NYT: Appeals Court Rules Bloomberg Plan for 'Taxi of Tomorrow' is Legal.

A state appeals court on Tuesday ruled that a plan for a nearly uniform fleet of yellow taxis in New York City was legal, reversing a lower-court ruling and resuscitating a program enacted — and initially invalidated — under the Bloomberg administration.

Writing for the majority, Justice David B. Saxe of the State Supreme Court Appellate Division, First Department, said that the city's decision to require nearly all fleet operators to buy the same vehicle, a Nissan NV200, was "a legally appropriate response."

The plan, a cornerstone of Mayor Michael R. Bloomberg's transportation agenda, was blocked in October, when Justice Shlomo S. Hagler of State Supreme Court in Manhattan said that the Taxi and Limousine Commission had exceeded its authority with the mandate.

Though the departing administration hailed the cab's distinctive features, like transparent roof panels and "lower-annoyance" horns, critics seized on the choice of the Nissan because it was neither a hybrid nor wheelchair-accessible without modifications.

Mayor Bill de Blasio has opposed the vehicle, though his new taxi commissioner, Meera Joshi, was the commission's general counsel as it fought for the cab in court.

A spokesman for Mr. de Blasio did not immediately return a message seeking comment.

Ms. Joshi said in a statement that the commission was "still reviewing the ruling and its implications, especially in view of the potential for further appeal." She added that she was "gratified" by the court's view of the commission's regulatory authority.

The plaintiffs in the case, a group of yellow cab operators known as the Greater New York Taxi Association, said that the use of the taxi violates the Americans With Disabilities Act, a federal law, because the Nissan NV200 is a van; the act stipulates that for-hire vans must be wheelchair accessible, the group said.

"Fleet owners are now in the uncomfortable position of having to violate either local or federal law," Ethan Gerber, the group's executive director, said in a statement released Tuesday.

Many NV200s are already on the road, despite the absence of a mandate.

By MATT FLEGENHEIMER
JUNE 10, 2014

California Supreme Court Backs Red-Light Traffic Cameras.

SAN FRANCISCO — The California Supreme Court has ruled that images captured by traffic cameras are valid evidence against drivers who run red lights, in a victory for law enforcement over the use of the cameras that have often been met with public distrust.

The decision on Thursday, involving the case of a Los Angeles-area woman who sought to challenge a traffic ticket, ruled that pictures by automated cameras taken of motorists who enter an intersection on a red light can be legally presumed as accurate unless proven otherwise.

Critics say automated traffic cameras are more of a revenue-generating gimmick for local governments than effective tools for public safety.

The case involved a Los Angeles County woman who sought to appeal a $436 ticket she received after a traffic camera photographed her running a red light in the city of Inglewood.

Carmen Goldsmith argued that evidence from traffic camera images was a form of hearsay, but the court dismissed the claim by saying that hearsay could be committed only by a human, not a camera.

Goldsmith’s defense attorney sought to bring in the camera’s manufacturer for testimony about its dependability, but Chief Justice Tani Cantil-Sakauye said that was unnecessary.

“We have long approved the substantive use of photographs as essentially a silent witness to the content of the photographs,” she wrote in the decision.

Several local governments in California have stopped using cameras because of legal battles that arose when residents contested the validity of their tickets, said attorney Patrick Santos, who submitted a brief in support Goldsmith.

Santos said he expects to see a resurgence in traffic cameras across California as a result of the decision.

“They have green lit the red-light traffic ticket cases,” he said. “These companies are going to triple.”

The American Civil Liberties Union, which does not oppose the use of the cameras for traffic law enforcement, has raised concerns about how it could affect people’s privacy rights.

“These cameras have the potential to collect an enormous amount of data,” said Will Matthews, a spokesman for a California arm of the ACLU. “If law enforcement were to use the data for something unrelated, are they required to obtain a warrant? Because the public really needs assurance that technology like this is not going to be used in a way that would violate peoples’ privacy rights.”

By REUTERS
JUNE 6, 2014

(Editing by Dan Whitcomb and Mohammad Zargham)

Car-Ride Services UberX and Lyft to Compete in Miami.

What began as a civil campaign to change Miami-Dade County laws so passengers could hail car rides using their cellphones has, in the face of political opposition, evolved into an outright insurgency.

Ride-sharing service UberX plans to launch in the county Wednesday, joining Lyft, which began offering rides two weeks ago.

The cutthroat rivals will compete against each other while fighting on the same side against county government, which considers their business illegal. Regulators say they have already issued 11 fines to Lyft drivers.

Openly defying local laws amounts to a guerrilla blitz against Miami-Dade, though the dueling companies explain their strategy in much friendlier — and strikingly similar — terms.

“What we’re hearing more and more is an urging and an excitement to try to work to find a solution,” said Rachel Holt, a regional general manager for Uber.

Said Paige Thelen, a Lyft spokeswoman: “We’re committed to working with local leaders to pass new rules for this new, peer-to-peer industry.”

Uber lobbied county commissioners unsuccessfully last year to deregulate the car-service industry, which has long-established protections for limousine and — especially — taxicab operators. The San Francisco-based firm also tried to appeal to Florida lawmakers in Tallahassee, to no avail.

Neither Lyft, which is also based in San Francisco, nor Uber hires drivers or owns a fleet of vehicles. Instead, they’re technology companies that act as on-demand digital dispatchers. Passengers rely on the mobile apps to bring them together with drivers. The companies charge variable fares and take a commission for each ride.

Uber’s signature service, formally known as Uber Black, partners with independent drivers who own luxury cars. Those rides would compete with limos, for which county regulations cap the number of driver permits, require that rides be pre-arranged at least 15 minutes in advance and set a minimum fare far higher than for taxicabs.

UberX, the service launching at noon Wednesday by offering free rides through June 20, is not as upscale. Like Lyft, it connects drivers of regular cars (Uber says they must be “midsize”) to passengers looking for rides (hence “peer-to-peer”). Most drivers work part-time and, both companies say, are vetted to make sure they have licenses, pass background checks and have automobiles that are in good shape.

But even though these aren’t luxury rides, they still run afoul of the Miami-Dade rules requiring a permit per for-hire driver, according to the county. For cabbies, those permits are known as medallions, and they’re valued at hundreds of thousands of dollars.

Doing away with the permits, as Uber pushed to do, would make the value of those medallions plummet, taxicab companies have said. Ride-sharing services, with their ability to hike fares during peak times and to avoid costly insurance mandates, would also compete unfairly with cabs, whose rates and liability coverage are regulated, said Diego Feliciano of the South Florida Taxicab Association.

“The reality is that these people disguising themselves as shared-ride services are not a shared-ride service. Shared-ride service is people going to a common destination,” he said. “They’re being picked up with a phone call and taken from Point A to Point B, like a taxicab” — but without taxi safeguards, he added.

Michael Hernández, a spokesman for County Mayor Carlos Gimenez, said the mayor wants competition for taxis and limos, and more transportation options for residents and visitors, but his administration can't flout the law.

"Mayor Gimenez certainly wants to attract companies like Uber and Lyft to Miami-Dade County, but his position hasn't changed: As long as our regulatory code is what it is, he's going to continue to enforce what we have on the books," Hernández said.

Since commissioners on a transportation committee rejected legislation that would have opened the door to Uber and other companies, Hernández said, Gimenez has tasked one of his deputy mayors, Jack Osterholt, to take a look at regulations and perhaps once again push for changes.

It was already difficult earlier this year to get commission approval for basic taxi upgrades such as a requirement that cabs take credit cards. Feliciano said that political battle and the push by Uber have prompted more taxi companies to embrace e-hailing apps such as Flywheel and Hailo to attract more passengers.

In less than two weeks, the county's for-hire transportation regulators have issued 11 citations to Lyft drivers for failing to obtain a chauffeur registration and for operating a for-hire vehicle without a valid for-hire license, said Joe Mora, the division chief. That amounts to a total of $2,000 per citation.

Lyft's Thelen said the company, which has only been made aware of four citations, helps its drivers fight and pay for the fines. So will UberX, Holt said.

The competitors appear willing to take on the fines as a cost to break into the coveted Miami market, with its urban sprawl, throngs of tourists and fledgling tech scene eager to take advantage of ride-sharing services available in scores of other big cities across the country and the world. Though Lyft doesn't have a permanent office here, Uber is advertising for three Miami-based management positions.

While spokeswoman Thelen wouldn't release figures for how many drivers or rides Lyft has provided in Miami so far, she said the service has received a "positive response" from users who "can choose to leave their cars at home or when going to a work meeting during the day."

Holt, the Uber regional manager, reiterated that the company has tracked "tens of thousands" of users who have opened their Uber app in Miami only to find that there is no service here.

"It's high time there are transportation options in Miami," she said.

BY PATRICIA MAZZEI, MCCLATCHY NEWS SERVICE / JUNE 4, 2014

Houston City Council Delays Decision on Ride-Sharing Rules.

One of City Hall's most heated lobbying fights of the year will persist for at least another week after the Houston City Council delayed a vote Wednesday on new vehicle-for-hire regulations that would allow companies to connect riders with drivers via smartphone and tablet applications.

The suggested changes to Houston’s taxi and limousine laws follow more than a year of discussions among city staff, taxi and limo operators and the new companies, Uber and Lyft.

The proposed changes would place specific requirements on the independent drivers and the technology companies, which connect drivers willing to ferry people around with people looking for a ride. The companies must acquire permits to operate in the city and must carry $1 million in commercial liability insurance on its drivers. The drivers and the vehicles they use would face their own safety and inspection standards. Local cab and limo companies have fought the proposed reforms and remain opposed.

If the council approves the changes, Uber officials have said the firm could operate its existing Uber X service, as well as Uber Black, a private car service that teams the company with existing local limo firms.

Lyft’s future in Houston is less certain. A spokeswoman said the company is unwilling to use the driver background check system proposed by the city, which includes fingerprinting, believing its own procedure is better.

‘COVERED PROPERLY’

Lyft representatives circulated amendments to the proposal related to background checks this week, but no council member presented them on Wednesday. The amendments still could be put forth next week.

In discussing the measure before delaying the vote, council members focused largely on what have been key talking points for the cab industry throughout the debate: the new firms’ insurance coverage and their ability to accommodate those with disabilities, particularly those in wheelchairs.

“I’m not satisfied with what has been presented so far, and we need to make sure we have this covered properly with regard to people with disabilities,” said Councilman Robert Gallegos, who noted his brother is in a wheelchair.

Gallegos and Councilman Dave Martin both mentioned that the council last week passed an equal rights ordinance prohibiting discrimination against more than a dozen protected groups, including those with disabilities, and should be consistent.

Taxis must provide trips for disabled passengers, but the same demand is not placed on the so-called transportation networking companies, Yellow Cab lobbyist Cindy Clifford said.

Tina Paez, director of the city’s regulatory affairs department, told council members in a memo that the city plans its own tweaks to the ordinance, including one aimed at getting companies like Uber and Lyft to deploy wheelchair-accessible vehicles among 5 percent of their drivers.

Councilman Michael Kubosh was concerned that setting a goal to achieve accessibility would not produce access for the disabled.

“I have a goal to lose 100 pounds,” he said. “You can have a goal. No one is going to punish you if I don’t meet your goal.”

The council discussion also included mention of Uber and Lyft’s decisions to launch preemptively in February, despite city officials urging them to be patient.

160 CITATIONS

Councilman Mike Laster said Wednesday that 160 citations have been issued to the companies for operating illegally, 142 to Uber and 18 to Lyft; none has gone to court, he said.

"That just goes to show you these operators are operating illegally," Laster said. "Either we have ordinances that we enforce or we don't, and I think that's part of the discussion."

Councilman Ed Gonzalez, filling in as mayor pro-tem for Mayor Annise Parker, who was in Washington, D.C., on Wednesday, said.

"That's the purpose of why the administration has been working on this, to be able to have the tools and to make sure they spell out clear rules for everyone."

BY MIKE MORRIS AND DUG BEGLEY, MCCLATCHY NEWS SERVICE / JUNE 5, 2014

Memphis Mayor Touts Benefits of New Pothole-Fixing Machine.

Memphis has invested in the Pro-Patch machine, a truck that powers hydraulic cutting tools for removing section of road around potholes and carries heated asphalt mixed with tack.

Memphis' first Pro-Patch machine, a truck that powers hydraulic cutting tools for removing section of road around potholes and carries heated asphalt mixed with tack, costs about $125,000. Wharton hopes to get two more in the coming months, and said the machines will "pay for themselves."

"We can't afford not to" get these machines, Wharton said. "Folks who come here looking to invest ride up and down these streets, and if it feels like they are riding a bucking bull they are going to go to Birmingham or Nashville."
The mayor also defended the purchases by saying, "It's a matter of quality of life. Quality of life does not always have to have a dollar figure."

A major factor that has slowed the filling of potholes has been a lack of money, said Director of Public Works Dwan L. Gilliom.

"Street operations are paid for by the general fund," he said. "Over the last four or five years it has been cut by as much as 30 percent. Only until now have we been able to secure these high-tech vehicles."

These new trucks will allow workers to repair up to 100 potholes a day, Gilliom said. These numbers are not higher than the current method of filling potholes, but the quality of the fix is superior, he explained.

"The patches they place down will be a permanent fix," Gilliom said. "This will allow us to extend the life of our streets."

On average, there are four dedicated crews driving around their specific quadrants of the city fixing potholes daily, said deputy director Robert Knecht.

"Last year we filled about 40,000 potholes," Knecht said. "This year we have averaged about 1,000 a week. Our crews do respond to calls, but the vast majority of the potholes filled are ones the drivers found while on the job.”

In addition to purchasing the new trucks, the mayor also said the number of public works crews fixing potholes will double.

BY JONATHAN A. CAPRIEL, MCCLATCHY NEWS SERVICE / JUNE 5, 2014

Chattanooga, Tenn., is Proof Municipal Broadband Works.

Last month, FCC Chairman Tom Wheeler addressed net neutrality and municipal broadband, stating his organization would preempt states that wanted to prohibit local governments from offering locally owned broadband (20 states currently have such laws). Wheeler boldly declared the FCC would not allow the Internet to be divided into the “haves” and the “have-nots.”

The statement, made at a meeting of the National Cable and Telecommunications Association, unsurprisingly ruffled some feathers.

Among the dissenters is North Dakota Rep. Blair Thoreson, who, in a Governing VOICES column titled “Why the FCC Should Stay Out of the Local Broadband Business,” argues among other things that “Local governments almost inevitably lack business know-how, and in many noteworthy cases they’ve run their broadband networks into deep financial difficulties. Enormous operating losses and the mounting debts of local government-owned networks have had spill-over effects on local budgets.”

To this, I have two words: Chattanooga, Tennessee.

Several years ago, Chattanooga unleashed a beast: A fiber-to-the-home network spanning 600 square miles with 1 Gigabit-per-second speed available to all businesses, residences, and public and private institutions. The network is the fastest in the nation — approximately 50 times the speed of homes in the rest of the U.S. It not only allows for the novelty of 30-second downloads of a 2-hour high-definition movie, but has the potential to revolutionize public safety and enable the city to implement smart grid technologies.

