

2009 GFOA Overview and the Importance of Succession Planning

**Virginia GFOA
Spring Conference**

June 4, 2009



Presentation Overview

- Introductions & Acknowledgments
- GASB Update
- National Performance Management Advisory Commission
- Federal Legislative & Regulatory Initiatives
- Succession Planning



Acknowledgments

GFOA Standing Committee & Executive Board Representation

<p>Accounting, Auditing & Financial Reporting: Steven Solomon, Fairfax County Department. of Housing</p>	<p>Treasury & Investment Management: Terry Stone (Vice Chair), Hanover County School Board Larry Clark, Richmond Metropolitan Authority</p>
<p>Governmental Debt Management: Leonard Wales, County of Fairfax Marycarol White, York County</p>	<p>Governmental Budgeting & Fiscal Policy: Betty Meyer, City of Chesapeake Ari Sky, Fauquier County</p>
<p>Retirement & Benefits Administration: John Tuohy, City of Falls Church</p>	

- GFOA Executive Board:
 - Patricia Phillips, City of Virginia Beach

Getting Involved at the National Level

- Attend the Annual Conference: Seattle June 28-July 1
- Enroll in the Advanced Government Finance Institute
 - July 26 – 31, University of Wisconsin/Madison
- Get involved in other GFOA activities!
 - Standing committees
 - Budget reviewers
 - Write articles for GFOA's publications



GASB Update

Service Efforts and Accomplishments (SEA)

- SEA = performance measurement
- Relationship to financial reporting
 - Private-sector financial reporting
 - Accountability for financial stewardship
 - Also measures performance (profit motive)
 - Public-sector financial reporting
 - Accountability for financial stewardship
 - Does not measure performance (no profit motive)

Points of Agreement

- Traditionally, public-sector financial reporting does not measure performance
- Performance measurement reporting is needed

Points of Disagreement

- Proper locus of performance reporting
 - GASB – financial reporting
 - GFOA – budgetary reporting
- Proper scope of GASB activity
 - GASB – *accountability* defined broadly (i.e., both financial and nonfinancial)
 - GFOA – *accounting*, as traditionally understood

Progress to Date on GASB Issues

- GASB Exposure Draft on changes to Concept Statement No. 2 (SEA)
 - Clarifies that it is beyond the scope of GASB to:
 - Establish goals and objectives of state and local government services
 - Establish non-financial measures of performance
 - Set standards for service performance
- Continued ability to appoint public sector members to the Financial Accounting Foundation
- Continued dialogue regarding scope of GASB's standard setting authority:
 - Revisit Concept Statement No. 1



National Performance Management Advisory Commission

Purpose of the Commission

*“The purpose of the Advisory Commission shall be to develop a **comprehensive conceptual framework** for public sector performance management which will form an integrated **set of principles** to **guide** state and local government in their performance management efforts.”*

Sponsoring Organizations

- Association of School Business Officials International
- Council of State Governments
- Government Finance Officers Association
- International City/County Management Association
- National Association of Counties
- National Association of State Auditors, Comptrollers and Treasurers
- National Association of State Budget Officers
- National Center for State Courts
- National Conference of State Legislatures
- National League of Cities
- U.S. Conference of Mayors



Principles Based Framework

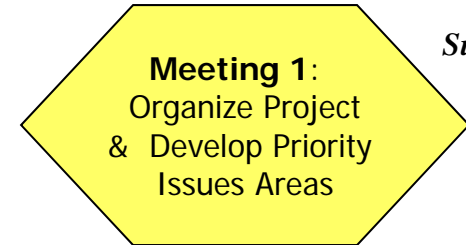
- **Identify** general approaches that are characteristic of successful performance management
- **Emphasize** the value of data-driven decision making
- **Support** state and local government implementation and improvement of performance management
- **Reflect** issues and challenges associated with performance management from a broad range of perspective
- **Adapt** to the unique and diverse environments found for state and local governments

