

Popular Government

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In This Issue A Primer on Financial Forecasting • Telling the Truth about the Cost of Retirement Benefits • Generational Mix in the Workplace • Activities of Employee Organizations in North Carolina's Largest Cities • Are Governments Sold on Online Auctions?

Popular Government

James Madison and other leaders in the American Revolution employed the term "popular government" to signify the ideal of a democratic, or "popular," government—a government, as Abraham Lincoln later put it, of the people, by the people, and for the people. In that spirit *Popular Government* offers research and analysis on state and local government in North Carolina and other issues of public concern. For, as Madison said, "A people who mean to be their own governors must arm themselves with the power which knowledge gives."

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POSTMASTER: Please send changes of address to Mark Jarrell, School of Government, CB# 3330 Knapp-Sanders Building, UNC at Chapel Hill, Chapel Hill, NC 27599-3330; telephone: 919.966.4155; fax: 919.962.2707; e-mail: jarrell@sog.unc.edu.

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The School of Government at the University of North Carolina at Chapel Hill works to improve the lives of North Carolinians by engaging in practical scholarship that helps public officials and citizens understand and strengthen state and local government. Established in 1931 as the Institute of Government, the School provides educational, advisory, and research services for state and local governments. The School of Government is also home to a nationally ranked graduate program in public administration and specialized centers focused on information technology, environmental finance, and civic education for youth.

As the largest university-based local government training, advisory, and research organization in the United States, the School of Government offers up to 200 classes, seminars, schools, and specialized conferences for more than 12,000 public officials each year. In addition, faculty members annually publish approximately fifty books, periodicals, and other reference works related to state and local government. Each day that the General Assembly is in session, the School produces the *Daily Bulletin*, which reports on the day's activities for members of the legislature and others who need to follow the course of legislation.

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ON THE COVER *Three articles in this issue have future-oriented themes. For government, each new life means certain services and obligations.*

Academy to Prepare Local Elected Leaders for Twenty-first Century

North Carolina is in the midst of monumental change. The state is projected to grow by one million people in the next twenty years, moving it from the eleventh- to the seventh-largest state in the nation. This growth will present opportunities but also put stresses and strains on governmental services and systems. Many of the state's communities are searching for innovative ways to respond to economic, political, and demographic transformations.

The School of Government, in partnership with the North Carolina Association of County Commissioners (NCACC) and the North Carolina League of Municipalities (NCLM), is responding to this need with the Local Elected Leaders Academy. It is a hands-on program of advanced education designed to prepare local elected officials to meet the challenges facing North Carolina in the twenty-first century.

The goals of the academy are as follows:

1. To enhance the capacity of elected officials to lead and govern their boards, councils, and communities
2. To equip elected officials with the knowledge and the tools to practice and preserve democracy and representative government
3. To prepare elected officials to assume future leadership responsibilities within their communities, associations, and state

Three levels of programming will be offered:

- The Essentials of County Government and Essentials of Municipal Government courses (offered in alternating years) will provide an orientation to North Carolina government.

LOCAL ELECTED LEADERS

Academy

- Focused, in-depth courses will provide knowledge and tools for elected officials to lead and govern in their own communities.
- Advanced programs will help leaders plan and implement strategies at the regional and statewide level.

Participants who complete specified courses and hours of attendance will be recognized at the annual NCACC and NCLM conferences.

The Local Elected Leaders Academy will offer its first course in January 2008. To learn more, visit the School of Government website at www.sog.unc.edu, or contact Donna Warner at 919.962.1575 or warner@sog.unc.edu.

Faculty Members Explain Ramifications of 2006 Ethics and Lobbying Rules for Local Governments

In 2006 a major legislative overhaul of state ethics and lobbying rules intended primarily to regulate the conduct of state officials and employees made headlines in North Carolina. Less well-known but also very important are the ramifications of the 2006 act for board members and employees of cities, counties, and schools. For example, treating a person to a simple meal may have become much more complicated in certain cases.

In response to the changes, School faculty members A. Fleming Bell, II, and Norma Houston have coauthored "2006 Ethics and Lobbying Reform: Applications and Implications for Local Governments" (*Local Government Law Bulletin* no. 113, June 2006). Using a question-and-answer format, they explore the statute's complicated definitions and other provisions, examining what is and is not covered.

Bell and Houston also have taught about the law to a variety of groups. Their presentations focus on the meaning of the new rules for local governments, but they frequently discuss general ethical principles and other conflict-of-interest statutes as well. Their classes have been offered as far west as Montreat and as far east as Atlantic Beach. City and county managers, attorneys, public information officers, sheriffs, students in the Institute of Government's Municipal and County Administration courses, and even visiting public officials from the Republic of Moldova have benefited from their teaching.

As Bell and Houston prepared their analysis of the law, they participated in detailed conversations about the act's meaning with members of the staffs of the General Assembly and the new State Ethics

Commission and with representatives of the North Carolina League of Municipalities and the North Carolina Association of County Commissioners. These discussions provided valuable information for both their teaching and their writing.

Bell and Houston's bulletin may be downloaded for free from the Publications section of the School of Government's website (<http://shopping.netsuite.com/sogstore>). The direct link is <http://www.sog.unc.edu/pubs/electronicversions/pdfs/lglb113.pdf>.

A revised version of the bulletin that reflects changes made by the 2007 General Assembly is currently in preparation. The School of Government's expanded use of online publication makes it easier to provide such up-to-date information for readers.

Online Tool Available for Comparing Water and Sewer Rates in North Carolina

Utilities often collect rate information from other utilities to use in their rate-setting process. Comparative information can be useful, but it also can be dangerous if it is taken out of context and used inappropriately to keep rates lower than they need to be to protect public health.

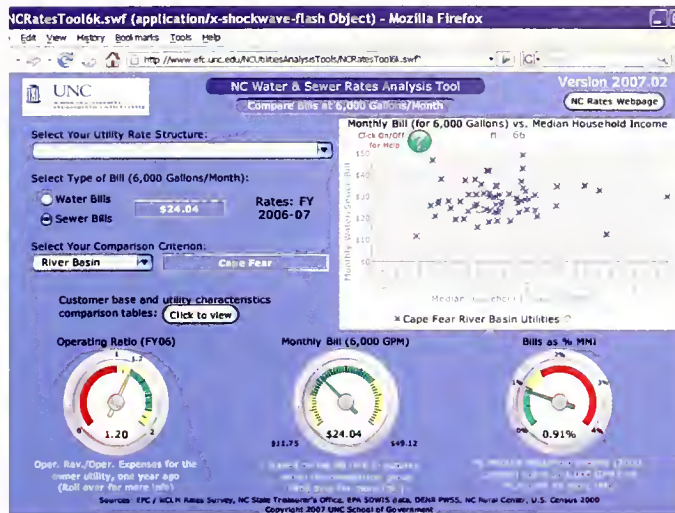
The School of Government's Environmental Finance Center (EFC) has developed a website that provides communities with a tool that draws on a database of more than 350 utility rate structures across the state. The tool enables utilities to study and present graphically information on rates, financial health, and customer affordability in a way that takes into consideration many of the key factors that influence real cost. It is available at www.efc.unc.edu.

The tool allows comparisons of operating ratios, monthly rates, and affordability measurements (e.g., median household income and poverty rates) by utility size (based on revenues or number of accounts), water source (surface or ground water), river basin, or geographic proximity (e.g., all utilities in the same county or all utilities within fifty miles). (For examples, see Figures 1–2.)

The data that the tool uses come from an annual rate survey carried out by the North Carolina League of Municipalities and the EFC; from the North Carolina State Treasurer; and from the U.S. Census.

For advice on making appropriate comparisons and interpreting them, contact Jeff Hughes, jhughes@sog.unc.edu, 919.843.4956, or Andrew Westbrook, westbrok@sog.unc.edu, 919.966.4199.

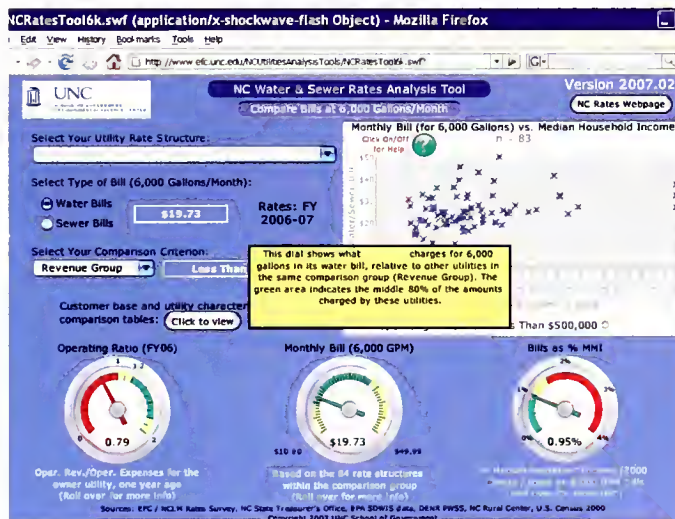
Figure 1. A Comparison of One Utility's Sewer Charges with Those of Other Utilities in Its River Basin



not high enough to generate sufficient revenues if the utility has extensive capital needs. The second dial shows the rate at 6,000 GPM (gallons per month) to be in the green band, indicating that it is similar to the rates charged by 80 percent of the utilities in the watershed. The last dial shows the percentage of MHI (median household income) spent on sewer service to be in the green band, corresponding to what is generally accepted as a reasonable amount of income to be devoted to this essential service.

The graph in the upper right-hand corner compares the utility's rates and median household income with those of all other utilities in its watershed. The dials along the bottom provide the system with a quick analysis of how its operating ratio and rates compare with those of other utilities in the watershed. The first dial shows the operating ratio to be in the yellow band—positive—but maybe

Figure 2. A Comparison of One Utility's Water Rates with Those of Other Utilities with Similar Revenues (less than \$500,000)



month for a year comes to .95 percent of the median household income in the community.

The first dial shows the utility's operating ratio to be in the red band—negative—a sign that the utility has limited funds available for capital investments and may even have difficulty covering some operating costs. The second dial shows the rates to be relatively low compared with those of other utilities of similar size. The third dial reveals that the cost of purchasing 6,000 gallons each

Report to Offer Practical Ideas for Small-Town Economic Development

The Community and Economic Development Program of the School of Government has partnered with the North Carolina Rural Economic Development Center to produce a report containing forty-five case studies of small towns that are surviving—and in many

cases thriving—in today's economy. All the towns have fewer than 10,000 residents. Half are from North Carolina, and half from other states. The case studies are intended to provide inspiration, hope, and practical ideas to small-town civic leaders. The report will be released early in 2008.

Small Towns, Big Ideas: Case Studies in Small Town Community Economic Development is a response to the demand for examples of real communities successfully addressing challenges related to globalization, geographic isolation, urban sprawl, aging populations, and

natural disasters, among others. The case studies cover a wide variety of economic development strategies, including industrial development, tourism, downtown development, entrepreneurship, and arts- and cluster-based development. They also describe a range of strategies for building local capacity for economic development: organizational structures, partnerships, leadership development, and more.

Ten towns are featured at length (five from North Carolina and five from other states). They represent “proven practices” and exhibit a comprehensive set of strategies working together effectively. Thirty-five other towns, representing “promising practices,” are described in a shorter format.

According to the author, Will Lambe, “One of the main themes emerging from these case studies is that successful small towns tend to employ a range of strategies that cut across community and economic development broadly. The case studies allow us to take the strategies apart and to draw conclusions about how and why particular strategies work across a wide range of small communities.”

Readers who want a copy of the report may contact Lambe at 919.966.4247 or whlambe@sog.unc.edu, or visit www.cednc.unc.edu/.

Jailers Must Determine U.S. Residency Status of Certain Detainees

Effective January 1, 2008, county jail officials will add a question to those they pose to people being held on impaired driving or felony charges: are you in the United States legally?

The North Carolina General Assembly added this legal standard during its 2007 session. A jail administrator must determine, through questioning or examination of relevant documents, if a prisoner is a legal resident of the United States. If the administrator is unable to make a determination, he or she must contact the federal Immigration and Customs Enforcement (ICE) agency to seek further information.

About half of North Carolina’s one hundred counties already conduct similar questioning through the U.S. Bureau of Justice Assistance’s State Criminal Alien Assistance Program, which provides federal funds to reimburse the costs of incarcerating certain undocumented criminal aliens.

The new law pertains to people assigned to county jails, local confinement facilities, or satellite-jail/work-



release units. It requires jail administrators to report the number of ICE queries performed and the results of those queries to the Governor’s Crime Commission annually.

For more information about the new law, contact Jamie Markham, markham@sog.unc.edu or 919.843.3914.

Three North Carolina Counties Assist in Immigration Enforcement

Sheriffs’ deputies in three North Carolina counties now are checking the immigration status of every foreign person whom they arrest—for running a stop sign, selling drugs, or violating the law in other ways—and starting deportation of those in the United States illegally.

Deputies in Alamance, Gaston, and Mecklenburg counties have undergone training to enable them to do limited enforcement of immigration law. The authorization to do so comes through memoranda of agreement (MOA) that their sheriffs have completed with U.S. Immigration and Customs Enforcement (ICE) under Section 287(g) of the Immigration and Nationality Act.

Two more counties are taking steps to join the program. Cabarrus County is awaiting training and completion of

an MOA. It is expected to enter the program by early 2008. Union County has completed all preliminary application steps and is awaiting the result of a needs assessment. Counties wishing to participate undergo a needs assessment to determine whether the federal government can support the program in their jurisdiction.

The MOA define the scope and the limitations of local law enforcement authority on immigration matters. They also establish the supervisory structure for the officers working under the cross-designation and prescribe the agreed-on complaint process governing the conduct of officers during the life of the MOA. Under the statute, ICE will supervise all cross-designated officers



when they exercise their immigration law authority.

As part of the curriculum, sheriffs’ deputies receive in-depth instruction on a variety of immigration enforcement topics, including immigration law, civil rights, and intercultural relations. State and local law enforcement units in Alabama, Arizona, California, Colorado, Florida, and Tennessee also participate in the program.

Tide Turning on Smoking in Public Places

The tide is officially turning in the tobacco state. Fourteen years ago the General Assembly passed legislation that essentially required state and local government buildings to allow smoking in at least twenty percent of the buildings' interior space. The 1993 law also placed strict limitations on the authority of local governments to regulate smoking within their jurisdictions.

This year the General Assembly passed legislation that does the following:

- Prohibits smoking in most state government buildings
- Requires local boards of education to prohibit smoking in school facilities and on school property by August 1, 2008
- Allows local governments to prohibit smoking in buildings they own or lease, after January 1, 2008

In addition to having this new authority, local governments still may prohibit smoking in public meetings, libraries, and museums; on public transportation; on the grounds of buildings housing local health departments and departments of social services (up to fifty feet from the building); and in certain arenas and auditoriums.

Local governments still do *not* have the authority to regulate smoking in

other buildings open to the public, such as malls, restaurants, and bars. During its recent session, the

legislature considered several bills that would have addressed that limitation on local government authority, but the bills did not pass. The legislature also considered but did not approve a bill that would have established a statewide prohibition on smoking in many public places.

More information about the new smoking laws is available at the School's public health law website, www.ncphlaw.unc.edu.



Teachers Receive Training in Civics and the Environment

What do North Carolina teenagers, carbon dioxide emissions, and local governments have in common? Quite a bit, as illustrated in Connecting Civics and Science: Inspiring NC Youth to Address Global Warming, a professional development institute co-hosted by the Environmental Resource Program of the Institute for the Environment, and the North Carolina Civic Education Consortium of the School of Government, both at UNC at Chapel Hill.

On June 26, twenty-three of the state's civics and science teachers traveled to the School of Government for the two-day institute, which focused on cross-curricular strategies for teaching about local links to global warming. Teachers interacted with esteemed scientists and government officials, participated in simulations of interactive lessons, and learned about sustainability efforts and climate-change solutions across the state.

Dr. Jose Rial, a professor of theoretical geophysics at UNC at Chapel Hill, provided an overview of the science of climate change. Bill Strom, a member of the Chapel Hill Town

Council, explained the town's commitment to reduce carbon dioxide emissions by 60 percent by 2025.

The institute also included demonstrations of the North Carolina Zoological Parks biofuel processor; interviews with city and county government officials, including Carrboro Alderwoman Joal Hall Broun, Durham City-County Planning Director Frank Duke, Chapel Hill Director of Transportation Stephen Spade, Chapel Hill-Carrboro Board of Education member Lisa Stuckey, and Chat-ham County Commissioner Tom Vanderbeck; and a field trip to Carrboro's newly constructed LEED-certified high school. (LEED stands for Leadership in Energy and Environmental Design.)

On returning to the classroom, teachers will help their students learn about local links to global warming and identify a local environmental problem that they can work to solve. Not only will the process develop important problem-solving skills, but it will provide students with the opportunity to learn how local decisions are made and to interact with their local governments.

The professional development institute was funded through a generous grant from the Z. Smith Reynolds Foundation. Lessons and activities from the institute are available on the North Carolina Civic Education Consortium's website, www.civics.org. For additional information about the institute, contact Christie Hinson, hinson@sog.unc.edu or 919.962.8389.



Top, Participants prepare for a simulation in which they will present options for improving the environment of fictitious Cardinal City. Left, Jessica Hoffmire shows how the North Carolina Zoo's biofuel processor turns vegetable oil into biodiesel.

Financial Forecasting for North Carolina Local Governments

William C. Rivenbark

Public administration expert John Luthy has observed that the ability to think strategically may be one of the most important legacies of a public official.¹ The observation may be even more applicable to budget preparation and enactment than to strategic planning. Incremental policy decisions made to balance the next year's operating budget can significantly affect the long-term financial condition of an organization.

An approach to long-term financial planning that is recommended by the National Advisory Council on State and Local Government Budgeting is to develop and implement a meaningful and flexible model for financial forecasting.² In North Carolina, financial forecasting helps local officials acquire the ability to consider long-term fiscal outcomes during a budget preparation and enactment process that is specifically designed to produce an annual balanced-budget ordinance.³ It also helps local officials build an organizational culture that embraces strategic thinking. The reinventing government movement describes strategic thinking as steering the boat rather than just rowing it.⁴

The purpose of this article is to demonstrate the value of financial forecasting in local government. The article is based on the financial forecasting literature, interviews with North Carolina local officials, and a review of selected budget documents submitted to the Distinguished Budget Presentation Awards Program of the Government Finance Officers Association. The article begins with an overview of using financial forecasting to project the operating results of the general fund in local government. It then

The author is a School of Government faculty member specializing in local government administration. Contact him at rivenbark@sog.unc.edu.

describes using forecasting models to analyze the long-term fiscal outcomes of common budget decisions and to communicate with bond rating agencies.