Opposite from bankrupting the city or putting stress on taxpayers, it’s attracting businesses and industry to the area, helping to revitalize a community that once depended on pollution-heavy manufacturing. Developers, computer programmers, investors and entrepreneurs now call the city home.

Like Wheeler’s statement, Chattanooga’s plan had its dissenters and its journey was not without roadblocks.

Unlike other cities, Chattanooga’s end-game wasn’t originally high-speed Internet — it was electricity. The fiber-optic lines that enable the city’s superfast broadband were commissioned by the Electric Power Board (EPB), Chattanooga’s municipally owned electrical utility. EPB needed the fiber optic lines to build a state-of-the-art grid with smart meters on every home and business. While the cost was high — a total of $300 million — it was financially feasible if done in stages.

During this planning process, a realization was made that the new fiber-optic system could also be used for digital data, video and telephone services. This is where opposition brewed. Internet service providers, who had monopolized for decades, attempted to dissuade the city from investing in this infrastructure, arguing the plan would fail. They argued that even if it succeeded, it constituted unfair competition with private enterprise.

The city proposed these companies install a complete network of fiber instead, and offered to lease that network for its electrical utility needs, piggybacking off the private system. The response from these multi-billion dollar entities? “We can’t afford it.”

In the end, Chattanooga was sued four times by these providers and endured public relations campaigns to characterize the project as unfair and as dangerous intrusion into private affairs. The court ruled in the city’s favor despite the fact that Tennessee is one of the 20 states that preempts locally owned municipal broadband. The court’s reasoning was that the fiber was used to primarily manage the electrical distribution system and this gave it sufficient reason to move forward.

Economic stimulus programs in response to the recession specified “shovel-ready” infrastructure projects. Making good use of bad times, the city applied for and received a $111 million grant to compress the construction phase of the project and provide service quickly to the more economically distressed areas of the community.

As an act of good will, EPB avoided competing with existing businesses by undercutting its rate structure. Competition is instead based on quality of service and the digital product. In spite of its higher rate structure, EPB is the only provider with fiber connected to every home and business in Chattanooga and its surrounding area. As a result, EPB has claimed almost 40 percent of the local market for other digital services.

As FCC Chairman Wheeler said, we cannot allow the Internet to be divided into the “haves” and the “have-nots.” On a broader scale, city innovation cannot be stifled by its inability to invest in 21st-century infrastructure. As a city planner and a mayor, I always believed I could predict with some degree of accuracy what a new investment in infrastructure might produce. However, Chattanooga’s network exceeds what I thought possible and makes me excited for the future — it is a gift to be more fully utilized by future generations.

RON LITTLEFIELD | JUNE 2, 2014

From Washington, a ‘311 for Cities’

The new National Resource Network aims to help local governments find the experts and information they need.

Consumers everywhere have a voracious demand for customized data. And in just the past few years local governments have gotten remarkably good at responding. The growing proliferation of local 311 systems and where-is-my-bus-type apps allows citizens to quickly — if not immediately — get the information and guidance they need.

Remarkably, however, local governments do not have access to the same kinds of organization tools, platforms or information for their own use. Cities confronted with a range of persistent challenges — from pension liabilities to failing school systems — often lack the means to consult with the right experts or have the time to identify the federal programs, best practices or foundation initiatives that could help them.

In an effort to provide this kind of guidance for cities, the Obama administration recently announced the launch of the National Resource Network. A pilot program with an initial $10 million award from the Department of Housing and Urban Development, the initiative aims to be a one-stop resource for technical, policy and financial assistance for local governments.

The network will employ a distinct approach. Rather than starting with a bold new theory of urban change, it will be listening to what cities need first and then customizing the right action-based solution for them. The assistance will encompass three approaches:

On-the-ground assistance: Over a three-year period, the network will provide direct assistance to dozens of cities. Rather than a typical consultancy that is provided by one group, the network will form teams of assistance providers based on what cities truly need help with. Along with New York University and the International City/County Management Association, the leadership of the network includes non-profit and for-profit leaders — including Enterprise Community Partners, Public Financial Management Inc. and HR&A Advisors — with expertise across economic development, community development and public budgeting. Network teams will tackle a broad range of challenges related to economic turnaround.

Policy assistance: If the on-the-ground assistance is the retail strategy, there also will be a wholesale set of offerings that cities can easily tap into through the National Resource Network's website. This will include a clearinghouse of federal technical assistance programs as well as a curated library of toolkits and guidebooks that focus on the nuts and bolts of government reform and improvements.

"311 for Cities": Perhaps the most exciting effort the network is developing is what it calls "311 for Cities." This will offer timely, on-demand access to expertise and assistance. A city official will be able to log on to the network's secure site and ask for the best resources to meet a particular need, such as proven crime-reduction strategies, best practices in economic development, or model fiscal and operational plans. The network will review the inquiry and within three business days send an initial response including an online package of annotated resources and referrals. As needed, the network will arrange follow-up action. 311 for Cities is now available for approximately 50 communities and will be available to hundreds more in the next three years.

Creating a one-stop resource for city services is an ambitious agenda. But the National Resource Network is off to a serious start to guide cities to the people, resources and ideas they need.

Neil Kleiman | Contributor
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Virginia Orders Uber, Lyft to Stop All Operations.

The war between app-based ride-sharing services Uber and Lyft and the state of Virginia is escalating.

Earlier this year, Virginia officials slapped the app-based services with more than $35,000 in civil penalties for operating with out proper permits. On Thursday, Richard D. Holcomb, commissioner of the Virginia Department of Motor Vehicles, sent a cease and desist letter to both companies.

"I am once again making clear that Uber must cease and desist operating in Virginia until it obtains proper authority," Holcomb said in the letter.

Officials at both companies said they will continue to operate in the state, despite Thursday's order.

"We've reviewed state transportation codes and believe we are following the applicable rules," Lyft spokeswoman Chelsea Wilson said in an e-mailed statement. "We'll continue normal operations as we work to make policy progress.

Innovation Districts are Catalysts for Urban Growth.

For the past 50 years Silicon Valley and Research Triangle Park epitomized the environments where the nation's innovations germinated. Now, there's a noticeable shift to a new complementary urban model, unleashing exciting opportunities for cities and city leaders: innovation districts.

The National League of Cities and the Brookings Institution Metropolitan Policy Program have both observed how innovation districts are emerging in dozens of cities in the United States and abroad. From Barcelona to Baltimore, to Stockholm and Seattle, innovation districts represent a radical departure from traditional economic development (e.g., housing, retail, sports stadiums) and help cities move up the value chain of global competitiveness by growing the firms, networks and traded sectors that drive broad-based prosperity.

Innovation districts are places where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators and accelerators. They are also physically compact, transit-accessible and broadband-ready, offering mixed-use housing, office and retail. Their success reflects our increasingly complex world, which demands increased collaboration to understand and address problems with solutions that are more and more found at the boundaries between different fields.

In cities, innovation districts are growing in downtowns and mid-towns, where large scale mixed-use development is centered on major anchor institutions and a rich base of related firms, entrepreneurs and spin-off companies involved in the commercialization of innovation. Kendall Square in Cambridge, Philadelphia's University City and St. Louis' Cortex Innovation Community are all anchored by robust research universities and medical campuses.

Districts are also found near or along historic waterfronts, where industrial or warehouse uses are undergoing a physical and economic transformation to chart a new path of innovative growth. The South Boston Waterfront, San Francisco's Mission Bay and Seattle's South Lake Union area are seeing this type of growth.

How City Leaders Can Catalyze Innovation Districts

Leadership has been a crucial force underpinning the conception and development of innovation districts around the globe. Leadership is imperative, whether it comes from elected leaders as in Boston, a major real estate company as in Seattle, the manager of a research park as in Houston or a collection of institutions as in Detroit. In many cities, a clear leader or driver rallied others to the table and kept the vision alive. Local elected leaders are able to convene civic champions, the business sector, nonprofits and universities within the city to successfully catalyze and grow innovation districts.

In the United States, a handful of mayors have catalyzed the formation and evolution of innovation districts—a number that will likely grow over time. Former Seattle Mayor Greg Nickels played a critical role in the growth of South Lake Union, making key infrastructure decisions around transit, roads and energy. Former Boston Mayor Tom Menino's successful effort more recently to designate the South Boston Waterfront as an innovation district and steer its redevelopment in collaboration with a broad network of stakeholders is now being studied by mayors in an array of cities around the country as they seek to build upon their unique economic strengths.

Menino launched the Boston Innovation District with his 2010 inaugural address, and captured the impetus for its creation when he said, "Our mandate to all will be to invent a 21st Century district that meets the needs of the innovators who live and work in Boston—to create a job magnet, an urban lab on our shore and to harvest its lessons for the city."

How Land is Being Leveraged for Investment

A number of innovation districts have opted to change antiquated land use and zoning ordinances or assemble land in an effort to create the favored attributes of complexity, density and mixed uses and activities. Cambridge just outside Boston and Cortex in St. Louis, for example, developed master plans to address the challenges in physically redeveloping their districts. Under existing state statute, the City of St. Louis designated Cortex West Redevelopment Corporation the master developer of the innovation district, delegating powers over planning, development, tax abatements and eminent domain.

In Seattle's South Lake Union, efforts to transform a run-down, low-rise warehouse district into a thriving innovation district are paying off. In the aftermath of a failed referendum to approve a public park, Vulcan Real Estate assembled a substantial inventory of distressed properties in the area and began to lure key anchor tenants like the University of Washington Medical Campus to spark growth in life science companies. The city, for its part, worked closely with Vulcan and other stakeholders to make key investments around transit, congestion relief and energy and power. With the attraction of Amazon's global headquarters, the district has become a central hub of innovation for not only the city but the region.

Other investments, such as in schools and workforce training, are integral as many innovation districts are adjacent to low-income neighborhoods. Philadelphia, for example, is considering the smart use of school investments to prepare disadvantaged youth for good jobs in the STEM (science, technology, engineering and math) economy.

Boston has found that developing an innovation district does not require big spending or picking winners. Previous research conducted by the American Institute of Architects found that "spending time not money" can be as instrumental in driving the agenda. Mayor Menino and his staff—from planners to a small group of innovation district coordinators—negotiated developer deals to include shared work-spaces for entrepreneurs. They also developed social media platforms to cultivate networks across industries in an attempt to stimulate new ideas for the market.

While a strong market city, Boston chose to not pick specific industry sectors "and it's paying off," shared Nicole Fichera, manager of District Hall, a dedicated civic space where the innovation community can gather to share ideas. "Designers, software programmers, marketers, lawyers, bio-engineers and more have all found a supportive place to grow in the Innovation District."

What's Next?

As this decade unfolds, we should expect more cities to use their powers in the service of this new model of innovative, inclusive and resilient growth. The National League of Cities and the Brookings

Metropolitan Policy Program plan to work together to help cities and their leaders explore this model of innovation as they chart their economic future.

We invite you to learn more about innovation districts by attending the June 9 release of the Brookings paper, "The Rise of Innovation Districts: a New Geography of Innovation in America" To be held from 9:30 to 11:30 at the Brookings Institution, 1775 Massachusetts Avenue, NW (please RSVP at eochs@brookings.edu). The National League of Cities will send a short update when the research paper on innovation districts will be available to download.

Join the innovation district launch event in person or via live webcast on June 9: http://www.brookings.edu/events/2014/06/09-innovation-districts.

JUNE 2, 2014
by Brooks Rainwater
This post was written by Bruce Katz, Brooks Rainwater and Julie Wagner .

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[New Research Reveals Local Government Officials Need to Get Up to Speed on Parking.]()

DALLAS, Texas – June 2, 2013 – A new survey of city and county officials shows that more than half are unaware of new parking technologies that can help alleviate traffic congestion, promote sustainability, and increase revenues, but they are eager to bridge that knowledge gap.

Conducted by American City & County magazine with the International Parking Institute (IPI), the survey asked local government decision-makers, about their jurisdictions' parking challenges and knowledge of latest parking innovations.

Findings were presented at IPI's Municipality Smart Parking Symposium at the 2014 IPI Conference & Expo in Dallas, Texas, this week. The annual conference is the world's largest gathering of parking experts.

The survey revealed a significant need and desire for basic knowledge and guidance on parking. Most respondents were not familiar with today's parking technology and how it can benefit their municipalities.

Forty-four percent expressed dissatisfaction with their use of technology, and 55 percent said their city or county did not use any of 13 technologies listed in the survey. These included pay-by-mobile parking options; meters that accept credit cards; wayfinding and guidance systems that indicate space availability; systems that enhance traffic management through use of data collection and wireless technology; and sustainable solutions such as electric vehicle (EV) charging stations, solar panels, and motion-sensor lighting.

Surprisingly few cities and counties have undertaken a critical examination of their own parking operations. Just 30 percent had conducted a parking study in the last five years; 12 percent had never conducted a study; and 22 percent did not know if or when a study might have been conducted.

The study confirms what the parking industry, which has undergone a revolution in technology in the past few years, has long known. IPI's Emerging Trends in Parking Survey, research conducted annually among parking professionals, consistently identifies local government officials, along with urban planners and architects, as groups most in need of education about parking.

"There is a real disconnect here," explains Bill Wolpin, associate publisher and editorial director of American City and County. "Local government officials recognize the importance of parking to vital downtowns, resident and tourist satisfaction, reduced traffic congestion, and more liveable, walkable cities, but more than half are not aware of new technology and new approaches to parking that would offer assistance."

The study revealed a particular interest on the part of cities to incorporate sustainability initiatives, which nearly 70 percent of respondents cited as being important. Sustainability is also enhanced with new technology that makes it possible to find parking faster, thereby reducing emissions and fuel consumption.

"We will be working to bridge the gap between what city officials know about parking and the solutions parking professionals bring to the table," says Shawn Conrad, executive director of IPI. Conrad was encouraged that more than half the city officials surveyed indicated strong interest in "developing a strategic plan for parking," and that "collaboration between parking professionals and municipal decision-makers" was ranked among the top traffic-related trends having an impact on government."

Download the complete survey here.

BY HELEN SULLIVAN, INTERNATIONAL PARKING INSTITUTE / JUNE 5, 2014

The International Parking Institute is the largest trade association representing parking professionals and the parking industry. www.parking.org

This story was originally published by FutureStructure.

U.S. Supreme Court to Decide Key Cell Tower Siting Case.

The nation's top judiciary body will decide how thorough local governments need to be when informing telecommunications providers that their cell tower permit applications have been denied.

Cities and wireless providers have been at odds for years over how detailed written denials of cell tower permit applications should be. Some clarity is on the horizon, however, as the U.S. Supreme Court will weigh in on the issue later this year, setting the stage for a legal showdown that may have a significant impact on local governments.

