VOLUME 15 NOVEMBER 1980 NUMBER 11

Virginia Town & City

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Celebrate '75 Recap of 1980 Conference

page 5

The Finest Hotels In Richmond Are Located At Fifth & Franklin Streets.

There stands The Hotel John Marshall. Some consider it a luxury hotel because of the elegantly warm atmosphere and the niceties provided. Like complimentary morning coffee and paper for Regency and Executive Floor guests; special gratuities for business guests; complimentary in-room movies for all guests.

Some refer to it as a gourmet hotel because it houses two excellent restaurants. The "Captain's Grill," recently chosen by a noted magazine for serving the best American cuisine in Richmond and as being the city's most underrated restaurant, and the "Soup Factory," chosen for serving the best gourmet soups in Richmond.

Some think of it as a custom-designed convention center embodying every concept of convention know-how: a competent, efficient and experienced staff; a Grand Hall; an Exposition Center; 17 multifunction rooms; complete audio-visual equipment and 400 comfortably furnished rooms.

Of course, The John Marshall is also a very convenient hotel. It's strategically located within walking distance of the business, financial, retail districts and the State Capitol. Nearby are museums, theaters and nightclubs. Colonial Williamsburg, Jamestown, Yorktown, Busch Gardens and Kings Dominion are but a short drive away.

The Hotel John Marshall is everything you'd expect the finest hotel to be. Located at Fifth & Franklin Streets in Richmond, Virginia 23219. Phone (804) 644-4661.

The John Marshall

Virginia Town & City

The official publication of the Virginia Municipal League

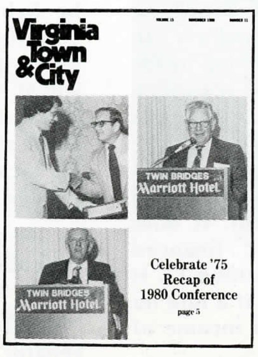
VOLUME 15 NOVEMBER, 1980 NUMBER 11

DEPARTMENTS

CORRECTION: In the article **Sources of Revenues for Localities** *(October, 1980), the statement on the utility consumer tax should have read "a maximum rate of twenty percent on the first 15 dollars of a monthly bill. This results in a maximum dollar amount of 3 dollars."*

ON THE COVER:

VML Executive Director Michael Amyx gives Achievement Award to Robert Steele of York County while Pulaski Mayor Raymond F. Ratcliffe (upper right) presides over Monday's luncheon. Dr. Carl Stark, Mayor of Wytheville, gives the nominations report during the Opening Session.



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Editorial

Senator Schewel Seeks Amendment to Limit Taxes

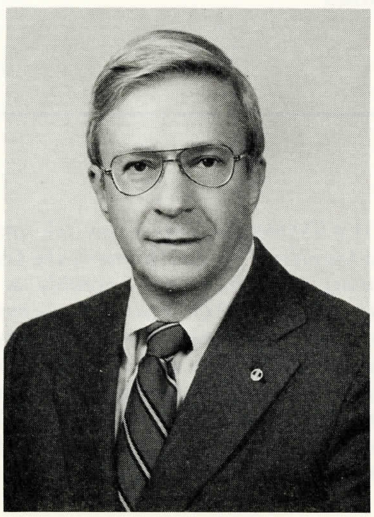
Editor's Note: The Virginia Municipal League requested Senator Schewel's comments on his Constitutional Amendment (S.J.R. 172) to limit state spending. In a future issue, this column will carry opposing views on this issue.

The tax limitation movement in Virginia was spawned by a study committee organized by the Lynchburg Chamber of Commerce in 1977. From that beginning a statewide organization has grown called Fair Taxes for Virginians (F.T.V.) with board members representing many communities across the Commonwealth.

The tax limitation movement is spreading across the country with 17 states now having some form of limitation—either statutory or constitutional. Our proposal calls for a constitutional amendment because we feel that any idea as important as this one, if approved by the voters, should be contained in the constitution and thus not be subject to the vagaries of shifting legislative opinions and pressures from one year to the next.

Virginia has historically been an economically conservative state and financially well managed. This is still true today. F.T.V. readily acknowledges this fact. Until recent years, we have had no bonded indebtedness.

Even in fiscally conservative Virginia, however, the trends are clear. Gradually, over a period of years, the state has been taking a larger percentage of Virginians' income to run the government.



Since 1940 government at all levels has been growing over three times as fast as the private sector and now uses nearly half (42%) of the national income to conduct its affairs. Unless this trend is stopped, each year each of us will see saving more and more taxes and having less and less to say about how we use our money and other resources.

Let's briefly look at some interesting growth figures of recent years. Both state taxes and expenditures have increased over 300% in the past 10 years. Over the past 20 years (1950 to 1979) the state tax take, as a percentage of total income of all Virginians, has increased from 3.46% to 6.81%—almost doubling. Also, over the last 10 years the number of state employees has almost doubled while the population of the state has grown by 15%. In other words, state employment has grown at a rate of 5 to 6 times faster than the general population.

The tax limitation amendment addresses this situation. It would require that the state government of Virginia grow no faster than the economy it serves. It would insure that there be no increase in the percentage share of Virginians' income going to state government. As total personnel income increases, either through growth or inflation, state tax revenues could thus increase proportionately—but the total state tax dollars, as a percent of the economy, would not exceed a specified limit.

The amendment does not call for a tax cut. It does not address issues of who should pay more or less taxes and it places no restraints on how tax monies should be used. It provides that, in case of an emergency as determined by a two-thirds vote of both houses, the ceiling could be raised for one year. Contrary to popular belief, there is nothing in the Constitution of Virginia that requires a balanced budget. Our amendment would include this requirement.

We feel that our concept is a very reasonable idea for controlling the growth of state government. It does not call for any drastic financed dislocations such as Proposition 13. It does allow for growth but at a rate no greater than the growth of income of all Virginians.

Critics have argued that drastic recessionary swings in the economy would play havoc with state budgeting under this process. However, examination indicates that the growth of the state economy has been averaging about 11% annually over the last twenty years. Surprisingly, this held true even during the recession years of 1974-75, considered to be the most severe recession since World War II.

Regretfully and mistakenly, to our way of thinking, the Virginia Municipal League has taken a stand against our proposal. They reason that if our amendment passes, localities will not be able to get the additional funding from the state which they will need to combat some of the big problems they envision down the road. It's our view that this is an unwarranted fear. Recently the Governor's office released their projected budget for six years ahead. Our studies show that if F.T.V.'s formula was in place today, there would still be room for growth over and above the Governor's six year projection.

The localities have made it increasingly clear to their representatives in the General Assembly that they want no more State mandated programs unless adequate funding comes along with the mandates. The General Assembly has become very sensitive to this issue in recent years.

Under our present system there is constant competition for the use of state monies. The cities want more, the counties want more and the state agencies want more. If our amendment was passed, nothing about this system would change. The competition for state funds would still be a political process. Legislators representing counties, cities and towns would still be fighting to get as much for their constituents as they could. When the money pinch does occur (as we think it will at some point in the future) it's our belief that the growth of government at the state level will be inhibited—not the localities. And that, quite simply, is the aim of our proposal.

Elliot S. Schewel

Elliot S. Schewel, Virginia State Senator, Lynchburg.

VML Holds Conference

Atkinson Named President

Franklin City Manager Harold S. Atkinson was elected President of the Virginia Municipal League during the League's 75th Anniversary Conference in Arlington.

Having served as manager of Franklin since September, 1956, Mr. Atkinson has been active in municipal management. He has chaired several committees of the Virginia Section, International City Management Association and was president in 1970. He was also the first chairman of the Southeastern Virginia Planning District Commission, serving in that capacity from 1969 to 1974 and is presently chairman of the Chief Administrative Officers of the planning district.

Mr. Atkinson has also been actively involved in League affairs. He has served as chairman of the former Personnel and Labor Relations Committee and also the Legislative Committee. He was elected to the Executive Committee at the 1976 VML Conference and was elected Fourth Vice President of the League in 1977. Since that time, he has moved through the ranks to assume the presidency this year.

He and his wife, Mary Ellen, have one son and two grandchildren.

Harold S. Atkinson

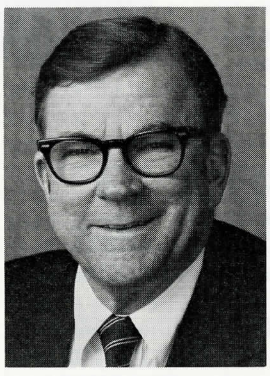
League's Newest Three Committee Members

Although not new to the VML Executive Committee, Vincent J. Thomas was appointed in July to fill the vacancy left by former Portsmouth Mayor Richard J. Davis. Mr. Thomas is the Mayor of Norfolk and is President of John Brothers.

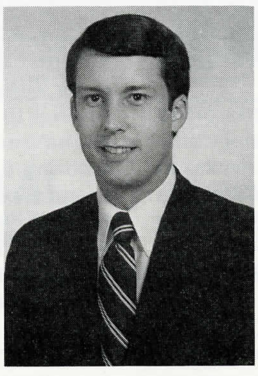
During the Section meetings, Emporia Councilman Sam W. Adams was elected Chairman of the City Section. He is affiliated with Central Fidelity Bank in Emporia and is married to Barbara Adams who is a school teacher. Roanoke City Councilman Hampton Thomas was elected Vice Chairman of the City Section.

Ms. Anne B. Crockett, Councilwoman from Wytheville, was elected Chairman of the Town Section. She is a school teacher at Scott Memorial School. Grottoes Mayor Margie Mayes was elected Vice Chairman and is also the League's representative on the Governor's Employment and Training Council.

Alexandria Mayor Charles E. Beatley was reelected Chairman of the Urban Section and Councilman Edgar Rohr of Manassas was elected Vice Chairman.



Thomas



Adams

Crockett

Governor Dalton's Remarks in Arlington

The general consensus seems to be that there isn't enough money.

I am sure it will come as no surprise to you that I hear the same complaint from the taxpayers. Their message has been coming through loud and clear that their taxes are already too high. But, as usual, their demand for public services has not diminished.

Our joint response to this message has been to try to work out a better distribution of the tax resources available to us and to review the way priorities are established for both State and local governments. For both of us, 599 has become a magic number, representing a major attempt at State revenue sharing. I hope we will be able to continue that program in accordance with the timetable and the fund projections that the General Assembly has enacted. One way we are trying to do that at the State level is to hold down on the growth in the number of State employees.

