to utilize the services of former KLC lobbyist Bert May in his new role with law firm Greenebaum Doll & McDonald, PLLC.



To reach the Governor's office call 502.564.2611.

To reach your House and Senate members call 1.800.372.7181 to leave a message. You can also call 502.564.8100 to speak directly to a legislator.

**Tuesday, February 19, 2008**  
**5:00 p.m. - 8:00 p.m.**  
**Frankfort Convention Center**  
**Frankfort, Kentucky**

Please join us for an evening of networking with city representatives, legislators and government leaders.

*Join KLC President Mayor Glenn V. Caldwell, KLC Executive Director/CEO Sylvia L. Lovely, our members and partner associations for*

# City Night!

RSVP to Carson Kerr at ckerr@klc.org or 1.800.876.4552.

KLC Direct is designed internally to save our members money.

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