Under federal law, municipalities are required to inform applicants in writing that a cell tower permit has been denied. But the lower courts are split on whether the "in writing" provision of the U.S. Telecommunications Act of 1996 (TCA) requires a separate explanation from a municipality for that denial. While it may be a narrow issue, the remedy for failing to meet the requirement is the granting of the permit. So even if a city decides a tower isn't appropriate, the company would get permission to build it anyway, usurping local decision-making power.

The nation's high court will hear arguments in T-Mobile South v. City of Roswell, Ga., a case where the city issued a letter to T-Mobile denying its permit application and informing the company it could obtain hearing minutes where councilmembers explained their reasoning from the city clerk. T-Mobile sued, claiming the notification did not meet the "in writing" provision of the TCA.

The lower courts involved in the case ruled in favor of T-Mobile. On appeal, however, the 11th U.S. Circuit Court of Appeals disagreed with the ruling, overturning the decision.

According to Lisa Soronen, executive director of the State and Local Legal Center, the federal appeals court relied on a plain reading of the statute. The court's decision noted that the TCA doesn't say that the cell tower permit decision must "'be in a separate writing,' a 'writing separate from the transcription of the hearing and the minutes of the meeting in which the hearing was held,' or 'in a single writing that itself contains all of the ground and explanations for the decision.'"

As a result, the U.S. Supreme Court will determine whether a document from a state or local government stating that an application has been denied, but provides no reason for the denial, satisfies the requirements of the TCA.

Lani Williams, general counsel of the LGL-Roundtable, a group that assists municipalities on complex legal issues, admitted that many local government attorneys and advocates were caught off guard by the U.S. Supreme Court taking the case.

While the high court regularly takes up issues where there is disagreement between various federal circuit courts or between federal and state courts, Williams explained that she and other attorneys that work on telecom matters on a regular basis didn't feel the "in writing" debate was urgent enough to be tackled on the "big stage."

A number of lower courts have ruled over the past few years that a written decision explaining the reasoning on cell tower siting permit applications was necessary. And while municipalities were doing their best to comply based on case law, Williams argued the task is difficult for many smaller communities because a clerk not versed in telecommunications law has to try and go through a huge verbatim transcription and pull out every reason why an application was denied.

And if the clerk or city employee makes an error and doesn't interpret the reasoning correctly, Williams said it could inadvertently lead to a lawsuit where the judicial remedy is to push the permit forward instead of re-starting the permitting process or amending it.

"We'd rather just say, 'Here's your transcript, you can read it just as well as anyone else can, and these are the reasons we denied it,'" Williams said. "Instead of repeating it in a one- or two-page letter written by a clerk, who may get it wrong."

Jonathan Campbell, director of Government Affairs for PCIA – The Wireless Infrastructure Association, disagreed. He called the example of a clerical error "a bit extreme," and argued that the "in-writing" provision is meant to give clarity to wireless providers so they know the "rules of the road" for the particular jurisdiction on why the application was denied and what can be changed in the future to gain approval.

"I think it's beneficial for just about everybody involved, because it allows the municipality to clearly state the grounds … and it saves the municipality time as far as litigating the case with the carriers," Campbell said. “It [also] saves carriers time as far as getting a clear decision on their applications.”

Williams, however, was steadfast in her belief that local governments’ decisions regarding cell tower siting shouldn’t be overturned because wireless providers want municipalities to spoon-feed them

“None of us like dropped calls and we get frustrated,” she said. “But on the other hand, in whose backyard are those cell towers going to go? I believe in local control. And if a community decides it is OK with a few dropped calls in favor of the aesthetics that they want … if they go through that calculus, they should be entitled to have their decision be upheld.”

Brian Heaton | Senior Writer
Brian Heaton is a senior writer for Government Technology. He primarily covers technology legislation and IT policy issues. Brian started his journalism career in 1998, covering sports and fitness for two trade publications based in Long Island, N.Y. He’s also a member of the Professional Bowlers Association, and competes in regional tournaments throughout Northern California and Nevada.

Burger-Flippers of Seattle to Savor Taste of Victory: Muni Week.

A $15 minimum wage is about to become more than just a fast-food worker fantasy. Cities are posting help-wanted signs again. And Illinois lawmakers are walking away from a $2 billion budget shortfall until after Election Day after the customary ritual of self-flagellation. So it goes this week in U.S. states and municipalities.

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Today, the Seattle City Council is poised to give final approval to phasing in a $15-per-hour minimum wage, which would be enough to lift a family of five out of poverty. The wage would be the highest of any big U.S. city — sought by unions, activists and fast-food workers, thousands of whom walked off the job last year.

Burger flippers aren’t the only ones tasting victory. Michigan, which angered unions by rolling back their power to collect dues, last week became the first Republican-controlled state to have lifted the minimum wage this year, pushing it to $9.25 over the next four years.

Seven states have enacted increases this year. Citing stagnant wages and a growing gap between the rich and poor, advocates are pursuing similar increases in Oakland, San Diego, Chicago and beyond.

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Dismissals. Benefit cuts. Early retirement. The Great Recession took its toll on teachers, firefighters, and other civil servants. State and local governments eliminated 784,000 jobs.

Their finances on the mend, cities and states have been slowly adding jobs again since last year. The latest indication of whether the trend is continuing will come June 6, when the Labor Department releases its employment report for the merry (maybe) month of May.

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Illinois, burdened by growing pension bills, already has the lowest credit rating among U.S. states. Lawmakers say their own actions put the state at risk of sinking even lower.

Facing re-election, they passed a budget that allows a record tax increase to expire, as planned, on Dec. 31. They left unresolved how to make up for the $2 billion in lost revenue, a matter they probably have to take up again after November. Keep your eyes on those rating companies. This sort of thing is like catnip to them.

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Public officials are becoming reticent to spend money they haven't already collected from taxpayers. They're selling fewer bonds to pay for projects such as roads and bridges and senior centers.

The municipal market has shrunk for the past three years, according to the Federal Reserve Board, which will release its latest tally June 5.

Investors benefit from the scarcity. Last week, benchmark, top-rated 10-year municipal bond yields edged down about 0.05 percentage point last week to 2.25 percent, the lowest in a year.

Municipal borrowers are set to sell $4.7 billion of bonds this week, down from about $5 billion last week.

The Colorado Regional Transportation District is seeking to raise $431 million, according to Bloomberg data. And the Miami-Dade County Expressway Authority is selling $340 million of securities.

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Earthquakes. Wildfires. Legislative gridlock. Budget shortfalls. Cash-starved schools. "Omega Man."

This has all been part of life in California — part dystopic, part idyllic — until recently. The legislatively induced chaos, at least, is fading.

In the state that started a national tax revolt, voters consented to pay more to avoid deeper cuts to schools and other services. And the budget can now be passed by a simple majority, putting an end to regular crises that attended it.

On June 3, primaries for governor and other statewide offices will be decided for the first time by a method aimed at allowing a more moderate brand of politician to flourish.

Instead of Republicans picking Republicans and Democrats picking Democrats (which forces candidates to appeal to strong partisans), voters can pick candidates of any party. The top two face off in November.

Democratic Governor Jerry Brown is in the lead. Also running: Republican Assemblyman Tim Donnelly, whose backed by the Tea Party, and Neel Kashkari, a former banker and Treasury official who oversaw the bank bailout that inspired some of his opponents' supporters.

By William Selway Jun 1, 2014

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Justin Blum

Minimum Wage Increases Advance From California to Seattle.

Unions and other advocates of higher minimum wages saw advances in California and Seattle as President Barack Obama's call to raise the federal minimum languishes in Congress.

California would increase the state's minimum to $13 an hour by 2017, the highest state rate in the nation, under a bill passed yesterday by the Democratic-controlled state Senate. Seattle's city council signaled approval of a $15 minimum yesterday, the highest of any big U.S. city and more than double the federal standard of $7.25.

The campaign for higher minimum wages, originally a rallying cry of fast-food workers who staged strikes last year, has gained momentum in states and cities as Obama's proposal for a $10.10 wage has stalled. Thirty-four states are considering increases, according to the National Conference of State Legislatures. Chicago lawmakers introduced a bill this week to adopt a $15 minimum wage.

"It's not even paycheck-to-paycheck anymore, it's paycheck to pawnshop," Kshama Sawant, a socialist elected to the Seattle council last year, said at a meeting where members of a committee on wage inequality approved the bill.

The measure had the support of all seven members present, making a full vote of the nine-member council next week a formality.

The California bill must still pass the Assembly, also controlled by Democrats. It's not clear whether Democratic Governor Jerry Brown would sign the bill since he enacted an increase last year to $10 an hour by 2016.

Home to Starbucks

The Seattle increase would take effect starting next year. The required hourly minimum jumps to $11 for Starbucks Corp. (SBUX) and other large employers, then escalates to $15 for all businesses by 2021.

Cities including San Francisco, at $10.74, and Washington, D.C., where the wage will reach $11.50 by 2016, have also required higher pay, according to the National Employment Law Project.

Supporters point to evidence of stagnant family wages and academic studies showing the gap between rich and poor at the highest since the 1920s.

The opening passage of Seattle's legislation cites Thomas Piketty, the economist whose bestselling book, "Capital in the 21st Century," has stoked debate about inequality this year. Adjusted for inflation, wages for most U.S. workers have been mostly unchanged since the 1970s, while those of the top 1 percent of earners rose 165 percent, according to Piketty.

Restaurants Oppose

Seattle restaurants, hotels and other employers have objected to higher wages, saying they could raise prices, lead to job losses and force smaller shops operating on low profit-margins to close.

Pay for day-care and home health workers will also rise, potentially leading to "tens of millions of dollars" in higher costs for government agencies, according to the Washington state treasurer, Jim McIntire.

“The cost to the state of a number of social services would actually go up,” McIntire said in an interview March 25. “The question is, is that something we’re ready to step up to and deal with?”

Academic studies commissioned by Seattle Mayor Ed Murray showed a small effect on restaurant prices: about 0.7 percent for every 10 percent increase in the minimum wage.

Fastest Growing

The Seattle legislation contained several measures intended to soften the blow on smaller businesses, including allowing them to include tips and health care benefits in the wage calculation for several years.

Seattle’s economy has been growing briskly, with cranes erecting new skyscrapers for Amazon.com Inc. and other large employers changing the skyline. The population growth of 2.8 percent from July 2012 to July 2013 was the fastest among the biggest 50 U.S. cities, the Census Bureau says.

Growth is so strong that wages may have risen even without the measure, said Kurt Dammeier, owner of Beecher’s Handmade Cheese, a seller of artisan cheese in Pike Place Market.

“It isn’t as high a drama as it sounds on paper,” he said. “It is getting increasingly hard to hire people with any skills below $15 an hour.”

The Seattle area is home to several companies known for paying above-average wages and benefits, such as Starbucks and Costco Wholesale (COST) Corp., where hourly workers get an average of $20.89 an hour, not including overtime.

Job Killer

“While we have not taken a position on this proposal, we support efforts to increase the minimum wage,” Starbucks spokesman Jim Olson said by e-mail. “Starbucks already pays above the minimum wage in every market we serve and we are committed to doing more going forward.”

Washington state has the country’s highest minimum wage, at $9.32, due to an initiative passed in 1998 that linked the state minimum to the cost of living. Opponents including restaurants and bars warned it would be a job-killer.

In the 15 years following its passage, the state’s job growth continued at an average 0.8 percent annual pace, 0.3 percentage point above the national rate. Poverty has trailed the U.S. level for at least seven years. Payrolls at state restaurants and bars expanded 21 percent.

By Peter Robison and Michael B. Marois May 29, 2014

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[Salesforce Meets FedRAMP Compliance for Saas, PaaS.]

Just in time for federal agencies’ deadline to meet a new set of cloud security standards,

Salesforce announced today that its cloud offerings are Federal Risk and Authorization Management Program-ready.

On June 5, federal agencies using cloud systems will be required to meet Federal Risk and Authorization Management Program (FedRAMP) security standards for these systems. While the program was designed to create a standardized system to ensure the security of cloud deployments, it has put much strain on agencies and vendors as they worked to meet the deadline. But on May 30, eight days before the deadline, Salesforce announced that it is the first vendor to offer FedRAMP approved services for both platform-as-a-service (PaaS) and software-as-a-service (SaaS).

“What’s significant for our government customers is that we’re really now offering [them] a choice when they leverage Salesforce,” said David Rey, senior vice president of public sector for Salesforce. “They can use our No. 1 customer relationship management software on our platform, or they can leverage our world class Salesforce1 platform to do their own custom development to build their applications to reach their employees and the citizens in a whole new way.”

This announcement is one that Salesforce’s government customers have been looking forward to, Rey said, noting that it’s also an opportunity for them to attract new business. “[The] Salesforce1 platform is really like the next generation systems platform for connecting government,”

Is President Obama's Wi-Fi Goal Realistic?

Cost estimates show that the Wi-Fi goal will take a major increase in E-Rate dollars.

For the Federal Communications Commission to bring high-speed wireless access to 99 percent of students in four years, it will need some political courage — and $3.2 billion.

In a ConnectED initiative announced last year, President Barack Obama called on the commission to not only increase high-speed broadband, but also high-speed wireless through its E-Rate program, which funds telecommunications, Internet, internal connections and connection maintenance in schools and libraries.

The problem is that everyone ignores the Wi-Fi and local area network aspect of connectivity, said Keith Krueger, CEO of the Consortium for School Networking. And no one really knew what wireless network upgrades schools needed and how much they would cost. That’s where the Consortium for School Networking and the non-profit EducationSuperHighway come in.

1. Add a minimum of $800 million in new E-Rate funding each year for local area network, Wi-Fi and core wide area network upgrades. This funding should be distributed to schools and libraries based on what each campus needs to bring the network up to snuff.

Total: $3.2 billion over the next four years

2. Set aside part of this new funding to cover any schools that overestimated their network readiness.

If the commission follows these recommendations, it could make the Wi-Fi portion of Obama’s ConnectED vision a reality by 2018. The commission has expressed interest in modernizing and potentially increasing E-Rate funding if the Consortium for School Networking could demonstrate a need for it in schools and provide an estimate of how much it would cost to meet those needs.

“For the first time, we have real data about what the gap is in where we are today and what it will cost to get to the president’s vision for this aspect,” Krueger said.

To get the numbers behind these recommendations, the two organizations consulted with more than 50 chief technology officers – in addition to equipment vendors and networking experts – to figure out a list of equipment that schools would need for robust wired and wireless networks. Then they researched the amount of equipment needed and estimated the cost of the equipment through price lists, vendor discussions and district purchasing experiences.

For example, each classroom needs about 1.2 wireless access points at a cost of $520, while one internal core switcher/router costs $12,500 for a medium-sized district of six to 15 schools. The cost estimates include potential labor costs for big jobs like installing wiring, but do not include network design, configuration or operational costs because they vary so much.

In addition to equipment numbers, the organizations needed to get a sense for where schools stand in their network readiness. With data in hand from the consortium’s E-Rate and Broadband Survey of more than 460 people last fall, they suggested that the commission should focus first on upgrading the 57 percent of schools that don’t have robust wired and wireless networks. They estimated that 40 percent require network switch upgrades and 26 percent require fiber backbone upgrades, for example.