Projecting the Operating Results of the General Fund

"Financial forecasting" is broadly defined as projection of revenues and expenditures over a selected period to show the future operating results of a fund on the basis of an agreed set of assumptions.⁵ The Government Finance Officers Association encourages the use of financial forecasting as part of its recommended practices for state and local governments to assess the long-term financial implications of current and proposed policies, programs, and goals.⁶

In conducting my review, I identified five common themes among local governments that use financial forecasting to analyze the future operating results of the general fund:

- A five-year model is standard professional practice.
- The primary audience is elected officials.
- Expert and trend analysis are the most common forecasting techniques used for projecting both revenues and expenditures.
- Budget and finance staffs typically generate and update the projections.
- Each local government engaged in financial forecasting developed a model specifically tailored to its own circumstances and needs. So a standard methodology is not available for adoption.

The reason that local governments tailor the model is that they differ in how they will use the projections. For example, some models are developed around the future projections of fund balance, whereas other models are specifically designed to show how a five-year capital improvement program will affect the general fund.

Further, some local governments develop models that eliminate future operating surpluses and deficits by changing the tax rate for each projection year.⁷ Such models do not follow the traditional format of financial forecasting. On the other hand, this hybrid approach

highlights the possibility of future tax-rate adjustments unless changes are made. Again, forecasting models must be developed on the basis of what the individual needs of an organization are and how it will use a model to make more informed decisions.

Table 1 (see page 8) contains a hypothetical example of a five-year forecasting model for a local government's general fund. The example is adapted from the forecasting models used by Lexington, North Carolina, and Scottsdale, Arizona. It follows the traditional definition of financial forecasting, according to which operating results are shown for each projection year. The local government in the example experienced a net increase in fund balance during fiscal years 2003–4 and 2004–5. A deficit of approximately \$370,000 for the current fiscal year results from a budgeted use of fund balance.

The model shows that additional deficits will occur unless the government makes policy decisions to address a long-term structural imbalance. Further

Local governments should tailor their forecasting models to their own circumstances and needs.



analysis provides valuable information to begin discussing policy alternatives from a long-term perspective. The historical and projected growth of property taxes, which represent the major revenue source of the organization, is minimal. A short-term solution is to consider a tax rate adjustment. A long-term solution is to explore economic development initiatives.

The annual interfund transfer from the water and sewer fund also represents a major funding source for the general fund. An analysis needs to be conducted to ensure that these transfers are not compromising the fiscal integrity of the water and sewer fund.

Calculating the percentage change in expenditures from 2004–5 to 2005–6 reveals that five categories increased by more than 10 percent: general administration, legal services, information technology, development, and sanitation. The local government should identify what is driving the expenditures in these functional areas and look for efficiency gains.

The local government plans to increase its reliance on pay-as-you-go financing, as shown by an increase in transfers out to the capital projects fund. Given low interest rates and the projected decrease in annual payments for debt service, the government also might consider debt financing for selected capital projects.

Table 1 shows that fund balance as a percentage of expenditures is projected to fall below 20 percent in fiscal year 2008–9. However, the local government's policy regarding fund balance requires that cash reserves remain at or above 20 percent of expenditures. Because of the importance of this ratio in local government, a conservative budgeting approach is recommended until policy changes are identified and implemented to reverse the trend.⁸ The forecasting model prompts consideration of alternative policies with a long-term perspective rather than the perspective of their effects on the budget for the upcoming fiscal year.

Table 1. A Five-Year Financial Forecasting Model for the General Fund: A Hypothetical Example

Fiscal Year ¹	Actual FY 2003-4	Actual FY 2004-5	Current FY 2005-6	Forecast FY 2006-7	Forecast FY 2007-8	Forecast FY 2008-9	Forecast FY 2009-10	Forecast FY 2010-11
Beginning fund balance²	\$ 5,390,258	\$ 5,591,381	\$ 5,616,831	\$ 5,245,993	\$ 4,791,266	\$ 4,406,777	\$ 3,748,878	\$ 3,324,163
Revenues³								
Property taxes ⁴	7,506,655	7,590,108	7,878,626	8,075,592	8,277,481	8,484,418	8,696,529	8,913,942
Local option sales taxes	3,039,928	3,290,342	3,412,936	3,515,324	3,620,784	3,729,407	3,841,290	3,956,528
Utilities franchise taxes	1,226,308	1,383,648	1,333,092	1,373,085	1,414,277	1,456,706	1,500,407	1,545,419
Payment in lieu of tax	426,032	433,535	490,441	505,154	520,309	535,918	551,996	568,556
Intergovernmental revenue	902,926	1,004,993	1,011,579	1,041,926	1,073,184	1,105,380	1,138,541	1,172,697
Permits and fees	137,377	142,295	125,000	128,750	132,613	136,591	140,689	144,909
Sanitation fees	722,620	711,252	712,950	734,339	756,369	779,060	802,432	826,504
Recreational fees	22,867	17,984	18,270	18,818	19,383	19,964	20,563	21,180
Charges for services	1,671,881	1,631,116	1,727,840	1,779,675	1,833,065	1,888,057	1,944,699	2,003,040
Interest income	109,044	185,583	240,462	247,676	255,106	262,759	270,642	278,761
Other taxes and revenues	610,062	463,019	437,535	450,661	464,181	478,106	492,449	507,223
Total revenues	16,375,700	16,853,875	17,388,731	17,871,000	18,366,752	18,876,367	19,400,236	19,938,760
Expenditures⁵								
Governing board	115,399	113,820	122,740	125,195	127,699	130,253	132,858	135,515
City manager	383,462	401,500	441,217	450,041	459,042	468,223	477,587	487,139
General administration	1,997,660	1,967,012	2,315,184	2,361,488	2,408,717	2,456,892	2,506,030	2,556,150
Finance	556,251	582,928	634,424	647,112	660,055	673,256	686,721	700,455
Legal services	53,147	47,913	53,574	54,645	55,738	56,853	57,990	59,150
Human resources	168,140	150,963	165,601	168,913	172,291	175,737	179,252	182,837
Information technology	520,384	596,118	790,690	806,504	822,634	839,087	855,868	872,986
Building maintenance	251,374	462,150	283,508	289,178	294,962	300,861	306,878	313,016
Police	4,351,446	4,392,227	4,823,506	4,919,976	5,018,376	5,118,743	5,221,118	5,325,540
Fire	3,218,101	2,871,508	3,030,367	3,090,974	3,152,794	3,215,850	3,280,167	3,345,770
Development	446,815	447,849	597,563	609,514	621,705	634,139	646,821	659,758
Engineering	340,040	381,695	402,071	410,112	418,315	426,681	435,215	443,919
Streets	1,211,319	1,694,997	1,589,413	1,621,201	1,653,625	1,686,698	1,720,432	1,754,840
Sanitation	1,813,204	1,766,776	1,945,849	1,984,766	2,024,461	2,064,951	2,106,250	2,148,375
Parks and recreation	1,051,473	1,126,634	1,211,868	1,236,105	1,260,827	1,286,044	1,311,765	1,338,000
Debt service	800,000	850,000	850,000	850,000	700,000	700,000	700,000	700,000
Total expenditures	17,278,215	17,854,090	19,257,575	19,625,727	19,851,241	20,234,266	20,624,951	21,023,450

Transfers in	1,628,289	1,680,000	1,935,000	1,900,000	2,000,000	1,900,000	2,000,000	2,000,000	2,000,000
Transfers out	524,651	654,335	436,994	600,000	900,000	1,200,000	1,200,000	1,200,000	1,200,000
Total financing sources (uses)	1,103,638	1,025,665	1,498,006	1,300,000	1,100,000	700,000	800,000	800,000	800,000
Net change⁷	201,123	25,450	(370,838)	(454,727)	(384,489)	(657,899)	(424,715)	(284,690)	(284,690)
Ending fund balance⁸	\$ 5,591,381	\$ 5,616,831	\$ 5,245,993	\$ 4,791,266	\$ 4,406,777	\$ 3,748,878	\$ 3,324,163	\$ 3,039,473	\$ 3,039,473
Fund balance as percent of expenditures	32%	31%	27%	24%	22%	19%	16%	14%	14%

Notes

This example was adapted from the forecasting models used by Lexington, North Carolina, and Scottsdale, Arizona.

1. The actual fiscal years (FY 2003-4 and FY 2004-5) represent audited financial data. The current fiscal year (FY 2005-6) represents the annualization of nine months of actual data. The remaining fiscal years represent forecasts based on historical trends.

2. Beginning fund balance represents cash reserves available for appropriation.

3. The growth rate for projecting property taxes is 2.5 percent. The growth rate for projecting all other revenue sources is 3.0 percent.

4. Revaluation is scheduled for FY 2007-8. However, the growth rate for projecting all expenditure categories is 2.0 percent.

5. With the exception of debt service, which is based on actual amortization schedules, the growth rate for projecting all expenditure categories is 2.0 percent.

6. The majority of transfers in represent an interfund transfer from the water and sewer fund (enterprise fund). The majority of transfers out represent an interfund transfer to the capital projects fund.

7. Net change represents the difference between revenues and expenditures plus total financing sources (uses). The projected deficit in FY 2005-6 is a budgeted use of fund balance.

8. Ending fund balance represents cash reserves available for appropriation for the next fiscal year.

Using Financial Forecasting Models

From a general perspective, financial forecasting has been credited with creating an atmosphere of more rational budgeting.⁹ It also can be a useful tool for monitoring the three-step economic cycle faced by local governments, which includes the growth stage of service expansion, the maintenance stage of service continuation, and the retrenchment stage of cutbacks and reorganization.¹⁰

Table 2 presents common budget decisions made by local governments and the role of financial forecasting in analyzing and making them. It begins with the relationship between organizational goals and financial forecasting. Research has shown that more local governments are adopting strategic plans and that feasibility assessment, which includes affordability, is a success factor in the implementation of strategic plans.¹¹ Financial forecasting provides feedback to local officials on the long-term costs of selecting and implementing specific strategies for goal attainment.

Governments might use financial forecasting to analyze the impact of a tax rate or fee adjustment over a multiyear period.

The use of financial forecasting to guide adjustments in tax rates and user fees is one of the most cited applications.¹² When a government must increase revenue to fund implementation of a new strategy or to continue existing services, it might use financial forecasting to analyze the impact of a tax rate or fee adjustment over a multiyear period. The goal is to establish rates and fees at levels

that reduce the likelihood of having to adjust them annually, allowing elected officials to spend more time on attainment of goals and provision of services.¹³

Various ways in which financial forecasting can be used to analyze common budget decisions relating to personnel emerged from the review, including approving new positions, approving salary and wage adjustments, changing benefit packages, and analyzing retirement incentives.¹⁴ Using financial forecasting to analyze the long-term impact when approving new positions is extremely important, given the recurring liability

Table 2. **Common Decisions Made during Budget Preparation and Enactment**

Budget Decisions	Role of Financial Forecasting
Accomplishing organizational goals	To demonstrate affordability of funding strategies to accomplish long-term goals
Making tax rate and user fee adjustments	To provide revenue impacts of alternative rate adjustments beyond budget year
Creating new positions	To demonstrate affordability of adding new positions
Approving salary and wage adjustments	To demonstrate affordability of annual pay increases, including equity adjustments
Changing benefit packages	To demonstrate affordability of benefit adjustments
Analyzing retirement incentives	To support adoption of early retirement incentives, including succession planning
Analyzing changes in service delivery	To anticipate long-term results on program reduction or expansion
Approving equipment replacement and infrastructure maintenance	To support analysis of financing options for ongoing capital replacement and maintenance, including pay-as-you-go and lease-purchase financing
Analyzing alternative methods of providing services	To support service delivery options of privatization and managed competition
Adopting capital improvement program	To show how capital improvement plan will affect operating budget

Table 3. Forsyth County's Financial Forecasting Model

	FY 2007 Budget Projections	FY 2008 Adopted Budget	FY 2009 Budget Projections	FY 2010 Budget Projections	FY 2011 Budget Projections	FY 2012 Budget Projections
Expenditures						
Personal services	\$107,126,477	\$113,261,536	\$119,001,998	\$125,093,077	\$131,560,901	\$138,433,847
Professional and technical services	6,341,735	6,468,570	6,597,941	6,729,900	6,864,498	7,001,788
Purchased property services	6,204,297	6,868,383	7,545,751	7,696,666	7,850,599	8,007,611
Other purchased services	9,111,176	9,253,400	9,438,468	9,627,237	9,819,782	10,016,177
Travel	858,928	876,107	893,629	911,501	929,731	948,326
Materials and supplies	16,998,288	17,338,254	17,685,019	18,038,719	18,399,494	18,767,483
Other operating costs	24,915,236	25,413,541	25,921,812	26,440,248	26,969,053	27,508,434
Medicaid	13,919,968	15,242,365	16,690,390	18,275,977	20,012,194	21,913,353
Prior-year encumbrances	1,800,000	1,836,000	1,872,720	1,910,174	1,948,378	1,987,345
Contingency	1,282,550	1,114,616	1,114,616	1,114,616	1,114,616	1,114,616
Capital outlay	4,326,450	3,015,979	2,576,299	2,627,825	2,680,381	2,733,989
Existing/committed debt service	38,172,711	38,921,997	38,152,420	37,214,816	35,112,501	35,179,750
Payments to other agencies	121,615,728	129,104,314	136,349,730	142,838,717	149,928,152	156,492,160
Other financing uses	40,268	40,267	40,265	40,267	40,267	40,267
Future capital improvements	Included above	6,609,296	17,998,771	31,509,222	36,887,838	43,868,588
Capital maintenance in previous year's budget ¹		(2,358,500)	(2,738,000)	(2,504,700)	(2,040,000)	(1,892,000)
Total expenditures	352,713,812	373,006,125	399,141,829	427,564,262	448,078,385	472,121,734
Revenues						
Current-year property taxes	191,006,802	207,064,405	222,514,126	239,755,982	264,963,846	284,894,712
Other ad valorem taxes	3,850,000	3,927,000	4,005,540	4,085,651	4,167,364	4,250,711
Other taxes	600,000	612,000	624,240	636,725	649,459	662,448
Sales taxes	68,390,723	69,438,898	71,869,260	74,384,684	76,988,148	79,682,733
Licenses and permits	1,437,090	1,465,832	1,495,148	1,525,051	1,555,552	1,586,663
Intergovernmental transfers	41,924,240	45,650,934	53,529,518	61,800,092	54,090,417	54,577,596
Charges for services	22,150,444	22,593,453	23,045,322	23,506,228	23,976,353	24,455,880
Earnings on investments	4,656,207	4,749,331	4,844,318	4,941,204	5,040,028	5,140,829
Other revenues	7,904,095	8,062,177	8,223,420	8,387,889	8,555,647	8,726,760
Other financing sources	2,394,211	2,442,095	2,490,937	2,540,756	2,591,571	2,643,402
Subtotal revenues	344,313,812	366,006,125	392,641,829	421,564,262	442,578,385	466,621,734
Fund balance appropriated	8,400,000	7,000,000	6,500,000	6,000,000	5,500,000	5,500,000
Total resources	352,713,812	373,006,125	399,141,829	427,564,262	448,078,385	472,121,734

Property tax rates without proposed CIP²	65.76	69.17	71.06	67.34	68.97	70.85
% change in property tax rate	0.0%	5.2%	2.7%	-5.2%	2.4%	2.7%
Property tax rates with proposed CIP³	66.60	70.44	73.85	71.68	77.29	81.08
% change in property tax rate	0.0%	5.8%	4.8%	-2.9%	7.8%	4.9%
Tax base	29,265,000,000	29,996,625,000	30,746,540,625	34,128,660,094	34,981,876,596	35,856,423,511
Per penny	2,867,970	2,939,669	3,013,161	3,344,609	3,428,224	3,513,930
Projected tax base % change	3.81%	2.5%	2.5%	11.0%	2.5%	2.5%
Existing long-term debt ⁴	38,116,096	38,921,997	38,152,420	37,214,816	35,112,501	35,179,750
Existing long-term debt as % of budget	10.8%	10.4%	9.6%	8.7%	7.8%	7.5%
Long-term debt (including CIP) ⁵	38,116,096	41,910,804	49,618,287	61,803,737	64,121,954	69,335,493
Long-term debt (including CIP) as % of budget	10.8%	11.2%	12.4%	14.5%	14.3%	14.7%
Long-term debt (including CIP) after allowing for offsetting revenue (lottery proceeds for schools and city for training facility)	38,116,096	39,546,997	40,684,427	45,471,572	56,389,309	62,023,443
Long-term debt (including CIP) as % of budget, after allowing for offsetting revenue (lottery proceeds for schools and city for training facility)	10.8%	10.6%	10.1%	10.6%	12.5%	13.1%
Estimated year-end unreserved fund balance	\$62,690,942	\$62,990,773	\$64,077,210	\$65,963,817	\$68,666,794	\$71,703,500
Fund balance as % of following year's budget	16.8%	15.8%	15.0%	14.7%	14.5%	14.6%

Notes

1. This model is an abbreviated version of the actual model used by Forsyth County, which is based on a twenty-five-year projection. Capital maintenance in the FY 2007 adopted budget is contained in several expenditure categories. Because the projection years are based on percentage increases of the expenditure categories, the capital maintenance in the previous year's budget is subtracted to avoid double-counting.
2. After all the categories of revenues and other financing sources are projected, including fund balance appropriated, total resources and total expenditures are balanced by changing the tax rate to produce the necessary current-year property taxes. The property-tax-rate decrease in FY 2010 represents a change after revaluation.
3. The property tax rates presented in this row represent the rates necessary to balance the budget and to amortize the additional debt contained in the capital improvement program.
4. Existing long-term debt represents the annual debt service that must be paid by the general fund.
5. Long-term debt (including CIP) represents the annual debt service of existing long-term debt and debt proposed in the capital improvement program that must be paid by the general fund.

of such a decision. Knightdale, North Carolina, supplements its forecasting model with a five-year position forecast.¹⁵ Forecasting models also provide valuable information when analyzing the long-term impact of annual compensation packages, including cost-of-living and merit adjustments.

My review identified how forecasting models are used to make common budget decisions about service provision, including changes in service delivery, replacement of equipment, maintenance of infrastructure, and consideration of alternative methods of providing service.¹⁶ An example relating to changes in service delivery would be a policy decision to invest in automated trucks for residential refuse collection. A financial forecast is beneficial in showing the implementation costs during the short term and the cost savings over the long term. The utility of financial forecasting for analyzing strategies to fund equipment replacement and infrastructure maintenance cannot be overstated, given local government's tendency to postpone these expenditures, which only increases an organization's long-term liability.

Supporting an alternative to the actual service producer stems from management initiatives like privatization and managed competition. When a local government decides to privatize a service or to embrace "managed competition" (under which internal departments bid against private vendors), the proposed costs should be analyzed over the period of the contract. A key reason for this long-term analysis is that contracts often contain annual inflationary adjustments. Therefore, privatizing a service may be beneficial from a cost perspective only in the short term. Another important factor in this type of analysis is service quality.