"We are holding the line."

We have given our agencies personnel targets, and reduced the average increase over the last ten years of about 5.5 percent a year down to a little over one percent. It may not be a catastrophic loss, but in these inflationary times, we all know that even a small dent in our revenues is hard to straighten out.

We have tried to add a little bit to your own receipts by using electronic transfer of funds of writing checks, so that you would enjoy a few more days of float at the bank. We are working out details of an investment pool which would include both State and local funds for smaller localities with smaller amounts to invest. And we have been working on an econometric model that we hope will give us more accurate forecasting of econonmic conditions and of anticipated revenues.

I have also instructed the members of the Cabinet to whom our State agencies report to review the various State mandates that you have to comply with to make sure that we also sent along enough State money to help you comply. What we are striving for is an equitable balance between your responsibilities to your own local constituents, and our responsibility to see that there is reasonable uniformity in the availability of services to all the people of Virginia.

I don't think we have yet achieved perfection in this complicated picture, but we have had enough experience with the Federal government setting priorities for the states so that we don't want the same procedure between the State capitol and our cities and counties. There have been times—and they have not been happy times for me—when we have had to take action against procedures in some localities in view of the firm policies that the General Assembly had laid down. But I have my Board of Directors in Richmond, just as you have in your City Councils and Boards of Supervisors, and once they establish policy, it is my job to carry it out.

I come from one of Virgnia's smaller cities myself, and I know that sometimes the perspective in Radford is not the same as in Richmond. I have to keep reminding myself that the people in Radford are Virginians too, and that in some instances, they have to be Virginians first. What I have tried to do is to keep Radford from ignoring Richmond and Richmond from ignoring Radford, and, believe me, it hasn't been easy. It is never easy to balance what is good for everybody against what is good for somebody, and yet that is what we ask the members of the General Assembly to do. I have had a little trouble convincing some of my friends in Radford that since they elected me Governor, I have to look out for all the people of Virginia, but I still manage to keep one eye on Radford, and my friends don't let me forget about local problems.

And we all share this problem of money. Through the National Governor's Association, we have been trying to convince the Congress to continue revenue sharing with both the states and localities. The last time I looked, Federal funding for localities was still in the budget, but there was some questions about revenue sharing with the states. And this is going to have an impact on the State's ability to share its revenues with localities. Furthermore, that message from the taxpayers is getting through to your members of the General Assembly.

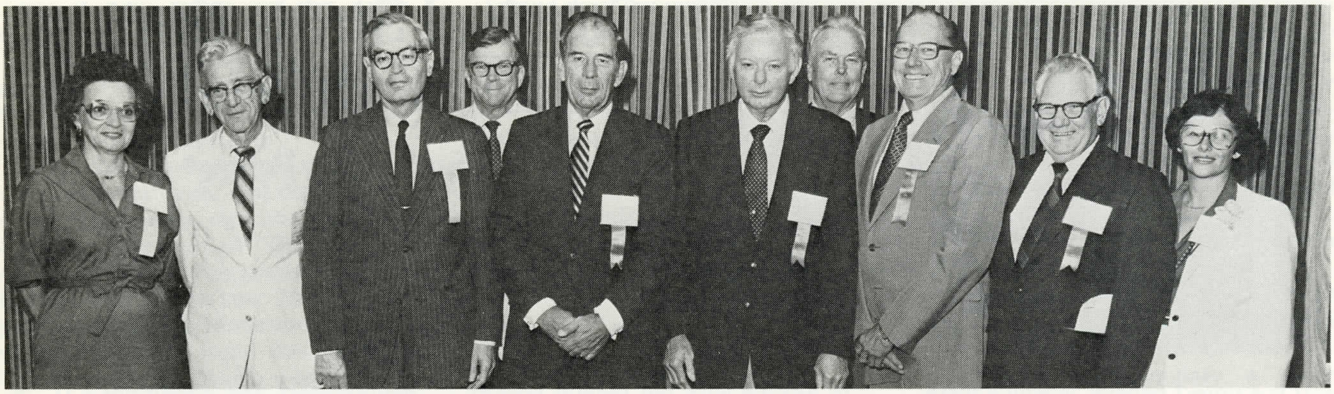
At its last session, the General Assembly exempted certain fuels used for home heating from the State's 3 percent sales tax, and authorized local governments to extend the same exemption. Just a few days ago, we all saw that some members of that body were having second thoughts about a $26.5 million loss in State revenue. The members had also changed the tax reporting system for vending machine sales at a cost of another $3.5 million in revenues. Earlier sessions had repealed the Virginia inheritance tax and reduced the gross receipts tax on utilities in several steps, which reduces revenues in the 1980–82 State budget by another $156.3 million. By the time the next budget takes effect, this loss in revenue will amount to $194.8 million.

If we did add some $96 million in Federal revenue sharing with the states, and the $176 million anticipated by House Bill 599, we will be putting together the 1982–84 biennial budget with as much as $498 million less revenue to finance the same basic programs that were in place in 1978–80.

"Unfortunately, that is not all the bad news."

I have spend a good many hours over the last several days wrestling with the State's matching fund figures

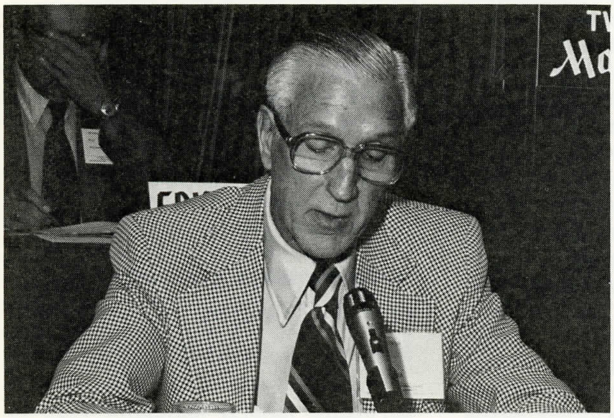
(**Continued,** page 25)



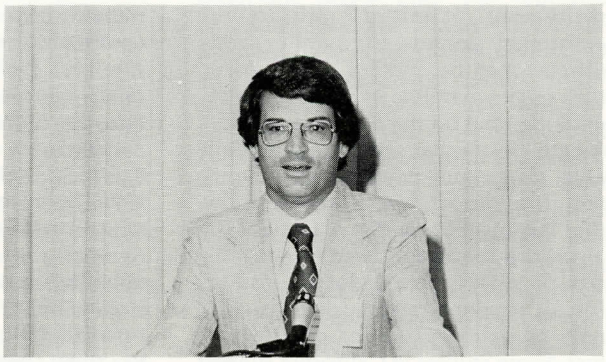
New Executive Committee members: (left to right) Salem Councilwoman Jane L. Hough, Gordonsville Mayor Arlie C. Payne, Vienna Mayor Charles A. Robinson, Jr., Norfolk Mayor Vincent J. Thomas, Martinsville Councilman Francis T. West, Franklin City Manager Harold S. Atkinson (President), Alexandria Mayor Charles E. Beatley, Harrisonburg Mayor Roy H. Erickson, Pulaski Mayor Raymond F. Ratcliffe and Wytheville Councilmember Anne B. Crockett. (Not pictured are Fredericksburg Mayor Lawrence A. Davies and Emporia Councilman Sam W. Adams.)

Virginia Beach Councilman Clarence Holland reviews the Human Resources Policy Statement during the Business Session.

Blacksburg Mayor Arthur Walrath accepts an Achievement Award from Mr. Amyx.



Norfolk Councilman Claude Staylor during the Business Session.



VML Executive Director R. Michael Amyx gives his annual report.

Delegate Gerald Baliles spoke to the Urban Section.

Survival Strategies for Local Officials

Address by Neal R. Peirce*

It is a time, I believe, in which there will simply be no substitute for greater local government productivity, in every area from public safety to garbage collection, from health and hospitals to street paving. And there can only be so much slack in the area of employee wages. Even if your city or town doesn't have a strong municipal union, if you let wages of your local government workers fall too far behind the general pack, you will stand the risk of losing some of your best employees. Eventually such personnel losses translate into less productivity, more citizen resentment, and, of course, dangerous election seasons for officials.

I think there will be no alternative in the 80s to looking more thoroughly into many types of productivity improvements and many which simply seemed too controversial up to now. The idea, for instance, of increased civilianization of police and fire services so that there are less people on 20-year cycles waiting for retirement. Limited military-like enlistment periods for public safety officers may be another way to avoid the large number of those simply marking time on the forces, and also a way to ensure that you have physically able, alert young people in your police and fire departments. Another idea that has been floated is municipal fire insurance for all property owners. The city, in effect, would do the insuring for all residents and businesses, with only an extra policy for catastrophic loss. Some studies in California suggest cities could save 65 percent of the current cost of fire departments that way. Another proposal, already implemented in a number of cities, is to have firemen, when not actually on call, conducting safety code inspections that otherwise require separate city work forces.

Editor's Note: This is an excerpt from Mr. Peirce's address at the VML Annual Conference on September 29, 1980. His weekly column is syndicated by the Washington Post Writers Group.

In dealing with the federal government, you are practically certain to find in this decade that the immense increases in federal aid that marked the last few years will be no more. The state share of revenue sharing is in deep trouble, and other programs, even if continued, may experience reduced levels. John Shannon of the Advisory Commission on Intergovernmental Relations, maybe the country's canniest observer of what's going on in fiscal federalism, remarks that, "It took three decades to do the fereral-aid tango of the '60s and '70s—eager lobbyist, a hyper-responsive Congress and the exhilarating music provided by a congenial fiscal environment."

But now governors and mayors must compete harder than ever with the Pentagon warriors plus Social Security with its tremendously expensive cost-of-living escalator. All this likely means that this year's Washington budget squeeze may introduce a radically altered era—one of declining federal aid for cities, states and counties. Something must be done to simplify the operations of an increasingly complex, bureaucratic, intrusive federal bureaucracy that now demands on you more than ever to carry out its programs. During the 1970s, for instance, some 150 new categorical aid programs were passed, to reach a total close to 500. You and I might agree with the goals of some, or even many of these programs, though I personally question why Washington has to be concerned with killing rats in cities or jellyfish control in the Chesapeake Bay. The problem is that each federal program brings with it a new set of complex rules and regulations usually unrelated to the rules of any other program—and it is local officials who must implement the programs and jump through the paperwork hoops. Often local governments' own spending priorities are distorted just to qualify for federal funds.