If the Federal Communications Commission can come up with the funding of at least $800 million over the next four years, Obama’s goal is realistic. But to maintain good connectivity moving forward, EducationSuperHighway and the Consortium for School Networking suggest that this funding level should continue beyond 2018.

“It’s very realistic if we have the political will to do it,” Krueger said.

This story was originally published by the Center for Digital Education

Tanya Roscorla | Managing Editor, CDE

Tanya Roscorla covers education technology in the classroom, behind the scenes and on the legislative agenda. Likes: Experimenting in the kitchen, cooking up cool crafts, reading good books.

The Tools We Need to Measure Quality in Government.

Auditable standards for public-sector quality improvement efforts are the key to their sustained and effective implementation.

It is conventional wisdom that “if you can’t measure it you can’t manage it.” Lean and other quality-improvement efforts in government are doomed to be showcase events, removed from mainstream management practices, unless they are supported by auditable standards that make results measurable and reportable.

Providing auditable quality standards for government at all levels is the goal of a new initiative from the American Society for Quality’s Government Division, which I chair. The standards provide for the numeric rating of the maturity of processes, systems and scorecards for every government office, agency and jurisdiction. They make possible an annual and objective scorecard on government quality initiatives in the same way that the annual financial audit provides a report card on the use of fiscal management standards.

These standards are the key to the sustained implementation of quality in government. Because the standards are measurable and uniformly reportable, they will allow the public to compare quality implementation across government, evaluate whether agencies are efficient and effective, and determine whether elected officials and executive offices support quality efforts.

Auditable standards also align with fundamental good-management technique and support any other quality disciplines already in place. For example, any government that takes the time to document its practices using the ISO or Baldrige frameworks can easily "hold the gain" through annual use of these standards.

There are three parts to the auditable quality standards that encompass the three levels of leadership:

- Process management, which aligns with the public-facing work processes at the level of the front-line supervisor.
- Systems management, which provides a structured framework for evaluating the management of overall organizational systems and applies at the executive level.
- Aligned leadership objectives, which make clear whether elected officials have agreed on prioritized outcomes and objectives for government as a whole and aligned them with the goals and objectives of executive leadership.

The latter two standards recognize that government is a system made up of elected leaders on the one side and hired workers and managers on the other, and that the fundamental value of government — what it achieves — can be controlled only by elected leaders. It is vitally important to recognize that government managers and front-line employees can only consistently deliver high levels of efficiency and effectiveness when the elected branch of government joins in the partnership.

Without auditable standards, quality in government cannot be measured. If broadly adopted, these standards hold the potential to enable quality initiatives to engage and empower government on a sustainable basis.

The writer is the author of a new book on the subject of this article, "Quality Standards for Highly Effective Government."

BY RICHARD E. MALLORY | MAY 26, 2014

VOICES is curated by the Governing Institute, which seeks out practitioners and observers whose perspective and insight add to the public conversation about state and local government. For more information or to submit an article to be considered for publication, please contact editor John Martin.

The Value in Our Garbage.

The food we don't eat gives us gas. But beyond renewable energy generation, organic waste holds the potential of big benefits for our communities.

Most of the nation's garbage still ends up in landfills, and as much as half of what Americans toss into their trash bins is food waste and other organic material. But increasingly there's recognition of the value in all of that smelly stuff.

Organic waste produces enough biogas that the collection of landfill gas to produce electricity or fuel has become a big business in the United States. And thanks to technological advances, another major use of organic waste, the production of high-quality compost, is increasingly being seen as a key ingredient in long-term community sustainability.

In the near term, there's little question that capturing landfill gas and putting it to use as renewable energy makes sense. The federal Environmental Protection Agency (EPA) lists an array of benefits, including reducing greenhouse gases, offsetting the use of nonrenewable resources, helping to improve local air quality, providing revenues for landfills, and creating jobs and other local economic activity.

But while landfill biogas is a renewable energy source, there's an ongoing debate about whether it's good long-range policy to continue to send organic material to landfills. Landfills are filling up and biogas, after all, can be produced only if the municipal waste stream continues to provide a flow of material to generate it. The landfill waste-diversion goals that states and local jurisdictions are adopting signal that this flow will diminish over time.

In this light, it's worth noting that the EPA has created a set of guiding principles around the highest and best use of food waste, which makes up a significant portion of the organic waste stream. Illustrated as an inverted pyramid hierarchy, the preferences descend from avoiding the generation of waste in the first place to using surplus food to feed people and animals, using food waste for fuels and energy generation and composting it into a nutrient-rich soil amendment. At the bottom is disposal to landfills or incineration.

While composting falls toward the low end of that list, a report by Brenda Platt of the Institute for Local Self-Reliance and Nora Goldstein of BioCycle magazine, to be published soon by the institute, provides a well-researched case for composting's extended benefits, ones that reach well beyond its basic value as a soil conditioner. The authors endorse "a more nuanced hierarchy of highest and best use, one that takes into account scale, ownership, and the level of community engagement."

Such decentralized, locally based use of resources is seen as a cornerstone principle that underpins community resilience. While local water reuse and distributed electricity generation are much more visible to the public, Platt contends that locally based composting is equally valuable for community sustainability. "Unlike recycling," she said in an interview, "composting is inherently local and a place-based industry that takes advantage of a community's existing resources to create jobs." And it has potential as a business development strategy that draws upon local resources.

Today the flow of waste organic material is predominantly a simple stream, from source through consumer to landfill. Using that material to produce renewable energy certainly makes sense as long as the waste stream continues to flow. But in the longer term, programs that advance composting have the potential for diverse benefits — akin to the rewards that come from managing an entire watershed rather than individual waterways.

Bob Graves | Associate Director of the Governing Institute

MAY 28, 2014

[VW, the UAW and the Re-Industrialization of America.]

The changing relationship between labor and business is important for communities

hoping for a manufacturing comeback.

The failed attempt to unionize the new Chattanooga Volkswagen plant set off shock waves in the business community. But the importance of the vote goes beyond a single plant in a single industry in a single city: It raises questions about an emerging new relationship between management and labor in general and the future of organized labor in particular. These are issues of vital importance to local leaders looking to rebuild manufacturing and bring well-paying jobs to their communities.

The February vote was close (626 for the union and 712 against), but the fact that it came after the company gave its tacit approval to the union effort, followed by an intense two-year campaign by the United Auto Workers, added to the significance of the outcome. It might be tempting to write this off as just another example of organized labor trying to gain a foothold in the traditionally conservative and anti-union South, but the stereotype doesn't fit in this case.

Chattanooga has a heavy-industry history. It's sometimes called a "Rust Belt city in the South," with all the union heritage that such a nickname might imply. Organized labor has been a part of the fabric of the community practically forever. A representative of the Chattanooga Area Labor Council sits on the board of directors of the local United Way.

Immediately after the vote, the accusations of improper behavior and finger-pointing began. The union was accused to heavy-handedness in signing up potential members. Local politicians were criticized for suggesting that there would be no financial incentives from the state and that a much-hoped-for expansion of the plant would be put on hold if the election went in favor of the UAW. The union filed an appeal with the National Labor Relations Board asking that the vote be set aside and that a new election be held. (The union later acknowledged that an appeal could drag on for years, and the complaint was dropped.)

Local, national and even international media pounced on the union election and produced scores of articles, editorials and postmortem analyses of the landmark vote. Intertwined and intermingled with all the discussion and dissection was a unique element that has future consequences for other communities dealing with re-industrialization: the issue of "old" vs. "new."

Volkswagen epitomizes a "new" type of world-class manufacturing. In Chattanooga the company is building a new vehicle utilizing a new workforce in a new billion-dollar plant. VW made no secret of its desire to establish "works councils," a type of shop-floor organization like those found in most of the company's other plants in Europe and elsewhere. The UAW promised to deliver a new sort of union representation to make it possible. Some argued that the only legal way that such works councils could exist under U.S. labor laws was with the participation of a union — and the UAW was the only candidate.

Tennessee had a similar experience almost 25 years ago with the opening of the dazzling General Motors Saturn plant in the previously rural village of Spring Hill south of Nashville. As with VW in Chattanooga, Saturn was a new vehicle produced by a new workforce in a new plant. GM and the UAW pledged themselves to an equally new sort of cooperative labor/management arrangement.

Things went well for a time, but as the "new" wore off, the old-line company and the old-line union reverted to their old-line ways. The new sort of labor agreement was abandoned in 2004, and the Spring Hill plant closed in 2007. Some of this sad experience still haunts the present situation.

There are many successful unions that do exhibit a new way of thinking and doing business. They focus on worker training and qualification and exhibit a cooperative rather than a confrontational image. They look and sound a lot like what Volkswagen says it wants in its works councils.

The VW/UAW vote of 2014 is history, but the greater issue of establishing new ways of thinking about labor and management must be addressed by every city hoping to rebuild its manufacturing base. There will be more such challenges as this new-world industrial culture evolves and matures.

VOICES is curated by the Governing Institute, which seeks out practitioners and observers whose perspective and insight add to the public conversation about state and local government. For more information or to submit an article to be considered for publication, please contact editor John Martin.

Ron Littlefield | Senior Fellow

MAY 30, 2014

Recycling Project to Bring 200-Plus Jobs to Detroit.

Detroit – A new project backed by the Michigan Strategic Fund will divert millions of tons of Metro Detroit waste from area landfills and put more than 200 people to work.

Green Box NA, a Wisconsin-based company that specializes in using 100 percent of reclaimed materials for new purposes, will set up shop near the Interstate 94 and Interstate 75 interchange in the city.

With the help of $125 million in tax-exempt bond financing from the Strategic Fund, the company plans to take in massive amounts of food-service waste from restaurants around the region and recycle them into commercial products.

The $200 million project will have the Detroit facility working in tandem with another Green Box operation in Cheboygan. Materials such as cups, lids, straws, plastic bottles and even napkins will be collected locally and converted into bails and pellets. Those materials will then be shipped to Wisconsin to be transformed into paper products like facial tissues and napkins, as well as biofuels.

“We actually like working with all big cities, but Detroit has some very good incentives,”

Playing the Slots: Technology’s Growing Role in Bringing Efficiency to Parking.

Los Angeles and San Francisco are jumping into variable-rate parking in a big way.

Using technology to implement roadway pricing has a lot going for it. Approaches such as variable highway tolls can reduce congestion by better managing demand, improving customer service and providing a revenue source for public transit, which in turn takes vehicles off the road.

Now Los Angeles and San Francisco are among the cities taking a similar concept and applying it to make it easier to find a parking space.

LA Express Park, a pilot program that covers a 4.5 square-mile area of downtown, uses technology to match on-street parking prices with demand. Its goal is to ensure that between 10 and 30 percent of the parking spaces on each block are open throughout the day. “Smart meters” and sensors compile occupancy and payment data. Based on that information, a pricing algorithm recommends parking rates for various times of day that are designed to ensure that meters are used but that no area is overly congested.

San Francisco has a longer history with dynamic parking pricing. SFpark began in 2011. It's in use over a wider swath of the city and also covers city-owned parking garages. Similar to LA Express Park, it aims to achieve a consistent space-occupancy rate of about 85 percent. In some ways, SFpark is more precise. For example, it applies special rates around AT&T Park during Giants baseball games.

SFpark and LA Express Park both offer free apps that provide users with real-time space-availability information.

As parking expert Donald Shoup, a professor of urban planning at UCLA, puts it, these programs "reduce cruising, speed up buses, [and] reduce air pollution." By minimizing the experience of driving around endlessly in search of a parking space that all of us who live in and around big cities know all too well, they also improve customer service.

Since parking patterns change continuously, adjustments to LA Express Park rates take effect on the first Monday of each month and are made public in advance. SFpark rates change less frequently — no more than every other month.

In Los Angeles, pilot-wide rates have decreased by 11 percent but revenue is up by 2 percent, thanks to better utilization of parking spaces and the increased rates in high-demand areas. The pattern has been similar in San Francisco.

Thus far, neither program has been used to raise significant new revenue, but the technology could certainly facilitate that. For example, meter hours could be extended past the typical 6 p.m. in areas that are busy in the evening.

One challenge these programs face is awareness. A survey in Los Angeles found that 76 percent of drivers would choose to park in a less-expensive space a little farther from their destinations, but those drivers must know about the dynamic-pricing plan to take advantage of it.

In transportation, we've increasingly seen in recent years that when technology is applied to improve customer service, it can also enhance revenue and create environmental benefits. Early results from San Francisco and Los Angeles suggest the same is true for parking.

BY CHARLES CHIEPPO

MAY 23, 2014

Google's GovDev Challenge Provides Real Solutions for Government.

The tech giant's first government hackathon is over, and according to at least one CIO, the event was a great success.

On May 18, Google wrapped up its first GovDev challenge, a 24-hour hackathon that challenged local software developers and entrepreneurs to solve problems facing state agencies in Colorado and Wyoming. More than 100 developers joined with government workers, community groups and organizers in Denver for the event, and when the coding was done, nine teams were awarded cash prizes. Officials said the event was a success because it produced software they may ultimately use in their businesses, it sparked new relationships between government and the public, and it gave their agencies new ideas on how to work.

At the start of the event, three challenges were announced, two for Colorado and one for Wyoming, and teams and individuals selected a challenge and began working.

Wyoming CIO Flint Waters explained to*Government Technology* why his state's challenge was about improving budget transparency: "We wanted to attack an area that had a sustainable and impactful effort toward the citizens' view of government. There's been so much done at the national level, in terms of technological innovation, that has damaged the public's trust, and we needed to do things that worked a little bit different than that. It's really tough to find champions in state government that are meaningful but not necessarily as passionate as data transparency and budget. It's a hard thing to go into the Legislature and get them excited about."

The event was a huge success, Waters said. Each participant was granted ownership of his or her intellectual property, so if the states want to use the solutions, they need to enter negotiations with the team or individual. Waters wouldn't say which winners his agency is interested in, only that it's very interested. "It does have very strong potential for what we're doing," he said. "We do want to be able to pull that data off the back end and see the hard budget numbers."

The hackathon was also a big learning experience for Wyoming's staff members, and Waters said a school-bus load of IT workers from different areas of government attended. "They spent their time watching how this was structured, how this attacked the problems, how this affected their thoughts, how they did their resource gathering," he said. "They learned a huge amount on the collaborative environment that was there onsite, and how they could bring it back and change their workflow – whether they were in networking or servers or systems."

The event gave state representatives an opportunity to meet with local developers, and also to meet some community groups for the first time. "It was really exciting in ways we didn't even imagine. Not in the sense of who coded the fastest or who busted out the slickest interface, so much as about the development and excitement of the community," Waters said.

One of the most impressive projects, Waters said, was the second-place winner for the Wyoming challenge, Dahl Winters, a Colorado-based research and development scientist and software developer. Winters made WyFi, a data visualization project that condensed the state's budget data into a searchable map and a few simple charts.