National Performance Management Advisory Commission Work Plan Summary

STAFF PROJECT WORK

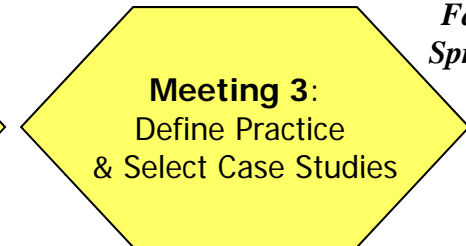
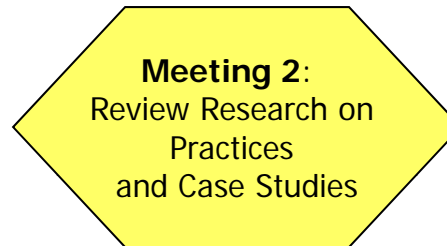
**Phase I:
Research**

Research and Identify Issues Related to Implementation of Performance Measurement System (PMS)



**Phase II:
Analysis**

Organize Hearings/Panel Presentations on Practice Areas; Develop Preliminary List of Practice Areas; Identify Case Studies



Recommended Practice Statements

Self-Assessment Tools

Examples of Practices in Action

**Phase III:
Recommendations**

Develop Draft Report and Send to Commissioners for Review and Comment; Develop Draft Release Strategy; Revise and Issue Comment Draft; Revise and Finalize



** Depending on number/intensity of comments received during comment period an additional meeting may be scheduled*

**Phase IV:
Post-Commission**

Training, Tools, Support, Incentives to Implement Performance Measurement Systems Consistent with Guidelines

National Performance Management Advisory Commission

- For more information, check the website:

www.pmcommission.org



Federal Legislative & Regulatory Initiatives

GFOA's 2009 Legislative Priorities

- Oppose preemption of state and local taxing authority
- Repeal 3% withholding law
- Stimulus implementation
- Tax issues
- Public pensions
- Municipal bonds

Oppose Preemption of State and Local Taxes

- Ensure all legislative/regulatory proposals do not infringe on the rights of municipalities and states to set and collect taxes
- Specific areas of concerns:
 - Federal mandate to simplify local government communications axes
 - May be included in legislation to mandate remotes sales tax collection
 - Creating federal standards for state and local government business activity taxes (H.R. 1083)
 - Cell phone tax moratorium (H.R. 1521)
 - Creating uniform state and local government hotel and rental car taxes

3% Withholding Legislation

- 3% withholding and annual reporting requirement on government payments
 - Begins January 1, 2012
 - Applies to governments that spend > \$100m/year on goods and services
 - Governments must withhold 3% to all vendors (with some exemptions) and remit that 3% to the federal government
 - All payments to all vendors must be reported annually to the IRS
 - Unfunded mandate
- Legislative efforts to repeal S. 292 and H.R. 275
- IRS proposed regulations

Federal Stimulus Program

- \$787 billion American Recovery & Reinvestment Act
 - \$217 billion to state and local governments
- Grants
 - Direct to states and direct to locals
 - Local through states
 - Competitive
- Accountability standards
- Municipal bond programs
 - Tax exempt bonds
 - Tax credit bonds
 - Taxable bond option

Federal Stimulus Program: General Parameters

- “Shovel ready” projects
- Specific timelines
- Labor standards and made in the USA material requirements
- Accountability and transparency standards

Funding & Accountability Guidance

- www.recovery.gov
 - <http://www.stimulus.virginia.gov/>
 - \$2.5B in total funding to VA
- Recovery Act Accountability and Transparency Board
 - Composed largely of inspectors general
- Increased funding and Access for Government Accountability Office and Inspectors General
- Protection for whistleblowers

Accountability Guidance

- Federal agency guidance
- OMB contracts and grants guidance
 - Forms
 - Reporting standards
- OMB data architecture guidance
 - Coding
 - Specs for reporting
- GAO review of state implementation

Federal Stimulus: 2009-2010 Municipal Bond Provisions

- Investor incentives
 - Bank qualified debt limit increased to \$30m
 - Banks may purchase all types of bonds and deduct 80% of carrying costs
- Alternative minimum tax
 - Eliminates application of AMT on private activity bonds issued in 2009 and 2010
- Industrial revenue bonds
 - Expands definition of 'manufacturing facility' to include intangible property