And, since the civil rights revolution of the '60s and the arrival of the environmental impact statement, a bewildering array of cross-cutting requirements and conditions—31, by one count—have been added to most federal programs. Among them are equal employment opportunities for women and minorities, rights for the handicapped, civil service merit rules, citizen participation and historic preservation. These conditions are infinitely more controversial, pervasive and penetrating than what state and local governments had to cope with before. Each of them is like motherhood or American pie—no one can argue its desirability. But the cumulative mass is a disaster; the government process is so slowed, or paralyzed, that services are not delivered in a timely fashion, and oftentimes major inflationary costs are added because of delay.

So it may be time for states and cities to campaign for reduction of the categorical programs into a manageable number of block grants, perhaps accepting as a tradeoff some reduction in overall funding because of the increased flexibility the localities would gain through simplification. Another common cause may lie in demanding a reduction in federal mandates if states and localities are to continue to serve as delivery agents for such a complex array of federal programs.

"Unnecessary mandates may unite cities, towns and counties"

Indeed, the fight against unnecessary federal mandates may be the great cause which unites, in the 1980s, cities and towns and counties and state governments just as general revenue sharing did in the 1970s. When the National Governors Conference met in Denver a couple of months ago there was an atmosphere of open rebellion in the air—a determination unparalleled in earlier experience to force a cutback in federal mandates, especially if general revenue sharing money, which is the cash states often now use to carry out their mandate requirements, is to flow no longer to the state capitals. I note with great interest that the National League of

Cities is now taking up this same cause.

With enough cumulative political pressure from the states and cities, Washington will eventually be forced to take this issue seriously.

All of this relates directly to how we view, and deal with, and develop our cities. Five years ago the Southest Michigan Council of Governments drew up a truly scarcy scenario for the Detroit area in the year 2000. It was projected that a continuation of recent years' pattern of rapid development into the suburban fringe would cause Detroit proper and its older, more established suburbs to lose more than a third of their population by the end of the century. All growth would shift to the outlying suburbs. There would be an additional million cars on the region's roads, driving an additional 40 million miles a day and wiping out every gallon of gas savings from more efficient autos. As much as 466 miles of southeastern Michigan farmland would be lost to highways, subdivisions, shopping centers and industries by 2000. Detroit and its suburbs would abandon $2.4 billion worth of closer-in schools and have to replace them at even greater cost on the urban fringe.

A pattern in short, of incredible waste—because all of the 700,000 anticipated new households in the Detroit area by 2000 could be accommodated within the network of already sewered city and suburban areas.

Today, a similar computer study might be somewhat less alarming—the work has begun to turn, toward somewhat less rapid outward expansion. But one thing remains clear: the cost of sprawl development, in dollars for new roads and sewers and schools and other public investments, and in inner-city abandonment and neglect, and in unnecessary energy use—those costs are mind-boggling and obscene in a nation with the severe economic and energy supply problems that ours now faces.

Closely related is the issue of conserving agricultural land. At a breathtaking speed, we have been sacrificing our American farmlands to subdivision, to shopping center or factory. And this lost land—situated so often in fertile river valleys near our cities—is often the most productive land we have. That means that as we devour land for development, we must substitute for agriculture more marginal, far-away western land. And that land often requires irrigation—which requires energy to deliver. And it requires immense amounts of fertilizer, one of the most energy-consumptive of all products.

Sprawl development is the flip side of the coin in urban decline. As one environmentalist recently put it, "For every block of abandoned houses in cities, there are probably three square miles of choice farmlands out there in the countryside scraped and bulldozed away to build new homes. It takes away the farmlands, it wastes energy, and it creates a political force that sucks the cities dry."

"Sprawl is...serious for small town and rural areas."

But sprawl is an equally serious issue for small town and rural areas. In the 1970s we saw a dramatic reversal of population movements, away from metropolitan areas, toward rural and small town America. Much of this can be for the good, creating a reasonable dispersal of population. But the how of rural and small town development is an exceedingly important issue. Today we see many rural communities repeating the wasteful, sprawling patterns of metropolitan suburbs.

A study by the Urban Land Institute warns of the nationwide eruption of linear suburbs—houses and mobile homes, soon joined by fast-food pit stops, convenience stores, small subdivisions and shopping centers—which stretch between towns and sap the strength of the rural towns and small cities alike. Without good planning and zoning, the countryside becomes despoiled. Allowing such development to continue destroys the quality of the environment for future generations. And it wastes immense amounts of energy today. Yet with compact development around cities and towns, the waste can be prevented, even with the same 'net' of new economic activity. This is clearly a major challenge to local officials, for it is you who have the chief power over land use.

If we stop continued and continual sprawl, we may also find opportunities in the suburbs. One can take a nucleus—an old suburban town, or Lord help us, even a suburban shopping center—and start to create around it more dense development of apartments, government offices, medical and recreaton facilities, in addition to the ever-present stores. It can be a process of urbanization and civilizing of the suburbs, creating nodes of more dense development. Pedestrian access will be easier within these nodes. And mass transit between them will become increasingly feasible.

It used to be that the argument for higher density settlement, to maintain green lung open spaces, was purely aesthetic and environmental—and a valid enough reason, many of us thought. Now the stakes are incredibly higher. Sprawl and the energy gluttony it generates makes us an ever-more oil-dependent, OPEC dependent country and contributes directly to the weakened and weakening national security of the United States. Simultaneously it fuels the inflation which threatens our entire economy.

Given the paralysis of national decision-making, our states, cities and counties cannot afford to wait for Washington to formulate a more coherent energy policy. They can and should move to the forefront of the conservation effort. And not only out of patriotism, to reduce our national oil dependence. There is a practical, local reason as well. Think of your city or county as an economic entity. The more it can produce, the more it can draw wealth from outside, and the more it can reduce its dollar exports, the more prosperous it will be, the higher will be its residents' income—and the healthier will be its tax base. One of the greatest expenditures of any city or region, its residents and businesses, is the importation of energy. Reducing petroleum demand locally makes the city or town or county a more independent, economically healthy place.

An excellent example is the energy plan the City of Portland, Oregon, adopted last summer. After 1983, any Portland homeowner who hasn't weatherized his home to energy "cost efficiency" simply won't be able to resell his house until the requisite improvements are made. "Cost efficiency" is is quite simply defined as all the improvements, from storm windows to insulation, that will pay themselves back in reduced heating and cooling costs within 10 years. Apartment-house owners and businesses will face similarly stiff requirements. Land use patterns will be influenced to reduce commuting trips. And by 1995, Portland calculates, it will have cut back citywide energy use by 30 percent and be saving $162 million each year.

A related problem, now national in scope, is the pattern of big regional malls being constructed outside of cities and towns, drawing economic strength, investment and jobs from the established downtowns and neighborhoods. The big national developers and particularly the large national retail chains, such as Sears, are exercising incredible muscle to steamroller through their regional mall proposals. And too often local governments fall victim to the siren song of projected new taxes and tax base.

"Regional malls do not come without a price."

Do not believe from a moment that a regional mall comes without a heavy price. Across the country, cities large and small, and especially smaller cities, have found their Main Streets devastated by the regional malls. Practically free rents are offered the big retailers; your local merchants, if they lease space in the malls, end up subsidizing the Penneys and Sears and the Macys. The malls almost inevitably require longer auto trips. That costs the nation hundreds of millions of gallons of gasoline each year. And then, when the mall developers and retailers, for their extra profit, have developed the malls and sucked off your local retail trade, it is left up to you, as municipal officials, to try to revive a dying downtown.

A sane policy says—Let us first try to make Main Street viable. Complacent city merchants need to understand the competitive world they live in. They need to upgrade their stores, perhaps to establish for-profit corporations to bring to downtowns some of the coordinated and effective practices of the regional malls, starting with extended and uniform selling hours. A management corporation for Main Street can also develop a merchandizing and advertising program for downtown, begin to renovate existing buildings, develop standard signs, improve exteriors, locate accessible parking, and so on. The National Development Council in Washington has concrete proposals on how cities can do that. And the National Trust for Historic Preservation has a Main Street project, to help make our smaller city centers competitive. With major assistance from a number of federal departments, the National Trust Main Street program is now being expanded as a part of President Carter's small community and rural development policy.

In the meantime, if you believe your city is endangered competitively by a proposed outlying mall, there is a new way you can fight back. Providing that outside mall is aided and abetted by some type of federal action—a federally subsidized new highway or interchange, for instance—then you can appeal for a federal review under the administration's urban conservation policy, announced last fall. Some 20 cities are already doing that, and have a good chance of stopping federal spending that benefits the suburban malls at the expense of downtowns.

The logical next step is to get state governments involved in a way to help their cities. The states have immense regulatory powers, including land use. In the last four years explicit urban or community conservation policies have been developed in such states as Massachusetts, Michigan, California, New Jersey, Pennsylvania and Florida. These are major breakthroughs in American government, because they show that states can become staunch allies of their municipalities and work systematically to undergird and support existing city and town centers.

I believe such conservationist-style urban policies are not "far out" or impractical, but rather that they're ideas moving much faster toward national acceptance than many of us thought would ever happen.

Even more interesting, both business and government participants in all regions have been united on the main physical development options they believe we should follow—increase compactness in fringe and rural-small city growth. To accelerate infill, rehabilitate and reuse. To increase the mix of uses through planned developments which put residential, office, retail, recreation and public facilities close enough to be reached by walking. To develop our housing, stores and employment centers at places that make public transit feasible. And to conserve and maintain existing structures and facilities.

Among other things, the developers through this study are telling us that smaller housing units, with many more to the acre, will be the only way to start coping with our horrendously escalating housing costs. They are anxious to simplify regulatory hoops through with they must jump to get development accomplished. But they are also asking state and especially local governments to plan and zone to help in land assembly and to make available appropriate sites within cities and suburbs, places already served by adequate infrastructure.

"Joint public-private enterprises."