Winters said she was amazed that she won a prize at her first hackathon. "I didn't really know what to expect," she said. "I just thought there would be a lot of people coding, and I've never coded for 24 hours straight before so I was really curious what the process would be. I came in with a very open mind." The event was well organized and everyone showed a remarkable willingness to participate, Dahl added.

Kelly Shuster, a Denver-based software developer and member of the first-place winning team for one of the Colorado challenges, said the event was really cool because it was attempting to solve meaningful problems and people were working together and listening to one another, which doesn't happen at all hackathons. "Like every hackathon, I kind of go hoping that I'll learn something new in my field, and I definitely did that but I was surprised at how proud I was coming away," she said. "I didn't expect people running the hackathon, the people from Colorado and Wyoming, to be so pleasant. That was something I took away that I didn't expect — they were so excited about it, they actually did care and it wasn't just a gimmick."

Shuster's team addressed one of the challenges faced by Colorado Disaster Assistance Centers, which are set up after an emergency like the severe flooding that impacted the state last September. "Basically people are required to fill out anywhere from 20 to 30 forms to the different agencies for the different assistance they're going to end up needing, but a lot of the information they're filling out is the same like name, address and phone number. We talked about how not only is that a tedious and inefficient process, but the sociological and emotional impact of having to write your address down 30 times after you just lost your house is pretty terrible," Shuster said. "We were really inspired by that."

When devising a solution, Shuster said it was helpful to have people from government right there to work with. Sometimes the team members had ideas that they found out wouldn't work, but the state workers helped them find a realistic solution.

"I've never participated in a hackathon that had such a real human example," Shuster said. "Maybe it's because there's a lot of talk about the flooding we had in Colorado last September, and I think everyone knew someone who was affected by it. So we're designing for those people that we know, and it sort of brings a more human aspect to the whole thing."

MAY 22, 2014

Colin Wood | Staff Writer

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The Drive to Modernize: Governments Hatch Strategies to Bring Legacy Applications Up to Date.

Some public entities have been working for years to get their applications in line with business needs. Others are just getting started.

Legacy software can be a drag: It weighs the operation down. Take, for example, the U.S. General Services Administration (GSA). In recent years, that agency has lead the way in areas like open data, green energy and new models for acquisition, said Sonny Hashmi, the GSA's acting CIO. "Yet, in many cases, our applications are not there to support us in the need to change a process or change data that we need to collect."

After years of building special-purpose applications in silos, governments may find themselves managing portfolios crammed with redundant systems that can't share data or integrate business functions, said Bill Kehoe, CIO of King County, Wash.

Because they're difficult or even impossible to modify, old applications force governments to stick with outmoded procedures, and legacy applications also take a heavy financial toll. "The support cost to maintain all these applications is eating up probably 43 to 54 percent of our total IT operations budget," he said.

The burden of legacy applications constitutes a looming crisis for governments, Kehoe added. "If governments aren't already dealing with this in terms of an overall modernization strategy, they will have to very soon."

Some public entities have been working for years to get their applications in line with business needs. Others are just getting started.

LINCOLN-LANCASTER COUNTY, NEB.: FROM SHELLS TO SQL

The IT department that serves Lincoln and Lancaster County, Neb., has been modernizing since the 1990s. Early efforts focused on writing new, browser-based front ends for mainframe applications. "We wrote shell programs to replace all the CICS [customer information control system] programs, so we could start presenting things in common ways," said Terry Lowe, systems coordinator of information services for the combined city-county government.

Using this strategy, developers gave all of the government's applications a similar look and feel, provided a mouse-driven interface and added software widgets. "It was a much more pleasant experience for my staff, and they adapted to it immediately," said Lowe.

The team moved on to writing shells for other mainframe programs and, later, to writing code in SQL within the Microsoft .NET framework. Today, about one-third of the staff supports mainframe applications, a third works on products developed by vendors and a third supports newly written programs developed in .NET, Lowe said.

However, things are about to change again for Lincoln and Lancaster County, as it prepares to shut down its mainframe, moving many apps to a state-run data center. Some apps will stay local, though; Lowe and his team plan to rewrite them in SQL.

Systems developed in SQL under .NET run better than their predecessors on the mainframe, Lowe said. "They're not as expensive to support, because on the mainframe there are some fixed costs that you don't deal with when you've got SQL."

Governments preparing for modernization should first take stock of all the technology assets that might influence the path they choose, said Lowe. Those assets include the skill sets possessed by staff, existing network technology, the email infrastructure and how GIS and document management systems will fit into the picture.

It's also important to explain to elected officials who control the budget why modernization is worth the investment, Lowe said. In the long run, the potential to reduce operational and support costs should win them over. So will the fact that new applications are easier to use, he said. "It's not a real hard sell when you ask people, 'Do you really like these green screens?'"

FORT WORTH: BRING IN THE ERP

Fort Worth, Texas, has been working on modernization since 2009. It's been moving applications from an old mainframe to a Windows environment and replacing a variety of programs with a PeopleSoft (now Oracle) enterprise resource planning (ERP) suite.

"The goal was to retire the mainframe, ideally before it was too far out of date, and replace it with servers," said Pete Anderson, the city's CIO.

Three years ago, Fort Worth moved its human resources and payroll functions to the server-based Oracle system. In 2014 and 2015, it will move finance, purchasing and budgeting to Oracle as well, Anderson said.

The initial migration still left about 200 applications to modernize, most of them designed for specific departments. In 2012, as a temporary measure, Fort Worth used software from U.K.-based Micro Focus to adapt about 14 of those programs for Windows.

"It's like wrapping the mainframe applications in an envelope that's Micro Focus. That envelope then allows them to communicate and operate on a Windows server," Anderson said. "That was easier and less expensive than rewriting them."

Since then, Anderson's team has been working to determine which of the 200 applications the city needs to modernize, and which it can drop because the ERP system will handle those functions instead. That process has reduced the number of legacy mainframe systems to about 65, he said. The team also hopes that the ERP suite can take over many functions currently managed in Access databases and Excel spreadsheets, he added.

Modernization poses a significant change management challenge, Anderson said. When end users have been working with an application for years, they may be reluctant to give it up. And the proposed changes don't concern software alone: Modernization provides a chance to update existing business processes. "We don't need to automate exactly what they've been doing," he said. "We might be able to use automation to do something even better."

No one will be forced to give up existing software, Anderson said. But he hopes the business units will seize this chance to define their needs and discover how best to meet them. He also hopes they'll choose solutions that exist within the ERP system or else select off-the-shelf solutions. "If this really is a permanent need, we should look at what third-party products are out there, so we don't have to maintain the solution with our limited staff."

U.S. GSA: OPEN SOURCE OR COMMERCIAL

The GSA's modernization efforts date back about three years. The agency aims to invest in platforms that are open, configurable and extensible, Hashmi said. Some will be open source solutions, and some will be based on industry-leading commercial platforms such as Salesforce and Appian. "Instead of building our own version of the wheel, let's buy something off the shelf that addresses 80 percent of our needs and then only invest in the 20 percent that's specific to our business," he said.

Like Fort Worth, the GSA is studying its portfolio to see which legacy applications it needs to update and which it doesn't need at all. One such effort focused on about 1,500 small to medium-sized apps, mostly back-office business process automation tools, all based on 15-year-old technology.

Staff started asking which of those applications people actually used, which were redundant and could be combined, and which supported functions that the agency no longer needed. "Through that process, we shrank that portfolio down to about 100," Hashmi said.

The agency then used a cloud-based platform to create new versions of those 100 applications, which vastly simplified development work on each app. "You're using common business process templates, common workflow templates, common data entry forms and authentication," Hashmi said. "All those things are done once and well, rather than doing them for each application." This approach has reduced the total life cycle cost per application by more than 90 percent, he said.

Large, complex applications, like those used for financial accounting and payroll, aren't easy to modernize, Hashmi said. Rather than rewrite or replace them independently, the GSA might contract with other federal agencies that already have the necessary software and could provide it as a service.

For more specialized applications, a management challenge arises when the agency tries to replace a collection of redundant systems with a single solution for everyone. One example is the work the GSA has been doing to roll out a new real estate management solution. The administration is divided into 11 geographical regions, and each one used to have its own procedures for managing property. When the GSA started working on new software, developers assumed that the product would have to cater to the unique needs of each region — that is until the development team asked regional managers to agree on a single set of policies and procedures.

“That really paid dividends,” Hashmi said. “We were able to build that app in a matter of months in an agile way, with a cost-effective, cloud-based solution.”

WASHINGTON STATE: THREE TIERS

The impulse behind the Washington state government’s modernization program came from the Legislature. Lawmakers directed the Office of the CIO to take inventory of the government’s legacy applications and then determine how to modernize that portfolio.

CIO Michael Cockrill and his team have identified three tiers of legacy applications. Tier 3 consists of tens of thousands of small apps, most designed to perform a single function in a department, such as producing a quarterly report. The state doesn’t have the resources to include those in its modernization effort, Cockrill said.

Tier 2 apps generally focus on crucial functions within individual agencies. Washington has about 3,000 of those, and they need frequent tweaking to keep them in step with changing laws or market demands.

Making those modifications isn’t easy. For instance, the mainframe application that comes into play when customers renew vehicle registrations online needs an upgrade. But it’s impossible to change that core system without also considering 30 to 40 ancillary applications, Cockrill said. “You have to figure out how to modernize all the supporting functions.”

Tier 1 consists of about 200 large, complex applications used statewide. One of the largest is the system used by the Department of Health and Human Services to pay its providers. Many Tier 1 apps run on mainframes, but mainframe technology in itself wouldn’t render a given system obsolete.

“We have lots of mainframe applications that we have no intention of replacing,” Cockrill said. “They’re very economical, they solve the problem and there are people who know the code and can update them.” But other apps in the portfolio have fallen behind the business problems they need to address — because they’re complex and few staffers know how to work with the code behind them, they’ll become candidates for modernization.

Once the state has a list, the IT team will decide case by case how to modify or replace each application. “Anytime users are looking at a significant upgrade, we’ll encourage them first to see if there’s a commercial product that lives in the cloud,” Cockrill said. If not, the team will seek a commercial off-the-shelf product, opting for in-house development only when absolutely necessary.

KING COUNTY, WASH.: HOLISTIC APPROACH

Officials in King County also plan to start their modernization efforts by taking stock, seeking chances to weed out apps that no one uses or to consolidate those that perform the same functions. Like Hashmi and Cockrill, Kehoe will look to the marketplace for modernization solutions, moving functions when possible to commercial off-the-shelf solutions or to platforms like Microsoft SharePoint or Microsoft's cloud-based customer relationship management service.

One problem that Kehoe's department faces is the plethora of applications that departments develop internally — using Access, for example — and then rely on the IT department to maintain. Modernization will reduce that burden. “Our hope is that a certain portion of our overall portfolio can drop off and they can use other applications,” he said. Or they might find that once they streamline the business process, an application is no longer needed.

Like Anderson, Kehoe foresees a significant change management challenge and not only with regard to end users. Many employees in the IT department would like to keep maintaining and updating legacy applications, rather than learn to work on new platforms. “Not everyone is going to be happy,” he said. “We have to provide training. We have to show a path forward and make sure they're involved in the process as much as possible.”

Because it won't be possible to put all of the county's applications in the cloud or on new platforms, some staff members will continue to work on homegrown systems. “For staff who want to stay in that environment, there will be opportunities to do that,” Kehoe said. “For staff who want to expand their horizons and move on to some of these newer platforms, we'll have opportunities for those as well.”

King County's modernization effort is part of a larger technology strategy that involves more integration of data, more shared services and creating a simpler applications portfolio, Kehoe said. That strategy requires a holistic approach to modernization. “If we just took it one application at a time, we would end up with a more modern siloed application portfolio,” he said. “We're trying to get away from that.”

MAY 23, 2014

Merrill Douglas | Contributing Writer

Public School Funding Falls in Fiscal 2012, First Time Since 1977.

Decline in Federal Funding Cited; State, Local Spending Slightly Higher

Funding for U.S. public elementary and secondary schools decreased by $4.9 billion in fiscal year 2012, the first recorded drop since the U.S. Census Bureau began collecting the data in 1977, according to a report released by the bureau Thursday. Total funding of nearly $595 billion was down 0.8% from the previous year.

An approximate 19% downturn in federal dollars from the previous year—to about $60 billion in 2012 from about $74 billion in 2011—explains the shortfall for schools, according the Census Bureau. Revenue from state and local sources went slightly higher—about $270 billion and almost $265 billion respectively—in the same time frame.

Fiscal year 2012 represents roughly the same time period as the 2011-2012 school year.

The decrease in school funding reflects changes in revenue patterns during and after the recession, according to Mike Griffith, a school finance consultant for the Education Commission of the States, a nonpartisan research group.

“What we saw was the phase out of the additional federal dollars in stimulus funding,” said Mr. Griffith. “Those dollars had helped prop up state budgets during the recession. We saw state budgets recuperate in 2011-2012 at same time as federal money was disappearing…but states hadn’t recovered enough to make up for the federal dollars lost, so overall funding dropped.”

The largest slice of 2012 spending was for instructional salaries, which totaled about $207 billion, or nearly 35% of total spending.

“Expenses grow every year,” said Mr. Griffith, referring in part to teacher salaries and benefits. “The decrease in revenue is a problem for school districts because they will have to make cuts.”

Per-pupil spending remained stagnant, hovering at about $10,600 per student. The total number of students, at about 48 million, was down slightly from the previous year, according to the Census Bureau. Overall expenditures by the schools declined for the third year in a row, to nearly $594 billion, or a 0.4% decrease.

By CAROLINE PORTER
May 22, 2014 5:32 p.m. ET

Write to Caroline Porter at caroline.porter@wsj.com

City Pursues Social Impact Bonds to Tackle Teen Pregnancy.

Last September, the Mayor’s Office of Budget and Finance issued a solicitation for companies interested in conducting a feasibility study on a tool called social impact bonds. They’re essentially bonds with a cause. Investors provide up-front money for the city to launch a project that will provide social benefits—say, reducing prison recidivism or chronic homelessness—and save the city money in the long run. If everything goes according to plan, the investors will recoup a portion of the savings.

Today, the administration of Mayor **Vince Gray** announced that it had chosen an area where it hopes to make a social impact: teen pregnancy. It’ll be the first time social impact bonds have been used in America to reduce unplanned teen pregnancy and reap the economic rewards.

The city has selected the Boston-based Social Finance, Inc. as a nonprofit intermediary to coordinate the development and launch of the city’s first social impact bond program. Social Finance, founded in 2011, is an offshoot of Britain’s Social Finance UK, which created the world’s first social impact bonds in 2010.

Social Finance, Inc. has worked on several U.S. social impact bond projects, beginning with one in New York State to reduce prison recidivism. The company started working with the District in the winter, and identified a few areas where the city could pursue social impact bonds. City officials selected teen pregnancy.

“A young woman who has a child when she’s 14 or 15 has a much lower chance of receiving her high school diploma,” says Social Finance’s **Rebecca Leventhal**. “There are significant opportunities for savings relating to early health needs for children delivered to young women, as well as the educational opportunities for the mother that may be delayed or not achieved if she has a child.”

