

NEW JERSEY ASSOCIATION OF COUNTIES

County Government with a Unified Voice!

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STATE HOUSE NEWS

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CAPS ON BINDING INTEREST ARBITRATION AWARDS

Later today, NJAC and the New Jersey State League of Municipalities (NJSLOM) are meeting with Governor Elect Phil Murphy's Chief of Staff and Chief Counsel to discuss permanently extending the 2% cap on binding interest arbitration awards set to expire in two short weeks. We'll make sure to let you know how the meeting goes.

We're also expecting a strong showing of county and municipal officials on December 18th for NJAC and NJSLOM's press conference and lobby day, where over a dozen associations will join us in support of extending the cap including in alphabetical order: the Chamber of Commerce of Southern NJ, the Commerce and Industry Association of NJ, the Government Finance Officers Association of NJ, the International Council of Shopping Centers of NJ, the NJ Builders Association, the NJ Chamber of Commerce, the NJ Conference of Mayors, the NJ County Finance Officers Association, the NJ Municipal Management Association, the NJ Realtors, and the NJ Urban Mayors Association. Special thanks to Mike Cerra of the NJSLOM for coordinating the coalition, and to Essex County for initiating the first of several letters to Governor Elect Murphy on this critical issue.

County and municipal officials from across the State, and on both sides of the aisle, hail the cap as a critical tool for controlling personnel costs; negotiating reasonable successor contracts; and, avoiding arbitration awards granted by third party administrators who are not accountable to taxpayers. For nearly a decade, the 2% cap on binding interest arbitration awards has kept public safety employee salaries and wages under control simply because parties have been closer to reaching an agreement from the onset of negotiations. For county governments alone, the cap has effectively managed the growth of over \$1.0 billion worth of public safety employee salaries since using interest arbitration as leverage for negotiating more lucrative contracts is no longer a viable option for collective bargaining units. In fact, the data contained in the report recently released by the Governor's appointees to the Police and Fire Public Interest Arbitration Task Force, demonstrates that the 2% cap has limited the use of interest arbitration, as originally intended under the law, to a procedure of last resort and only for when parties reach an impasse in negotiations.

Moreover, the 2% cap on binding interest arbitration awards has established clear parameters for negotiating reasonable successor contracts that preserves the collective bargaining process and takes into consideration the separate 2% tax levy cap on overall local government spending. In addition to employee salaries, wages, and health benefits that comprise 50% of county operating budgets statewide, county governments face significant regulatory and statutory State mandates, which include implementing Criminal Justice Reform, operating judicial and prosecutorial facilities, providing courthouse security, housing inmates in county jails, delivering health and human service programs, maintaining county roads and bridges, funding county colleges and vocational-technical schools, conducting primary and general elections, and much more. With this in mind, the 2% cap on binding interest arbitration awards has proven to be an effective resource that makes it possible for county governments to live within their limited means.

Failure to permanently extend the 2% cap on binding interest arbitration awards will inequitably alter the collective bargaining process in favor of labor at the expense of taxpayers, and will lead to awards by arbitrators with no fiduciary duty to deliver essential services in a cost effective manner. NJAC recently conducted a comprehensive survey of county employee salaries, wages, and health benefits, which also presented the following question: "Faced with the expiration of Chapter 78 in 2015 and the 2% cap on binding interest arbitration awards, what cost saving measures will your county consider." In addition to raising taxes by adopting a resolution to exceed the 2% tax levy cap, counties would consider mandating employee furloughs; privatizing certain services; forgoing raises for non-affiliated employees; and, reducing or eliminating non-mandated services such as transportation for the aged and disabled, meals on wheels, mental health and addiction services, and more. Although NJAC commends the police, firefighters, correction officers, and sheriff officers that put their lives on the line every day to protect the communities in which they serve, we also recognize that our State, local governments, and property taxpayers are struggling to make ends meet.

ELECTRONIC PROCUREMENT

On December 7th, the Senate amended and passed **ASSEMBLY, No 2220/SENATE, No. 1729** (*Benson D-14/Webber R-26*) (*Whelan D-2/Oroho R-24*), which would authorize local governing bodies to use electronic procurement technologies under the Local Public Contracts Law.

In summary, the measure would authorize local units, joint purchasing units, or cooperative pricing systems to use electronic procurement practices for the following purposes: to purchase electric generation service, electric related service, gas supply service, or gas related service, for use at its facilities so long as the purchase otherwise complies with the provisions of the "Electric Discount and Energy Competition Act"; for the sale of surplus personal property under certain circumstances; and, for the sale of real property that would otherwise comply with the sale and lease provisions of the "Local Lands and Buildings Law."

Additionally, contracts awarded for the administration of electronic procurement practices would be subject to the requirements of the "Local Public Contracts Law," and the "Public School Contracts Law." The bill would also require the Director of the Division of Local Government Services in the Department of Community Affairs, in consultation with other State government entities, to promulgate rules and regulations to effectuate the provisions of the bill. NJAC supports this legislation as it would modernize the procurement process saving valuable time, money, and resources. The General Assembly is expected to concur with the amendment made to A-2220/S-1729 at one of its remaining voting session. The amendments would require that a local unit using electronic procurement technologies must continue to publish any required notices, advertising bids, and requests for proposals in an official newspaper of the local unit.

LOCAL GOVERNMENT INVESTMENT POOLS

On December 4th, the Assembly State and Local Government Committee favorably reported with amendments **ASSEMBLY, NO. 4404/SENATE, NO. 2978** (*Greenwald D-6*)(*Beach D-6*), which would permit local units and school districts to invest in local government investment pools managed in accordance with applicable Governmental Accounting Standards Board (GASB) guidelines. NJAC and the New Jersey Association of County Finance Officers (NJACFO) support this legislation as it would authorize local governing bodies to use safe and liquid investments with competitive interest rates.