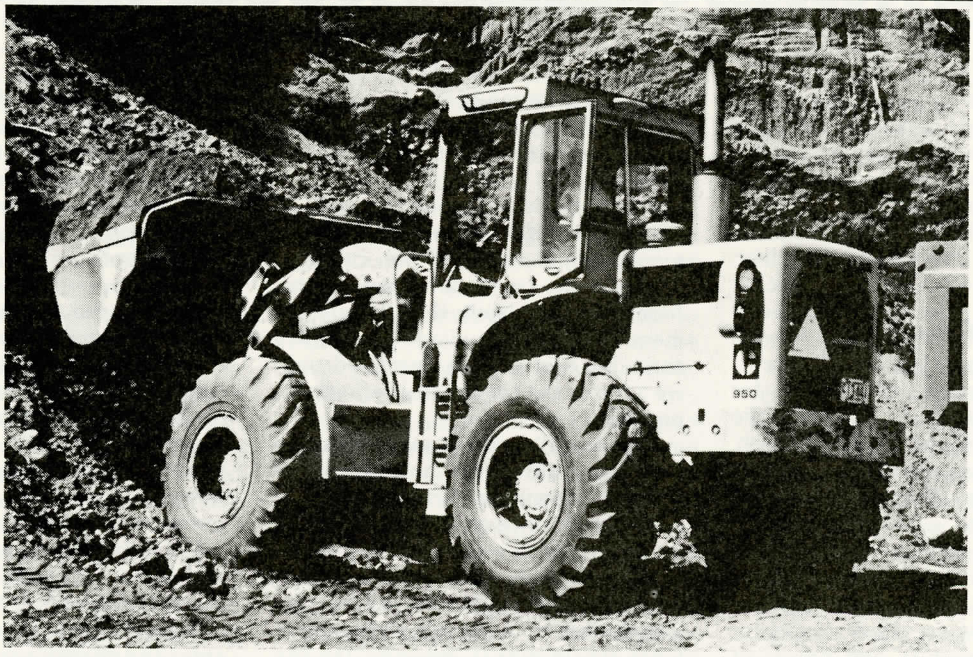
Before closing, I will add quickly two elements to the city survival strategy.

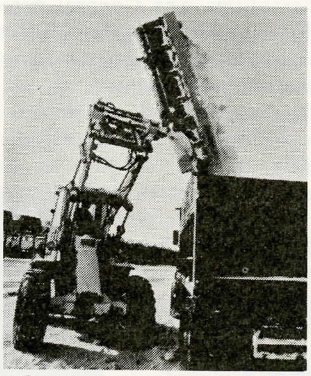
The first relates to joint public-private enterprises that create major economic development. Public tax resources are simply going to be too scarce to permit much purely governmental development in this decade. So the private sector must be brought in at an early point, made to feel welcome, and encouraged in every ethical way. And there must be major city efforts to clear away the regulatory underbrush and encourage small and medium sized businesses. Fresh academic research demonstrates clearly that small businesses now generate far more new jobs than the big national and multinational corporations. Sound economic futures will not be built on "smokestack" chasing of footloose big plants, together with unnecessary tax abatements or the use of industrial revenue bonds, which have grown into a \$5–\$7 billion a year boondoggle at the national taxpayers' expense. The real payoff will be in fostering small entrepreneurial enterprises, in helping medium and smaller-sized firms a city already has stay in business and expand, and where is imminent danger of plants folding, to encourage purchase and management by new owners or the workers themselves.

Finally, the city interested in survival must begin to think a lot more about excellence of design in its built environment—the plazas, streets, buildings, neighborhoods, waterfronts, alleys and courtyards where Americans spend their lives when they step out of or look out of their homes or places of work. This type of policy encompasses historic preservation, facade renovation, adaptive reuse of old buildings, tasteful signs, landscaping, and even public events that "celebrate" the life of the city. Americans built their nation on a continent of seemingly unlimited space and opportunities to match. In the years following World War II we spread spatially into sprawled suburbs. We epitomize the big automobile society. But infinite space and good design are not necessarily good bedfellows. Indeed, only when space is limited is real excellence of design—design of human and humane proportions—likely to emerge. This is an idea the Europeans, the Japanese and Chinese learned centuries ago, and have rarely forgotten.

Is there a unifying principle behind all these ideas? I believe so. That's what our cities and towns need,after the booming '50's, the soaring '60s and the misfired '70s, is an approach Virginians have long held, a thorough-going conservation ethic. This does not mean that we stop or discourage growth—by no means. But it means that we foster growth in a way that conserves energy, as energy in fact becomes the scarcest of all commodities. That we conserve what we already have in roads and bridges and schools and sewer facilities, and view with great skepticism suggestions to build shiny new public facilities before we have tended to the new we have already. That we conserve human resources, trying to guide the underprivileged among us into sound education and reliable jobs.

(**Continued,** page 26)





Baliles Proposes Commission To Define City, County

Perhaps some of you know of my interest in, and concern over, the problem of communications in this country, a place where people of accomplishment, education and maturity seemingly cannot convey concepts and information in clear, concise terms. Government agencies, corporations, doctors, lawyers, teachers and others speak in foreign tongues when speaking to each other.

It is important, therefore, for government officials to recognize the value of simple terms, of plain English, in communicating with the public and with each other. That is not always easy to do, for even simple terms change or acquire new meanings over time. Let me cite two examples: city and county.

All of us live in either a city or county. The structure and power of that local government depends upon whether it is a city or county. The flow of state funds to localities is affected by whether the local unit of government is a city or county. The level of taxes required to support certain services often depends upon whether the local government is a city or county. And,until recently, whether a local government was the annexor or the annexee depended upon whether it was a city or county.

We live with the terms city and county, yet I submit that we do so without comprehending that time and events have blurred the definitions that city and county once had.

There are some questions, I submit, that we should ask of ourselves. How is it that in many areas of Virginia, an urban city and an urban county adjoin each other, each one providing essentially the same level of services, yet one operates with a charter and the other does not? Indeed, the charter is required because the local goverment is a city, but does it guarantee any better level of service than the adjacent urban county that operates without a charter, pursuant to general law?

Have we become so accustomed to city-county forms that we have failed to see or resolve the separate and distinct needs of rural areas and metropolitan centers? Could it be that we have been so overwhelmed by problems of government policies and services in recent years that we have forgotten to reexamine—as Jefferson once urged—some of the fundamental reasons underlying our structures created to carry out those policies and services?

Could we devise a better system of allocating state aid to local governments, for example, if we came to terms with city-county definitions? Indeed, is is unlikely that the alleged inequities in the various funding formulas ever will be corrected until we address the city-county definitional problems.

Traditionally, city-county separation has been based on an urban-rural division. Virginia's system of local government once assumed that urban areas should be within the boundaries of a municipal corporation and that rural areas should be under the jurisdiction of a county government. Since World War II, however, the rise of the "urban county" has blurred and confused the earlier clear lines between counties and incorporated municipalities. The General Assembly itself has added to the blurring by conferring upon counties many of the powers of cities.

What is a city and how does it differ from a county? The Constitution of Virginia defines a city as an independent incorporated community which became a city before July 1, 1970, and which has has a population of more than 5,000 persons. That language is repeated in the Code. That's it. A county is defined as any existing county or any such unit thereafter created.

The General Assembly is authorized by the Constitution to provide for the organization, powers, creation, consolidation and dissolution of counties, cities, towns and regional government, but there is no statutory definition of what constitutes a city or county in the Code of Virginia. Two of the most basic units of government in the Commonwealth charged with duties and responsibilities under law are not really defined. It should be changed.

Historically, cities provided urban services not needed or wanted in rural areas. Cities were manufacturing centers and commercial districts. Cities had tax bases not found in counties and, thus, possessed sufficient revenues to provide urban services without large infusions of state aid.

Counties, on the other hand, were administrative districts of the state, created to perform basically state functions, such as tax collection and the operation of highways and a system of courts. Because counties lacked the tax bases of cities, state aid flowed to counties. But, since World War II counties have changed. While they continue to serve as a political subdivision of state government, many provide most of the urban services provided by cities.

Indeed, the situation has become such that some observers have argued that in Virginia we have, in addition to rural counties and urban cities, some rural cities and urban counties. Yet, in many sections of the Code and in our funding formulas, we speak of—and rely upon without distinction—the terms city and county.

We tinker almost annually, it seems, with state aid formulas for cities and counties. We adjust here for core city problems, alter there for suburban areas and change again for rural needs. We talk of differences, yet we often fail to see similarities.

One analysis in 1968 by the Virginia Association of Counties and the Institute of Government led to the following conclusion:

> On the basis of this examination of the Constitution and Supreme Court opinions, it seems clear that the status of the Virginia county is not significantly different from that of the Virginia city and town so far as the legislative authority of the General Assembly to confer powers is concerned. The principal difference arises out of the method by which the General Assembly confers powers on counties and municipalities. In the case of counties, the grant must be made in the form of general law. In the case of cities and towns, the General Assembly may proceed by means of a general law or through a special law granting a municipal charter, if that charter is enacted according to the procedure prescribed in the Constitution. But this is a difference in method and not one arising out of any basic distinction between a county or a city or town in Virginia constitutional law.

This conclusion does not help much, for it focuses on a comparison of the status of the county and city in terms of how the General Assembly confers powers upon each. It does not focus on definitions of city and county and the similarities and differences that flow from the lack of definition.

To some extent, urban and rural differences in counties have been

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This article is an excerpt of Delegate Gerald L. Baliles' address to the League's Urban Section at the VML Annual Conference on September 30, 1980.

recognized by the legislature. Today there are six different forms of authorized county governments. The plain fact remains, however, that we are operating local units of government without operating definitions.

The question should be asked, it seems to me, whether the time hasn't come to reexamine the nomenclature of local governments? Cities and counties: what are they now; what do we want them to be? Should the historical and traditional distinctions be restored to city-county terms? But, would that approach really resolve the separate and distinctive problems in an urban area containing a suburban county and central city? Probably not, yet if we are to succeed in finding solutions to problems that are linked to one's status as a city or county, can we afford to wait?

There have been at least six studies dealing with various city-county problems since 1950, studies that have examined annexation, planning districts, urban growth and state aid to localities. Not one, to my knowledge, has ever examined the city-county definitional problem or considered the fundamental concepts behind the creation of the different units of government. I believe that the time for such a study has come.

I propose the creation of a Blue Ribbon Study Commission, a body that would be charged with the duty of examining, evaluating and proposing definitions of cities and counties in Virginia. The study, at first, should not be a legislative task but one of local governments themselves. I believe that the Virginia Municipal League and the Virginia Association of Counties should create jointly the Study Commission, staffed by the Institute of Government at the University of Virginia, to conduct the study and to make the recommendations to the local governing bodies and ultimately, to the General Assembly.

