

# **NCLM CORE MUNICIPAL PRINCIPLES**

## **Municipal Revenues**

SOUND MUNICIPAL GOVERNMENT REQUIRES PRESERVATION AND ENHANCEMENT OF THE EXISTING TAX AND REVENUE STRUCTURE.

The property tax, state-collected local taxes and revenues, and various local option revenue sources are all integral components of a stable, reliable and balanced revenue stream for municipalities. State-collected revenues should be distributed reasonably and equitably, providing local elected officials autonomy to best determine their use. New revenues, including those that may be obtained through local option revenue sources, are essential to meet the future needs of municipal citizens, to provide the infrastructure necessary for vital public services, and to fairly apportion the costs of growth. It is also imperative that any lost or repealed revenues be replaced, retroactively if necessary.

## **Municipal Expenditures**

FISCAL INTEGRITY AND SOUND FINANCIAL MANAGEMENT REQUIRE FLEXIBILITY TO BORROW, INVEST AND EXPEND FUNDS FOR PUBLIC PURPOSES.

Cities are challenged to use the funds entrusted to them in the most efficient and responsible manner possible. Flexibility in financing options and expansion of municipal investment authority provide basic tools to help meet that challenge. The capacity to determine the nature and amount of an expenditure, based upon the totality of factors involved within the unique context of each city, is essential to economic efficiency and management. Cities need discretion to fund investments in infrastructure and local improvements such as affordable housing, redevelopment projects, and business and economic incentives.

## **Mandates**

THE STATE AND FEDERAL GOVERNMENTS SHOULD NOT ENACT BURDENSOME AND EXPENSIVE MANDATES WITHOUT ADEQUATE LOCAL AUTHORITY, FLEXIBILITY AND ADDITIONAL FINANCIAL RESOURCES FOR IMPLEMENTATION AND CONTINUATION.

Mandates to perform functions or activities placed upon cities by the state or federal governments, either directly or through agency or administrative action, should be accompanied by funds for their implementation and continuation. Cities should not be required to appropriate funds for particular programs or functions, or to contract with private companies for public services. Management decisions must remain in the sound discretion of the municipal governing body.

## **Preemption**

MUNICIPALITIES NEED A BROAD GRANT OF AUTHORITY AND FLEXIBILITY TO ALLOW ELECTED OFFICIALS TO MAKE DECISIONS THAT EFFECTIVELY AND EFFICIENTLY MEET THE EVER-EXPANDING NEEDS OF THEIR CITIZENS.

Voters elect municipal officials to decide significant issues in the public interest, which varies within the unique context of each municipality. Accordingly, the League stands opposed to legislation preempting municipal authority and to measures designed to otherwise erode local control of significant municipal issues. Municipal grants of authority should be broadly construed to include supplemental powers reasonably necessary to carry out the functions.

## **Open Government and Ethical Conduct**

ALL LEVELS OF GOVERNMENT SHOULD ADHERE TO PRINCIPLES OF RESPONSIBLE OPEN GOVERNMENT AND ETHICAL CONDUCT.

The League supports the principle of openness in government and endorses the concept that meetings of governmental bodies should be open to the public. There are reasonable exceptions that should permit closed sessions when such limitations are in the public interest. Public records should also be available to the public with reasonable exceptions for protection of confidentiality that are in the public interest. Elected and appointed officials should adhere to standards of conduct that promote public confidence in our system of governance. Requirements regarding openness, access to records, conflict of interest and ethical conduct should apply across all levels of government to include state, county, and municipal bodies.

## **Municipal Liability**

FUNDAMENTAL RULES PERTAINING TO THE LIABILITY OF GOVERNMENTAL ENTITIES SHOULD APPLY ACROSS ALL LEVELS OF GOVERNMENT.

Municipalities continually seek to provide a wide range of services to meet the needs of their citizens in furtherance of the public health, safety, and welfare. Accordingly, the League stands opposed to proposals placing burdensome liability upon municipalities, including measures that seek to erode well-established principles of immunity or other defenses, and to proposals unfairly imposing cost-shifting upon municipal taxpayers.

5

## **Municipal Growth**

HEALTHY MUNICIPAL CENTERS ARE ESSENTIAL TO THE ECONOMIC VIABILITY OF THE STATE. MUNICIPALITIES MUST MAINTAIN THE ABILITY TO EXPAND AND PROVIDE THE HIGHER LEVEL OF SERVICES DEMANDED BY THE CITIZENS.