Using financial forecasting in conjunction with a capital improvement program (CIP) also represents one of the most cited uses of the management tool.¹⁷ The purpose of a financial forecasting model in this situation is to overcome the natural disconnection between a one-year operating budget and a five-year CIP. The CIP burdens the operating budget with additional debt that must be amortized, with transfers from the general fund to the capital

projects fund (pay-as-you-go), and with additional personnel and operating expenditures once capital projects are complete. A five-year forecasting model shows how the CIP will affect the general fund if all the projects are actually approved and funded.

A use of financial forecasting not listed in Table 2 involves the “revenue-neutral tax rate,” a rate that when applied to the tax base after revaluation will produce current-year revenue. With legislation passed in 2003, local governments in North Carolina are required to publish a revenue-neutral tax rate in each year in which a general reappraisal of real property has been conducted.¹⁸ Financial forecasting is an excellent tool for showing the long-term financial impact of adopting a revenue-neutral tax rate as compared with other proposed rates. The goal is to approve a tax rate after revaluation that considers the long-term perspective of providing cost-effective services and addressing infrastructure needs.

Communicating with Bond Rating Agencies

My review also found that, in communicating with bond rating agencies, some local governments are using forecasting models to demonstrate their commitment to long-term financial planning.¹⁹ The importance of using a long-term perspective to make revenue and expenditure decisions has recently increased, given that one bond-rating agency,

Standard & Poor’s, now is assessing financial management practices in local government. Rating agencies use four broad categories in assigning a bond rating to tax-supported bonds: the economic base of the community, the financial condition of the local government, a series of debt factors on existing and proposed debt, and the governance and the planning of the organization.²⁰ Historically, rating agencies have relied on intangible criteria in evaluating the governance and the planning of the organization as compared with the other three

One bond rating agency is assessing financial management practices in local government.



areas.²¹ Standard & Poor’s has attempted to bring more objectivity to this judgment by creating a rating system to evaluate the financial practices of a local government in the following areas:²²

- Revenue and expenditure assumptions
- Budget amendments and updates
- Long-term financial planning
- Long-term capital planning
- Investment management policies
- Debt management policies
- Reserve and liquidity policies

Each of these areas is evaluated as strong, standard, or vulnerable. The importance of financial forecasting is

related to the area of long-term financial planning. To be evaluated as strong in this area, a local government must have developed and implemented a forecasting model in which future financial issues and solutions are identified and revenue and expenditure decisions are being driven from a long-term perspective. A rating of standard is given to local governments that use multiyear financial projections informally or on an ad hoc basis, and a rating of vulnerable is assigned when no long-term financial planning exists.²³

The importance of financial forecasting extends beyond long-term financial planning. To be evaluated as strong in debt management policies and reserve and liquidity policies, a local government must have well-defined policies in place and should have solid reporting and monitoring mechanisms to demonstrate compliance. The role of

financial forecasting is to demonstrate future compliance with these policies, which is extremely important to bond rating agencies.

Table 3 (see page 10) shows how a forecasting model would be used to demonstrate a commitment to long-term financial planning, including future compliance with policies regarding debt management and fund balance. The model is an abbreviated version of that used by Forsyth County. Future compliance with debt management policy is shown in the lines that read "Existing long-term debt as % of budget" and "Long-term debt (including CIP) as % of budget." Future compliance with fund balance policy is shown in the line that reads "Fund balance as % of following year's budget." The percentages on debt service and fund balance are compared with the respective percentages in the debt management and fund balance policies for compliance.

Table 3 also shows that Forsyth County uses a hybrid approach to financial forecasting. After all revenue and expenditure categories are projected, the gap between total resources and total expenditures is eliminated by changing the tax rate to produce the necessary property tax revenue for the current year. Although this does not follow the traditional definition of financial forecasting, the elected officials in Forsyth County prefer the information in this format, given their need to anticipate possible tax-rate adjustments.²⁴ Another component of Forsyth County's model is the forecasting of lottery proceeds to help amortize school debt.

Summary

My review has revealed that financial forecasting models are becoming more common in local government as a management tool. Local officials are using these models to communicate why they make certain policy decisions within the long-term financial context of their organization. As is true in the adoption of any management tool, continuing leadership is required to ensure that financial forecasting is actually used to support ongoing decision making and to communicate with the organization's stakeholders.



Notes

1. John Luthy, "Strategic Planning: A Guide for Public Managers," *IQ Report* 34, no. 8 (2002): 1-20.
2. National Advisory Council on State and Local Government Budgeting, *Recommended Budget Practices* (Chicago: Government Finance Officers Association, 1999).
3. See N.C. GEN. STAT. § 159-8 (hereinafter G.S.).
4. David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (New York: Plume, 1992).
5. Larry Schroeder, "Local Government Multi-Year Budgetary Forecasting: Some Administrative and Political Issues," *Public Administration Review* 42 (1982): 121-7.
6. Government Finance Officers Association, *Recommended Practices for State and Local Governments* (Chicago: Government Finance Officers Association, 2001).
7. Joseph P. Casey and Cecil R. Harris, "A Five-Year Financial Plan for a Smaller County: Linking Long-Term Planning to Annual Budgeting," *Government Finance Review* 9, no. 5 (1993): 25-30.
8. The Local Government Commission recommends that available fund balance in the general fund not drop below 8 percent of expenditures. Local governments com-

monly maintain much higher percentages because of cash-flow needs, pay-as-you-go financing, and unforeseen expenditures. The average available fund balances as a percentage of expenditures for North Carolina counties and municipalities for the fiscal year ended June 30, 2006, were 20.67 percent and 36.27 percent, respectively. For fund balance information on each local government in North Carolina, visit www.nctreasurer.com/lgc/units/unitlistjs.htm.

9. Roy Bahl and Larry Schroeder, "The Role of Multi-Year Forecasting in the Annual Budgeting Process for Local Governments," *Public Budgeting & Finance* 4, no. 1 (1984): 3-13.

10. Mark W. Nottley and John Kaczor, "An Automated Five-Year Financial Model: Applications in Michigan Cities," *Government Finance Review* 13, no. 4 (1997): 46-48.

11. Theodore H. Poister and Gregory Streib, "Elements of Strategic Planning and Management in Municipal Government: Status after Two Decades," *Public Administration Review* 65 (2005): 45-56.

12. Bahl and Schroeder, "The Role of Multi-Year Forecasting."

13. Steve Wyatt, manager of Henderson County, telephone interview by author, winter 2006.

14. Bahl and Schroeder, "The Role of Multi-Year Forecasting"; Mark W. Nottley, "A Five-Year Financial Model for Municipal Decision Making and Resource Allocation," *Government Finance Review* 11, no. 3 (1995): 46-47; Joanne Sylvis, "Financial Forecast Model: Council Members Learn by Doing," *Government Finance Review* 13, no. 1 (1997): 46-47.

15. Ren Wiles, finance director of Knightdale, telephone interview by author, winter 2006.

16. Bahl and Schroeder, "The Role of Multi-Year Forecasting"; Nottley, "A Five-Year Financial Model."

17. Eric J. Peterson, "Building a Better Budget through Trust and Communication," *Government Finance Review* 11, no. 5 (1995): 17-21.

18. See G.S. 159-11(e).

19. Kai Nelson, finance director of Union County, telephone interview by author, winter 2006.

20. A. John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments* (Washington, DC: International City/County Management Association, 2004).

21. *Ibid.*

22. Standard & Poor's, *Public Finance Criteria 2007* (New York: Standard & Poor's, 2006), www2.standardandpoors.com/spt/pdf/products/PublicFinanceCriteriaBook2007.pdf.

23. *Ibid.*

24. Joe Bartel, budget director of Forsyth County, telephone interview by author, winter 2006.

To Tell the Truth: How Much in Benefits Are Governments Promising Retirees?

Gregory S. Allison

Local governments often attract workers by offering strong benefit packages. Although the salaries and the wages that local governments offer are sometimes less competitive than those that many private employers offer, the benefit packages for the employees, as well as the retirees, are often relatively lucrative. For retirees specifically, pensions are the most common benefit provided, but other postemployment benefits (OPEB), such as health insurance and life insurance, have become increasingly prevalent over the years.

Obviously, the provision of OPEB comes with a price tag. Recent changes in generally accepted accounting principles require that, over the next few years, local governments offering OPEB begin to identify and report the value of these benefits in their financial statements. The question being posed is simple: Just how large in dollar amounts are city and county governments' promises to their retirees?

Some North Carolina cities and counties may characterize this new requirement as the dropping of the other shoe. The first shoe dropped in the mid-1990s, when the Governmental Accounting Standards Board (GASB) issued guidance requiring state and local governments to identify what pension benefits they were promising to their employees and how much they should fund their pension plans currently to make those plans capable of providing the benefits being promised in the future.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

Than Pensions, applies a similar requirement to state and local governments that offer some type of OPEB. This article provides answers to local officials' basic but important questions about the new GASB accounting and reporting requirements, and dispels some incorrect interpretations or assumptions. It does not examine technical matters related to OPEB, such as calculation methods, actuarial assumptions, and the finer details of the accounting and financial reporting requirements, but it does identify some resources for further study (see the sidebar on this page). A later article may focus on how North Carolina local governments are implementing the new reporting standards, and describe the variety of valuations that are being calculated statewide.

OPEB Defined

Many cities and counties in North Carolina offer OPEB to their employees and

retirees (for common benefits, see the sidebar on page 16). At present, governments tend to pay for OPEB on a pay-as-you-go basis. With health insurance, for example, some governments pay premiums for retirees from the date of their retirement until they are eligible for Medicare. Some also pay for Medicare supplemental policies, which extend the benefits for decades more. The premiums may be substantial, yet governments may have only a handful of retirees drawing the benefits at any given time. This circumstance allows governments to handle such funding within their annual budgets, thus paying as they go.

Currently, the cost may be relatively immaterial when compared with the costs of overall payrolls and employee benefits. However, an easily forgotten component of OPEB programs is the cost of the promises. In all likelihood, the number of retirees who will be eligible for OPEB will grow, especially as the baby boomers reach retirement

Additional Resources

Gauthier, Stephen J. *Employer's Accounting for Pensions and Other Post-Employment Benefits (OPEB)*. Chicago: Government Finance Officers Association, 2005.

Governmental Accounting Standards Board. *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Norwalk, CT: Governmental Accounting Standards Board, 1999.

Governmental Accounting Standards Board. *Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Norwalk, CT: Governmental Accounting Standards Board, 2004.

North Carolina Association of County Commissioners, www.ncacc.org.

North Carolina League of Municipalities, www.nclm.org.

The author is a School of Government faculty member specializing in governmental accounting and financial reporting. Contact him at allison@sog.unc.edu.



age in ever-increasing numbers. The premiums will almost assuredly grow as well, but at what rate? Governments may be able to handle the costs of the premiums on a pay-as-you-go basis now, but will they be able to do so in ten years? Further, with every employee who becomes “vested” in a plan (that is, who is granted a right to the government’s contribution in his or her name), governments incur a liability. Even if governments modify OPEB plans to rein in costs, there still will be liabilities for those already vested.¹

General Overview of the New Requirements

What do the new requirements really mean for cities and counties?

In many cases, the answer to this question may shock managers, elected officials, and the public. Asking “How much is this program going to cost in the long run?” is certainly fair, but governments have typically not been required to answer it. Nor have they voluntarily assessed the long-term cost

of the obligations that they have undertaken. Governments have traditionally focused only on how much they spend, with an emphasis on the present.

Which cities and counties will be required to implement the new OPEB accounting and financial reporting requirements?

Basically, any local government that provides postemployment benefits for retirees other than general pension benefits will be required to identify and report the costs and the liabilities associated with these benefits.

What kinds of arrangements are considered OPEB?

Obviously, a government provides OPEB if it subsidizes or simply supplements benefits like health insurance and life insurance for retirees. However, a government may be providing OPEB even if it is not directly paying for any of the coverage. Suppose, for example, that a government does not pay for retirees’ health insurance premiums, but it has negotiated with its health insurance carrier to allow retirees to purchase coverage at the same group rates that the government pays for active employees. This government is providing OPEB as defined by the GASB standards. Even though the government may not be directly paying the premiums on behalf of the retirees, it is indirectly subsidizing the retirees’ rate. Otherwise, insurers would be charging a higher group rate overall because the retirees, carrying greater risk, have changed the group’s demographic makeup. This indirect support is known as an “implicit rate subsidy,” the value of which is considered to be OPEB. Thus the accounting and reporting standards of GASB Statement No. 45 apply.

What is the required date for implementation of the standards?

The short answer is simple: cities and counties in North Carolina that offer OPEB must implement the standards in fiscal year 2007–8, fiscal year 2008–9, or fiscal year 2009–10, depending on the size of their OPEB plan membership.

The GASB defines “plan membership” to include active retirees and their eligible dependents, active employees who are vesting in the plan, and terminated employees who have vested benefits but are not yet eligible to receive them. The GASB is requiring the largest governments (termed Phase 1 governments) to implement the OPEB provisions first, the medium-sized governments (termed Phase 2 governments) next, and the smallest governments (termed Phase 3 governments) last.

Specifically, for North Carolina governments, the timeline for required implementation is related to the phase a government was considered to be in when it implemented the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, several years ago, as follows:

- Phase 1 governments (about 80): the fiscal year ending June 30, 2008
- Phase 2 governments (about 320): the fiscal year ending June 30, 2009
- Phase 3 governments (about 770): the fiscal year ending June 30, 2010

The GASB not only allows early implementation of the standards but encourages it. By contrast, the North Carolina Local Government Commission does not require early implementation, so few governments plan to implement the standards before the specified dates.

This timeline relates to when the external financial statements will be affected for governments that have OPEB programs. As is briefly addressed later in this article, the budgetary implications of the new guidance will differ depending on the choices local governments make concerning pay-as-you-go versus advance-funding policies for their OPEB plans.

Common Other Postemployment Benefits

Tier 1

Medical insurance
Medicare supplemental insurance
Dental insurance
Vision insurance
Hearing insurance

Tier 2

Life insurance
Disability insurance
Long-term care insurance

How is the value of the promised benefits to be calculated?

The value of the promised benefits must be determined by an “actuarial valuation,” the process by which a professional actuary, using plan demographic formulas and assumptions sanctioned by generally accepted accounting principles, calculates the present value of promised plan benefits to eventual beneficiaries, and allocates the costs to relevant periods. The valuation is performed periodically on a predetermined schedule. As variables change, so do the results. An actuarial valuation ultimately provides information to employers about the cost of their plans for a specific period, the value of the overall liability being promised to the plan membership, and the annual contributions to the plan that are necessary for the plan to be considered adequately funded.²

How often are actuarial valuations required of governments that offer OPEB?

The size of the plan determines the schedule for required actuarial valuations. Basically, the larger the plan, the more frequent the actuarial valuations.

- Plan membership (as previously defined) of 200 or more: every two years.
- Plan membership from 100 to 200: every three years.
- Plan membership of less than 100: not required but encouraged; for plans for which actuarial services are not procured, governments will

calculate estimates of cost and liabilities in-house using formulas provided by the GASB.

The North Carolina League of Municipalities and the North Carolina Association of County Commissioners have negotiated an agreement with an actuarial firm to provide actuarial valuations at group rates for any cities and counties that want to participate. However, cities and counties have the option of procuring actuarial studies independently.

Budgetary and External Reporting Ramifications of the New Requirements

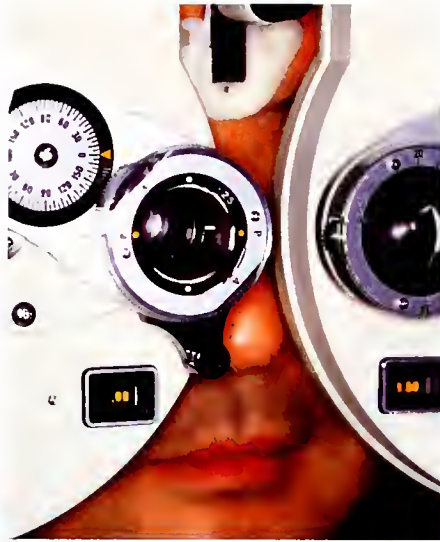
Will governments that currently provide OPEB on a pay-as-you-go basis be forced to fund the plans per the results of the actuarial valuation?

Absolutely not. For example, typically the only budgetary effect of a pay-as-you-go policy for OPEB on a government’s general fund is the reporting of an expenditure for the amount of OPEB actually being provided. If a government chooses to continue a pay-as-you-go approach, and it certainly may do so, the general fund still will reflect only an expenditure for the amount of the OPEB being spent. However, if a government chooses to advance-fund an OPEB plan on the basis of the actuarial valuation, the general fund will reflect an expenditure for the amount actually paid to the plan, via an irrevocable trust or a similar arrangement.

Managing OPEB expenditures is likely to become more important over the mid to long term, so governments should consider OPEB in forecasting their revenues and expenditures. For more on financial forecasting, see the article by William J. Rivenbark on page 6 of this issue.

If a government is not required to advance-fund OPEB plans, what are the reporting implications of the required actuarial valuations?

As noted earlier, governments were recently required to implement a new model of external reporting per the provisions of GASB Statement No. 34. In addition to having to report fund



financial statements, governments now must report government-wide financial statements. The general fund basically gives a “collection and spending,” or financial,

perspective on operations. The government-wide financial statements give an economic perspective. That is, they report current expenses and both current and long-term liabilities.³

Thus the general fund will report as an expenditure only an amount actually paid during the year for OPEB (either the benefits paid by the government or the amount contributed to the plan, based on the actuarial valuation). However, the government-wide financial statements will report the annual required contribution, as calculated by the actuary, as an expense and a liability that generally reflects the amount of the actuarially determined contribution that a government chooses *not* to fund. *A liability will not be reported in the government-wide financial statements if a government chooses to advance-fund its OPEB plan on the basis of the actuarial calculations.*

What are the mechanics of advance-funding an OPEB plan?

Although the new OPEB reporting requirements do not require governments to change their pay-as-you-go policies related to OPEB, the GASB certainly hopes that governments will choose to adhere to the actuary’s recommendations

Governments that now provide OPEB on a pay-as-you-go basis will not be forced to fund their plans per the results of their actuarial valuations.

to set certain levels of funds aside in order to provide adequate benefits both currently and in the future. The standards require that the funds be placed in a trust arrangement “that is capable of building plan assets that are separate from, and independent of the control or creditors of, the employer(s) and that are dedicated to the sole purpose of providing benefits.”⁴ In other words, once funds are placed in such an arrangement, they cannot be accessed and used for anything else.⁵ Again, though, if a government chooses to advance-fund on the basis of the actuarial valuation, a liability will not be reported in the government-wide financial statements.