As I have suggested, the Commission should examine the historical and traditional divisions between cities and counties, the extent to which those traditional divisions have been changed over time and by events, and the degree to which local governments, rural, urban and suburban, have affected financially in the development and implementation of state aid formulas that incorporate city-county factors. Finally, the Commission must advance proposals and recommendations.

Its work would not be easy, but we might be surprised and benefitted by its answers. I believe that we owe such a task to the people we serve, and I am convinced that it would be the catalyst needed to effect the changes desired by both urban and rural interests in the various state funding formulas for local governments. We owe it to ourselves and to the future of the Commonwealth.

Duck Xing

Something like a Walt Disney movie scenario, Fredericksburg City Council acted on resident's plea to have a duck crossing sign erected on a residential road located between two lakes. A resident complained that cars had been running over the ducks as they crossed the road from the two lakes to nest in the woods.

Sign painter Pete Snelling's sign depicts a duck, rampant, on a field of orange. The lettering beneath says Duck Xing. The duck wears a small hat and what looks like a sailor suit, and admittedly is a strong resemblance to a famous web-footed Disney character. Mr. Snelling remarked that the sign to protect the ducks proved to be a challenge.

People

Rattley Receives Award

Newport News City Councilmember **Jessie M. Rattley** was chosen 'Newsmaker of the Year' by the Virginia Press Women. Mrs. Rattley is a former President of the Virginia Municipal League and is currently the President of the National League of Cities. She was the first woman and the first black on the Newport News City Council.

Appointments

Edward Musick was appointed Executive Director of the Chilhowie Redevelopment and Housing Authority. Mr. Musick previously served as Town Manager of Big Stone Gap and City Manager for Newton, North Carolina and Mount Airy, North Carolina. He was also a finance director in Bristol, Tennessee.

Honors

Barbara J. Gage, Lynchburg's Clerk of City Council, has earned the designation of Certified Municipal Clerk. One of three active Virginia municipal clerks currently certified, Ms. Gage received the award from the International Institute of Municipal Clerks. She has been employed by the City of Lynchburg since 1971 and served as Deputy Clerk of Council before assuming her present position. She has also been associated with United California Bank in Fresno, California and the U.S. Senate in Washington, D.C.

Abingdon Police Chief **William S. Phillips** was elected President of the F.B.I. National Academy Associates of the Commonwealth of Virginia. Chief Phillips is a graduate of the national academy and has been Chief of Police since July, 1973. Prior to his present position, he was an advisor to the National Police Command of South Vietnam and was a member of the Virginia Department of State Police.

Years of Service Noted

The American Public Works Association recognized the long years of dedicated service of three local public works officials from Virginia with the Samuel A. Greeley Local Government Service Award. Established in 1932, the Greeley awards were presented at a special meeting at the International Public Works Congress and Equipment Shop in Kansas City, Missouri. Those from Virginia accepting the award were **Harry Dotson,** Sanitation Superintendent of the City of Alexandria; **Robert N. Harold,** Assistant Director of Public Works for the City of Norfolk; and **Ellis B. Hilton, Jr.,** Director of Public Works for the City of Portsmouth.

Members Give Awards

Mayor James Taliaferro of Salem presented plaques of appreciation to **J. Max Hancock** for his eleven and a half years of service to the City as Assistant City Engineer and City Engineer. Mr. Hancock retired August 31, 1980. **Mr. B. G. King** accepted a plaque in appreciation of his twelve years as a member of the Salem School Board. **Everett Lambert** received a plaque from Bluefield Vice Mayor Cecile Richardson for his outstanding work as a Town employee. Mr. Lambert was Supervisor of Maple Hill Cemetery for 43 years.

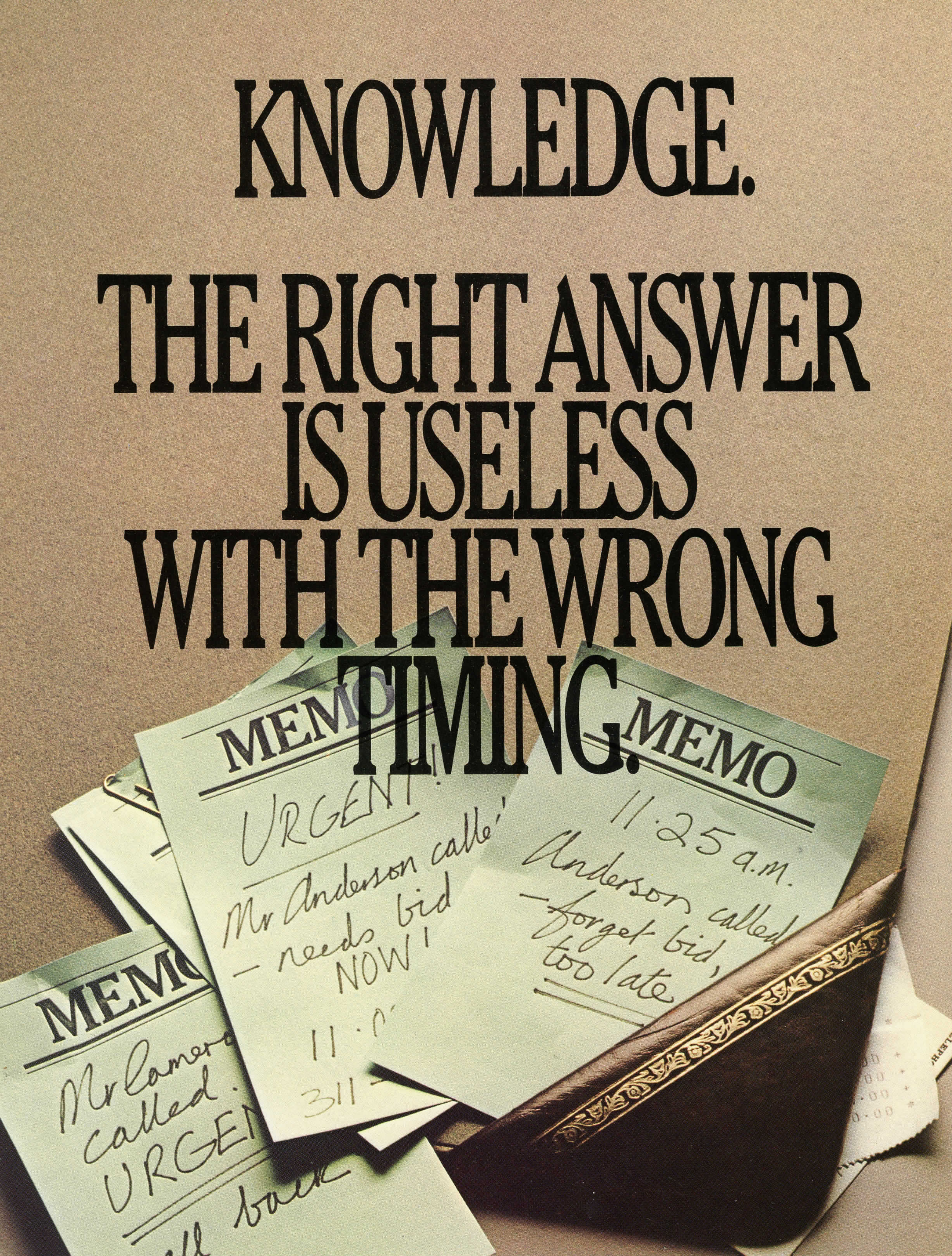
Deaths

The Honorable **Lynn H. Comer,** Mayor of Stephens City, died September 8, 1980. He served as mayor for the past twenty years. The League expresses sympathy to the family of Mayor Comer and to Stephens City.

The Honorable **C. Fred Blount**, Mayor of Christiansburg, died October 14, 1980. Mayor Blount served on Council in the 1940s and was elected by Council in 1976 to fill the unexpired term of Mayor Ellis P. Bucklin. He was reelected in 1978 was serving his four-year term at the time of his death. Active in the fire service, Mayor Blount was a member of the department for 52 years, serving 15 years as Chief and was the current Assistant Fire Chief. The Virginia Municipal League and the State Fire Chiefs Association of Virginia extend their sympathy to the family of Mayor Blount and to the Town of Christiansburg. Local government has lost a dedicated public servant.

knowl·edge (näl′ij) *n.* **1.** the fact or state of knowing. **2.** the extent of information or extent of awareness. **3.** that which is or could be known.

To a manager, the word can have a more urgent meaning...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THE RIGHT ANSWER IS USELESS WITH THE WRONG TIMING.
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Mr Anderson called
- needs bid
NOW!
MEMO
11:25 a.m.
Anderson called
- forget bid,
too late
MEMO
called.

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Workmen's Compensation Program Grows

The Virginia Municipal Group Self Insurance Association began operation on July 1, 1980 with seven member jurisdictions and approximately $730,000 in annual workmen's compensation premium. In the first three months of operation the program has grown to 23 members with an annual premium in excess of $1.3 million. The program is open to all cities, towns, counties, school boards and other political subdivisions. Representation from each of these groups is included in the initial membership of the pool.

This program is the first of its kind in Virginia, having been approved by the Bureau of Insurance of the State Corporation Commission under the provisions of Section 65.1-104.2 of the *Code of Virginia*. Even though the program is new to Virginia, several other states have had similar programs for a number of years. Municipal organizations have banded together recently in Texas, Florida, Alabama, Minnesota, Michigan, California, Louisianna and Connecticut, among others. Several other State municipal leagues are currently exploring the advantages of insurance pooling.

Of primary importance is the fact that the program is owned and controlled by the participating members. All savings accruing to the fund will eventually be returned to the participants. Savings can accrue in several ways under the group self insurance plan.

Specialized loss prevention programs are custom designed for each member of the Association. Monthly computer printouts are provided to each member detailing their losses. Aggressive claims handling through investigation of all loss time cases is instrumental in saving actual claims dollars. The Association retains all investment income on premium dollars deposited with the fund, and this cash flow management provides substantial savings to members. Furthermore, by eliminating agent commissions and reducing administrative overhead additional savings accrue. By implementing specialized loss control programs, aggressive claims management, cash flow management and reducing administrative overhead participants in municipal programs in other states have earned dividends of 20% to 30% with some programs returning even more.