Cities and towns are the economic engines of the state and must be permitted to grow in an orderly and reasonable manner that supports the continued economic development of the state. New growth in and around existing municipalities should utilize existing infrastructure for the most efficient use of public revenue. Annexation ensures that all those who benefit from a municipality through use of the infrastructure, municipal amenities, proximity to jobs, commerce, and cultural resources, bear a fair share of the cost of providing those services. The legislature should not permit a new incorporation whose primary purpose is to prevent a proposed annexation without evidence of its ability to provide the necessary services. Municipalities are encouraged to enter into agreements to foster interlocal cooperation and long-range planning.

## **Municipal Services**

MUNICIPALITIES REQUIRE ADEQUATE AUTHORITY AND FLEXIBILITY TO FINANCE, OPERATE AND MANAGE ESSENTIAL SERVICES TO PROTECT PUBLIC SAFETY, PROMOTE SANITATION, HEALTH AND WELFARE, AND IMPROVE THE QUALITY OF LIFE.

In order to serve growing urban populations with water, sewer, transportation, police protection, fire protection, solid waste, stormwater, electricity, parks and recreation, public housing, and other services, municipalities need the autonomy to make appropriate management, financial, and operational decisions. With regard to enterprise services, municipalities must be free to determine appropriate rates and service areas, and free to determine when it is appropriate to enter into regional or multi-jurisdictional arrangements. State taxes or fees should not be imposed on municipal enterprise services. Furthermore, the power of eminent domain must be preserved as a means of acquiring property to provide municipal infrastructure, facilities, and services for the public benefit.

## **Planning and Land Use**

MUNICIPAL PLANNING AUTHORITY MUST BE MAINTAINED FOR SOUND GROWTH, LONG-RANGE PLANNING AND GROWTH MANAGEMENT.

Long range municipal planning is an essential aspect of municipal health and economic viability. Vibrant, well-planned cities are the economic engines of the state, attracting new businesses and industries, while providing the quality of life expected by residents in and around municipalities. Public participation and private

6

property rights are key elements of growth management. For this reason, the government closest to the people is the best venue for making land use decisions. Municipal authority must be maintained and enhanced to allow for more flexibility and options. Necessary tools for planning include the ability to zone, to review and approve buildings and new development, exercise extraterritorial jurisdiction, urban redevelopment, and economic development strategies. Municipalities must have the capability to protect and plan for infrastructure, as well as ensure that the public health, safety and welfare of the citizens are preserved.

## **Environmental Protection**

FOR MUNICIPALITIES TO BE SUCCESSFUL PARTNERS IN ENVIRONMENTAL PROTECTION, ENVIRONMENTAL LAWS AND REGULATIONS MUST BE SCIENCE-BASED, FEASIBLE, AND EQUITABLE, WITH FLEXIBILITY TO COMPLY IN THE MOST COST-EFFECTIVE MANNER.

Local governments are partners with state and federal agencies in protecting the environment and quality of life for our citizens, serving as both regulators and members of the regulated community. As regulators, municipalities need adequate authority to set standards, enforce requirements, and perform inspections. The discretion to impose more stringent requirements than the state when necessary to protect public health or the environment must not be impaired, and delegation of any state regulatory programs must be voluntary. The state should continue to provide technical assistance to local governments as well as its share of financial resources for the implementation of environmental programs. In supporting environmental programs, local governments as well as the state should maintain the ability to make reasonable, equitable, and justifiable adjustments in permitting and compliance fees to help recover the costs of regulatory programs.

As members of the regulated community, municipalities must be allowed full participation in the development of new environmental laws and regulations. Environmental laws and regulations should be based on sound science, be technologically and economically feasible, apply equitably to all contributors of pollution, allow the flexibility to attain standards using those practices best suited to the topographical, hydrological, atmospheric, and other characteristics of the jurisdiction and provide incentives that recognize existing environmental programs. The state and federal governments should fully analyze costs associated with environmental requirements need to be fully analyzed before adopting them.



## **2007-2008 NCLM Advocacy Agenda**

The following advocacy agenda is presented to the full membership for consideration and approval at the 2006 annual business meeting in Greensboro on October 17. Please contact the League's advocacy staff if you have any questions.

As approved by the NCLM Board, the advocacy agenda in priority order is:

### **Infrastructure Financing**

The League will seek legislation to provide additional funds for municipal infrastructure, including both short term funding in the form of bonds and a long-term permanent source of revenue.