In 2014 the Securities and Exchange Commission (SEC) promulgated new rules that took effect in April of 2016, which forced money market funds to abandon the stable Net Asset Value (NAV) for a floating Net Asset Value (NAV). The rule changes also imposed penalties and early redemption fees for the premature withdrawal of funds often used to meet liquidity needs. NJAC objected to these untimely corrections to the capital markets as they will ultimately impair a county governments' ability to manage cash reserves and obtain low cost financing for critical infrastructure projects. Prior to the SEC's rule changes, county governments relied on the stability of managing cash with a consistent principal value, and will now be forced to either limit the scope of vital projects or risk spending additional taxpayer dollars on financing.

In response to the SEC's rule changes to the structure of money markets, GASB published comprehensive guidelines in 2015 to establish criteria for external investment pools that will measure investments by amortizing cost for reporting purposes, provided that the pools use a stable NAV and meet all GASB requirements concerning investment, maturity, quality, diversification, and liquidity. The GASB guidelines also require investment pools and pool participants to disclose any limitation on participant withdrawals. GASB is an independent private-sector organization that establishes accounting and financial reporting standards for national, state, and local governments that follow Generally Accepted Accounting Principles (GAAP).

This legislation is on Second Reading in the General Assembly, which is expected to pass the measure at one of its upcoming voting sessions. The Senate passed the bill in June, and is expected to concur the amendments, which would expand local unit and school districts investment options into municipal, county, local authority, and school district short-term debt obligations (notes with a term not exceeding 397 days); require that government money market mutual funds and local government investment pools cannot impose barriers or penalties to withdrawing local government investment funds; and permit, rather than mandate, the Local Finance Board to promulgate rules for local government investment pools pertaining to accounting and disclosure, because the Governmental Accounting Standards Board's requirements are more than sufficient with respect to these areas

DEED PROCUREMENT SERVICES

Also on December 7th, both houses passed and sent to the Governor, **ASSEMBLY, NO. 1652/SENATE, NO. 1962** (*Schaer D-36/Muoio D-36*)(*Turner D-15/Cruz-Perez*), which would require non-governmental entities providing deed procurement services to make certain disclosures when soliciting clients.

In summary, the measure would make it an unlawful practice and a violation of the consumer fraud act for any person to: (1) use a written form of communication to solicit clients for deed procurement services unless the written form of communication displays, in a clear, conspicuous, and prominent manner and makes the information stand out from the rest of the text of the communication, the address and telephone number of the appropriate county clerk's office through which the recipient could obtain a copy of the deed directly, the amount of the fee provided for in Title 22A of the New Jersey Statutes that the county clerk assesses for providing copies of deeds and any other language that the Director of the Division of Consumer Affairs may prescribe by regulation; or (2) create a false impression in a solicitation for deed procurement services that the recipient is in any way legally required to use the person's services in order to obtain a copy of a deed.

The bill defines "deed procurement services" as the provision by a non-governmental entity of one or more copies of deeds for lands, tenements, or other realty in this State to a property owner, for a fee in excess of the amount authorized under Title 22A of the New Jersey Statutes that the county clerk's office assesses for providing copies of deeds, and not in relation to the transfer or sale of, or the mortgage origination, mortgage servicing, mortgage refinancing, property tax servicing, or other action initiated by or on behalf of the owner with respect to, such lands, tenements, or realty. The bill would also require that any person who uses a written form of communication to solicit clients for deed procurement services shall, at least 15 days prior to distribution, provide a copy of such written form of communication to the county clerk's office in each of the counties in which the written form of communication will be distributed.

NJAC supports this legislation as it would protect consumers from companies that often mislead consumers into overpaying for mortgage, deed, and other documents readily available through the offices of the county clerks and registers of deeds. These companies often charge up to 700% of what it would cost consumers to obtain the same information at their respective county offices. Although several counties have issued public warnings to residents, this legislation would effectively regulate this deceptive practice. Governor Christie is expected to sign the measure into law.

FIVE PERCENT DOWN

The General Assembly also passed on December 7th, **ASSEMBLY, No. 1640** (*Schaer D-36/Sumter D-35*), which would eliminate the five percent down payment requirement for bond ordinances approved by counties and municipalities.

More specifically, the measure would make the down payment requirement permissive for counties and municipalities to issue bonds. Under current law, most bond ordinances require an appropriation of at least five percent of the amount of the authorized obligation for final adoption of the bond ordinance. NJAC supports this legislation as it would free up valuable resources that county governments may utilize to manage their affairs in a more flexible and efficient manner. Additionally, the measure would serve to streamline the current local bond issuance process as the Local Finance Board often waives the five percent down payment requirement. The Senate companion version of the bill **SENATE, No. 2334** (*Cruz-Perez D-5*) is currently in the Senate Community and Urban Affairs Committee awaiting consideration; and, it's unclear at this time if the bill will move further in lame-duck.

UPCOMING EVENTS

Please let us know if you're interested in serving on NJAC's Conference Committee as we begin planning for our 68th annual celebration of county government set for May 9th through May 11th at Caesars in Atlantic City. The Committee is hosting a kick-off meeting at 10:00 a.m. on January 19th at NJAC's office located at 150 West State Street in Trenton. And don't miss NJAC's Reorganization Meeting scheduled for 11:00 a.m. on January 26th in the Senate Chambers of the State House where Hunterdon County Clerk Mary H. Melfi will become our 77th President.

STATE HOUSE TRIVIA Did you know that for his only Christmas present, Raphie from "A Christmas Story," asked Santa for an official Red Ryder carbon action 200 shot range model air rifle with a compass in the stock and this thing which tells time?

"You'll shoot your eye out kid." Santa