Claims administraton and loss prevention services are handled by Hall Risk Management Services, Inc. Headquartered in Orlando, Florida, they have established a permanent office in Richmond to service the Virginia Municipal Group Self Insurance Association. Their contract calls for a minimum of two safety visits annually to each participating jurisdiction. Additional visits are to be made as needed to assure the proper development and implementation of a comprehensive safety plan. Another important feature provided by Hall Risk is the monthly computer printout of losses which can be used to pinpoint problem areas in your organization, so that appropriate safety measures can be applied thereby creating a safer working environment for the employees which will eventually mean fewer claims for on the job injuries.

The Association held its first annual meeting on September 29, 1980 in conjunction with the 75th Annual Conference of the Virginia Municipal League. At that meeting additional representatives were elected to the Members' Supervisory Board, bringing the total number of board members to seven. The current board members are: Charles A. Robinson, Jr., Chairman, Mayor of Vienna; Francis T. West, Councilman, Martinsville; R. Michael Amyx, Executive Director, VML; Harry G. King, Member, Prince George County Board of Supervisors; Shirley Tyler, Chairman, Alexandria School Board; John Cutlip, Shenandoah County Administrator; and, Richard Johnson, Director of Finance, Suffolk. The Board is charged with overseeing the affairs of the Association and has the particularly important role of determining the amount and timing of the distribution of dividends, subject to final approval by the Bureau of Insurance.

Given the rapid growth in our first quarter of operation and the very good loss ratio on claims to date, we are very optimistic about the prospects for a successful first year. If you would like to learn more about this program, please call Bradley Harmes at the League office (804/649-8471) so that a representative of the League or Hall Risk Management can meet with you and provide a formal premium quotation for your participation in the program.

Study Shows Joint Action Reduces Power Costs

by George H. Chin

A preliminary study undertaken by a consulting firm for the Municipal Electric Power Association of Virginia (MEPAV) has projected that a Joint Development Plan of power supply could reduce the cost of power supply to the customers of these municipal electric utilities by over $30 million per year by 1989.

The 15 municipal electric utilities in Virginia currently purchase a major portion of their electric power requirements under the wholesale rates of the Appalachian Power Company (APCO), the Potomac Edison Company (PECO), the Virginia Electric and Power Company (VEPCO) or the Tennessee Valley Authority (TVA). In addition, some municipals have generating facilities which they operate to supplement their supply during peak load periods (times when electric load is at the highest level) to reduce the peak period electric purchases from their wholesale supplier.

During the period 1972–1978, the average cost of wholesale power purchased by the municipal electric utilities in Virginia increased nearly 300 percent which is an average annual compound rate of increase of approximately 20 percent. While the increasing cost of fuel has been a significant factor, the increasing cost of financing new generating resources included in the ownership cost portion of wholesale rates has also been a major reason. Concerned over this rising cost of power supply, MEPAV retained R. W. Beck and Associates to undertake a preliminary power supply study.

The study included a projection of the total electric load requirements of the localities, a preliminary projection of wholesale power costs from their present wholesale power suppliers, and a preliminary projection of potential savings to MEPAV members as a result of a joint power supply program.

The study was to show how a program of direct ownership and selective participation in specific generating units could reduce the projected cost of serving the existing and projected power requirements of the MEPAV members through 1989. Existing power supply resources, wholesale power arrangements and potential power supply alternatives were considered.

MEPAV members were divided according to those that purchase wholesale power from APCO and those that purchase wholesale power from VEPCO. Because of its geographic location Front Royal, which is served by PECO, was included with the VEPCO group. Bristol was not included since the TVA is Bristol's wholesale power supplier.

The projected cost of power was developed under two basic alternatives: the Wholesale Purchase Plan (power supply obtained through the purchase of power from APCO or VEPCO under wholesale rates supplemented by existing owned generation) and the Joint Development Plan (power supply obtained through an economic mix or combination of resources, including power from existing owned generation, purchase power from APCO or VEPCO under wholesale rates, unit contract purchases, joint ownership entitlements and construction of MEPAV generating facilities). In order to project wholesale power cost, the consulting firm had to model both supplier's annual operations to project what the cost of service would be in the future.

For the Joint Development Plan, a variety of power supply resources - generating plants like North Anna and Surry — may be available to the members. For the generating units assumed to be constructed by MEPAV, costs were estimated based on generic units of that type which are currently, or proposed to be, constructed in the region.

A computer analysis included the total power cost of each generating resource under various operating modes and determined that a combination of resources would be a more economical power supply mix. The comparison of the estimated cost of the plans showed that by utilizing the North Anna and Surry plants included in the Joint Development Plan, the members could realize an estimated potential savings in power supply costs in utilizing strictly wholesale power ranging from $617,000 in 1983 to $27.8 million in 1989 for the APCO group, and from $2.5 million in 1983 to $6.3 million in 1989 for the VEPCO group.

MEPAV members should form and participate in a joint action authority since jointly owning and developing power supply resources has the potential of significantly reducing the members' future cost of power. Also, the localities should review their power supply requirements and make an overall power supply plan which is flexible enough to meet changing conditions and which considers the proper mix of base, intermediate and peaking resources to meet their individual load and reserve requirement. Periodic reviews of power supply programs are encouraged.

A jointly developed power supply program has the potential of significantly reducing the members' future costs of power supply based on continued reliance on wholesale power purchases and nuclear units, such as the Surry and North Anna Units, which could economically satisfy a portion of the member's base load power requirement.

Joint ownership participation in coal-fired generating resources should, over the life of the resources, provide lower cost power than power obtained under wholesale purchase arrangements. MEPAV could also investigate participation in and the costs of joint ownership arrangements or unit contract purchases in the Surry and North Anna Nuclear Units and the Lewis County Coal Units.

In conclusion, the power study opens many possibilities for municipalities in Virginia that operate or generate their own electric department.

About the Author
Mr. Chin is Principal Engineer with R. W. Beck and Associates in Wellesley, Massachusetts.

Localities Can Pool Investments

By Stuart W. Connock, Donald P. Lillywhite and Robert C. Watts

Beginning on January 1, 1981, localities can "pool" all of their idle or reserve funds in order to get the maximum return on their investments. Passed by the General Assembly this year, the "Investment of Public Funds and Local Government Investment Pool Act" will produce additional revenues for localities on short-term investments.

Passage of this act reflects the national trend of increased cooperation between state and local officials in managing public funds. Between 1974 and 1979, fifteen states established state-administered pools for the investment of local government reserves. Virginia's investment pool act, which draws on Utah, Oregon, Montana and California laws, is based on model legislation prepared by the Advisory Commission on Intergovernmental Relations.

"Funds are sent to the State Treasurer for investment."

The local government investment pool is an aggregate of local government funds placed with the State Treasurer for investment. All public officers, municipal corporations, political subdivisions and public bodies of the State may participate in the pool. Under the act, local officials may make temporary transfers among separate funds in order to pool the amounts available for investment. The Treasury Board administers the pool and, by law, may invest the monies only in commercial banks or trust companies, savings and loan associations, or building and loan associations insured by an agency or instrumentality of the United States government.

"On a voluntary basis, any locality can join for a $10,000 deposit."

Participation in the investment pool is voluntary. While the pool is particularly valuable to smaller localities which do not have the benefit of an investment staff, it is open to all local governments regardless of size.

The minimum amount required to participate in the investment pool is $10,000. Additional deposits must be made in increments of $1,000. A locality may have more than one investment account within the pool, but each account must have a minimum balance of $10,000 at all times.

To deposit funds in the pool, an authorized representative of a locality must telephone the State Treasurer by 4:00 p.m. on the business day prior to the day the fund transfer is wanted. The following morning, the locality wires the transfer funds to the Treasurer's account at a bank designated by the Treasurer. As the final step, the representative must provide written confirmation to the Treasurer of the wire transfer. The standard charge for a wire transfer is $3.00 per transaction. Funds are invested on the 'blind faith' that the wire transfer will be made. If a locality fails to do this, future transfers will not be invested until the Treasurer receives written confirmation of the wire transfer. When possible, the local government should also indicate the expected length of time the funds will be held in the pool, particularly if the funds are over $100,000. This helps the State in managing the pool investments. A similar process is used for withdrawals. An authorized representative must call the State Treasurer by 4:00 p.m. on the business day prior to the day the funds must be transferred to the locality. The Treasurer will wire transfer funds to a designated local bank, and the locality, in turn, must have 'blind faith' that this transaction is made. Interest does not accrue on the investment for the day of withdrawal. As a follow-up to the telephone withdrawal, a local official must mail, on the same day, written confirmation of the transfer request. If the withdrawal reduces the account below $10,000, the entire balance will be wired back to the locality.

The Treasury Board requires that funds remain in the pool for at least one day. Because of the administrative costs to both the State and the locality, small amounts should not be invested for one day. At an annual interest rate of nine percent, the breakeven amount for a one-day investment is $26,000.

The Treasurer's Office anticipates that only "out of pocket" expenses for administering the pool will be charged to the participants. A separate bank account will record the bank charges paid on a "hard dollar basis" and the charges against fund earnings from "out of pocket" expenses. This is expected to be a true "zero balance" account. Initially, localities will not be charged for the State's staff time or office expense; however, some charge may become necessary if the pool attracts a large number of investors. Several states that currently operate an investment pool deduct one-fourth

ABOUT THE AUTHORS
All of the authors are affiliated with the Commonwealth of Virginia. Mr. Connock is Assistant Secretary for Financial Policy in the Office of Administration and Finance. Mr. Lillywhite is an Analyst with the Department of Planning and Budget. Mr. Watts is the State Treasurer.

of one percent to one-half of one percent from earnings to compensate for their administrative costs.

The Treasurer will furnish each pool participant with a monthly report showing the changes in investments made during the preceding month. Interest income for localities will equal the average rate of return, calculated quarterly, for all pool investments. Earnings will be based on each locality's average daily balance. Accumulated interest, less "out of pocket expenses", will be sent to each participant in the month following the end of each quarter.

"There are benefits for both State and local governments."

Many local governments are unable to invest in the short-term money markets because of insufficient funds or because local officials lack the time or staff expertise to handle such investment opportunities. This is especially true of smaller localities and results in these local government units earning little or no interest on their reserve funds. Allowing the State to manage local funds through an investment pooling arrangement provides a solution to both of these problems.

Localities of all sizes can benefit from investment pooling because each governmental unit receives the same rate of return regardless of whether it invests small or large amounts. Participants investing small amounts will receive a relatively higher rate of return than if they invested their funds individually. Localities are protected against significant risks because of the investment restrictions placed on the State. Whatever small risks do exist are shared among all participants and spread out among many different investments.