Federal Stimulus: 2009-2010 Tax Credit Bond Programs

- Build America Bonds
- Recovery Zone Bonds
- Qualified Zone Academy Bonds
- Qualified School Construction Bonds
- Clean Renewable Energy Bonds
- Qualified Energy Conservation Bonds

Legislation to Assist Municipal Bond Market

- ***Municipal Bond Fairness Act***
 - Uniform rating scale for all types of securities
 - Based on default risk and risk that investor will not be repaid
- ***Municipal Bond Insurance Enhancement Act***
 - Provide \$50B federal reinsurance program for tax-exempt primary market bond insurance
- ***Municipal Bond Liquidity Enhancement Act***
 - Allow for the Federal Reserve to fund new liquidity facilities for certain municipal securities
- ***Municipal Financial Advisors Regulation Act***
 - Regulate financial advisors to state and local governments who are not already regulated

Pending Financial Services Sector Reforms

- Congress and regulatory bodies will be taking a holistic look at the regulatory framework within the financial services industry
- GFOA opposes any effort to provide federal funds to or federal oversight of GASB
- GFOA opposes the changes to or repeal of the Tower Amendment that would allow SEC to regulate issuers/mandate new disclosure requirements
- Need to monitor indirect implication of global reforms on municipal market and S/L government investment practices
- Possible regulation of derivatives

Tax and Other Issues of Interest

- Eliminate need for taxable fringe benefit rules on employer provided cell phones
 - S. 144 and H.R. 690
- Mandate remote sales tax collection
- Offset legislation
 - Allow local governments to collect past due taxes from a taxpayer's federal tax refund
- Credit card interchange fees
 - Eliminate/reduce fees charged to governments when citizens use credit cards to pay taxes/fees

Public Pensions

- Congressional interest in soundness of public pension plans
- IRS survey/focus on tax qualification requirements
 - Audits of governmental defined benefits plans
- More regulations of pension fund investments and advisors may be part of financial services sector reforms

Public Pensions

- Public Retiree's Investment Act - H.R. 710
 - Treasury guarantees public pension investments in “qualifying financial institutions”
 - 8.5% yield/3 year commitment
- HELPS II - H.R. 1413
 - Allow all public retirees a \$3K tax deduction for distributions from governmental retirement plans for health and long term care insurance

Electronic Municipal Market Access (EMMA) Launches July 1

- Disclosure Central Repository: EMMA
 - Web-based
 - Replaces filing at NRMSIRs
 - No costs to issuers
 - All information made available to public free of charge
 - www.emma.msrb.org

FY2010 Federal Budget Resolution

- Blueprint for Congressional work on 12 appropriation bills and taxes
- \$3.56 trillion total budget
- \$1.086 trillion discretionary spending
- \$529.8 billion for non-defense discretionary spending
- Includes instructions for health care overhaul (report by Oct. 15)
 - Senate Finance Committee proposal to mandate all state and local governments pay Medicare taxes

President Obama's FY10 Budget Proposals for S/L Governments

- Community Development Block Grant Program - \$4.5 billion
- Affordable Housing Trust Fund - \$1 billion
- Community Oriented Policing Services (COPS program) - \$298 million
- Five-year High-Speed Rail State Grant Program - \$5 billion

Federal Programs Proposed for Termination in FY10 budget

- Brownfields economic development Initiative
- Emergency operations center grant program
- Local government climate change grants
- The state criminal alien assistance program