- The League will seek adequate permanent and dedicated sources of revenue for infrastructure needs.
- The League will seek legislation to create additional local option revenue sources for municipalities, which may be dedicated to infrastructure needs including those required for transportation, water, and sewer services.
- The League will seek legislation authorizing a state bond package that includes significant funding for clean water projects and urban transportation needs.

### **Transportation**

Transportation funding shortfalls and the increasing cost associated with building and maintaining new roads need to be addressed at the state and local level.

- The League will seek a legislative study of transportation issues, to include an evaluation of the DOT equity formula, a comparison of the total motor fuel tax collected in each county to highway trust fund expenditures, and realignment of DOT operational divisions to match regional planning needs and transportation functionality.
- The League will seek legislation to prohibit transfer of Highway Trust Fund monies to the General Fund so that these funds can be directed to vital transportation needs.

### **Public Duty Doctrine**

In April 2000, two appellate court decisions removed the well-established public duty doctrine as a defense for local governments in negligence actions arising from situations where local governments have sought to provide various services in furtherance of the public health, safety, and welfare. In order to restore the defense, the Board recommends the following:

- The League will seek legislation to codify the public duty doctrine as a defense in tort actions brought against municipalities.

### **Planning and Land Use**

Although municipalities have statutory options for addressing substandard dwellings, they need additional authority to remedy non-residential buildings.

- The League will seek legislation to provide municipalities with additional authority to regulate non-residential dilapidated structures.

### **Alcohol Beverage Control (ABC) Permitting**

Significant secondary effects can arise from the inappropriate location of alcohol establishments, yet under the current statutory framework and case law, there are substantial limitations on municipal authority to regulate such locations.

- The League will seek legislation to enhance municipalities' ability to regulate inappropriate location of licensed alcohol establishments.

### **Environment**

There are ongoing conflicts between municipalities and state agencies about the state's responsibility to pay municipal stormwater utility fees for state property.

- The League will seek legislation to clarify governmental agency responsibility with regard to local government stormwater utility fees.

The state should seek a bond referendum to create a substantial source of funding to address the depletion of natural resources due to growth and development.

- The League will seek legislation authorizing a statewide bond referendum for the acquisition of land for the preservation of natural resources.

### **Public Safety**

Gang violence and associated activity has increased exponentially in many areas throughout the state and local governments need additional means to combat the negative impacts of this activity.

- The League will seek legislation to provide new tools and funding for gang prevention.

### **Housing**

Municipalities seek to provide a wide range of housing options for their citizens to provide a high quality of life. The League supports state efforts to increase the supply of affordable housing to complement the existing efforts of local governments.

- The League will seek additional dedicated funding for affordable housing.

# 2007-2008 North Carolina League of Municipalities State and Federal Action Guidance Document

## I. STATE LEGISLATION AND STUDY COMMISSIONS

- A. **2007-2008 NCLM Core Municipal Principles and Advocacy Agenda** - The Core Municipal Principles and Advocacy Agenda adopted by the membership at our 2006 annual conference are hereby incorporated as an integral part of this Guidance Document. The League Board of Directors may amend the current or adopt additional Core Municipal Principles, Advocacy Agenda items and position statements on issues submitted for consideration by the membership or the League Staff, which will automatically become a part of this guidance document. In addition, the Board and Executive Committee shall identify those Advocacy Agenda items to emphasize most strongly and determine the most appropriate format for communicating them to municipal officials and members of the General Assembly.
- B. **Legislative Study Commissions** - The General Assembly will undertake several studies of importance to municipalities. The League pledges its full cooperation and support in the course of these studies to be reported in 2007-2008.

## II. STATE AND LOCAL PARTNERSHIPS

A strong and healthy partnership between local governments and state government is essential to carry out many programs and policies to serve the citizens of North Carolina effectively. A history of dedicated efforts by local and state leaders has forged this strong partnership, but as issues and challenges become increasingly complex, it is critical to continue to improve this working relationship.

Likewise, it is crucial for municipalities to partner with counties and other organizations with an interest in municipal issues, such as planning, economic development, and environmental and transportation policy. Partnerships will ensure that the League is successful in its aim to achieve sound policy on these and other issues.

The League pledges its full support and cooperation to the Governor, the administration, and state agencies to preserve and strengthen this state/local partnership. We respectfully urge the Governor to make every reasonable effort to ensure that this partnership will be maintained and strengthened by following these partnership concepts:

- (1) State agency consultation with municipal officials before major state policies or policy changes that affect municipal government are adopted or carried out;

- (2) Periodic opportunities for in-depth consultation with key administration officials regarding municipal affairs;
- (3) Appointment of municipal officials to state boards, commissions and task forces concerned with municipal affairs based on League advice on appropriate nominations;
- (4) Support for maintaining financially sound units of local government;
- (5) Participation by state officials with League policy and advisory committees when requested; and
- (6) Coordination of action relating to federal government issues that affect municipal government or the state and its municipal governments.