The rapid transfer of funds provided for in the investment pool arrangement allows local government officials to wait until the last possible day to request funds from the pool to meet current obligations. This enables localities to earn higher yields on their funds and provides them with more flexibility in their cash management and investment practices. Participants should not find themselves in a cash crunch because assets or investments are not liquid.

The benefits which will accrue to the State as a result of the local government investment pool act are less tangible. However, by enabling localities to maximize their return on reserve funds, the State will help to increase the financial stability of local governments. In addition, the pool should increase the willingness of the State and local governments to join in future cooperative ventures. The investment fund is a good example of how innovative management approaches, coupled with intergovernmental cooperation, can benefit both State and local governments with very little additional costs to either.

Commentary

Local Government Investment Pools

By Mary Jo Fields

Local governments continuously must face the difficult task of reconciling burgeoning service demands with growing resistance to tax increases. Addressing this dilemma, local governments have tried to enhance their revenues through more effective cash management procedures, including the investment of idle cash balances. For some time, Virginia municipalities individually have earned interest by investing idle revenues. With the passage of the Investment of Public Funds and Local Government Investment Pool Act by the 1980 General Assembly, municipalities will be able to pool their investments in order to attract greater interest earnings. This Commentary will discuss briefly the purposes of local government investment pools and their record of performance in states other than Virginia. The Virginia pool is the subject of the above article in this issue of VIRGINIA TOWN & CITY.

The states of Connecticut, Montana, and Oregon established the first local government investment pools in 1973 and 1974. Today, at least fourteen states authorize pools. The act establishig Virginia's pool closely follows the model legislation developed by the U.S. Advisory Commission on Intergovernmental Relations as a guide for states considering investment cooperatives.

The advantages of an investment pool are easily stated and understood. First, by combining the investment resources of a number of localities, the pool has more money to invest. The larger amount allows more diverse investments in larger denominations and with greater potential yields than would be possible with the smaller sums invested by individual local governments. Second, there should be less fluctuation in the income and outflow of funds through the pool than in the investments of any one locality. As a result, the pool, unlike a single locality, can invest in larger securities with longer maturities. If localities have similar cash-flow patterns, however, the deposits to and withdrawals from the pool will fluctuate, and investments will have to be scheduled to follow these patterns. Third, while most local governments cannot justify either the time or the staff to exploit fully all investment opportunities, the pool can afford to employ professional managers. Fourth, the pool permits an individual local government to make frequent investments and withdrawals and lessens the need for a locality to maintain a large and idle demand balance. Finally, the pool reduces administrative expenses since the cost of making a large investment is about the same as for a small one.

In spite of the apparent benefits of a local government investment pool, local officials may be reluctant to transfer funds from local banks to the pool. The rate of earnings from the pool is not known in advance as it is for other investments such as certificates of deposit and time deposits; this problem should be alleviated, however, if the pool established a consistently high earnings rate over time. More significant, shifting investments may affect the local economy. Some research, for example, concludes that local public deposits have an indirect effect on the local economy by increasing credit availability. Other studies, however, contend that local institutions should be favored only if yields from their investments are as high as those of

About the Author
Ms. Fields is affiliated with the Institute of Government at the University of Virginia.

other securities, given comparable liquidity and safety; these studies also question the hypothesis that loans to finance local projects are dependent on public funds deposits. A final drawback is the possibility that local bank services will cost more if the local government makes some of its invesments elsewhere. The additional income from the pool, however, may more than offset any increases in bank service charges, and banks may try to attract a locality's business by offering better or less expensive services. Moreover, because the local government will probably continue to make local deposits, the investment pool can be viewed as an expansion, not a contraction, of investment opportunities. Nevertheless, banking communities in at least three states resisted the establishment of investment pools.

Studies of local government investment pools in six states (California, Connecticut, Wisconsin, Massachusetts, Oregon, and Illinois) conclude that the pools are a useful addition to a locality's investment portfolio. The most important finding of these studies was that, on the whole, the earnings from the pools consistently exceeded those realized by most individual local governments in the six states. In addition, until the second half of 1978, the yields generally surpassed the earnings from other securities, including 90-day and 4-to 6-month prime commercial paper, 90-day negotiable certificates of deposit, and 90-day and 180-day U. S. Treasury bills. From the second half of 1978 to the first quarter of 1979, however, the pools' earnings were less than the yields of some of these securities. This pattern reflects one potential problem with local government investment pools—the yields may lag slightly behind national interest rates. When interest rates are rising rapidly, direct investments may produce higher earnings than the pool unless enough deposits are attracted to take advantage of the higher rates. Conversely, if interest rates fall rapidly, the yields from the pools become more attractive. The studies of six local government investment pools already in operation confirm that this relatively new cash management procedure can increase the interest earnings from idle cash balances. A pool's earnings are potentially higher than those of some securities; more money can be invested since smaller amounts of cash are required; and short-term investments, including overnight deposits, are simpler to make. Local officials will want to examine investment portfolios and earnings to determine if their localities can benefit from participation in the new Virginia pool

Marketplace

Manager of Utility Lines Facilities

Performs complex technical and administrative work in overseeing all water lines, storm and sanitary sewer construction and maintenance for the city; does related work as required. Work is performed under the general direction of the Director of Utilities and Operations. Supervision is exercised over all personnel in the Utility Lines Department. Need knowledge of management practices for personnel and budget administration; thorough knowledge of civil engineering related to the operation of a municipal water distribution system, drainage and sewer systems; ability to plan and supervise the work of others; ability to prepare and present technical or financial information; ability to establish and maintain effective working relations with City officials, employees, construction industry, and general public; ability to communicate effectively orally and in writing. Any combination of education and experience equivalent to graduation from an accredited college or university with major work in civil engineering or business administration supplemented with engineering courses and considerable utility related experience in an administrative capacity. Experience in underground utility work and considerable management ability. Salary $19,879 annually. Send resume to City of Roanoke, Department of Personnel Management, Room 158, Municipal Building, 215 Church Avenue, S.W., Roanoke, Virginia 24011 by December 1, 1980.

Director of Municipal Finance

City of Norton. Reponsibilities include all functions of accounting and control, budgeting, and purchasing. Individual applying should have strong accounting background. Related degree and prior municipal experience preferred. Salary negotiable. Contact City of Norton, Office of City Manager, P.O. Box 618, Norton, Virginia 24273.

Town Engineer/Zoning Administrator

Town of Bluefield, Virginia. New position. Associate degree in civil engineering technology and surveying experience required. On-the-job training will be provided for zoning administration phase of job. Relevant experience will weigh heavily in selection process. Applicant should be prepared for extensive contact with the public and a broad variety of job duties. Expected date of hiring is January 1, 1981. Annual salary $13,000. Apply to: Town Manager, P.O. Box 770, Bluefield, Virginia.

Director of Public Works

Manassas Park. Currently seeking Director of Public Works, successful applicants should possess experience in street maintenance programs, water, sewer and other related city services. Minimum 3 years experience in supervision, engineering degree desirable. Salary range $18,000–$22,000. Contact: Mr. Richard A. Arbore, City Manager, City of Manassas Park, 103 Manassas Drive, Manassas Park, Virginia 22110, 703/361-0124. Closing date November 15, 1980.

Chief of Police

The Town of Elkton. This town of 1,500 people has a modern up to date force, but is in the midst of regrouping due to budgeting problems. The starting salary is approximately $12,000. One of the requirements is that the chief must be an Elkton resident after his probationary period. For more information call the treasurer at 703/298-1951, Mrs. Norma Leap.

(**Governor**, from page 6)

for the Federal Medicaid program. When Virginia entered the Medicaid program in the budget year 1969–70, total expenditures were a little over $28 million, about $10 million in State funds and about $18 million in Federal funds. For the budget year ending last July 1, total expenditures had increased from $28 million to $382 million, and the cost to the State had increased from $10 million ten years ago to $166 million. By the budget years 1981–82, the projected total cost will go on up to $440 million, and the State cost will go from $166 million to $190 million, or almost 20 times the original cost of the program.

I don't need to tell you where we will wind up ten years from now at that rate of increase, or what the impact would be on essential State programs, including revenue sharing with localities. I wish I could tell you that I have found an answer.

I did try to get the General Assembly to reduce the appropriations side of the State budget to balance the tax reductions, but I can't say I had much success. I have asked our budget people and our Health Department people to give me some options to solve the Medicaid problem. In the meantime, I thought you should know what we both face in terms of our financial partnership, so that you could make your own positions known in appropriate circles.

I wish I had some good news to offer you along with the bad. If there is a silver lining, it may be that when the taxpayers digest the figures, they will begin to understand that reducing taxes means reducing government services, not only for everybody else, but for themselves.

If we can get that message across, it may have been worth all our time and effort.

Baumes Fellow Announced

Sally June Rutherford, a Norfolk native, is the recipient of the Baumes Fellowship. A graduate of Ferrum College, Ms. Rutherford studied Public Affairs and Administration and was employed by the City of Roanoke in the Finance Department. She will use the fellowship toward a M.A. degree from the University of Virginia.

Montgomery County—Montgomery County dedicated the Montgomery County Court House in Christiansburg on October 12, 1980.

Legal Guidelines

Governmental Immunity—Good News and Bad

By Howard W. Dobbins, General Counsel

The good news is that in a case decided September 10, 1980 (*Bruce v. Riddle and others, individually and members of the Greenville County Council and Greenville County*, Case No. 79-1313), the United States Circuit Court of Appeals for the Fourth Circuit has reconfirmed that individual legislative members have absolute immunity with respect to the passage of zoning ordinances. In this case the Greenville County Council (South Carolina), ignoring the recommendations of its staff, rezoned an area of land including that of plaintiff thereby prohibiting multi-family dwellings. Such prohibition diminished the value of the plaintiff's land from $15,000 to $2,000 per acre and the plaintiff alleged that this was done in bad faith after the individual defendant council members had participated in private meetings with unnamed influential citizens in the area who owned nearby residential property. The complaint demanded compensatory and punitive damages. The U.S. District Court granted a motion to dismiss the individual twelve members of the council holding that the complaint did not state a cause of action in as much as they were entitled to absolute legislative immunity.