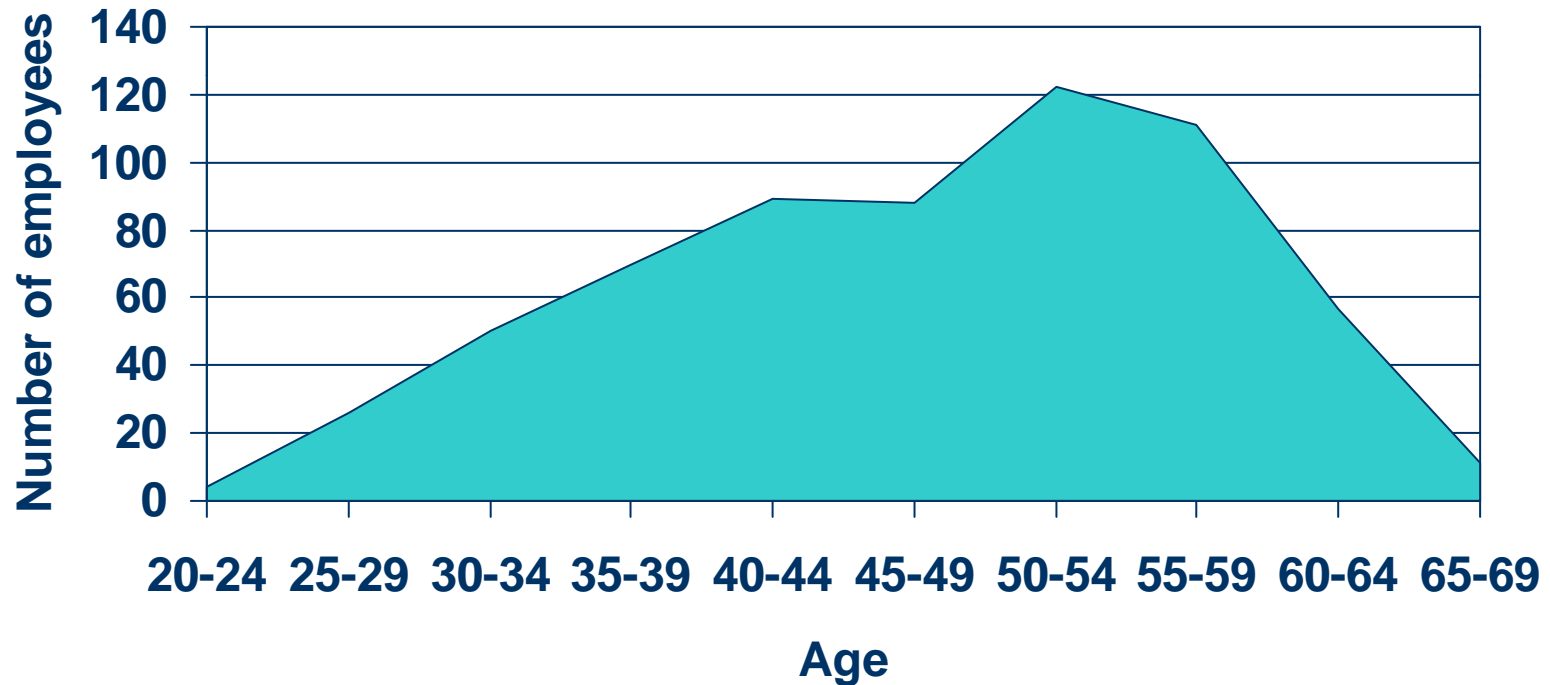


Succession Planning

Employee Demographics

- City of Portland
 - More than half the employees are 45 or older
 - More than one-third are over age 50
 - Generally age 58, or 30 years service, is normal retirement eligible under Oregon PERS (less for police and fire)
 - Early retirement for general service employees is age 55
 - Early retirement for public safety employees is age 50

The Retirement Wave (or Tsunami): OMF Employees by Age



Succession Planning at the City of Portland

- Involvement of bureau employees
- Tailored to the specific needs of each Bureau
- Creation of information that can be used in recruitment:
 - Job fairs
 - Outreach to the education community

Succession Plan

Share Your Talent. Serve the City.



Office of Management and Finance
Business Operations Division

City of Portland
November 2007

GFOA's Role in Succession Planning

- Strengthen relationships with the educational community
- Develop partnerships with under-represented groups
- Assist with recruitment strategies
- Training to support retention and promotion
- Mentor new and mid-career finance officers