What are the implications of remaining on a pay-as-you-go basis?

To reiterate, the new standards do not require governments to change their pay-as-you-go policies for

providing OPEB. But there are external-reporting implications of the actuarial valuations in the government-wide financial statements and the note disclosures. Governments now have to report what the value of the benefits being promised to employees and retirees is and whether or not they are setting aside funds to provide benefits in future years. Thus, rating analysts, creditors, and other users of the financial statements will have more information to evaluate the overall financial condition of the governments.

For example, if an actuarial valuation indicates that the value of promised benefits far exceeds the amount of funds being set aside for those payouts, the wisdom of not advance-funding these plans may be questioned. Eventually, these implications could adversely affect credit ratings and creditors’ assessments of a government’s overall economic condition.

Conclusion

Governments are just beginning to grapple with the potential implications of these new accounting and reporting standards. Several of the largest jurisdictions in North Carolina have had actuarial valuations performed on their

OPEB plans, but the majority of the state’s cities and counties are only beginning to evaluate the standards’ applicability to them.

As more and more governments procure actuarial valuations, elected officials and management will have to determine what to do next. Should they change their policies from pay-as-you-go to advance funding? Will they be able to keep the plan provisions that are in place, or are the future costs too prohibitive? Will bond ratings be affected?

Eventually, the results of the actuarial valuations will become widely known, and government officials all across the state will be interested in the funding changes, policy modifications, and the like that others may be considering. Over the next several fiscal periods, governments that provide OPEB will have to determine what this newfound information actually means and how they should use it.

Notes

1. Governments may modify their OPEB plan provisions if they deem those provisions to be too expensive or costly in the long run, but they must consider the legal and practical implications of such modifications. Typically, governments may modify plan provisions for personnel not yet vested in the plan, but personnel already vested most often will have continuing legal claims. Further, there is a very fine line between fiscal prudence, and compensation and benefit policies that may affect employee retention and recruitment successes.

2. In most authoritative literature, this contribution is officially known as the “annual required contribution.”

3. For further information and for clarification of specific financial statement content and formats, see “How to Read Governmental Financial Statements, Part 2,” by Gregory S. Allison, *Popular Government*, Fall 2001, pp. 24–31.

4. Governmental Accounting Standards Board, *Guide to Implementation of GASB Statements 43 and 45 on Other Post-employment Benefits, Questions and Answers* (Norwalk: CT: GASB, 2005), 32.

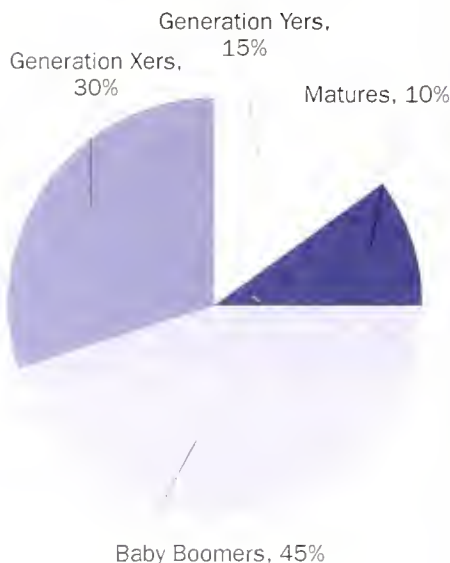
5. GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, provides accounting and financial reporting requirements for funds that have been established. Thus, although GASB Statement No. 45, the focus of this article, affects all governments that provide OPEB, GASB Statement No. 43 applies only to governments that formally establish trust arrangements to advance-fund OPEB.

Two's Company, Three's a Crowd, and Four's a Lot to Manage: Supervising in Today's Intergenerational Workplace

Willow S. Jacobson

Many factors influence people's behaviors and values, such as cultural norms, ethnicity, birth order, level of education, membership in professional organizations, social position, race, and sex.¹ Generational differences have begun to gain increased attention as organizations face a challenging working environment in which four generations are working together, or trying to do so. The diversity of skills and experiences brings a richness of talent but also can cause some major challenges. How can managers help all the different people in their workplaces get along?

Figure 1. **Generations in the U.S. Workforce Today**



Source: Data from "Managing the Generation Mix—Part II," by Carolyn Martin & Bruce Tulgan, www.topechelton.com/employers/tulgan22.htm (last accessed August 6, 2007).

The author is a School of Government faculty member specializing in human resource management, public management, and organizational theory. Contact her at jacobson@sog.unc.edu.

Although experts vary on specific names and periods for the different generations, generally those in Table 1 apply. Currently, the Baby Boomers make up 45 percent of the workforce, and the Matures, 10 percent (see Figure 1).² The proportion of "older workers," defined as those who are fifty-five years old and up, is projected to increase an average of 4 percent per year between 2000 and 2015.³

The workplace mixture of employees from different generations offers a unique set of challenges and opportunities for managers and organizations. Ron Zemke, Claire Raines, and Bob Filipczak, scholars of organizational culture, note, "There is a growing realization that the gulf of misunderstanding and resentment between older, not so old, and younger employees in the workplace is growing and problematic."⁴

Table 1. **Names and Years of Generations in the Current Workforce**

Matures/Veterans/Traditionalists	Born before 1946 (now 62 years of age and older)
Baby Boomers	Born from 1946 through 1964 (now 43–61 years of age)
Generation Xers	Born from 1965 through 1978 (now 29–42 years of age)
Generation Yers/Millennials/Nexters/ Dot.comers/Echo-Boomers	Born from 1979 through 1988 (now 19–28 years of age)

Source: From Teresa Odle, "Genial Generations," *ASRT Scanner* 37, no. 7 (2005): 6.

Selected Resources on Managing Multiple Generations

Davidson, Elaine. "A Cure for the (Baby) Boomer Blues." *Alberta Venture*, November 2002, 30–35. www.marstoncomm.com/articles.html.

Erickson, Tamara J., Robert Morison, and Ken Dychtwald. *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent*. Watertown, MA: Harvard Business School Press, 2006.

McNulty, Eric J. "Can You Manage Different Generations?" Harvard Business School, Working Knowledge for Business Leaders (April 17, 2006). <http://hbswk.hbs.edu/archives/5297.html>.

Nagle, Terri. "Coaching Generation X." Center for Coaching & Mentoring (2007). www.coachingandmentoring.com/Articles/x's.html.

Tyler, Katheryn. "The Tethered Generation." *HR Magazine* 52, no. 5 (2007): 40–46.

Zemke, Ron, Claire Raines, and Bob Filipczak. *Generations at Work: Managing the Clash of Veterans, Boomers, Xers, and Nexters in Your Workplace*. New York: American Management Association, 2000.



One of the challenges of people from different generations working together is that employees have different sets of expectations about themselves and their worth based on generational values and perspectives. Lengthy lists are provided on the characteristics of the various generations.⁵ The Matures and the Boomers set the current workplace culture. Today's organizational systems and structures represent their values and priorities. But the leadership of organizations now is moving from one generation and one value system to the next.

Neil Howe and William Strauss, leading writers on generational impact, note that a generation is "shaped by events or circumstances according to which phase of life its members occupy at the time . . . [T]o learn why . . . any two generations . . . are different, one can look at how they were raised as children, what public events they witnessed in adolescence, and what social mission

they took on as they came of age."⁶ Examining how world events have shaped generational perspectives and how those perspectives in turn have influenced attitudes and values helps managers better understand the differences and the misunderstandings among the generations. This article provides a brief look at the four generations and offers some thoughts on the managerial implications of the current workforce. (To learn more, see the list of resources on page 18.) The values discussed are general; there are, of course, exceptions.

The Matures

The Matures are actually a combination of two generations, the Veterans (1901–24) and the Silent Generation (1925–45). Their characteristics in the workplace are similar.⁷ As a cohort, the Matures are the smallest in number (55 million) but the wealthiest.⁸ The mem-

bers of this generation either fought in World War II or were children during the war. The oldest members can personally recall the Great Depression, an event that shaped and marked their entire generation. Many families faced hard times because of the stock market crash, which left millions unemployed. The Matures lived in a time of loss, fear, and concern about what was going to happen next. Consequently, security is important to them. Core values for the Matures include sacrifice and hard work; conformity and respect for authority; delayed reward; and duty before pleasure.

The Matures entered the workforce after returning from World War II, finding positions with companies that took care of their employees. Companies and employees alike believed in loyalty. Many Matures worked for only one company in their lifetimes, retiring from it. Men primarily made up the workplace, women staying home to take

care of the house and raise the children. Notable individuals in this generation include Jimmy Carter, George H. W. Bush, John Glenn, and Billy Graham.

Working with the Matures

The Matures favor established systems, policies, and procedures.⁹ They like the old rules and embody a traditional work ethic.¹⁰ They are patient and expect to climb the company ladder by working hard and doing a good job.¹¹ As a generation, they are typically disciplined, loyal team players and believe in conformity and unity.¹² Unlike other generations, they do not view their bosses as their friends and do not see the workplace as a social hub. In fact, liking a boss may be an unexpected bonus for them.¹³ Recognizing and rewarding the Matures' experience and commitment is important. They value achieving high rank within an organization.

Many of this generation are past retirement age, but some continue to work and like flexible working arrangements.¹⁴ Managers should consider rehiring the retirees as part-time project leaders, coaches, or teachers.¹⁵ Doing so serves the employee as well as the organization, for this generation carries a huge legacy of organizational knowledge. The Matures are more likely to continue working if they have control over their work hours, workplace flexibility, job autonomy, and learning opportunities.¹⁶

The Baby Boomers

With almost 80 million people claiming membership in their generational cohort, the Baby Boomers have gained a lot of attention. They are the generation now in control of the nation's important institutions. They hold the majority of leadership roles in local, state, and national government. They are the managers and the chief executive officers of most companies, and they dominate the workforce with their sheer numbers. Their dedication, competitive nature, and strong work ethic (which they define as working long and hard and being seen doing it) resulted in the word "workaholic" being coined to describe them.¹⁷

The events shaping this generation included the Civil Rights Movement; the assassinations of John F. Kennedy,

Robert F. Kennedy, and Martin Luther King Jr.; the Vietnam War and Woodstock; the Cold War; and the women's movement. The Baby Boomers include the Beatles, Bill Gates, Bill Clinton, Oprah Winfrey, and Muhammad Ali.

Demographics expert Cam Marston notes,

The Matures laid the groundwork for the United States to become an influential member of the world community. The Boomers came behind them and set the wheels in motion. Through their enormous numbers . . . , their intense work ethic, and their competitive nature, the Boomers got productivity in the US to the forefront of the world community. The Boomers also believe in the sanctity and the importance of the individual. Developing themselves into a more "whole" person is very important. Part of becoming a better person is learning to operate as a fluid member of a team, and the Boomers are champions of teamwork.¹⁸

Company loyalty was a standard when the Baby Boomers began their careers, but since then, dramatic changes and hard economic times have led to layoffs and downsizing. With fewer companies taking care of employees into retirement, many Baby Boomers are questioning whether the sacrifices that they have made for work have been worth it. Some are choosing to lead the second half of their lives with a different focus. Baby Boomers' core values include team orientation, personal gratification, health and wellness, personal growth, youthfulness, work, and involvement.¹⁹

Working with the Baby Boomers

The Baby Boomers began work believing that it was defined by the number of hours worked on the job and that their investment would pay off in the future.²⁰ They climbed the corporate ladder under the rules set by the Matures.²¹ Like the Matures, they are loyal to their companies and value title and rank.²² They are competitive and

desire to outpace their peers.²³ They pride themselves on their ability to swim, not sink, on the job.²⁴ Personal accomplishment is very important to them.

Managers need to understand the competitive nature of the Baby Boomers and create an environment in which they

have the opportunity for recognition but are challenged to keep growing in their own way.²⁵ The Baby Boomers respond best to managers who reward them for their hard work. They value managers who seek their input.²⁶ Because of their drive

and their interest in personal accomplishment, they work well with leaders who are coaches, who facilitate, rather than dictate rules.²⁷

Times are changing for the Baby Boomers. They are the "Sandwich Generation," who have the responsibility to care for their children as well as their aging parents.²⁸ Many seek companies that offer flexible schedules and hours.

The Generation Xers

The generation that succeeded the Baby Boomers has been given the vague and unflattering name Generation X. Terms such as "slackers" often are used to describe this group, along with the characterizations "unmotivated," "sarcastic," and "irreverent." The members of this generation were the first in the nation's history to be told that they would not be as successful as their parents. In addition, they have seen major institutions that traditionally held people's trust (government, church, the military, marriage, and corporations) fall short and become embroiled in serious scandals that deserve skepticism. Marston notes,

Though they could easily be considered pessimistic about their world and their future, you'll find that their attitude has a "carpe diem" [seize the day] feel to it. "There is nothing we can count on in the future," they say, "so we'll focus short-term and make sure each day has significance." It is not an attitude of irresponsibility. It is the contrary. In fact, Xers have

willingly shouldered the responsibility for their day-to-day well-being. "We've seen that the company won't provide it, nor will the government," they think, "so it is up to me." And this attitude permeates the workplace where Xers are steadily rejecting the Boomer work ethic attitude. Ironically, along the way, they're gaining Boomer converts.²⁹

The oldest members of this generation were coming of age as Watergate unfolded. The whole generation saw the fall of the Berlin Wall, the explosion of the Challenger spacecraft, and the waging of the Gulf War every night on television. Their lives have been influenced by the boom in personal computers. The Reagan presidency is the first that many of them remember. Generation Xers include Tiger Woods, Reese Witherspoon, Dell Computers chief executive officer Michael Dell, and Yahoo cofounders Jerry Yang and David Filo.

The oldest of the Generation Xers are beginning to take on management positions. The youngest are still relatively new to the workforce. As large numbers of the Baby Boomers approach retirement age, Generation Xers are preparing to inherit many leadership positions. They are likely to run organizations differently than their predecessors did, though they still will be effective and responsible and keep their organizations profitable. As this generation challenges the way its predecessors have lived and led, the differences are creating waves.

At 47 million, the Generation Xers are far smaller in numbers than the Baby Boomers. They total less than half of the generation to which many of their parents belong. This difference will challenge organizations to find the replacements that they need.

Working with the Generation Xers

The members of this generation think of themselves as free agents in a mobile workforce.³⁰ They have no expectations of job security. In fact, they view jobs as temporary. Loyalty to one company is extremely rare.³¹ Managers should create a work environment that Generation Xers find hard to leave. This means offering them room for developmental growth and promotion in the organization, and helping them develop

"self-building" career security.³² Generation Xers function best in a workplace that is less hierarchical and formal.³³ They are self-reliant and tend to question authority.³⁴ As children, many of them were latchkey kids, who learned to be independent. Their parents treated them as friends, thus changing their relationships to authority.³⁵

Generation Xers want challenges and opportunities to build new skills.³⁶ Managers would be wise to give them creative responsibility for projects that they can do independently and in their own time and way.³⁷ A good approach is to allow them to work on high-profile projects that put them in contact with senior managers and important customers.³⁸

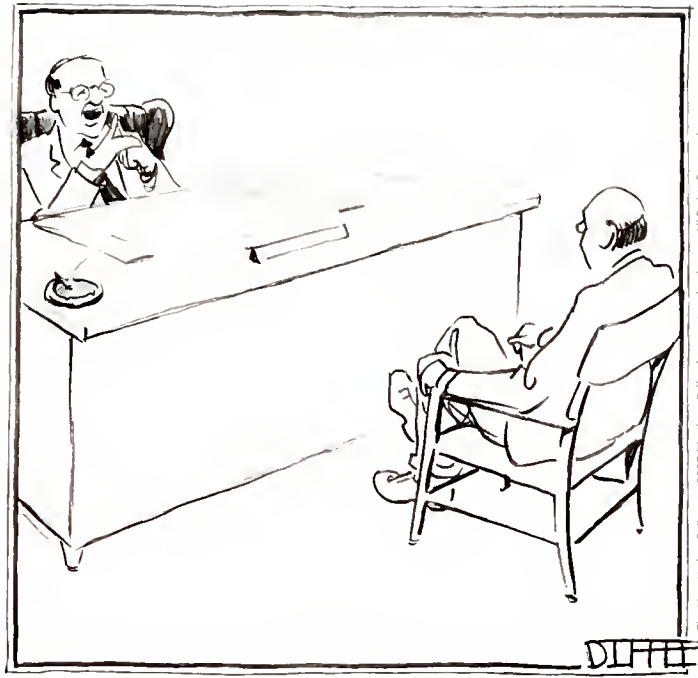
Managers should coach Generation Xers with fast feedback and credit for results.³⁹ Further, managers should push Generation Xers to keep learning, for they like to develop and diversify their skills. Training is one of the best motivators to use with them. Generation Xers are seeking marketable skills, access to decision makers, a clear area of responsibility, and the chance for creative expression.⁴⁰ The more an organization can respond to such desires, the happier and more productive its Generation Xers are likely to be. Good approaches are to demonstrate confidence in the value of their work and to keep communication

channels open and diversified (using staff meetings, e-mails, intranets, newsletters, and more).⁴¹ Recognition and rewards must arrive quickly.⁴²

Unlike the Matures and the Baby Boomers, Generation Xers are pursuing a balance between life and work. This is their hallmark.⁴³ They do not value coming to work for the sake of being seen. They value control of their time and are motivated by seeing a project through from beginning to end.⁴⁴ They are adept at technology, and that adeptness allows them to work in ways considered nontraditional.⁴⁵ They want to have fun at work and are loyal to their bosses, not their companies.⁴⁶

The Generation Yers

This generation was born into a technologically savvy world, with cellphones, laptops, and remote controls.⁴⁷ Things that seem foreign to the Matures are a given reality and a part of the norm for the Generation Yers. The changes and the advances that the Generation Yers will see are projected to be greater than those of any previous generation. In addition to experiencing the omnipresence of technology, the Generation Yers have known great affluence, with the economy steadily growing for a majority of their lives.



"So, Jim, where do you see yourself in ten minutes?"

The New Yorker Collection 2007 Matthew Diffee from cartoonbank.com All Rights Reserved

The Generation Yers are the children of the Baby Boomers and the oldest Generation Xers, and they have lived relatively protected by their parents. Yet threats to them as children have been different from those seen by previous generations: violence from their peers (such as that at Columbine High School), terrorism within the United States (9/11 and the Oklahoma City bombing), rogue nuclear weapons, and the recognition of environmental threats. Given the threats, parents and adults have attempted to insulate and protect Generation Yers with guidance and have constantly worked to build their self-esteem. This has led to many seeing them as a coddled generation.⁴⁸ They also are a generation that has been raised being busy. Whereas the Generation Xers were latchkey kids, the Generation Yers were at ballet class, in summer camps, at soccer practice, in foreign language programs, or at any other number of afterschool activities. They care what their parents think about what they do.