Social Finance is releasing a request for qualifications today for programs to reduce unplanned teen pregnancy that could participate in the program. That request will be followed by a request for proposals from qualified respondents.

Gray spokesman **Pedro Ribeiro** says the city won’t know for sure how the program will save the District money until responses to those requests come in. But he says reducing teen pregnancy can cut costs in a number of areas, including education, homelessness, and welfare payments.

“Look at D.C. General,” Ribeiro says, referring to the overcrowded homeless shelter where the city spends more than $150 a night to house each family. “Look at how many young mothers are in D.C. General. That’s incredibly expensive.”

Posted by Aaron Wiener on May. 14, 2014 at 2:43 pm

How to Make Analytics Work for Your Government.

A California pension and health services executive highlights tips and progress in analytic initiatives.

Use of analytics in government is on the rise around the country, as proven by Chicago, the Sacramento Municipal Utility District in California, Indiana, Pittsburgh and a host of other jurisdictions.

And on May 13, a senior official from California Public Employees’ Retirement System (CalPERS) shared her insights on government analytics — the practice of using big data for predictive or statistical decision-making. For CalPERS, success in analytics is credited to the agency’s freedom to embrace risk, said agency Deputy Executive Officer Ann Boynton, who delivered this message at Data Analytics 2014, an event hosted in Sacramento, Calif., by Government Technology sister publicationTechWire.net.

CalPERS completed 22 analytics initiatives in the last three years, Boynton said, which meant there were many lessons to learn about the practice. One such initiative was the creation of MyCalPERS, a massive overhaul of 109 different data systems that manages the organization’s account portfolio of $290 billion — the largest in the nation.

One piece of advice Boynton has relates to government’s attempt to be perfect — which she says can unintentionally limit government to significantly imperfect solutions and restrain its ability to innovate next to the private sector.

“I think CalPERS as an organization tries to take the position of, ‘Go for it!’ because I can guarantee you we won’t get any better if we don’t do anything,” she said. “And even if we fail, we will have learned what not to do the next time out.”

Drawing upon examples of her work at CalPERS, which began in 2010, Boynton said the ability to take leaps and experiment has led the organization to make sizable efficiency improvements that employ analytics to gain business insights.

She identified four main areas where analytics has helped the agency: innovations in services, timely and enhanced insights of member needs, deeper understanding of market trends, and comprehensive impact analysis of policy and legislation.

“The beauty of business intelligence,” Boynton said, “is that it creates insights that enable an organization to take a holistic view of information for instant decision-making.”

To set the stage for analytics, CalPERS completed a number of initiatives in 2011, which included conducting a study to assess analytics needs, drafting a five-year road map for its operational goals and strategies, and consolidating 109 databases into MyCalPERS, a transactional database system housing agency information.

“Conversion from legacy systems to MyCalPERS required a lot of patience and hard work,” she recalled, and then joked that some employees in the room may still have a few nightmares about the needful — yet massive — undertaking.

Notwithstanding Boynton’s levity, the labor was a crucial step for the organization as it seeks to improve services and innovate. As a use-case example, Boynton said CalPERS has harnessed analytics and its unified database to dramatically reduce the time spent on research for annual rate plan negotiations.

“Research for annual rate adjustments and negotiations took days to accomplish and multiple spreadsheets,” Boynton said. “Now [analytics] enables the center to perform the analysis in seconds or minutes, rather than weeks.”

Additionally, areas where analytics have improved efficiency include payroll audits, contracted service assessments and a project that uncovered a few instances of erroneous sick leave paid out to retirees.

Like some states, CalPERS has the practice of converting remaining sick leave time into retirement compensation. Typically, most state employees must work 21 years before they’re able to accrue one year of sick leave. However, an analysis found pockets of discrepancies where service didn’t match time awarded.

“What happened when we looked at the data is that some members had more leave than we thought was actually possible based on our information of their service records,” she said.

Boynton also advised governments to nurture a work culture for analytics use, focusing hiring practices toward business analytics skill sets and harboring creative solutions with an open mind.

Jason Shueh | Staff WriterMAY 13, 20140

Jason Shueh is a staff writer for Government Technology magazine. His articles and writing have covered numerous subjects, from minute happenings to massive trends. Born in the San Francisco Bay Area, Shueh grew up in the east bay and Napa Valley, where his family is based. His writing has been published previously in the Tahoe Daily Tribune, Amazon Publishing, Bike Magazine, Diablo Magazine, The Sierra Sun, Nevada Appeal, The Union and the North Lake Tahoe Bonanza.

Student Workers Replace Retiring IT Staff in Los Angeles.

As the City of Angels prepares to lose 60 percent of its IT staff within the next five years, management looks for new ways to fill the gap.

Being in a compromised position can sometimes lead to new ideas — something Los Angeles and many other cities know much about given their budget constraints and challenges of a new economy. And retiring IT staff is another such challenge, but the City of Angels has figured out a way to handle the problem — at least for now. Los Angeles is using student workers as a temporary solution to its IT help desk staffing issues, said Steve Reneker, general manager for the city's Information Technology Agency.

About 60 percent of the city's IT staff will reach retirement age within the next five years, Reneker said, and four of the seven full-time workers at the help services desk have already retired (a fifth will be hired the week of May 19). Ideally, the city would replace the staff with new full-time employees because, as Reneker noted, hiring student workers has a few disadvantages — like the fact that they can't work more than 24 hours per week, among others.

Because money is tight, however — and because hiring full-time employees has some drawbacks of its own, such as being time consuming and expensive, and allocating funds for those positions is something Reneker's office no longer has the authority to do — the city hired student workers and determined how to work around the obstacles.

Another thing that made the hiring of student workers a bit simpler is that some already were on staff to help the city switch operating systems from Windows XP to Windows 7. And because Los Angeles didn't want a lapse in service for IT phone support, the fastest way to fill those vacant positions was to hire in-house, Reneker said, so they moved four of those student workers to new positions at the help desk — one of which is being transferred to provide technical field support for the City Attorneys Office the week the fifth full-time staffer comes on board, according to the staff at the Technology Service Center.

The help desk position are imperative. The Technology Service Center provides first-level support to 4,500 of the 30,000 city users, which are primarily elected offices and small departments without systems support, according to the center. And from May of 2013 to April of 2014, the TSC managed 22,000 service tickets.

Though the hiring of student workers wasn't initially a huge benefit over hiring full-time staffers, Reneker said the solution ultimately turned out "really well" for the city. The retired help desk staff were very specialized – they could help with some software and basic hardware issues over the phone, he said, but they didn't have the skills to handle field work. This new generation of students and student workers, however, has a bigger skill set, he said, which allows the city to be more flexible.

"We're able to rotate those on the help desk into the field so we don't burn them out," he said. "Because they're [student workers], the turnover is going to be relatively high, so it's important that we have a good backfill strategy for being able to deal with those resources."

For up to the next 36 months, the city's strategy will be to use its student workers in both call center and field work positions, Reneker said. And while having employees who can fill that diverse range is a benefit, there are a couple of big disadvantages as well.

"You probably have a total cost that's somewhat less, but you lose the institutional knowledge of people who understand how things work in the city, who the critical points of contact are, and legacy systems knowledge and things like that, so having that type of turnover doesn't necessarily mean you're getting a consistent level of service," he said. "We're definitely answering the phones, but what we're seeing is there's a decline in our ability to be able to resolve those calls on the first call before we transfer it or capture the ticket. It's a Band-Aid. It's not a long-term strategy we think is prudent for others to consider."

Having student workers on staff with larger skill sets led to the realization that there's value in hiring people who have the flexibility to do multiple jobs, Reneker said, and the city plans to continue rotating its staff between the field and call center when the funds become available to fill those positions with full-time workers.

This story was updated at 2:40 p.m. on May 14 to reflect information obtained from the Los Angeles ITA's Technology Service Center.

Colin Wood | Staff Writer

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East Chicago Police Offer Up Their Lobby, Parking Lot for Craigslist Transactions.

Buying or selling something on Craigslist near East Chicago and want a little peace of mind? Head to the police station.

The East Chicago Police Department is offering the use of its headquarters parking lot and lobby — with a police officer present, if you like — for residents looking for safe spaces to conduct transactions arranged online.

Dubbed "Operation Safe Sale," authorities in the northwest Indiana town said the program is a response to safety threats for those engaging in cash transactions involving items advertised on the Web or other classified ads.

Tales of Craigslist-related assaults and robberies, where victims are lured to locations with the promise of a sale, aren't uncommon.

A Boilingbrook man was robbed in Evanston at the beginning of the year when he attempted to buy a handful of smartphones from a Craigslist dealer for $4,000, for example.

Mark J. Becker, chief of East Chicago's police department, said an officer's suggestion and a recent report of a Gary couple being robbed while trying to purchase a vehicle helped spur the program.

"I don't know if it's increasing, but it's certainly been sustained," Becker said of Craigslist-related crimes. "Certainly this has been going on for a long time, so why not make use of this building?"

Becker said the department will make every effort to have an officer available to oversee transactions Mondays through Fridays from 9 a.m. to 7 p.m. and Saturdays from 11 a.m. to 3 p.m. at the department's office, at 2301 E. Columbus Dr.

The chief said officers can also double-check whether, say, a car or television for sale has been reported stolen.

"Not that there aren't idiot crooks out there, but who's gonna be willing to come here with stolen items?" Becker said.

Residents can also use the police lot or lobby for business without an officer present at any time, Becker said.

After all, the department said, its parking lot and the lobby are both well-lit and offer extensive videotape coverage.

BY JUAN PEREZ JR., MCCLATCHY NEWS SERVICE / MAY 2, 20140

San Antonio Police Might Impound Lyft, Uber Vehicles.

Chief William McManus said Wednesday that the Police Department might impound vehicles belonging to Lyft and Uber drivers if they continue to violate the city's regulations for vehicles for hire, such as taxis and limos.

The city has cited 10 drivers for Lyft and Uber for providing a taxi or chauffeurlike service, McManus told the City Council Public Safety Committee.

The citations, which could result in fines of up to $500, were issued because the drivers are charging for rides, he said, which makes them subject to the city's ordinance.

Lyft and Uber, two upstart companies that use smartphone apps to connect nonprofessional drivers with passengers looking for rides, contend they're technology services, not transportation operations.

Therefore, the firms contend, existing vehicle-for-hire rules, such as licensing and permitting requirements for taxi and limo drivers, should not apply to them.

The police sent a cease-and-desist notice to Lyft in late March; a letter will be sent to Uber soon.

Since they started operating here in March, neither company had been charging for rides in order to avoid running afoul of the law, but now both said they are.

At the crowded council committee meeting Wednesday, taxi and limo company representatives, many wearing yellow shirts with the words "Licensed. Insured. Legal," complained that Lyft and Uber just are trying to skirt the city rules that taxis and limos must follow.

The controversy now will go before a task force, which will determine if and how the city's ordinance could be revised to allow Lyft and Uber — which McManus calls transportation network companies instead of ridesharing services — to operate legally in San Antonio.

The task force, which would include the taxi and limo industries, the ridesharing companies and the Transportation Advisory Board, will meet with city staff and report back to the council in August.

Leandre Johns, general manager of Uber in San Antonio, called the creation of the task force a “positive development” and indicated the company has no plans to stop operations in the meantime.

He confirmed Wednesday that the company started charging passengers recently.

In light of McManus’ threat to impound vehicles, Johns said drivers will have to decide if they want to keep working with Uber, which operates in more than 100 cities across the world.

Although Uber contends the city ordinance does not apply to the company, Johns agreed the rules do need to be revised because ridesharing services “weren’t conceived of” in the past.

A Lyft spokeswoman wrote in an e-mail that riders who recently signed up with the service still are enjoying free rides. But for other riders, “Lyft is on the donation model in San Antonio, meaning that passengers are free to adjust their donations at the end of the ride,” Katie Dally wrote.

Lyft calls its fares “donations.”

About the impoundment threat, Dally wrote, Lyft “will stand behind our drivers as we work through challenges at the city and state levels.”

In a presentation to council members, Steve Baum, the assistant police director who oversees ground transportation, said the ordinance, as written, does not distinguish between a company that “connects” drivers and passengers, as Lyft and Uber say they do, and one that dispatches, like a taxi service.

He suggested the council adjust the ordinance to allow for ridesharing and to level the playing field for all vehicles for hire.

Most of the council members on the committee supported creation of the task force, but some were hesitant to revise the ordinance, which was amended in August.

Council members also raised concerns that Lyft and Uber are refusing to follow existing regulations.

Representatives of Lyft and Uber reiterated that their operations are safe, even if not regulated by the city, and provide passengers with a choice.

Similar debates over Lyft and Uber are playing out in cities across the country.

Dallas and Houston are rethinking their ordinances. Austin, however, has said ridesharing services can’t operate legally.

Baum also said International Airport officials have recommended Lyft and Uber only be allowed to drop off passengers at terminals, not pick them up. Airports in other cities designate pick-up areas for ridesharing companies. However, Portland has outright banned them.

Insurance agencies in 10 states — but not Texas — have warned drivers and passengers in the past week about potential coverage gaps when using a ridesharing service.

Joseph Okpaku, Lyft’s manager of government relations who was in San Antonio for Wednesday’s meeting, said Lyft’s insurance coverage goes beyond what is of required of taxis in San Antonio.

McManus reiterated the issue is protecting the public.

"This is all about public safety," McManus said. "It's not about trying to keep new ideas from coming in the city."

BY VIANNA DAVILA, MCCLATCHY NEWS SERVICE / MAY 8, 20140

Tablet Policy Puts California City on the Cutting Edge.

Rancho Cordova's move to tablet devices has been a rousing success in its first year of implementation.

An experiment using tablet devices to display city council agendas has sparked a paperless office movement and progressive technology policy-making in Rancho Cordova, Calif.

Under a new policy launched last July, if an employee can show three business reasons why a tablet would help improve work efficiency, the city will purchase either an iPad or Android tablet for him or her. The device is then authorized for both business and personal use, but the employee must agree to bring it to work every day.

The policy has been a success for the city so far. Jay Hadley, IT manager for Rancho Cordova, told *Government Technology* that 61 of the city's 70 full-time employees are now using city-owned tablets. In time, Hadley believes the devices will eventually enable staff to become a completely mobile work force.

The tablet explosion originally started as a way to eliminate the high cost of printing the city's meeting agendas. Hadley revealed the city was spending $17,000 per year printing materials for the meetings, so it rolled out iPads for city council meetings to cut that expense. The devices were used by council members and staff, and one device in the council chambers displays a copy of the meeting agenda for the public to reference.

Encouraged by the results, city leaders decided to invest in tablets for the entire staff and make a commitment to keep its employees at a high level of technology.

"We want to provide state-of-the-art resources to staff so they can be more efficient and productive," said Joe Chinn, Rancho Cordova's interim city manager. "Access to this newer technology has been embraced by our city team and seems to be allowing employees to find more creative ways to accomplish their jobs."