The League also pledges its full support and cooperation to the General Assembly membership and its leaders to preserve and strengthen this partnership. We respectfully urge the General Assembly to make every reasonable effort to ensure that this partnership will be maintained and strengthened by following these partnership concepts:

- (1) Understand and appreciate that municipal officials and legislators are elected by the voters to decide significant issues in the public interest. In a modern society, cities and counties do more than represent the authority of the state in the localities; they are the foundation of an intergovernmental system necessary to accomplish statewide social, political, and economic objectives;
- (2) Local governments depend on the state to observe basic principles of tax equity and fairness with respect to the local government tax structure. Cities and towns need adequate, balanced and stable revenue sources. Moreover, cities and towns depend upon the state to preserve the integrity of the local tax base by avoiding erosion through additional exemptions, preferential classifications, and outright repeals of local government taxing authority;
- (3) Resist unfunded mandate legislation that requires local governments to provide new or additional services or benefits without regard to cost, without full funding or adequate revenue sources, without adequate advance notice, or without full participation of local officials in determining how best to provide and pay for the service;
- (4) Allow ample opportunities for consultation with municipal officials before major state policies or policy changes that affect municipal government are adopted or carried out;
- (5) Provide periodic opportunities for in-depth consultation with key legislative leadership regarding municipal affairs;

- (6) Encourage participation by legislative officials with the League advisory and policy committees when requested; and
- (7) Solicit League advice on appointments of municipal officials to state boards and commissions concerned with municipal affairs.

**Cooperation on Economic Development Activities** – Municipalities, counties and the state must work together for successful recruiting of new businesses and industries to our state. Municipalities provide the critical infrastructure necessary to economic development and serve as the economic engines of the state. The League encourages all municipal officials to take an active role in local economic development planning for their cities and towns and to build strong partnerships with their regions and the state. . The League will focus on the development of essential tools for economic development, including appropriate incentives, if any, how and when they should be used, and refinement of the local government role.

### III. FEDERAL LEGISLATION AND ISSUES

**Federal-Local Partnership** - The League recognizes the importance of a continuing partnership between the federal and local governments. This partnership has evolved over many years and is the most effective mechanism for financing and carrying out national policies at the local level. Local governments also recognize the need to reduce the national debt and prevent recurrence of large budget deficits. Action is needed by Congress and the Administration to get control of the growing deficit. Otherwise, we will continue to see reductions in funding for domestic programs of importance to municipalities. Municipal officials support Congress and the Administration in bipartisan efforts that realistically address those problems.

However, the League stands firmly opposed to elimination of the federal tax deduction for state and local income and property taxes, or other intrusions into local finances and local authority. Any proposal of this nature continues to erode the federal-state-local partnership and the concepts of federalism. Full deductibility is necessary to ensure the fiscal soundness of state and local governments, which we believe is the bulwark of the federal system.

North Carolina cities and towns support health care reform for all Americans at a reasonable cost. For many years, the League has been a leader in providing managed, less expensive health care insurance to its members, through its self-funded insurance pool. The League stands firmly opposed to any federal plan that would eliminate the option of self-funded municipal pools like the League-sponsored program and those of self-funded cities in North Carolina, or that does not allow the same spending caps for governments that may be established for private business.

We ask the federal government to recognize that local governments face many expensive mandates as a result of congressional and administrative actions, and therefore localities should not bear a disproportionate share of budget reductions. In order to achieve the national objectives set by Congress and mandated on local governments, a reasonable portion of federal revenues should be transferred to local governments to undertake these mandates.

This partnership must include strict adherence by the federal government to the principles of the Tenth Amendment to the U.S. Constitution. These specifically protect the powers and interests of state and local government from encroachment by the federal government. Specifically, the Administration and Congress should refrain from imposing costly mandates without matching revenues and from preempting local authority or eroding local revenue sources at the behest of special interest groups.