This generation is another large cohort—about 80 million in numbers. It rivals the Baby Boomers in size, and its members are just beginning to enter the workforce in significant numbers. Members of Generation Y include Tara Lipinski, LeAnn Rimes, Britney Spears, Justin Timberlake, Lindsay Lohan, Bow Wow, and Nicky Hilton.

Working with the Generation Yers

The Generation Yers come into the workplace looking for an opportunity to learn and move about. They want to be close with their peers, and they search for leadership from their bosses and supervisors. They are an army waiting to be guided, but they play by different rules.

The Generation Yers share some characteristics with the Generation Xers, such as having more of a free-agent mentality about work.⁴⁹ The Generation Xers and the Generation Yers are unlikely to stay with one company for their entire careers, as their grandparents might have done.⁵⁰ Seeing that a long-term career with one organization is improbable, they are more likely to change jobs and

take their training and experience with them.⁵¹ Also like Generation Xers, many were raised as their parents' friends.⁵² The members of this generation look for their parents' approval and opinions. Among their core values are civic duty, achievement, sociability, and morality.⁵³ Although they are socially conscious and volunteer-minded, they also focus on achieving materialistic well-being.

The Generation Yers will redefine business and work as they have been known. Raised in a digital age, the Generation Yers demonstrate a strong work ethic, are media- and technology-savvy, and are comfortable with change.⁵⁴ They are used to tackling multiple tasks with equal energy, and they expect to work hard on lots of different and stimulating activities (possibly all at once).⁵⁵ Yet they are looking to gain control of their time.

The Generation Yers lack the sense of organizational loyalty of the Baby Boomers. Instead, they are looking for individuals to establish loyalty with. They

need and seek structure in the workplace.⁵⁶

The Generation Yers bring a novel sense of place, space, and diversity with them to the workplace. They have new, easy attitudes toward gender and ethnicity. They see the world as global, connected, and around-the-clock. They look for fun workplaces.⁵⁷

Managers should use technology to communicate with these employees—and should communicate with them often.⁵⁸ The members of this generation have received a lot of positive reinforcement throughout their lives and are looking to be rewarded for good performance. They have been told that they can do anything, and they believe it. They have developed a strong sense of self-esteem and expertise.⁵⁹ Some employers are challenged by what they see in the Generation Yers as a sense of entitlement and self-confidence that can appear cocky.⁶⁰ The Generation Yers prefer lots of feedback, crave mentoring relationships, and want a relationship with their bosses.⁶¹ They also are motivated by seeing a project through from beginning to end, but they prefer to do this with others, unlike Generation Xers.⁶²

Managers should get to know the Generation Yers' capabilities and put them in roles that push their limits.⁶³ If managers treat Generation Yers as professional colleagues, they will act like professionals.⁶⁴ Managers can keep them focused with speed, customization, and interactivity.⁶⁵ To maximize their buy-in to the organization, managers should explain why a project, a task, or an activity is important.

Conclusion

In the end, people from different generations have common goals of achieving personal and organizational objectives. How managers get them to accept these goals and how they pursue the goals likely will vary. Differing views, values, and styles may cause an organization trouble on the way to common goals.

Getting the different groups to meld into a seamless team is not easy. The Baby Boomers and the Generation Yers tend to be interested in teamwork, whereas the Generation Xers more often want to work independently. The Matures and the Baby Boomers like to master a function, become an expert, and own a specific part of a project, whereas the Generation Xers and the Generation Yers want to see a project through from start to finish.⁶⁶

Both the Generation Xers and the Generation Yers are technologically savvy (the latter moreso). They have been brought up with technology as the way they communicate, in work and in play. The two older groups are not cut from the same cloth. They need to acquire a solid understanding of technology in order to work with their staff. At the same time, the members of Generations X and Y must become accustomed to bringing their tech talk down a notch and avoid using technology as their only communication outlets with older generations.

Whereas the Baby Boomers and the Matures value titles, money, and promotions, the Generation Xers place priority on personal development and work-life balance. As a result, when working with the Generation Xers, managers should improve work-life practices, provide more challenging assignments with access to influential people, and adopt

Unlike the Matures and the Baby Boomers, Generation Xers are pursuing a balance between life and work.

alternative work-schedule policies. Also, they should remember that vacation time may be as important to the Generation Xers as a promotion. The Generation Xers may quit their jobs to gain the balance they seek.

Although the members of Generations X and Y have some similar traits (technological savvy, informality in the workplace, and ability to control projects), distinctions between them can affect an organization. Managers should beware of thinking that all young people are alike and lumping the skeptical, individualistic, authority-questioning Generation Xers with the optimistic, feedback-focused, mentor-seeking Generation Yers.

Notes

1. Bradley L. Kirkman and Debra L. Shapiro, "The Impact of Cultural Values on Employee Resistance to Teams: Toward a Model of Globalized Self-Managing Work Team Effectiveness," *Academy of Management Review* 22 (July 1997): 730-57, <http://links.jstor.org/sici?sici=0363-7425%28199707%2922%3A3%3C730%3ATI0CVO%3E2.0.CO%3B2-O>; Ann Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51 (1986): 273-86, <http://links.jstor.org/sici?sici=0003-1224%28198604%2951%3A2%3C273%3ACIASAS%3E2.0.CO%3B2-B>; Donald Moynihan and Sanjay Pandey, "The Role of Organizations in Fostering Public Service Motivation," *Public Administration Review* 67, no. 1 (2007): 40-53; Luis L. Martins and Charles K. Parsons, "Effects of Gender Diversity Management on Perceptions of Organizational Attractiveness: The Role of Individual Differences in Attitudes and Beliefs," *Journal of Applied Psychology* 92 (May 2007): 865-75.
2. Cam Marston, "Understanding the New Generations of Employees," *Ventures Charlotte*, First Quarter (2005): 28-32.
3. Mary B. Young, *The Aging-and-Retiring Government Workforce: How Serious Is the Challenge? What Are Jurisdictions Doing about It?* (Burlington, MA: Center for Organizational Research, Linkage, Inc., 2003).
4. Ron Zemke, Claire Raines, and Bob Filipczak, *Generations at Work: Managing the Clash of Veterans, Boomers, Xers, and Nexters in Your Workplace* (New York: American Management Association, 2000), 1.
5. M. Ronald Buckley et al., "Managing Generation NeXt: Individual and Organizational Perspectives," *Review of Business* 22

(2001): 81-93; Gary O'Bannon, "Managing Our Future: The Generation X Factor," *Public Personnel Management* 30 (2001): 95-109; Bruce Tulgan, "Managing Generation X," *HR Focus* 72, no. 11 (1995): 22-24; Zemke, Raines, and Filipczak, *Generations at Work*.

6. Neil Howe and William Strauss, "The Next 20 Years: How Customer and Workforce Attitudes Will Evolve," *Harvard Business Review* 85, no. 7/8 (2007): 42.

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SOG Publications Earn Two National Awards



Going to Court

Why might someone my age go to court?

- You might be guilty of a crime. You are accused of doing something wrong. You are in a courtroom.
- You might go to court because you want to sue someone. Example: a friend cheats on you.
- You might sue someone for your pain.
- You might be sued for a crime or accident.
- You might be sued for a crime.
- You might be arrested.

What should I pay attention to if I go to court?

- Listen to the judge.
- Listen to the lawyer who represents you.
- Be on time.
- Be polite.
- Think sometimes about what to say.
- Ask the judge questions.

How should I talk to a judge or a lawyer in court?

- Listen to what the person says. You don't get to talk a judge or lawyer out of their job.
- Ask your lawyer before answering.
- If you don't know an answer, say "I don't know."
- Speak clearly and loudly enough to be understood. Use whole sentences.
- Don't go to the bathroom or get sick.
- Don't argue or get mad.

Can I get out of going to court if it is hard to get there?

If the court decides you do not have to go to court, you should go. If a judge orders you to court, you have to go. If you don't, the judge can say that you are in "contempt of court" and send an enforcement officer to bring you to court or even put you in jail for not going.

If you cannot talk to a judge and you don't come, the judge may lose the case and you will need the chance to get what you need. On the other hand, if you do go to court, you should make every effort to contact the Clerk of Court if you can't be there.

You can speak with a lawyer. If you need one, your school should help you find one. If you don't have one, tell your school, your doctor, or someone you trust to help you. You may need to go to court. Schools must make an effort to take part in a court proceeding.

You will not get to see the judge or talk to the Clerk of Court's office and your lawyer. If you have one, and tell them why, the judge will let you come and the judge will let the Clerk of Court's phone number in the phone book. Usually, the bus driver, school, or government buildings.

Can I be late to court?

No. Being late can be a bad thing. You should be there to show the judge how serious you are and what you need to be there. You should be there by finding the correct court inside the courthouse.

If you will be late, call the Clerk of Court's office to let them know that you will be late.

How should I prepare to talk with the judge?

Ask to people who know about the case, or have been in court before, or are young and you know. Practice and what you say to the judge and practice answering questions you might be asked.

What should I wear (or not wear) to court?

A good judge might say "Court starts at 10:00 and goes down the road." You should wear clean, neat clothing. You should not wear anything that is not covered enough. You should not wear anything that is not covered enough. You should not wear anything that is not covered enough. You should not wear anything that is not covered enough.

What is considered respectful behavior in court?

- It's good to:
- Sit straight and listen.
 - Look at the person talking to you.
 - Wear all the clothes a first-year student would wear.
 - Use "I" and "me."
- It's not good to:
- Talk or whisper while waiting to be called.
 - Use a cell phone.
 - Use bad language or talk back.

The School of Government has been awarded a 2007 Gold Magnum Opus Award for Best Public Service Series and an Honorable Mention Award for Best All-Around Government Publication for recently retired faculty member Anne Dellinger's *Pregnancy and Parenting: A Legal Guide for Adolescents*.

The awards program, sponsored by *Publications Management* magazine and the Missouri School of Journalism, is the industry's leading competition in custom printing.

Pregnancy and Parenting was the fourth in a series produced by the Adolescent Pregnancy Project, which offers information on North Carolina law and resources to pregnant and parenting adolescents and those who care for them. Dellinger and Arlene M. Davis, assistant professor of social medicine at UNC at Chapel Hill, codirect the project. Contributors to *Pregnancy and Parenting* included School of Government faculty members Janet Mason and Jill Moore; former faculty member Anita Brown-

Graham; and Faith Lockwood, social worker for Winston-Salem/Forsyth County Schools.

School of Government editor Nancy Dooly was publications project manager and copy editor. Triangle-based Bilingual Communications translated the publication into Spanish, and editor Jennifer Henderson worked closely with the translators on this version, ensuring that quality-control measures were maintained. Designer Robby Poore employed audience-appropriate visual and typo-



Anne Dellinger, author



Nancy Dooly, editor and project manager



Jennifer Henderson, editor



Robby Poore, designer



Angela Williams, director of publications

graphical treatments to convey complex information in a manner accessible to teenagers, taking such unconventional approaches as removing the title from the cover so that adolescents who receive this publication from health care providers can carry it around discreetly.

In selecting recipients for the Magnum Opus Awards, judges evaluated submissions in 219 categories—looking at editorial, design, and publishing strategies—and issued prizes based on how effectively entrants shared their

vision with their clients. School publications were evaluated alongside those produced by such corporate giants as Halliburton, the Ford Foundation, Verizon, the Walt Disney Company, and RE/MAX International.

The award represents industry-wide recognition for publishing excellence and acknowledges that the School's publishing work ranks among the best in the craft.

Congratulations to the entire Publications Division on this important achievement.

A complete list of Magnum Opus award winners is posted online at www.magnumopusawards.com/award/magnumopus/doc/2007Winners.pdf. Details about the Adolescent Pregnancy Project are available online at <http://sog.unc.edu/programs/app/index.html>.



Opposite page: The discreet cover of the English edition of *Pregnancy and Parenting* and pages 34–35 from that edition. This page: Left, recipients of the Magnum Opus Award; below, the *Pregnancy and Parenting* cover and pages 34–35 in the Spanish edition. Graphics were colorful and well suited to the format of the text—in this case, questions and answers.



Ir al tribunal

¿Por qué tendría que ir al tribunal alguien de mi edad?

Tal vez tengas que ir por ejemplo, si te acusan de haber hecho algo ilegal o si te llaman como testigo.

- También puedes ir al tribunal porque quieres pedir algo. Por ejemplo:
 - Para conseguir manutención infantil para tu bebé
 - Para poder decidir por ti misma si quieres hacerle un aborto
 - Para obtener primas para tu bebé
 - Para emanciparte

¿A qué debo prestar atención si voy al tribunal?

- Es muy importante:
 - Presentarse el día en que te indican ser puntual
 - Decir la verdad
 - Prestar de antemano lo que vas a decir
 - Hablar con claridad
 - Ser respetuosa

¿Puedo librarme de ir al tribunal si es difícil llegar?

Si el tribunal espera que te presentes, debes presentarte. Si un juez te ordena ir al tribunal, debes hacerlo. Si no lo haces, el juez puede decir que has cometido "desobediencia al tribunal" y enviar a la policía para que te lleven al tribunal lo más pronto posible.

Si puedes hablar con un juez y no vas, el juez puede cerrar el caso y perderlo. La oportunidad de obtener lo que necesitas. Cada vez que se supone que te presentes al tribunal, debes hacer todo lo posible para comparecer con el actuario si no puedes hacerlo.

Así que, planifica de antemano. Busca una niñera si necesitas una. Ten planes alternativos si la persona que te va a llevar a la oficina te falla. Anota en tu agenda, tu jefe o cualquier persona a quien debes decirle que tienes que estar en otra parte. (Las escuelas deben excusar las ausencias para participar en un proceso judicial)

Si aun así no puedes llegar, consigue de llamar a la oficina del actuario y a tu abogado (si lo tienes) y explícalo por qué no puedes ir. Dado el juez te da en otro momento. Puedes encontrar el número del teléfono del actuario en la guía telefónica (por lo general, en las páginas azules) o en una lista con los números de teléfono del gobierno.

¿Puedo llegar tarde al tribunal?

No. Llegar tarde puede ser tan malo como no presentarse. Acuézate de saber dónde quedará el juzgado y cuándo debes que presentarte, y lleva tiempo para encontrar al sala como la demás del juzgado.

Si vas atrasada, llama a tu abogado y a la oficina del actuario para avisarles, y explícalo por qué.

¿Cómo debo prepararme para hablar con el juez?

Habla con personas que conocen el caso, que hayan ido al tribunal antes, o que hayan trabajado contigo. Practica en voz alta lo que tienes pensado decir y practica las respuestas a las preguntas que te pueden hacer.

¿Cómo debo hablar con un juez o un abogado en el tribunal?

Aquí hay varias cosas que debes tener presente cuando hables con alguien en el tribunal:

- Escucha lo que dice la otra persona. Puede que espas si no entiendes.
- Tómarte tu tiempo antes de responder.
- Si no sabes una respuesta, di "No sé".
- Habla con claridad, en voz alta y lentamente para que se entienda. Usa palabras simples.
- No trates de ser graciosa o sarcástica.
- No discutas ni te enojas.

¿Qué debo vestir (o no vestir) para ir al tribunal?

Una buena regla puede ser "no te vistes elegantemente, ni tampoco muy informal, ni modesta". La ropa empolvada, la ropa de fiesta, o la ropa que no cubre demasiado pueden atizar atención desfavorable. Evita los blusas que dejan la espalda al descubierto. Las faldas muy cortas, los jeans de corte bajo, los chándales, los pantalones o las camisetas con dibujos.

Evita los blusas que dejan la espalda al descubierto. Las faldas muy cortas, los jeans de corte bajo, los chándales, los pantalones o las camisetas con dibujos.

¿Qué se considera conducta respetuosa en el tribunal?

Es bueno

- Sentarse o pararse derecho
- Mirar a la persona que te habla
- Esperar hasta que él o ella termine de hablar antes de hablar tú
- Decir "sí" o "no"

No es bueno

- Comerse o chucharle mientras otros que te llamen
- Hablar por el teléfono celular
- Decir malas palabras o responder mal

The Influence of Organized Employees in North Carolina's Twenty-five Largest Cities

John Honeycutt



Little has been published about organized-labor activity in North Carolina's cities. Although many city managers and human resource directors know of employee organizations among their workers, no previous effort has been made to document systematically the existence and the activities of such organizations in the state's largest cities. This article offers some data on how employee organizations seek to influence management outcomes despite a statewide ban on collective bargaining. The article also reveals several avenues that these organizations may use to exert influence on management outcomes. Most important, the article identifies

The author, a 2007 graduate of the Master of Public Administration Program at UNC at Chapel Hill, is currently a student at the University of Tennessee College of Law. Contact him at js.honeycutt@gmail.com.

which employee organizations exist in North Carolina's largest cities and what organized activities they undertake.

History

The history of public-sector labor relations in North Carolina is inextricably linked to a state law that bans collective bargaining between public employees and public employers. The law provides as follows:

Any agreement, or contract, between the governing authority of any city, town, county, or other municipality, or between any agency, unit, or instrumentality thereof, or between any agency, instrumentality, or institution of the State of North Carolina, and any labor union, trade union, or labor organization, as bargaining agent for any public employees of such city, town, county or other municipality, or

agency or instrumentality of government, is hereby declared to be against the public policy of the State, illegal, unlawful, void and of no effect.¹

In 1969, in *Atkins v. City of Charlotte*, the U.S. District Court for Western North Carolina decided two important legal issues about public-sector collective bargaining.² First, the court upheld the state's ban on collective bargaining. Second, it overruled a section of the statute that prohibited public employees from belonging to unions. The court held that the latter prohibition violated public employees' First Amendment right to assemble freely. Since *Atkins v. City of Charlotte*, the legal relationship between public employers and public employee unions has not changed, leaving employees free to join unions but preventing public managers from entering into contracts with them.

Table 1. North Carolina's Twenty-five Largest Cities

Charlotte	630,478
Raleigh	356,321
Greensboro	236,865
Durham	209,009
Winston-Salem	196,990
Fayetteville	168,033
Cary	112,414
High Point	97,796
Wilmington	95,944
Asheville	72,789
Greenville	72,052
Gastonia	69,904
Jacksonville	69,688
Concord	62,587
Rocky Mount	57,057
Chapel Hill	49,919
Burlington	48,399
Wilson	47,380
Hickory	40,583
Kannapolis	40,223
Huntersville	38,796
Goldsboro	38,203
Monroe	30,871
Apex	30,208
Salisbury	28,480

Source: U.S. Census Bureau, Population Division, Population Estimates: Cities and Towns. Available at www.census.gov/popest/cities/SUB-EST2006-4.html.