POLICY RESEARCH

Drafting a policy to govern tablet use wasn't an easy task, however, as there weren't any best practices established to work from. While Hadley and his team reached out to their peers in other cities, what they found was a bunch of varying BYOD policies, but nothing that addressed tablets specifically.

So Rancho Cordova looked internally and discussed what the policy should look like with users from various city departments, and executive level leaders. The result was a simple document that outlines basic expectations and responsibilities for the use and care of a tablet that clearly outlines the city’s right to inspect the device as needed.

The city’s mobile device management (MDM) solution notes when a device logs into the system and can send a ping out to one of the tablets if an employee loses it. Rancho Cordova pays for the applications on the device necessary for public business, but employees must pay for all other private-use apps.

The cross-pollination of business and personal use has risks, however. Theoretically, employees could potentially spend an inordinate amount of time using a state-of-the-art tablet for fun and games. But Hadley wasn’t overly concerned about the potential for abuse.

“I don’t think we’ve gotten into the minutiae of worrying about them being used too much on the personal side,” Hadley said. “Our organization is based on empowering and trusting employees to do the job, and we have a very cohesive team of people here.”

Chinn added that having a support team in place to help employees integrate technology into their jobs – internally called the Technology Tribe – helps reinforce the city’s trust in people and the commitment to embracing new ways to do their jobs.

“Because our culture has removed the fear of taking risks, employees look forward to new technologies as an opportunity, and do not associate it with a fear of failure,” Chinn said.

Rancho Cordova city employees can also bring in their own mobile devices under the city’s BYOD policy. While generally used for smartphones and laptops, tablets also fall under the BYOD umbrella. But users have to agree to have the city’s MDM solution installed on it and adhere to the relevant access policies.

Hadley added that his team sits down with employees for a frank discussion on how their personal tablets are used, and if it appears to be more of a family device with children using it, he typically suggests the issuance of a city-owned tablet.

SECURITY ISSUES

Although Hadley hasn’t had any technical challenges implementing the tablet policy so far, he admitted that security is always a concern. His staff spent a lot of time researching security policies and technologies related to tablets, but found that in reality, most of the mobile security tools available are MDM solutions aimed at traditional computers.

Rancho Cordova has a network access control system that automatically scans PCs and laptops logging in to its network. The system evaluates certain parameters like the computer’s anti-virus status, operating system service pack level and other criteria. If the machine doesn’t meet those parameters, the network access system won’t let it in. But according to Hadley, the same automation doesn’t exist for tablets, so his team has to manually set protocols for users of those devices.

In addition, Hadley noted that in his research on tablet use policies, he found that many cities are still locked in to what he considered the “old archaic way” of thinking of device security – not trusting the users to do the right thing. While Hadley admitted that even the most technologically-savvy employee could fall for a phishing scam or get sucked into social media obsession, he feels it’s important to trust the judgment of city employees to do the right thing.

“Everybody is thirsting for freedom and doing stuff, they don’t want to be locked down,” Hadley said. “But we have to balance it. [Security] is more of an educational and policy-driven thing, and on the other side, we have to keep our firewalls in place and do due diligence on the IT side. The more you open yourself up, the more you have to make sure you are covering those bases."

Brian Heaton | Senior Writer

Brian Heaton is a senior writer for *Government Technology*. He primarily covers technology legislation and IT policy issues. Brian started his journalism career in 1999, covering sports and fitness for two trade publications based in Long Island, N.Y. He's also a member of the Professional Bowlers Association, and competes in regional tournaments throughout Northern California and Nevada.

Should Cities Limit the Number of Rideshare Cars?

Seattle recently became the first city to limit the number of rideshare cars. City Councilwoman Sally Clark talks about the controversial regulations that have since been suspended.

In the past year, cities around the country have struggled with how to regulate so-called "rideshare" companies where drivers provide rides for pay using a phone app and their personal vehicle. In some places, municipalities have enacted temporary bans while they contemplate how these companies should be treated relative to existing businesses, mainly taxis. In March, the Seattle City Council took the unusual step of enacting new rules that legalized the companies and capped the number of vehicles (at 150) a company could have on the road at any given time.

Like the California Public Utilities Commission, Seattle concluded that the companies did not meet the federal definition of ridesharing, which essentially requires that any compensation only cover the cost of the trip. Instead, the council created a new designation: Transportation Network Companies, or TNCs. In addition to the caps, the city's new regulations for TNCs required that the drivers receive a criminal history background check and adhere to a zero-tolerance drug policy. The city also imposed minimum liability insurance requirements for the companies and required the companies to conduct vehicle safety inspections.

The rules were the result of 11 months of public hearings and council deliberations, informed by a market demand study. Now they're in limbo. In April, opponents of the new ordinance, funded with more than $200,000 each from Lyft and Uber, collected more than 36,000 signatures — twice the number needed — for a ballot measure that would repeal the regulations. Seattle Mayor Ed Murray's office is currently negotiating with the rideshare companies and other stakeholders over modified rules in order to avoid a public vote. In the mean time, the city has suspended the new rules.

Seattle City Councilwoman Sally Clark, who oversaw the council's committee on taxi, for-hire and limousine regulations, spoke with *Governing* April 30 about the city's recent experiences trying to fit rideshare companies within a regulatory framework.

Do you have a sense of how much of the push to repeal the new regulations is coming from the companies and their drivers? Is this really a citizen-led movement?

Oh, no, it's completely led by the companies. They funded the signature-gathering effort and drafted the referendum. Having said that, plenty of people were willing to sign on. Gathering the signatures that they needed was not particularly hard work.

I thought the demand study was really interesting. Were there specific lessons you drew

from the study that helped shape the regulations you ended up passing?

For a long time, Seattle regulators had been saying, “well, we don’t think there is a need for more taxi vehicles because the wait times are fine — no one is waiting an intolerable amount of time for a cab to respond.” Yet I think what the demand study showed is that the wait time isn’t a very accurate predictor of demand or of latent demand. What we thought was masked in that was increased demand over time, but it was being met by town cars and also by these new providers.

In Seattle’s case, we don’t regulate the number of town cars; that’s a state set of regulations and they don’t have a cap on the number of town cars that can work in the city. And so, you have this restricted market in terms of taxis because we do have a cap on the total number of licensed [taxi] vehicles, but they’re operating side-by-side on the roadway with this uncapped set of vehicles, towncars, and then subsequently by the up-until-now uncapped TNC vehicles. The demand study got at that. We probably did have demand that wasn’t being met by the existing taxi world.

There were some areas where the ride-sharing companies were outperforming taxis, like ease of payment and quality of service.

Yeah. We heard a lot about that. There was something about cracking into this subject that really allowed people to talk more openly or more vocally about their dissatisfaction with their taxi service.

Did the council discuss whether it has a role to play in trying to improve quality of service or ease of payment? I was thinking about how some cities require taxis to take credit cards. Did you think about requiring taxis to accept online payments through Hailo, Taxi Magic or some other phone app?

In general, I would like to see all the providers make it easier for customers to both get the ride and complete the ride, meaning payment. What the TNCs are providing in terms of the technology interface and also their focus on the customer satisfaction and communication — you get to rate the driver, you know who the driver is when they’re on the way — I think that’s all really good. I think that’s a huge improvement over how we handled dispatch the old way.

For the legacy taxi systems, I think the exposure that customers are going to have to these easier apps will create demand for the same kind of ease of access of dispatch and attention to customer service. The communication and the data, I think, are really attractive to people.

So rather than trying to require it, you would just allow the market to create its own incentive for offering that option?

To be honest, I haven’t thought much about a requirement because I think the market is going to require it. I haven’t thought about the city saying “thou must have an app.” I think it’s going that way. I think anybody that doesn’t have an app in the future is going to be at a severe disadvantage.

One of the findings that stands out to me is that taxis were more widely used among lower income brackets than rideshare services. Taxis were also more widely used among older riders. Do you think these new companies, if allowed to operate under city code, could change that rider behavior? Or do you think these types of riders might lose access to a transportation option?

I think that’s still an open question for cities. We’re looking at cities that have a slightly more mature market for ridesharing than we do. We look to San Francisco to say, how are lower income or disabled or more elderly riders using these systems and where are they left with more limited choices? I don’t think we know yet.

That’s a concern though. The concern for me is, for folks who really need the dependability of set meter rates, who don’t want to be at the mercy of surge pricing, TNCs don’t work so much for them. They want to know what the fare is going to be. And I certainly hear the argument that TNCs are going to cheaper at certain times. That might be true, but when an elderly person needs to get to a doctor’s appointment during a daytime baseball game when there’s a lot of demand, they’re going to feel pinched by that. Traditionally, you had a system where everybody pays the same rate, no matter the time of day, and there’s at least the dependability in that of being able to go from point A to point B at a rate that you understand and that’s not affected by market demand at the same time.

What was the rationale for the 150 cap? Where did the number 150 come from? And why 150 per company instead of a single cap for all companies?

If we are going to stay in the business of constraining the universe of cars that are available for service, then it seemed reasonable that if we cap taxis and we cap flat-rate cars in Seattle, then it seemed reasonable to look at what our system needs. Does our system need an unlimited number of cars in there? Or does our system need a certain number of cars to provide the service, particularly in the pilot phase? We called this first two years a pilot phase to figure out: will the companies be around a year from now, will they will be able to operate under the rules we’re putting in place for driver and vehicle safety, do we have enough time to rebuild some of those systems to better reflect how we should be onboarding drivers and checking vehicles for the 21st century? Some of our systems for that are really behind the times.

I think the idea was to look after a certain amount of time at the real impact that these cars are having and how we could adjust maybe a year into this and take a look at either lifting the cap, increasing the cap, doing something a year from now once we would have some data on what is happening to the traditional taxi system, and how it’s affecting different slices of the client base that need access to rides.

In D.C., a few weeks ago, the taxi commission discussed deregulating taxi meter fares if you order a ride online or over a mobile app. Do you see Seattle doing something similar?

Deregulation is a big word. We probably are going in the direction of getting away from capping the total number of vehicles. That’s a big change for the industry though and you have a lot of folks who have invested their life savings into their business as a way to provide for their families. If we go too fast in the deregulation route, we really destabilize a lot of folks.

The big question that we really haven’t tackled yet is, are we going to get out of the business of managing fares? That would be a huge step for cities to say that we don’t have an interest in having a ride available at a predictable cost at any time. It’s not something we’ve got into here yet. I have a feeling it is something that cities are going to be talking about in the coming years.

It’s been interesting to watch how interest groups have tried to lobby on for-hire-driver regulations as cities wrestle with what to do about companies like Lyft, Sidecar and Uber. In Seattle, were there differences in tactics and messaging between say, the taxi industry and the rideshare companies?

The TNCs are aggressive with their public relations. They’re spending a lot of money on every city. They’re both aggressive with the public relations in terms of talking with the regulators, but it’s also about building their driver base and their customer base. To some degree, being in the news is good for them. Having people say, “oh my gosh, I don’t want my ride service to be under attack” works for them. It builds a sense of community where they can say, “We’re the new people. Nobody likes the new people. Help us fight back against the intransigent, dinosaur powers.”

The taxi folks, in Seattle at least, have been on their heels. I don't know if that's the same in every city, but certainly in Seattle, the taxi folks have started out by simply hoping that we would shut [the TNCs] down. I think they were relying on technically what's the law and then recognizing that really the ground is shifting. So, taxi companies are saying "these are for-hire vehicles, why aren't you regulating them?" That's exactly what we're talking about, putting in place regulations that are about safety and consumer protection. And then there's just the fact that the industry is fundamentally changing. Taxis, the ownership groups, in Seattle at least, need to recognize that sooner rather than later and figure out how they're going to adapt.

J.B. Wogan | MAY 5, 2014

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This City is Heading Down Detroit's Path.

North Las Vegas could be the next city to risk bankruptcy if its current trends continue, a new report warns.

"North Las Vegas, while not in default, is nearing insolvency," said Fitch Ratings Director Matthew Reilly. He added that the "dire fiscal picture stems from a steep drop in revenues due to the severity of the recession" coupled with several years of contractually obligated salary increases for city employees. "The city also faces a structural budget deficit, one-time expenses, and restrictions on certain revenue-raising measures," Reilly said in a prepared statement.

His statement accompanied a report released Monday that concludes North Las Vegas, a city of nearly a quarter million that has almost doubled in population since 2000, faces the same factors that led to the bankruptcies in Harrisburg, Stockton and Detroit. Namely, North Las Vegas has made bad financial decisions, has rigid and escalating cost structures and also faces revenue raising limitations and weak economic conditions.

The report notes that America's now bankrupt cities all were hamstrung by financial decisions made years before that increased their liabilities. Yet lawmakers also failed to make necessary decisions to fund those obligations. In particular, the pension benefits in all three cities became burdensome liabilities during the 2000s. Detroit, for example, issued debt in the mid-2000s to shore up a more than $1 billion pension funding gap, only to face a $644 million unfunded liability by 2013. (The city's emergency manager, using different assumptions, says the pension's unfunded liability is closer to $3.5 billion.)

Nevada state law is unclear on whether cities can file for Chapter 9 bankruptcy but a Moody's Investors Service analysis earlier this year noted that "state intervention is possible given the city's significant financial pressures." Under a "severe financial emergency" the state would take over management of the city or Nevada could also provide "technical financial assistance" to review and consult on operations and debt administration. In April, the city barely submitted a balanced budget to the state after officials initially projected a $24 million budget shortfall (nearly 15 percent of budgeted operating revenues). However, North Las Vegas is drawing upon its reserves to achieve the balance.

Adding to those pressures were recent court judgments against the city. One was settled down to

$7.7 million after a judge initially awarded $25 million in back pay to public safety workers. The other award was for $4 million in damages to land developers from wrongful pre-condemnation by the city.

Liz Farmer |MAY 5, 2014

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Public Sector Takes Sides in Patent-Troll Fight.

Transit agencies and public universities have a lot at stake while corporate heavyweights clash over state and congressional efforts to rein in "patent trolls."

Proposals before Congress to crack down on so-called patent trolls have pit major tech companies against each other. But they can be just as divisive in the public sector, too.

To see why, just take a look at the central Illinois cities of Champaign and Urbana, which are home to the state's flagship public university.

The local bus agency was forced to settle with a so-called patent troll who claimed the intellectual property rights to technology that helped passengers track the arrival times of buses. Now the agency is weighing its options after receiving a threatening letter from a patent holder who claims exclusive rights to sell equipment for recording video on buses.

"Honestly," says Karl Gnadt, managing director-designate of the Champaign-Urbana Mass Transit District, "I think this legislation is just a baby step toward taking care of the real problem, and that is just a broken patent system."

But two miles from the headquarters of Gnadt's agency, Lesley Millar-Nicholson heads an office that licenses and protects the intellectual property generated at the University of Illinois' main campus. She worries the proposals would reduce the university's mission of "taking the research, getting it out and trying to actually have an impact on the world."

"The universities pretty much have fairly limited budgets with which to both protect and enforce intellectual property," Millar-Nicholson says. "Further barriers to being able to do that on a level playing field make it even harder."