In affirming the District Court, the Court of Appeals relied on the United States Supreme Court opinion written by Justice Brennan in *Owen* v. *City of Independence*, 48 U.S. L.W. 4389, 4393 (No. 78-1779, April 16, 1980) and the cases therein cited holdings that individuals acting in either judicial or legisltive capacities have absolute immunity from liability in a Section 1983 action by virtue of long-standing common law principles. With respect to the further charge by the plaintiff that the Greenville County Council members acted improperly in meeting with constituents who were interested in the passage of the ordinance, the appeals court opined that the council members might well have met with constituents who were opposed to the ordinance; that meeting with interest groups, regardless of motivation is part and parcel of the modern legislative procedures through which receive information possibly bearing on the legislation they are to consider. Said the Court: "The possibility that legislators may be 'politically' motivated to attend such meetings cannot take away from the legislative character of the process." Good news, indeed, to have the courts uphold the right of members of governing bodies to hear all sides, privately or publicly, without fear of individual liability to disgruntled citizens.

The bad news in the area of municipal immunity is reported in the decision of the United States District Court, District of Kansas (Case No. 75-62-C-2) decided April 22, 1980, 97616 CCH Federal Securities. In *Woods* v. *Homes and Structures of Pittsburg, Kansas, Inc.*, the action arose out of the issuance and sale of some Pittsburg industrial development bonds which were issued to finance the construction of a manufacturing facility in Pittsburg. Homes and Structures entered into a lease agreement with the city, the revenue from the lease being intended to finance the payment of principal and interest to the bondholders. Homes and Structures subsequently defaulted on its payment of rent and a class action was instituted on behalf of all the bondholders against the city and others alleging securities violations of Rule 10(b) (5), Section 10 (b) of the Securities Exchange Act of 1934, Section 17A of the Securities Act of 1933, violation of various provisions of the Kansas Securities Act, fraud, negligence, breach of contract, wilful and wonton misconduct and for an accounting, seeking punitive and exemplary damages. The defendants, including the City of Pittsburg, filed motions to dismiss and for summary judgment on several grounds. One of the grounds asserted for dismissal and summary judgement by the City of Pittsburg was based upon governmental immunity, the city contending that the judicially created doctrine of tort immunity for municipalities requires dismissal of a federal securities law claim. However, the United States District Court held that Section 12(2) of the 1933 Act expressly provided for the private cause of action under federal law and that this action is not an implied cause of action in the nature of a tort for violation of a statutory duty and, accordingly, the doctrine abrogating a city's liability. The court futher opined that even if the immunity doctrine was applicable, the city's conduct here was arguably of a proprietary nature and dismissal would be inappropriate for that reason as well. The Court also refused to accept the city's contention that the Tenth Amendment to the United States Constitution protects it from application of the federal securities law, concluding that the reservation of rights to the states in the Tenth Amendment did not bar liability because the issuance of industrial development bonds fails to rise to the level of traditional governmental function, the primary benefits of such a bond issue flowing to the borrower and to the bond purchasers with only secondary benefits such as increased employment and increased corporate spending in a locality inuring to the community as a whole. We all should be aware of this new area in which liability may be asserted against a locality which issues industrial development bonds.

(**Peirce,** from page 10)

That we conserve our agricultural lands against unnecessary urban encroachment, both for the sake of our environment and because agricultural production is one of America's few strong points in the world economy today. That we favor historic preservation and conserve the buildings and texture of our cities and towns, since they do reflect our culture and can become much stronger points of attraction for people in a world of necessarily more compact settlement. That we manage our local governments to achieve the greatest potential economies and productivity levels, and thus conserve the taxpayer's dollar. And that in all this, we put our existing cities and towns first, since we have such immense amounts of financial capital, as well as human capital, tied up in them.

All of that is a tall order, admittedly. But in a perplexing decade, it may suggest a scenario—perhaps the only realistic scenario available to us—for city and town and national survival.

THE WALLERSTEIN SCHOLARSHIP

THE WALLERSTEIN SCHOLARSHIP was established by a gift from Ruth C. and Morton L. Wallerstein to the University of Virginia to foster interest and research in Virginia municipal government.

The Scholarship is administered by the Virginia Municipal League and the Institute of Government, University of Virginia.

ELIGIBILITY:

An applicant must be:

1. An employee or official of a Virginia municipality who would like to spend a year at the University of Virginia engaged in research and study with the Institute of Government; or
2. A person, preferable an employee or official of a Virginia municipality, seeking to undertake graduate work at the University of Virginia in a field related to municipal government. It is hoped, but not required, that the recipient intends to enter or re-enter Virginia municipal government service upon completion of the graduate work.

SELECTION CRITERIA:

While an applicant must show promise of benefiting substantially from a year at the University and a degree applicant must meet admission standards, the selection committee will place heavy emphasis upon the individual's potential for public service in Virginia.

DURATION OF THE AWARD:

The award is made for a twelve-month period, beginning, at the recipient's wishes, between June 1, 1981, and September 1, 1981, and may continue for a second year dependent upon the recipient's need and his or her first year record.

AMOUNT OF THE AWARD:

The amount is $4,200, with an additional $400 each for up to two dependents.

APPLICATON PROCEDURE:

Applicants for the scholarship may obtain the necessary forms by writing to the Institute. Applicants seeking a graduate degree must fulfill all the requirements for admission to the graduate school of the University. Inquiries regarding graduate school requirements should be addressed to the Dean of the Graduate School of Arts and Sciences, 438 Cabell Hall, University of Virginia, Charlottesville, 29903.

DATES FOR SELECTION:

All applications must be submitted no later than February 1, 1981. An applicant may be invited to attend a personal interview held either at the Institute or the Virginia Municipal League. The recipient will be notified no later than April 15, 1981.

For further information, please write to:

INSTITUTE OF GOVERNMENT
University of Virginia
207 Minor Hall
Charlottesville, Virginia 22903

VA SECTION, ICMA

Approximately sixty Virginians attended the ICMA Conference at the Concord in New York last month. Those members who received their twenty year service pins were—Warrenton Town Manager Ed Martin, Herndon Town Manager Ed Martin, former Newport News City Manager Frank Smiley and Hampton City Manager O. Wendell White. Receiving fifteen year pins were Manassas City Manager Ches Moyer and Portsmouth City Manager Bob Williams. Bedford City Manager Keith Cook, Virginia Beach City Manager George Hanbury, Colonial Heights City Manager Byron Haner, Chesapeake City Manager John Maxwell and Galax City Manager Harold Snead were given ten year pins.

Dr. Harold Hovey, affiliated with the Urban Institute in Washington, D.C., spoke to the managers at the annual breakfast meeting during the Virginia Municipal League's Annual Conference in Arlington County. Dr. Hovey spoke on pension systems that are available today.

The Virginia Committee for Professional Development held its annual meeting in Charlottesville to develop training programs for 1981. The Managers/Elected Official Workshop will be held December 10-12, 1980 at the Bonhomme Richard Inn in Williamsburg, Virginia. Other programs that will be offered are Financial Management to be held January 28-30 in Richmond and a session on Productivity on June 17-19, 1981 at the Ramada Inn in Virginia Beach. For information, please contact the Local Government Management Relations office at 804/786-7406.

Christiansburg—Town Council agreed to offer its recently abandoned sewage treatment plant to the Town of Dublin for $600 per month and a few other conditions such as basic maintenance and repair. Christiansburg Town Council is to be commended for their cooperative efforts.

Martinsville—The City was awarded a special citation by the American Automobile Association for pedestrian safety in an awards event hosted by Governor John N. Dalton. The annual awards are given to Virginia cities and counties for conducting effective pedestrian safety programs to reduce accidents and fatalities.

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I certify that the statements made by me are correct and complete.
Charlotte Kingery
Editor

Alexandria—A signing ceremony officially closed the first stage of the ten-year effort to redevelop the Topedo Factory Complex. Old Town developer Charles R. Hooff, III and city officials signed contracts that called for the developer to complete work on two buildings and for the City to renovate the remaining two by March, 1985. One building, to be completely demolished, will be the site of new condominium townhouses, a public plaza and underground parking. Other buildings will contain the new Torpedo Factory Art Center.

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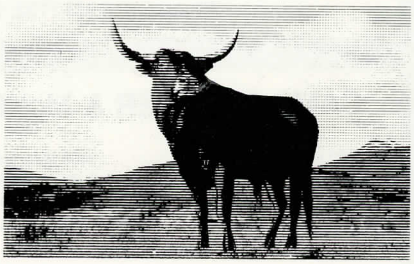
What happened to the public power issue that skeptics thought would short-circuit?

Merrill Lynch made the right connections.

The timing had some professionals raising their eyebrows. Three Mile Island was still hot news. It seemed almost heresy to state publicly that nuclear power was still a viable—let alone vital—option.

Yet there was Merrill Lynch, taking a bold risk and moving ahead with a new $150 million all-nuclear bond issue for the North Carolina Municipal Power Agency Number 1. It was Phase II of a billion-dollar project, running on a no-postponement timetable.

Merrill Lynch was willing to take the risk for a simple reason: we can often find buyers for an issue even when it looks like the market has just plain closed its doors. The key is our unique combination of institutional and retail sales capability. Because of it, we can make connections with *both types* of investors…and hence with a larger total pool of money than firms with strength in only the institutional or the retail area. And maximum



A breed apart

demand, of course, means lower costs for the issuer.

In this case, it also meant success. Neither the institutional nor the retail market alone provided sufficient orders—it took Merrill Lynch's versatility to open up *both* market segments and get the job done. As the issue was finally priced, 44 percent of it went to institutions, 56 percent to retail customers.

Of course, opening up the market would have meant little without our technical expertise—our ability to structure, price and advise on all kinds of issues in all kinds of markets. Our commitment to underwrite helped, too. During the last year, neither erratic markets nor anti-nuclear sentiment has kept us from successfully bringing issues to market. We have the commitment to stick by our clients and the capital to maintain active secondary markets in their bonds, thus helping ensure their good trading names.

The measure of our success: as of May, we're one of the leaders in the public power bond industry this year, with $430 million managed or co-managed in negotiated issues. We've proved ourselves in difficult times, and we'd like to prove ourselves to you.

Write to Roger E. Camp, Vice President and Manager, Public Power Unit, Merrill Lynch White Weld Capital Markets Group, One Liberty Plaza, New York, N.Y. 10080. Or call (212) 637-2540.

Merrill Lynch

Merrill Lynch White Weld Capital Markets Group