North Carolina law does not prohibit conversations or consultations among public managers and representatives of employee unions, in what is commonly known as a “meet-and-confer” process. Broadly defined, this process refers to discussions between public employers and employee unions about the terms and the conditions of employment. The products of these discussions, if any, are not binding on either party.³

One city in North Carolina gives the manager formal authority to meet and confer with representatives of employee organizations. Its city policy reads as follows:

The City Manager is hereby designated as the spokesperson for the City of [omitted] in matters concerning employee relations under ordinary conditions. The City Manager, or his/her designee, is hereby empowered to meet and confer with employees. The

Table 2. Characteristics of Employee Organizations

Employee Union	Employee Association
<ul style="list-style-type: none"> • Is not-for-profit organization existing to represent interests of members • Is normally a chapter of larger regional or national union • Conducts regular member meetings and activities • Has formal organizational structure • Has formal authority structure 	<ul style="list-style-type: none"> • May be formally incorporated as not-for-profit organization • May be active on inconsistent basis, depending on issues that are of interest to employee members • Is limited to one city • Does not function as a chapter of larger union • Conducts irregular member meetings and activities • May have formal or informal organizational structure • May have formal or informal authority structure

final determination of employee policy rests with the City Manager.

North Carolina law clearly does not prohibit city managers from meeting and conferring with employee representatives. Neither does it require managers to meet and confer. This article does not delve into why managers do or do not meet and confer. The reasons likely depend on various community and organizational values in the largest cities in North Carolina.

Research Methodology

Data came from a survey that I distributed to the city managers of the twenty-five largest cities in North Carolina (for a list of the cities, see Table 1). These cities account for about 2.6 million residents and about 30 percent of the state's population. I developed the survey instrument through a literature review and interviews that I conducted with two retired managers of North Carolina cities to explore their labor-management experiences. I involved retired managers to avoid duplicative participation in the larger study.

I tested the survey instrument with three assistant managers from three of the twenty-five North Carolina cities. I asked assistant managers to participate in the pretests because they would be knowledgeable about the subject matter and their participation would not duplicate the targeted sample population. After each pretest, I eliminated questions that appeared unnecessary and revised other questions to reduce ambiguity.

I e-mailed the final version of the survey instrument in December 2006. Twenty-two managers responded, for a response rate of 88 percent.

Given the sensitive nature of the information that I sought, I assured the managers that I would keep their individual responses confidential. So I do not attribute any quotes in this article to particular managers, and I do not identify the names of cities in the data reported in Table 4.

Findings and Discussion

The results of the survey are organized into three categories: employee unions and employee associations, identifying which organizations are present in the twenty-two responding cities; organized activities, describing the range of organized activities undertaken by the organizations represented; and interactions with employee organizations, reporting the frequency of interactions between city managers and the employee organizations in their cities and sharing a range of opinions expressed by managers about the legitimacy of employee organizations. In each category, I first report the findings of the survey and then discuss those findings.

Employee Unions and Employee Associations

One manager (5 percent) reported no employee organizations and no organized activities of any kind. The other 21 managers (95 percent) reported that employee organizations were present, either as employee unions or as employee associations.

In general, an “employee union” is a formal organization that claims to represent the interests of its members. It has established internal operating structures and procedures. An “employee association” is an informal organization that also claims to represent the interests of its members, but it likely does not have established internal operating structures and procedures. Further, it is specific to a single city. (For more characteristics of the two types of organizations, see Table 2.)

The distinction between unions and associations is subtle but important. It challenges managers to recognize that representatives from large unions with chapters across the state and the nation are not the only employee representatives vying for a seat at the table. Managers also may be approached by representatives of employees who have created an informal association dedicated to achieving a few outcomes but having no intention of organizing into a formal group or affiliating with a larger national union.

Ten employee unions are active in 19 of the 22 responding cities (86 percent) (see Table 3), and 15 employee associations, in 6 of the 22 responding cities (27 percent) (see Table 4). Nearly all the employee associations (14 of 15, or 93 percent) exist among two groups of employees, police and firefighters.

Of the 25 employee organizations reported by respondents, only 4 (16 percent) represent employee groups other than police or firefighters: Black Public Works Employees Association, Teamsters, Transit Workers Union of America, and United Electrical Workers. The remaining 21 employee organizations (84 per-

cent) are divided nearly equally in their representation of firefighters and police (11 and 10, respectively).

The 15 employee associations were collectively present in about one-fourth (27 percent) of the responding cities. These results suggest that when organized activities occur in North Carolina cities, they sometimes are specific to a city and not necessarily related to state-wide or national organizing activities.

Organized Activities

Respondents described a wide variety of organized activities among both employee unions and employee associations (see Table 5). Nearly three-fourths of the responding cities (73 percent) reported organized activities among their employees. These activities take place in organizations of all sizes, and they appear whether or not managers think that “employee organizations legitimately represent city employees.” Organized activities may be as innocuous as employee meetings or as aggressive as work stoppages, which are illegal in North Carolina.⁴

Clearly there is a range and a diversity of organized activities across the responding cities. To highlight a few, dues collection occurs in 14 of the 22 responding cities (64 percent), either voluntarily (in 11 cities) or through payroll deduction (in 3 cities). The use of payroll deduction shows consistent interaction between city management and employee organizations at least at a basic level.

Also, representatives of some employee organizations meet not only with city managers but with city council members. Further, in 6 cities (27 percent), employee organizations vet or endorse candidates for city council. It is important to note that these data are based solely on reports by city managers in the 22 responding cities, not on reports by representatives of employee unions or employee associations in those cities.

Interactions with Employee Organizations

It is not safe to assume that a common sentiment exists among managers in this state’s largest cities about whether to meet and confer with employee organizations. Managers were asked to indicate whether they had met with employee organizations in the last two years. All 22 managers responded to this question: 9 (41 percent) indicated that they had, and 13 (59 percent), that they had not.

Managers also were asked whether they thought that employee organizations “legitimately represent city employees.” Thirteen managers responded to this question, 5 (39 percent) thinking that they do, and 8 (62 percent) thinking that they do not.

Obviously, managers of the largest cities disagree about whether employee organizations legitimately represent city employees. Some managers who do not think that employee organizations legitimately represent city employees have this opinion because they are uncertain whether employee organizations represent all employees. Two managers gave qualitative answers to this effect, and one more simply said, “The City of [omitted] does not recognize the representative nature of employee organizations or unions.” Another manager said,

We believe attempts to organize local government employees fall short of representing their total interest. We have created an environment of openness with our employees, which empowers them to bring any work-related issues they may [have] to the City Manager for review and consideration. We are fair and forthright with our employees in regard to our financial position and what we can and cannot afford.

All the managers who thought that employee organizations do not legitimately represent city employees indicated that they would meet with any employee individually to discuss the terms and the conditions of employment. They identified a range of issues that they were willing to discuss with employees individually, from grievance procedures to personal or family issues.

In contrast, some managers thought that employee organizations do “legitimately represent city employees” because

Managers of the state’s largest cities disagree about whether employee organizations legitimately represent city employees.



Table 3. **Employee Unions Present in North Carolina's Largest Cities (n = 22)**

Name	No. Cities	% Reporting
International Association of Fire Fighters	14	63.6
Fraternal Order of Police	14	63.6
Police Benevolent Association	8	36.5
United Electrical Radio and Machine Workers of America	4	18.8
International Brotherhood of Police Officers	2	9.1
International Brotherhood of Teamsters	2	9.1
Professional Fire Fighters Association	2	9.1
Transit Workers Union of America	1	4.6
North Carolina Association of Fire Fighters	1	4.6
Professional Fire Fighters and Paramedics of North Carolina	1	4.6

Table 5. **Organized Activities Reported in North Carolina's Largest Cities (n = 22)**

Activities	No. Cities	% Reporting
Employee meetings on or off city property	16	72.7
Literature distribution	14	63.6
Dues collection by employee organizations but not through payroll deduction	11	50.0
Employee representatives seeking meetings with city management	10	45.5
Employee representatives advocating directly to city council at public meetings	9	40.9
Employee representatives seeking meetings with council members	8	36.4
Vetting of candidates before election for city council	6	27.3
Endorsement of candidates for city council	6	27.3
Employee representatives meeting with city management	6	27.3
Employee representatives meeting with council members	5	22.7
Dues collection by payroll deduction	3	13.6
Campaign contributions to city council candidates	2	9.1
Work stoppages	2	9.1
Work slowdowns	1	4.6
No identifiable activities	5	22.7

they were confident that employee organizations include the city employees the organizations claim to represent. Two managers gave qualitative answers to this effect. Four of the five managers who thought that employee organizations legitimately represent city employees also were willing to talk to any individual employee about the terms and the conditions of his or her employment.

Conclusion

Collective bargaining between public managers and public employees is

illegal in North Carolina, yet employee unions and employee associations are present and active in most of the state's largest cities. The courts have affirmed that public employees have the right to belong to employee organizations, and North Carolina law neither forbids nor requires managers to meet and confer with representatives of employee organizations. The lesson for managers is that as long as a contractual agreement has not been reached between management and an employee organization, there is no set rule for how managers should conduct employee relations.

Table 4. **Employee Associations in North Carolina's Largest Cities (n = 22)**

Black Police Officers Association
Black Professional Fire Fighters Association
Black Public Works Employees Association
[City Name Omitted] Fire Fighters Association
[City Name Omitted] Peace Officers Association
[City Name Omitted] Police Association
[City Name Omitted] Police Club
[City Name Omitted] Police Protective Association
[City Name Omitted] Professional Fire Fighters Association
Emerald Society (police)
Female Police Officers Association
Fire Fighters Protective Association
Hispanic Professional Fire Fighters Association
Volunteer Fire Fighters Organization
Women's Professional Fire Fighters Association

Note: Names of cities have been omitted to affirm the pledge of confidentiality in collecting data for this study.

Notes

This article is based on research that I presented on April 20, 2007, at the Capstone Conference on Practical Research for Public Officials, School of Government, UNC at Chapel Hill. The full report is available from Susan Lynch at mpastaff@sog.unc.edu.

1. N.C. GEN. STAT. ch. 95, art. 12, § 98 (hereinafter G.S.).
2. *Atkins v. City of Charlotte*, 296 F. Supp. 1068 (D.C. N.C. 1969).
3. Joan Pynes and Joan Lafferty, *Local Government Labor Relations: A Guide for Public Administrators* (Westport, CT: Quorum Books, 1993).
4. G.S. ch. 95, art. 12, § 98.1, states, "[S]trikes by public employees are hereby declared illegal and against the public policy of this State. No person holding a position either full or part time by appointment or employment with the State of North Carolina or in any county, city, town or other political subdivision of the State of North Carolina, or in any agency of any of them, shall willfully participate in a strike by public employees."

Going Once, Going Twice . . . : Are Local Governments Sold on Online Auctions?

Kristen A. Bovid and Brandy N. Sparks

According to the National Association of State Procurement Officials, local governments often overlook the importance of materials management, including disposal of surplus and confiscated goods.¹ Yet the manner in which a local government disposes of such goods affects many aspects of the organization, including staff responsibilities, revenues, and storage space. In addition, disposal often is strictly regulated by law.

Recently, several vendors have made claims about their ability to increase revenues and provide additional benefits to local governments in this oft-overlooked area of property disposal. A representative for the online auction company GovDeals.com asserts that using it increases revenues while avoiding depreciation, pilferage, environmental waste problems, storage concerns, collusion, and transportation issues.² PropertyRoom.com, an online auction vendor of confiscated goods, claims that using its service results in revenues two to ten times higher than those from traditional auctions.³

Praise for online auctions of surplus and confiscated goods is not confined to vendors. A 2001 article in *Governing* magazine notes, “[G]overnments are finding that selling surplus goods online can be more efficient—and can bring in a lot more money than a traditional auction.”⁴

The authors are 2007 graduates of the Master of Public Administration Program at UNC at Chapel Hill. Bovid is a budget and evaluation analyst for the City of Winston-Salem. Sparks is pursuing a career in human resource management. Contact them at kristenbovid@gmail.com and brandy.sparks@alumni.unc.edu.

Definitions

Confiscated goods: Items seized by the police.

Surplus goods: Items or property once owned and used by local governments that is no longer useful or needed.

Does evidence support these claims of increased efficiency? Our study examined the use of online auctions at the local government level. We explored experiences in North Carolina cities and counties by asking the following questions:

- How are online auctions being used? Are they supplementing or replacing on-site, traditional auctions?
- What are the benefits of using online auctions for surplus and confiscated goods (for the difference between the two types of goods, see the sidebar on this page)? Does use lead to increased revenues and savings in staff time?
- What are the drawbacks of using online auctions for surplus and confiscated goods?
- What are factors to consider in choosing and implementing an online auction system?

We analyzed information from several sources. Website analysis of two major online auction companies, GovDeals.com and PropertyRoom.com, and personal interviews with the organizations’ executives helped us understand what these vendors offer to local governments.⁵ We also sent e-mails to registered clients of GovDeals.com and PropertyRoom.com.

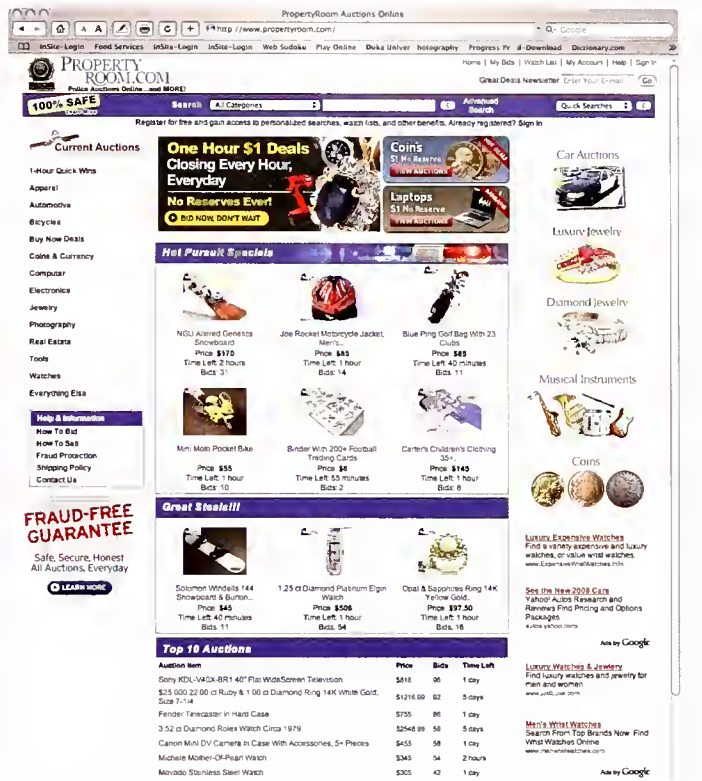
Further, we posted a request for information on the North Carolina Local Government Purchasing Listserv (hosted by the School of Government) to gather data on the use of online auctions across the state. We received responses from fifteen jurisdictions in North Carolina that currently use GovDeals.com and from four jurisdictions that use PropertyRoom.com.⁶

On-Site, Traditional Auctions

All responding local governments held on-site, traditional auctions before transitioning to online auctions. The majority hired an auctioneer and used their own staff to oversee the process, rather than going through a contracted company. Local governments reported on-site auctions lasting two to five hours, with all participating employees receiving overtime pay for time spent helping conduct the auctions.

On-site auctions have a number of advantages and disadvantages. Among the advantages are that they give potential buyers greater access to surplus items, and local governments are not burdened with the responsibility of transporting or shipping items after they are purchased. Also, local governments receive some form of payment immediately after the sale.

Increased staff time and overtime pay were cited as two significant disadvantages of on-site auctions. Not only do staff spend time categorizing and pricing items, but also they are responsible for advertising the auction to the community and preparing final sales data. Finally, local governments often must stockpile and store smaller items for up to one year to acquire a sufficient number of high-dollar items to attract a large audience. As a result, these items depreciate in value.



Online Auctions—Three Vendors

In contrast to traditional on-site auctions, online auctions can take place more frequently. Some local governments hold online auctions monthly, while others list items continuously. To list an item, a staff member or a contracted vendor uploads a photograph and a written description of the item. Some jurisdictions allow bidders to inspect items personally before making a bid, but typically bidders must rely on the description.

We found that the vast majority of responding local governments use online auction systems created by vendors, although at least one local government created an internal auction system. North Carolina local governments provided us with data on three vendors: GovDeals.com, PropertyRoom.com, and eBay. These vendors have varying fee schedules, services, policies, and audiences.

GovDeals.com contracts exclusively with government entities to auction surplus property online at www.govdeals.com. There are no fees or start-up costs

for local governments to sign a contract with GovDeals.com. The company's Web-based application allows clients to upload photographs and written descriptions about surplus items and establish opening and closing times for the auctions. GovDeals.com provides training to its clients and can typically get a new local government client up and running with an auction in under an hour.

Bidders must register and undergo a verification process before bidding. This policy keeps the default rate under 3 percent. If a bidder does default, GovDeals.com credits the client and allows the client to block the bidder from any future bids on its items.

The client pays GovDeals.com a fee of 7.5 percent of the highest bid for each item sold, with a minimum \$5.00 fee. Occasionally, the marketing department advertises large or unusual products at no charge to the client. For example, GovDeals.com advertised Kansas City's

On-site auctions have several drawbacks: staff time, storage costs, and goods' depreciation in value.

ten-year-old line of fire trucks in *Fire Chief* magazine and sent e-flyers to bidders who previously bid on fire trucks.

Whereas GovDeals.com enables local governments to create their own online auctions, PropertyRoom.com prides itself on being a full-service online auction site. It sends trucks to gather a police department's confiscated goods. Free, regular pickups are scheduled as needed. The goods are cleaned, organized, tested, appraised, and photographed at a distribution center before being auctioned online. After the auction has closed and the highest bidder has paid for the item, the company sends a check for 50 percent of the bid to the police department from which the item came. If an item does not sell, the company disposes of it.

Regarding verification of bidders, PropertyRoom.com requires bidders to register a credit card with the company. The company, rather than the local government, deals with defaulting bidders.

Table 1. **A Comparison of Three Vendors**

	GovDeals.com	PropertyRoom.com	eBay
Items Auctioned	Local government surplus goods	Local government confiscated goods, excluding weapons, hate materials, imitation brands, food, and alcohol	Nearly all items, except weapons, tobacco, and other dangerous materials
Fee Schedule	7.5% of bid with minimum \$5.00 fee; smaller percentage for items selling for more than \$100,000	50% of bid	Listing fee of \$0.20–\$4.80, plus 5.25% of bid for items selling for less than \$25.00, plus 3% of cost over \$25.00 for items selling for more than \$25.00 but less than \$1,000, plus 1.5% of cost over \$1,000 for items selling for more than \$1,000
Customer Service	New clients provided training, customer support desk available on weekdays, and free advertising provided for large and unusual items	Full service provided: items picked up, cleaned, organized, tested, photographed, and auctioned online for client	Training DVD available for \$7.95

In addition to auctioning goods, PropertyRoom.com invites people who have had property stolen to register it on www.stealitback.com. Incoming items are compared with the list, and goods are returned to rightful owners when possible.