Decisions of the United States Supreme Court have left the interest on municipal bonds potentially subject to taxation by Congress with no regard to the traditional doctrine of intergovernmental tax immunity and other time-honored principles under the Tenth Amendment. Unimpaired tax-exempt financing is of critical importance to the continued growth and financial integrity of North Carolina local governments and to all of the state's citizens. Further taxation of interest on municipal bonds or restrictions on issuance of tax-exempt bonds would limit our ability to raise necessary capital, would raise the cost of necessary borrowing for public purposes, and would require unproductive tax and user fee increases or service level reductions to pay the increased costs. Therefore, the League strongly urges Congress to respect and preserve the traditional tax-exempt status of municipal bonds, and to refrain from further actions to make those bonds less desirable as investments. The League will continue strong efforts to guarantee the tax-exempt status of municipal bonds.

**NLC National Municipal Policy** - North Carolina municipal officials have historically been heavily involved in the development of national municipal policy through the National League of Cities. This League encourages its member cities and towns to be active direct members of the National League of Cities, and we remain proud that North Carolina is perennially one of the top two states in the number of direct member cities. The National Municipal Policy is a comprehensive statement expressing the viewpoint of the nation's cities. This League endorses and supports the current National Municipal Policy and will actively support NLC efforts with respect to federal legislation and issues unless there is a clear conflict with the adopted policies of this League.

**Priority for Federal Categorical Grant Programs** - The League respectfully urges the North Carolina Congressional Delegation to recognize the continuing legitimate role of federal financial support for many urban programs. It is critically important to continue adequate funding for the programs local governments have assumed under federal auspices. Municipal officials recognize the difficulties the congressional delegation faces in making decisions to continue a wide variety of federal assistance programs. Cooperation between the federal, state and local governments is even more essential in

this era of increased homeland security concerns municipalities have of first responder. Therefore, the League has identified and reaffirms its highest priorities for the continuation of federal assistance in this order:

- (1) The Community Development Block Grant Program
- (2) Urban Mass Transportation Grants and other transportation funding
- (3) The Environmental Protection Agency Wastewater and Safe Drinking Water State Revolving Fund Capitalization Grants
- (4) Federally Assisted Housing Programs
- (5) Economic and Rural Development Assistance Programs
- (6) Public Safety/Homeland Security Programs
- (7) Environmental Restoration Funds

#### IV. IMPLEMENTING STRATEGIES

**Legislative Action Committee Appointments and Role of Committees** - The League President, soon after the adjournment of the League Conference each year, will appoint the chairs, vice-chairs and members of the League's standing legislative action committees to fill positions that have expired or have otherwise become vacant. Chairs so appointed should convene their committees at an early date after the new appointments have been completed. Their job is to review and, as appropriate, amend the League's Core Municipal Principles and Advocacy Agenda, and adopt position statements on issues submitted for consideration by the membership or the League staff on other state or federal issues that are of concern to municipal officials and might need to be addressed during the remainder of the program year, and to solicit suggestions and comments from our membership.

**Committee Recommendations** - The League President should direct the standing legislative action committees to begin working on the Advocacy Agenda for the 2009-2010 Legislative Session and make their recommendation to the League Board in 2008 in time for it to be adopted and sent to the membership, as provided in the League Bylaws, for adoption at the 2008 League Conference. In addition, the League President should direct the standing legislative action committees to complete their recommendations for revisions, deletions or additions to the 2007-2008 Core Municipal Principles, Advocacy Agenda, and position statements in time for them to be adopted and sent to the membership, as provided in the League Bylaws, for adoption at the 2008 League Annual Conference.

**Board Action and Membership Briefings** - Upon receipt of the recommendations from the standing legislative action committees, the League's Board of Directors is urged to act on those recommendations in a timely manner. Soon after, and before the next session of the General Assembly convenes, the Board is directed to share these recommendations with the membership. This can be handled through a series of legislative briefings, regional meetings, a statewide legislative conference, or by other means. Our goal should

14

be to use the most effective and expedient strategy to provide information to municipal officials in a form that they can use readily to communicate effectively with their members of the General Assembly and state officials.

In carrying out this strategy, the League Board should consider activities and functions in this state and in Washington, DC that will enable North Carolina municipal officials to discuss federal legislative and other issues with members of North Carolina's Congressional Delegation. The League Board should continue Town Hall Day or some other appropriate statewide conference to be held during each Session of the General Assembly. This provides municipal officials with an active opportunity to advocate the municipal viewpoint.

Adopted by the membership at its Annual Meeting this the 17th day of October 2006, in the City of Greensboro, North Carolina.

---

A. Everette Clark, President

ATTEST:

---

S. Ellis Hankins, Executive Director

**NOTE: Approved August 22, 2006 by NCLM Board of Directors for recommendation to the membership.**