Recently the company began allowing a limited number of third-party vendors to auction items online. It also launched a pilot program with a local government in California to sell surplus property.

Unlike GovDeals.com and PropertyRoom.com, eBay does not cater to local governments. Founded in 1995, it is open to any and all clients, bidders, and items. It is the most widely known and used online auction vendor, giving items listing on its site the potential to receive a great amount of exposure. With so many clients, however, eBay cannot provide hands-on training to new clients. Also, sellers are charged a listing fee ranging from \$0.20 to \$4.80 for each item to be sold, whether or not the item actually sells. Sellers are charged 5.25 percent of the highest bid for items selling for less than \$25.00. Items sold for more than \$25.00 but under \$1,000.00 are subject to a fee equal to \$1.31 plus

3 percent of the item's cost over \$25.00. For items over \$1,000, an additional fee is charged, equal to 1.50 percent of the cost over \$1,000. Of the three vendors detailed in our study, eBay has the lowest percentage fee, but it also provides the least customer service.

Clearly, the three vendors offer different services, require different fees, and target different audiences (for a summary, see Table 1). A local government should carefully consider these differences in selecting a vendor. The majority of cities and counties that responded to our questionnaire use only GovDeals.com for the sale of their surplus property. One jurisdiction, however, uses a hybrid system, selling items with broad appeal on eBay but listing items that are difficult to ship or used mainly by local governments on GovDeals.com.⁷

Findings

Among local governments that have adopted online auctions, online auctions appear to be replacing, rather than supplementing, on-site auctions. Of the fifteen local governments using GovDeals.com, ten replaced traditional auctions in

the same year that they adopted online auctions. Three allowed for a period of overlap between the two systems, typically one year, before abandoning the traditional auctions. Only two cities retained traditional auctions and now manage a hybrid system for disposal of surplus goods.

Use of online auctions for the sale of confiscated goods appears to be more limited. Only twenty-one jurisdictions in the state have signed contracts with PropertyRoom.com.

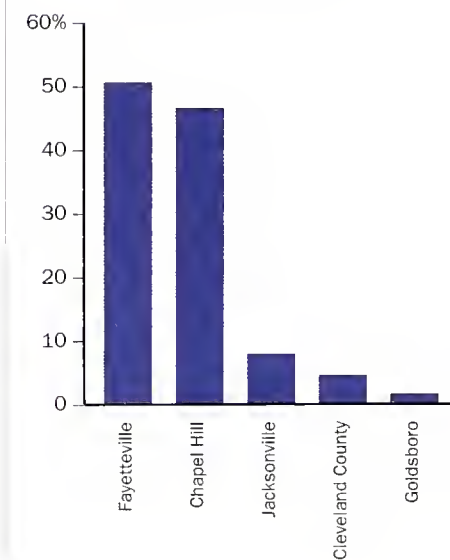
In addition to identifying patterns of use, we examined the two major purported benefits of online auctions: increased revenues and savings in staff time.

On the whole, increased revenues do seem to be a benefit of using online auctions. Results regarding savings in staff time are mixed.

We also heard anecdotal reports of other benefits, such as an increase in storage space. This appears to be especially helpful in evidence rooms of police departments, where space often is at a premium because of laws requiring evidence with DNA samples to be stored for lengthy periods.

We discovered an unexpected benefit while researching online auctions of surplus goods: a decrease in liability. According to a posting on the North Carolina Local Government Purchasing listserv, one city faced legal challenges

Figure 1. **Percent Change in Annual Net Revenues Using Multiyear Averages**



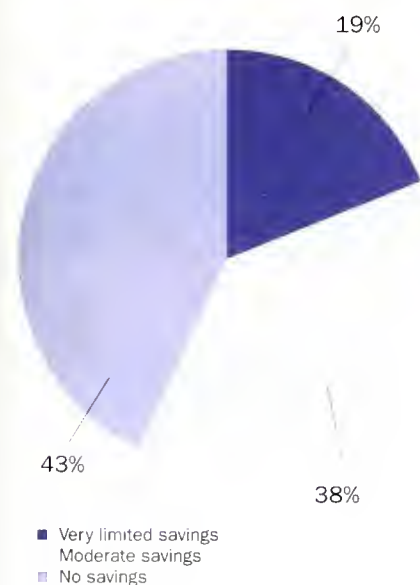
after a citizen was injured at an on-site public auction.⁸

We discuss our detailed findings regarding revenues and savings in staff time from the use of GovDeals.com and PropertyRoom.com separately in the following sections. We do not discuss eBay because we want to focus on online vendors that cater to local governments, and eBay does not.

GovDeals.com

We obtained data for multiple years of on-site auctions and at least one year of GovDeals.com auctions from five local governments. Many factors, including the types of items being sold and the weather, influence attendance and overall sales at on-site auctions. Using multiyear averages rather than revenue data from one single year can help smooth out yearly fluctuations and provide a more accurate representation. The average net revenue increase associated with the use of GovDeals.com for the five jurisdictions was 22 percent when multiyear averages were used and revenues were adjusted for inflation (for the individual increases, see Figure 1). This percentage corresponds to the low end of the “typical range of 25 to 40 percent” increase described to us by a GovDeals.com representative.

Figure 2. Savings in Staff Time Reported



There are many possible explanations for the 22 percent increase. The exposure to a much larger audience, sometimes accompanied by targeted advertisements, likely leads to higher bids. Also, on-site auctions are typically held only one time per year. If a vehicle becomes surplus property soon after an auction occurs, it must sit in storage for nearly a year. This storage time depreciates the value of the vehicle. Frequent online auctions mitigate against further depreciation. In addition, expenses are decreased. Items no longer need to be transported to an auction site, and employees do not need to be paid overtime.

Most local governments that we contacted attributed the increase to higher bids per item, rather than an increased quantity of items. However, there were no data to support these claims because none of the local governments could share with us average unit prices for commonly auctioned items. Also, the sustainability of the initial revenue increase is unclear because many of these jurisdictions just began using GovDeals.com.

Although overtime pay is not a concern with online auctions, we did not find evidence of significant savings in staff time. Fifty-seven percent of jurisdictions reported very limited or moderate time savings (see Figure 2). None of the reported savings amounted to a full-time equivalent. Staff in charge of online auctions often have added responsibilities, including photographing items, writing descriptions, and responding to bidders’ inquiries. One purchasing director explained how labor-intensive the process can be:

The online auction takes two hours or more per item or lot. This breaks down into locating the item or making up a lot, snapping a picture, getting all of the information about the item and then putting it into the GovDeals system. Before the closing date, I or the department averages about five calls asking questions that were not in the detailed information. When the item is sold, I average about three calls trying to get the

auction winner to my door to make payment. Then I must get the winner to the department where the item is located, and the winner needs help loading the item at least 80 percent of the time.⁹

Clearly, local governments should not expect major savings in staff time when they are beginning to use an online auction for surplus property. In fact, the most significant drawback we found to using online auctions for the sale of surplus goods was frustration among staff members.

PropertyRoom.com

As might be expected with the use of a full-service vendor, all four of the

PropertyRoom.com users that we contacted reported significant savings in staff time. None of these amounted to a full-time equivalent, but police departments do not typically

have staff devoted solely to disposal of unclaimed goods. When asked to comment on savings in staff time, one evidence custodian noted,

With the old way, not only would we have to list the items for auction, we would have to coordinate the sales, physically hold the auction with someone from the Finance Department, and sign over the items to the buyer while Finance took the money. Using the Internet, we reach a tremendous amount of people, and we don’t have to do two-thirds of the work.¹⁰

This savings in staff time translates into an increase in net revenues. The cities and the counties that we contacted have experienced very high expenses during traditional public auctions, largely because of overtime for police officers. For example, one respondent noted that 80 percent of the gross proceeds from the town’s 2003 public auction of unclaimed property went to covering expenses. Two local governments provided us with multiyear data from sale of confiscated goods. Revenues increased sharply with the use of the

If traditional auctions cost 50 percent or more of proceeds, the online approach may be better.

online auction vendor. Using multiyear averages, both cities experienced an average increase in net revenues of approximately 140 percent. One city has continued to see an increase for three years, suggesting the potential for sustainable increases.

Recommendations

After analyzing the data we received from cities and counties currently using online auction sites to dispose of their surplus goods, we offer the following observations and recommendations:

1. Keeping closer track of data from on-site and online auction sales could influence managerial decisions regarding current or future purchasing practices. Many of the local governments participating in this study kept relatively little data on their online sales of surplus goods, thereby limiting their ability to assess fully the benefits of this option. A particularly useful measure to track would be the unit prices for selected items (for example, sedans).

2. Police departments should assess the success of their current method of disposing of confiscated goods and consider the option of an online service specializing in police items. If expenses incurred with the department's current disposal method consume 50 percent or more of the proceeds from sales, the option might be warranted. For instance, PropertyRoom.com charges a 50 percent fee for its services, effectively capping a department's cost because nearly all usual expenses are eliminated. Not only would governments' confiscated goods

receive exposure to a larger audience on a national website, but also governments would free up storage space and staff hours otherwise spent dealing with auction-related issues.

3. Experimentation with online auction sites is relatively inexpensive and could reveal a better system of surplus property disposal. Our data suggest that local governments that switched from traditional public auctions to online auctions saw, on average, a 22 percent increase in revenues in the

Local governments that switched from traditional to online auctions saw a 22 percent increase in revenues in the first year.



first year of using online auctions. Given that there are virtually no start-up costs associated with using online auction vendors, we recommend that local governments consider registering and selling surplus items on secure and reputable online sites for at least one year to see if they receive additional revenues or other potential benefits associated with online auctions.

4. Local governments experimenting with online auctions should anticipate changes in staff responsibilities. Our study offers no evidence that using online auctions significantly reduces personnel costs in comparison with using traditional public auctions. Online auctions do not require as much staff participation as on-site auctions, but they do require at least one staff person to organize surplus items, maintain the online database, and ensure that payments are received and items picked up or delivered in a timely manner. A staff member assigned these responsibilities should, of course, be trained and compensated appropriately for the new duties.

Notes

We conducted our study for SOG faculty member David Ammons's course Productivity Improvement in Local Government. The full report is available from Susan Lynch at mpastaff@sog.unc.edu.

1. National Association of State Purchasing Officials, *State and Local Government Purchasing Principles and Practices* (Lexington, KY: National Association of State Purchasing Officials, 1997), 100.

2. Terry Bazzoon, "Selling Surplus Government Equipment On-line," *County Focus* 17, no. 1 (2006): 20–21.

3. PropertyRoom.com, Press Room, *Fast Facts about PropertyRoom.com*, <http://about.propertyroom.com/factsheet.html>.

4. Ellen Perlman, "Going, Going . . . Click!" Tech Talk, *Governing*, November 2001, www.governing.com/archive/2001/nov/techtalk.txt.

5. Steve Kranzusch (vice-president of marketing, GovDeals.com), interview by authors, September 28, 2006; Tom Lane (chairman and founder, PropertyRoom.com), telephone interview by authors, October 26, 2006.

6. The fifteen jurisdictions that provided us with data about use of GovDeals.com were Apex, Asheville, Buncombe County, Catawba County, Chapel Hill, Charlotte, Cleveland County, Davidson County, Edgecombe County, Fayetteville, Goldsboro, Hickory, Jacksonville, Monroe, and Winston-Salem. Currently, GovDeals.com has more than one hundred clients in North Carolina, including twenty-five counties. The four jurisdictions that provided us with data about use of PropertyRoom.com were Carrboro, Chapel Hill, Raleigh, and Winston-Salem/Forsyth County. Our study focuses on the jurisdictions that provided usable data in response to our request for information through the North Carolina Local Government Purchasing Listserv, by telephone, or by e-mail. Many other jurisdictions responded to our request, but the specific data we needed were unavailable.

7. Respondent from Apex, personal correspondence with authors, October 2006.

8. This information appeared in a posting by a City of Fayetteville employee on the following listserv: <http://lists.unc.edu/read/?forum=ncpurchasing>.

9. Respondent from Davidson County, personal correspondence with authors, October 2006.

10. Respondent from Carrboro, personal correspondence with authors, November 2006.



School of Government Launches New Online Bookstore

In July the School of Government's website launched a new online bookstore that offers a convenient way to search for and purchase publications. The new store provides a searchable database for customers and allows the School to process purchases and manage shipping and inventory more efficiently.

A significant feature of the new system is the ability to search for publications using a variety of criteria, such as topic, author, or title. Customers who search the site by topic, for example, receive a complete list and short descriptions of all related resources, from books and bulletins to *Popular Government* articles.

First-time customers create a personal store profile, entering information just one time and then storing it to make future purchases easier. The system tracks the status of orders and enables buyers to view a record of past purchases. Behind the scenes, the centralized system speeds up the time for shipment of orders and makes business processes more efficient and reliable.

Later this year the bookstore will expand again to include online registration for the School's courses and conferences.

Todd Nicolet, associate dean for information technology, commented, "The online bookstore improves our ability to get the best resources to the right people. Integrating courses into the system will make it even easier for clients to find and acquire what they need in a single visit to our website." To browse the online bookstore, visit the School's website at www.sog.unc.edu and click on "Publications" in the upper-right corner.



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School's Website Gets New Look; See It at www.sog.unc.edu

The School of Government's website has a fresh look. The redesigned site features improved navigation and new information that makes it easier for visitors to find what they are looking for.

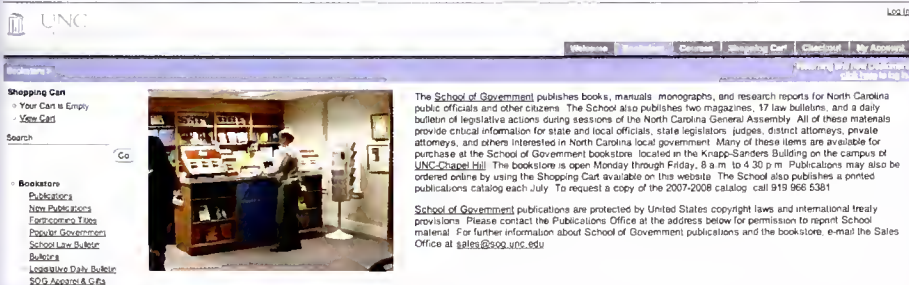
A "Courses and Resources" link on the front page offers an easy way to find educational resources within twenty-one broad categories:

- Civic Education
- Civil Law and Procedure
- Community and Economic Development
- Community Problem-Solving and Collaboration
- Corrections

- Courts and Judicial Administration
- Criminal Law
- Education Law
- Employment Law
- Environment
- Evaluation and Measurement
- Family Law
- Health and Human Services
- Human Resource Management
- Information Technology
- Juvenile Law
- Land Use Planning and Development
- Leadership and Governance
- Local Government Budget, Finance, and Taxation
- Local Government Law
- State Government

Each category features a Welcome page describing the School's work in that area and links to faculty and program personnel, related sites, courses and course registration, and publications.

Explore the new website at www.sog.unc.edu. To comment on the design or navigation, contact Todd Nicolet, associate dean for information technology, at tnicolet@sog.unc.edu.



The School of Government publishes books, manuals, monographs, and research reports for North Carolina public officials and other citizens. The School also publishes two magazines, 17 law bulletins, and a daily bulletin of legislative actions during sessions of the North Carolina General Assembly. All of these materials provide critical information for state and local officials, state legislators, judges, district attorneys, private attorneys, and others interested in North Carolina local government. Many of these items are available for purchase at the School of Government bookstore, located in the Knapp-Sanders Building on the campus of UNC-Chapel Hill. The bookstore is open Monday through Friday, 8 a.m. to 4:30 p.m. Publications may also be ordered online by using the Shopping Cart available on this website. The School also publishes a printed publications catalog each July. To request a copy of the 2007-2008 catalog, call 919.966.5381.

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As the School of Government completes the commemoration of its seventy-fifth year, Popular Government closes its yearlong series of articles on the institution's history with a profile of one of the earliest faculty members, who currently resides in Chapel Hill.



A Portrait of Elmer R. Oettinger Jr.

Ann Cary Simpson

My first job for Albert Coates was in 1937 when I was in law school," said Elmer R. Oettinger Jr. on a recent sunny September day. Elaborating in an earlier interview, he explained, "I researched and wrote the first *Guidebook*

The author is the School's associate dean for development and communications.

for Notaries Public. I was in on a great many things that happened very early."¹

A man of music, theater, letters, and law, Wilson (N.C.) native Oettinger brought to the Institute of Government a fine legal mind enriched by a wealth of creativity. He served the Institute at two quite different times in its evolution, 1939–41 and 1960–78.

Said Oettinger of his first introduction to the Institute, "Albert Coates [the Institute's founder] was the commencement speaker at my high school graduation. He had been my uncle's roommate at the University of North Carolina and was now a young law professor. Albert told us about his project, the Institute of Government. This was 1930."²

Oettinger entered UNC to study dramatic arts, but Coates regularly exhorted him to choose a new direction: "Albert would say, 'You've got to get rid of all this drama business, and when you do and become a good lawyer, I want you in the Institute of Government.'"³

Oettinger eventually earned four degrees from UNC: AB (1934), LLB (1939),



Top, Elmer Oettinger in 1966; above, Oettinger in 1960

MA (1952, in dramatic arts), and PhD (1966, in English). After earning his undergraduate degree, he continued his study of dramatic arts in graduate school at Columbia University, acted on and off Broadway, and wrote a full-length play, *The Pied Piper*, based on the life of Huey Long, Louisiana governor and U.S. senator.

Health problems forced Oettinger to return to North Carolina, where he "rested" by entering law school.⁴ Working

frequently for Coates while a law student, he officially joined the Institute staff following graduation in 1939. Coates later described Oettinger as “one of half a dozen men whom I have taught during the past decade who seemed to fit the exacting requirements of work on the staff of the Institute of Government.”⁵

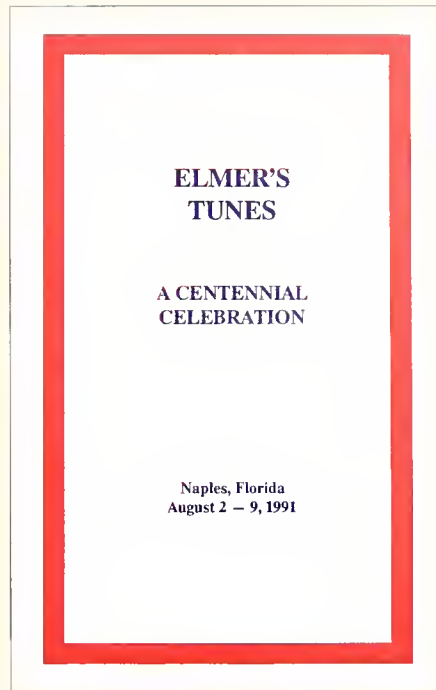
Oettinger’s first assignment was to cover the 1939 General Assembly as part of Coates’s Legislative Reporting Service. In spring 1941, he moved to Raleigh to become “the Institute’s man in the legislature” for the duration of the session.

“I would stay up until midnight writing,” he said, “to get the *Daily Bulletin* out the next day. George Riddle, Ashley Seawell, and others [fellow Institute faculty members] would come over and help when they could.” Oettinger also initiated a weekly *Legislative Bulletin*, produced with the help of former staff member Henry Brandis and colleague Dillard Gardner, who pitched in at night.⁶

When World War II broke out, Oettinger left the Institute for the U.S. Navy. His aptitude for breaking codes and ciphers took him to Honolulu, where he served on the staff of Admiral Chester W. Nimitz, commander-in-chief of the Pacific Fleet, at Pearl Harbor.

After the war, he returned to his home town of Wilson, where he first practiced law and then worked as a news director and commentator for Tobacco Radio Network stations in Wilson and WNAO in Raleigh. A highlight of his radio career was covering both 1948 political conventions in Philadelphia, at which he witnessed the Republicans’ nomination of New Yorker Thomas Dewey and the stormy “Dixiecrat” walkout of South Carolinian Strom Thurmond on the Democrats.

In the 1950s he was recruited to help plan and moderate *IDEAS*, a program that ran on the brand-new university educational station, WUNC-TV. Through his radio and television work, he interviewed an impressive list of national leaders and celebrities, among them Ralph Bunche, Jack Dempsey, Robert Frost, George Gallup, Frank Porter Graham, Paul Green, Basil Rathbone, and Margaret Truman. During this time, Oettinger earned his master’s degree and taught in the departments of English



Oettinger wrote humorous original lyrics set to forty-six popular tunes to help commemorate the Uniform Law Commissioners’ “Century of Service” in 1991.

and Radio, Television and Motion Pictures at UNC at Chapel Hill.

In 1960, finally responding to a series of invitations from Coates, Oettinger returned to the Institute as a specialist in free press and fair trial, open meetings, privacy, copyright, libel, and journalist’s privilege. As his career progressed, he also covered criminal justice, auto insurance law, and the Highway Patrol School. He was consulted regularly by members of the press, broadcasters, government personnel, and public information officers.

During this second term, one of his major contributions was development of the nation’s first News Media—Administration of Justice Council, beginning in 1964. Oettinger described the first meeting of the council as “a horrendous experience” of mixing people who had never worked with one another before and often found themselves on opposing sides of issues: “A phalanx of editors and broadcast newsmen sat across from a phalanx of lawyers and judges, while law-enforcement officials huddled at one far end of the table and I, having called the meeting, sat in glorious isolation at the other.”⁷

Under Oettinger’s guidance, the groups eventually discovered common ground,

and North Carolina’s council became a model for other states.

Oettinger also served as editor of *Popular Government* for twelve years. In fall 1978, just before his retirement, he coedited a special issue of the magazine devoted to press-government issues.

School faculty member Jack Vogt recalled, “The highlight of my work with Elmer was our joint editorship of the 1978 issue of *Popular Government* addressing the press-government relationship in North Carolina. Elmer’s contributions made that issue the best of my five-year stint as editor.”

“Elmer was a mentor to me in my initial years on the faculty,” said Vogt. “He was always very friendly and willing to share insights about the ‘traditions’ of the Institute of Government and our work with North Carolina state and local government clients.”

Vogt continued, “Elmer was one of those ‘pioneers’ who, in the Institute of Government’s early years, made Albert Coates’s dream a successful reality.”

After mandatory retirement from the Institute at age sixty-five, Oettinger continued in emeritus status to teach a law course and work with the American Bar Association on freedom-of-the-press issues.

In 1977, Governor James B. Hunt appointed him to the National Conference of Commissioners on Uniform State Laws, which goes by the acronym ULC, for Uniform Laws Commissioners. He was reappointed to this position by four succeeding governors and continues to be an honorary member. With the ULC, Oettinger traveled to Europe, Africa, Asia, Singapore, and Great Britain, as well as to many locations in the United States. In 1978 he chaired the ULC’s special committee to draft a uniform privacy act for state governments. As a member of the planning committee for the ULC’s centennial celebration in 1991, he brought his flair for humor and dramatic arts to the fore, writing forty-six songs for the celebration, all set to popular tunes. For the first verse of “See the USA,” for example, he penned these words:

*See the USA through the ULC,
America is waiting for our Acts.*



Left, Elmer and Mary Lib Oettinger (left and center) enjoy the Rock and Roll Hall of Fame with another delegate at the ULC's 1998 conference in Cleveland, Ohio; below, Elmer and Mary Lib Oettinger in 2004



*Keep the State law straight,
keep our product great:
America needs certain law and facts.
When the law's uniform, you can keep
harmony,
And bring better law that impacts.⁸*

During his tenure at the Institute and into retirement, Oettinger held an honorary membership in the North Carolina Press Association. In 1990 he received the association's prestigious William C. Lassiter First Amendment Award for promoting free speech and the First Amendment. The award cited Oettinger's initiation of an annual course on court news reporting at the Institute; his writing for a series of booklets with Judge Maurice Braswell to educate the public, especially students, about the media and the courts; and, in particular, his work with the News Media-Administration of Justice Council.

In his nomination of Oettinger for the Lassiter award, Sam Ragan, editor and publisher of *The Pilot* in Southern Pines, highlighted the council as being "the force which brought about a stable and workable relationship in press-bar matters in North Carolina."⁹

Throughout his multifaceted career, Oettinger enjoyed the strong support and encouragement of his like-minded

wife and family. Mary Lib, his dedicated partner of sixty-seven years, retired from a distinguished career in social work, including a term as president of the North Carolina Association of Social Workers. He and she are extremely proud of their sons, Brick, a UNC at Chapel Hill administrator, and Kenny, an attorney in Chapel Hill, and their sons' families.

Oettinger celebrates his ninety-fourth birthday in November 2007. The School congratulates and thanks him for his many outstanding achievements.

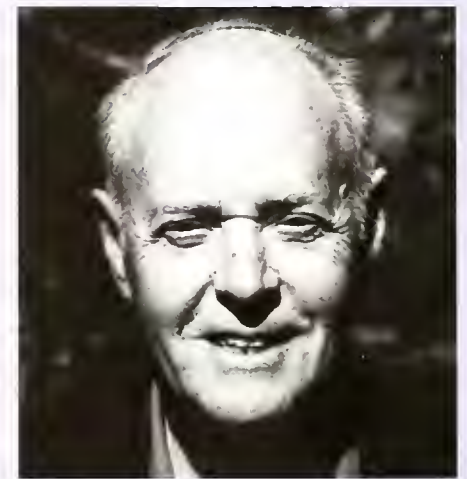
Notes

This article draws on interviews with Elmer R. Oettinger Jr. by the author in September 2007 [hereinafter Simpson interview] and by an interviewer for the Southern Oral History Program in March 2004 (on file in the Oral History Program, UNC at Chapel Hill) [hereinafter Oral History interview].

1. Simpson interview, Oral History interview.
2. Oral History interview.
3. *Ibid.*
4. Elmer R. Oettinger Jr., *IOGazette* (in-house newsletter of the Institute of Government), June 1979.
5. Albert Coates, letter to U.S. Navy Department, May 19, 1942.
6. Oettinger, *IOGazette*, June 1979.
7. Elmer R. Oettinger Jr., Remarks on acceptance of the Lassiter award, Kiawah Island, S.C., July 27, 1990, as reprinted in *The Southern Pines Pilot*, July 30, 1990.
8. Elmer R. Oettinger Jr., *Elmer's Songs* (a commemorative booklet of forty-six songs), produced for the Centennial Conference of the Uniform Law Commissioners, Naples, FL, 1991.
9. Sam Ragan, letter to Teri Saylor (North Carolina Press Association), May 3, 1989.

Heath Receives 2007 Newton Award

In April 2007, School of Government professor Milton S. Heath Jr. received the 2007 Newton Underwood Award for Excellence in Teaching from the School of Public Health, University of North Carolina at Chapel Hill. The award is presented to Environmental Sciences and Engineering (ESE) faculty members who exhibit the conscientious dedication to students and teaching typified by former ESE professor Newton Underwood.



Nominations, discussions, and a vote of ESE graduate students determine the award recipient. Heath was honored for his excellence in teaching, his knowledge of the course material, his relevant experience, and his interaction with students. Students' nomination comments included "Dr. Heath goes out of his way to make himself accessible to his students, and to communicate how much he cares about and enjoys them as individuals."

Heath has taught a graduate-level course in the ESE program since 1961. He joined the School of Government in 1957, where he specializes in conservation and environmental law.

Crowell, Markham, Smith Join School Faculty

The School of Government is pleased to welcome Michael Crowell, James M. "Jamie" Markham, and Karl W. Smith to its faculty.

Crowell joined the faculty in August 2007 as professor of public law and gov-

ernment, focusing on the law of judicial administration. He previously served on the faculty from 1970 to 1985, during which time he also was a consultant to the North Carolina Criminal Code Commission (1978–83), assisted various legislative study commissions, and was director of bill drafting for the General Assembly (1981).

From 1985 to 2007, he practiced law with Tharrington Smith, LLP, in Raleigh, specializing in administrative law, local government, elections, appeals, voting rights, redistricting, legislation, and mediation. Crowell took time out from practice for two years to serve as executive director of the Commission for the Future of Justice and the Courts in North Carolina and was principal author of the commission's 1996 report, *Without Favor, Denial or Delay: A Court System for the 21st Century*. He also was active in various other efforts at court improvement.

Crowell holds a BA from the University of North Carolina at Chapel Hill and a JD, cum laude, from Harvard Law School. He may be contacted at 919.966.4438 or crowellm@sog.unc.edu.

In July 2007, Markham joined the School as assistant professor of public law and government in the area of criminal law and procedure with a focus on the law of sentencing, corrections, and conditions of confinement. While working on his law degree, he served as a summer law clerk at the School in 2006 and as a summer associate for law firms in Greensboro and Raleigh.

Before entering law school, Markham spent five years in the U.S. Air Force, where he earned the rank of captain and served as flight commander and political-military analyst. He also was a travel writer for Let's Go, Inc., contributing to the Russia and Ukraine chapters of *Let's Go: Eastern Europe*.

Markham holds a BA in government, cum laude, from Harvard College and a JD from Duke University, where he was editor-in-chief of the *Duke Law Journal*. He may be reached at 919.843.3914 or markham@sog.unc.edu.

Smith joined the School full-time in May 2007 as assistant professor of public law and government specializing in economics and tax issues. Smith is the creator of An Interactive Model of North Caro-

lina's Tax Structure, commonly called the Tax Calculator. This spreadsheet allows a user to see present and future effects of changes in rates and bases of major state and local taxes in North Carolina.



Michael Crowell



James M. Markham



Karl W. Smith

Smith's work includes analyzing economic issues such as income tax, business tax incentives, economic impact of industries and businesses, and tax-change impacts that affect community and economic development in North Carolina. He also works on behalf of the School with the State and Local Fiscal Modernization Study Commission established by the North Carolina General Assembly. His responsibilities with the commission include research on the state's income tax structure, the relationship between the state and local governments in financing Medicaid, and the financial impact of proposed changes in the tax structure.

Before joining the faculty, Smith spent five months as a research associate at the School, working on tax reform issues. He also was a graduate fellow with the North Carolina State University Institute for Emerging Issues. He holds a BS and a PhD in economics from North Carolina State University. He may be reached at 919.966.9393 or karl@sog.unc.edu.

County and Municipal Government Publication Breaks New Ground

A new reference book, *County and Municipal Government in North Carolina*, became available in July 2007. The \$95 publication is the only comprehensive treatment of the legal foundations, organization, and administration of the state's counties and cities. This new publication updates and replaces two books, *County Govern-*



ment in North Carolina, last published in 1998, and *Municipal Government in North Carolina*, last published in 1996.

For the first time, this complete reference on North Carolina county and municipal government is offered as a CD-ROM and as individual articles that may, at no charge, be viewed on the School's website and saved to a personal computer for reference as nonprintable PDFs. In addition, the book may be purchased in loose-leaf format or as individual articles in PDF format.

A new online shopping cart now makes it possible for buyers to browse, search for, and purchase books or bulletins directly from the School's website. For more information or to make a purchase, visit the School's County and Municipal Government Web page, www.sog.unc.edu/pubs/cmng, or call the Publications Sales Office at 919.966.4119.

Visiting Professor McColl to Assist with Education Law

Ann McColl joined the School in August 2007 for a one-year term as a visiting associate professor. She is an attorney and an associate professor in the Department of Educational Leadership in the College of Education at UNC-Charlotte.

During her visiting term, McColl will conduct legal and policy research on the responsibilities of state and local government for North Carolina's system of public education. The purpose is to provide state and local leaders with a better understanding of the ways in

which roles have evolved over time and new ways in which existing roles could be defined.

McColl also will work with faculty members Robert Joyce and Laurie Mesibov to prepare and deliver the School's advanced training for local elected officials on education law and the public education system.

McColl has practiced law in Raleigh and has served as legal counsel and director of policy for the North Carolina School Boards Association and as legal counsel for the North Carolina Association of School Administrators. She is a graduate of UNC at Chapel Hill, where she earned a BA and a JD.

Brookshire Is Wicker Scholar for 2007-8

The School of Government congratulates Laura Brookshire, this year's recipient of the Warren Jake Wicker Undergraduate Scholarship.

Brookshire is a 2007 graduate of Brevard High School in Transylvania County. She graduated first in her class at Brevard and was a semifinalist for the University's prestigious Morehead-Cain scholarship. In high school she was an officer in the student council and participated in band, cross-country, and track. She volunteered extensively for community service organizations, including the Boys and Girls Club, Girls on the Run, and 4-H, in addition to tutoring elementary school students in reading and math. Her parents are employed by Transylvania County and Transylvania County Schools.

The \$1,000 scholarship is awarded annually to an entering first-year student at UNC at Chapel Hill with a parent who has worked at the local government level for five or more years. The next application deadline is April 1, 2008. For more information, contact Megan Dillin, UNC Office of Scholarships, at megan_dillin@unc.edu or 919.962.3620.

The scholarship was created by the 1990 Municipal and County Administration class to honor the course director, Warren Jake Wicker. Wicker was a member of the School faculty for forty-eight years—until his death in 2003.



Michael Zehle

Wicker Scholarship Available for First-Year Student Entering UNC at Chapel Hill in 2008

If you are a local government employee with a rising high school senior who has been accepted for next year by UNC at Chapel Hill, encourage him or her to apply for the Warren Jake Wicker Scholarship.

Each spring the UNC at Chapel Hill Office of Scholarships seeks first-year undergraduate applicants for this \$1,000 scholarship.

The student must have at least one parent who has been continuously employed full-time by a North Carolina city or county government for at least five years before January 1, 2008. The scholarship is awarded on the basis of relative financial need and academic promise.

To apply, send a letter of application to Wicker Scholarship, UNC at Chapel Hill Office of Student Aid, P.O. Box 1080, Chapel Hill, NC 27514. For additional information or to e-mail a letter of application, contact Megan Dillin at megan_dillin@unc.edu or 919.962.3620.

The application must be received on or before April 1, 2008.

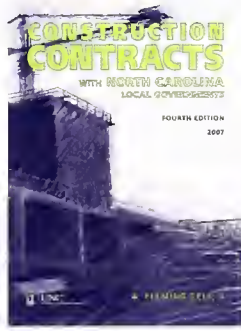
LGFCU
LOCAL GOVERNMENT
FEDERAL CREDIT UNION

Scholarships Are Available!

Members of the LGFCU are eligible for scholarships to cover tuition at School of Government courses. Applications are accepted year-round. The next deadline is December 1, 2007. For more information, call 1.800.344.4846, e-mail info@lgfcu.org, or visit www.lgfcu.org and click on Applications.

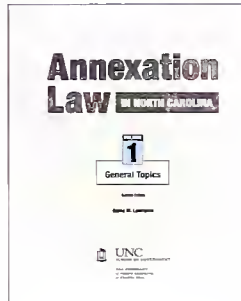
Off the Press

Construction Contracts for North Carolina Governments
Fourth Edition, 2007 • \$24.00*
A. Fleming Bell, II



This important handbook for those involved in the North Carolina local government construction process presents local government construction law in a readable format designed for quick reference. Its usefulness is enhanced by a new index and complete tables of cited cases and statutes. The book explains formal and informal bidding, standards for awarding bids, bid withdrawals, exceptions to the bidding procedures, and procedures for handling contract disputes. It also covers change orders; design rules; requirements for public buildings, including bidding rules and procedures for working with historically underutilized businesses (HUBs); and avoidance of favoritism in public contracts. The new, expanded edition updates and replaces the third edition, published in 1996.

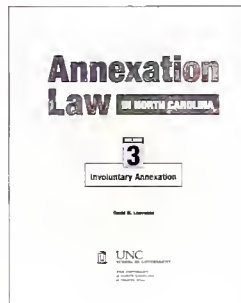
Annexation Law in North Carolina: Volume 1—General Topics, Second Edition
2007 • \$55.00*



Updated through 2006, this is the second edition of the first of three volumes on North Carolina annexation law. Volume 1 addresses topics that are relevant regardless of the statutory annexation procedure used by a city. Volume 2 addresses voluntary annexation, and Volume 3, involuntary annexation. Volume 1 is organized in approximate chronological order, as a city might work through an annexation. Chapters discuss the General Assembly's authority over and role in annexation law; matters that condition a city's power to annex; rules for annexations; the standing of various parties to challenge a completed annexation; a city's authority to repeal an annexation ordinance; and the effect of an annexation on existing services and service providers, various election matters, and city revenues. The 2007 replacement pages to the first edition are available to create the second edition, 2007.

Annexation Law in North Carolina: Volume 1—General Topics, 2007 Replacement Pages to the First Edition
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David M. Lawrence

Annexation Law in North Carolina: Volume 3—Involuntary Annexation
2007 • \$55.00*
David M. Lawrence



The third of three volumes on North Carolina annexation law addresses the state's involuntary annexation statutes, under which cities and towns are permitted unilaterally to annex territory that meets statutory standards of urban development. The book is a comprehensive treatment of issues that arise under the two involuntary annexation statutes, incorporating the numerous appellate cases interpreting the statutes and including practical pointers for statutory compliance. This is the final volume in the three-volume set on annexation law in North Carolina, joining Volume 1 on general topics and Volume 2 on voluntary annexation.

Recent Publications

County and Municipal Government in North Carolina
2007 • Book or CD-ROM format, \$95.00*
Edited by David M. Lawrence

Handbook for North Carolina County Commissioners
Third Edition, 2007 • \$20.00*
Joseph S. Ferrell

Introduction to Zoning
Third edition, 2007 • \$21.00*
David W. Owens

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