Patent trolls are getting more aggressive, which is a major reason that states and localities—just like small businesses and nonprofits—are suddenly tangled up in patent fights. Lawsuits filed by patent trolls increased from 731 in 2010 to more than 2,500 in 2012, according to the White House.

The term "patent troll" is used widely, but it can be difficult to distinguish them from other aggressive patent holders, especially when public officials are attempting to write legislation.

Generally, patent trolls are holders of vague patents who do not use the protected technologies themselves. Instead, they demand payment from alleged infringers in the hope that their targets will settle rather than defend themselves in court.

2014 State Patent-Troll Bills

*Last year, Vermont was the first state to pass a law directed at "patent trolls." This year, legislatures in at least a dozen states have passed similar measures.*Alabama Georgia Idaho Maine Maryland Oklahoma Oregon South Dakota Tennessee Utah Virginia Wisconsin

Last year, Vermont became the first state to allow defendants to countersue alleged patent trolls for abuses after a company sent demand letters to two non-profit groups that serve the disabled for allegedly infringing on patents allowing scanned documents to be sent via email. This year, at least a dozen state legislatures (see table) passed laws also attempting to curb patent abuses.

State attorneys general also have stepped up legal pressure on alleged trolls, using consumer protection laws. The attorneys general of 41 states and Guam also asked congressional leaders in February letter to make sure that state laws and state courts could still be used to handle cases against patent trolls.

"Federal legislation should confirm that state courts have personal jurisdiction over entities that direct unfair or deceptive patent demand letters into the state," they wrote.

The U.S. House passed a measure in December to discourage patent abuses on a 325-91 vote. The legislation, dubbed the Innovation Act, would require patent holders to disclose more information when bringing enforcement actions in court. It would allow manufacturers to intervene in patent lawsuits brought against their customers.

Most controversially, the measure would also require patent holders who lose their case to pay the attorney fees for the prevailing party, unless the court determines that the award would be "unjust" or that the patent holder's claim was "reasonably justified in law and fact."

A group of senators is now working on its own patent legislation, which it expects to release next week.

Proponents of the House measure say the changes would at least reduce the number of lawsuits brought by patent trolls.

"There's so much money in it, it's not going to stop," says Matt Levy, patent counsel for the Computer and Communications Industry Association (CCIA). "But the goal is to make it less attractive."

But major research universities, including many public schools, say "loser pays" proposals and other measures to discourage patent abuses would also make it harder for universities to pursue legitimate claims.

“Not only does (fee shifting) present a strong disincentive for universities to enforce their patents, but it will substantially increase the perceived risk to potential licensees and venture capitalists of investing in university patents,” wrote the Association of American Universities in a statement.

“We’re already struggling,” adds Millar-Nicholson from the University of Illinois. ABrookings Institution study found that 84 percent of research universities lost money in 2012 on their technology licensing offices. Adding to the cost of litigation and discouraging lawsuits, Millar-Nicholson says, would put universities “on the back foot.”

“Universities are not patent trolls. We are not out there to get a quick buck or sue individuals without merit. But we have to have (patent lawsuits) in our bag of tricks. In fact, any patent owner has to have that tool in their bag of tricks,” she says.

The proposals before Congress could also undermine other congressional priorities, she says. The federal government funds much of the research at major universities, and it requires universities to take ownership of and license inventions produced by federally funded research.

That licensing boosts the economy by launching start-up companies, creating jobs and advancing technology, Millar-Nicholson says. “It’s like the ripple effect. It’s a small pebble in a big pond.”

But in the same central Illinois community, patent trolls are blamed for hurting a small business that worked with Champaign-Urbana’s transit agency.

The local mass transit district was one of at least 11 agencies around the country to get a demand letter from ArrivalStar, which threatened to sue the agencies if they did not pay money to license its patented technology predicting bus arrivals.

The central Illinois agency settled without paying money, Gnadt says. But its vendor, a local company laid off five workers and abandoned its software business as a result. The transit agency hired new workers to take on the extra work.

But settling patent lawsuits “is almost always a sound economic decision” for transit agencies, says James LaRusch, general counsel for the American Public Transportation Association, a trade group.

When ArrivalStar wrote transit agencies in Toledo, Ohio and Raleigh, North Carollina, for example, it indicated it would allow the agencies to license its technology for $150,000. Metra, the commuter rail agency in the Chicago area, settled with ArrivalStar for $50,000. King County Metro in the Seattle area agreed to pay $80,000.

But going to court, LaRusch says, would likely cost a transit system millions of dollars.

APTA faced a similar problem. It could not afford to take action against ArrivalStar until the Public Patent Foundation, a non-profit legal services agency at the Benjamin N. Cardozo School of Law in New York City, offered to help.

Public Patent’s lawyers represented APTA in a lawsuit filed against ArrivalStar last June.

APTA claimed that public transit agencies were essentially arms of the states that created them and therefore could not be sued for patent infringement because the 11th Amendment gives states sovereign immunity. The group also argued that ArrivalStar’s patents were invalid and unenforceable.

The parties settled and agreed to keep the terms confidential. But LaRusch said ArrivalStar agreed not to pursue the transit agencies or their vendors.

The APTA settlement came too late for the Champaign-Urbana MTD, whose vendor already laid off workers. Now, Gnadt says, his agency faces a different type of patent threat, which he calls “threat marketing.”

For example, Gnadt says, his agency recently received a letter from a company that sells video equipment for buses. The letter says its competitors’ merchandise violates the company’s patents, but that the Champaign-Urbana agency could avoid legal problems by buying its equipment instead.

Gnadt says he is encouraged by the activity on Capitol Hill to discourage patent trolls. “It’s a beginning effort to take care of (the problem),” he says, “but in of itself, it does not eradicate the problem.”

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E-Cigarette Bans Take Effect in New York City, Chicago.

Laws in New York and Chicago making electronic cigarettes subject to the same regulations as tobacco are taking effect, and their sellers and users are steadfast in their opposition.

The New York ban — along with the measure in Chicago, one that previously went into effect in Los Angeles and federal regulations proposed last week — are keeping debate smoldering among public health officials, the e-cigarette industry and users.

Proponents of the bans which began Tuesday say they are aimed at preventing the re-acceptance of smoking as a societal norm, particularly among teenagers who could see the tobacco-free electronic cigarettes, with their candy-like flavorings and celebrity endorsers, as a gateway to cancer-causing tobacco products.

Dr. Thomas Farley, the New York City health commissioner under former Mayor Michael Bloomberg, says allowing electronic cigarettes in bars and restaurants would undermine existing bans on tobacco-based products.

“Imagine for a moment you’re at a bar and there are 20 people who are puffing on something that looks like a cigarette and then somebody smells something that smells like tobacco smoke,” Farley says. “How’s the bartender going to know who to tap on the shoulder and say, ‘Put that out’?”

Makers of the devices say marketing them as e-cigarettes has confused lawmakers into thinking they are the same as tobacco-based cigarettes. They say the bans ostracize people who want an alternative to tobacco products and will be especially hard on ex-smokers who are being lumped into the same smoking areas as tobacco users.

Their defenders also say they’re a good way to quit tobacco, even though science is murky on the claim.

View Full Story from AP/The Washington Post

NYT: Town Meetings Can Have Prayer, Justices Decide.

WASHINGTON — In a major decision on the role of religion in government, the Supreme Court on Monday ruled that the Constitution allows town boards to start their sessions with sectarian prayers. The ruling, by a 5-to-4 vote, divided the court's more conservative members from its liberal ones, and their combative opinions reflected very different views of the role of faith in public life, in contemporary society and in the founding of the Republic.

Justice Anthony M. Kennedy, writing for the majority, said that a town in upstate New York had not violated the Constitution by starting its public meetings with a prayer from a "chaplain of the month" who was almost always Christian and who sometimes used distinctly sectarian language. The prayers were ceremonial, Justice Kennedy wrote, and served to signal the solemnity of the occasion.

The ruling cleared the way for sectarian prayers before meetings of local governments around the nation with only the lightest judicial supervision.

The decision built on one from 1983 that allowed prayers at the start of legislative sessions. The two sides on Monday disagreed about whether town board meetings, which include not only lawmakers and spectators but also citizens seeking to do business with the government, are meaningfully different from legislative sessions.

Justice Kennedy said the prayers in both settings were "meant to lend gravity to the occasion and reflect values long part of the nation's heritage."

Justice Elena Kagan said in dissent that the town's practices could not be reconciled "with the First Amendment's promise that every citizen, irrespective of her religion, owns an equal share in her government."

She said the important difference between the 1983 case and the new one was that "town meetings involve participation by ordinary citizens."

She did not propose banning prayer, Justice Kagan said, but only requiring officials to take steps to ensure "that opening prayers are inclusive of different faiths, rather than always identified with a single religion."

Town officials in Greece, N.Y., near Rochester, said members of all faiths, and atheists, were welcome to give the opening prayer. In practice, however, almost all of the chaplains were Christian. Some prayers were explicitly sectarian, with references, for instance, to "the saving sacrifice of Jesus Christ on the cross."

Two town residents sued, saying the prayers ran afoul of the First Amendment's prohibition of government establishment of religion. They said the prayers offended them and, in Justice Kennedy's words, "made them feel excluded and disrespected."

But Justice Kennedy said the relevant constitutional question was not whether they were offended. "Adults often encounter speech they find disagreeable," he wrote. "Legislative bodies do not engage in impermissible coercion merely by exposing constituents to prayer they would rather not hear and in which they need not participate."

Justice Kennedy said traditions starting with the first Congress supported the constitutionality of ceremonial prayers at the start of legislative sessions. Both Houses of Congress, he said, have appointed and paid for official chaplains almost without interruption ever since. Legislative prayer, he said, is “a practice that was accepted by the framers and has withstood the critical scrutiny of time and political change.”

In a long footnote, Justice Kagan disputed that assertion, saying some of the most prominent members of the founding generation — George Washington, Thomas Jefferson and James Madison — took pains to keep sectarian language away from public life. “The demand for neutrality among religions is not a product of 21st century ‘political correctness,’ ” she wrote, “but of the 18th century view.”

But Justice Kennedy said legislative prayers may have sectarian content and need not “be addressed only to a generic God.” He added that it would be perilous for courts to decide when prayers crossed a constitutional line and became impermissibly sectarian.

“To hold that invocations must be nonsectarian,” he wrote, “would force the legislatures that sponsor prayers and the courts that are asked to decide these cases to act as supervisors and censors of religious speech, a rule that would involve government in religious matters to a far greater degree than is the case under the town’s current practice of neither editing or approving prayers in advance nor criticizing their content after the fact.”

Chief Justice John G. Roberts Jr. and Justice Samuel A. Alito Jr. joined all of Justice Kennedy’s opinion, and Justices Antonin Scalia and Clarence Thomas most of it.

Justice Kennedy did suggest that some prayers may be unacceptable if offered consistently, including ones that “denigrate nonbelievers or religious minorities, threaten damnation or preach conversion.” But without proof of “a pattern of prayers that over time denigrate, proselytize or betray an impermissible government purpose,” he wrote, “a challenge based solely on the content of a prayer will not likely establish a constitutional violation.”

Town officials had tried, he said, to recruit members of various faiths to offer prayers.

In dissent, Justice Kagan said they had not tried hard enough. “So month in and month out for over a decade,” she wrote, “prayers steeped in only one faith, addressed toward members of the public, commenced meetings to discuss local affairs and distribute government benefits.”

In 1983, in Marsh v. Chambers, the Supreme Court upheld the Nebraska Legislature’s practice of opening its legislative sessions with an invocation from a paid Presbyterian minister, saying that such ceremonies were “deeply embedded in the history and tradition of this country.”

Justice Kagan, joined by Justices Ruth Bader Ginsburg, Stephen G. Breyer and Sonia Sotomayor, said the case from Greece, N.Y., was different. The prayers at the town board meetings were often explicitly sectarian, they said, and residents were forced to listen to them in order to participate in government.

“No one can fairly read the prayers from Greece’s town meetings as anything other than explicitly Christian — constantly and exclusively so,” Justice Kagan wrote in her dissent in the case, Town of Greece v. Galloway, No. 12-696.

Moreover, she said, the clergy “put some residents to the unenviable choice of either pretending to pray like the majority or declining to join its communal activity, at the very moment of petitioning their elected leaders."

In a concurrence with the majority opinion, Justice Alito called the dissent's qualms "really quite niggling."

That comment, Justice Kagan responded, "says all there is to say about the difference between our respective views."

By ADAM LIPTAK MAY 5, 2014

Zombie Towns' Days Numbered Under Pennsylvania Bill.

Pennsylvania created its municipalities. It won't let them die.

The state is one of 10 that don't permit communities to dissolve, even as its steel and coal towns dwindle. Pennsylvania trails onlyIllinois and Texas in the number of local governments and school districts, with about 4,900. Almost 800 of its municipalities have less than 1,000 residents.

Lawmakers are considering a bill that would allow dissolution and limit municipalities' stay in the state's distressed program. Thirteen cities have been stuck with that designation for at least a decade, and fragmentation at the local level makes it harder to turn them around, said Matt Fabian, managing director at Concord, Massachusetts-based research firm Municipal Market Advisors.

"The commonwealth of Pennsylvania creates all these municipalities, so the buck comes back to the commonwealth if their citizens are not able to receive services adequately," said Representative Chris Ross, a Republican from East Marlborough Township west of Philadelphia.

"We need to have a viable alternative," said Ross, sponsor of the measure, which awaits a vote in the Pennsylvania House of Representatives.

Existential Question

Some localities have shrunk so much they may be unable to operate, according to Ross. The communities are stagnating as Pennsylvania's economy is falling behind, with job and population growth trailing most states, said Standard & Poor's.

The company assigns the sixth-most populous state a AA rating, third-highest, though with a negative outlook partly because of its sluggish economy. Bonds of Pennsylvania issuers have earned 4.8 percent this year through May 1, compared with 4.9 percent for the entire municipal market, S&P Dow Jones Indices show.

The House bill, with sponsors from both parties, would force distressed municipalities to alleviate fiscal strains within five years, unless they receive a three-year extension. Otherwise, the communities would fall under state receivership.

This would shake them out of their "zombie-like status," Ross said.

The bill also lets Pennsylvania dissolve municipalities, transforming them into unincorporated districts run by state-appointed administrators.

Phased Out

Ted Smakosz, a former councilman in Fallston, northwest of Pittsburgh, said Pennsylvania should phase out towns that fall below a certain size in population and area. That includes his own, with about 266 residents in 0.5-square mile (1.3-square kilometer).

“Pennsylvania has way too many little municipalities that should not exist,” said Smakosz, who as councilman supported a merger of the borough with a larger township, a step that Fallston voters rejected last year. “It’s a waste of money.”

Dissolution, or disincorporation, differs from merger or consolidation, which Pennsylvania permits. The latter step results in a new governing body and requires voter approval in affected towns. In disincorporation, a municipal border is eliminated and residents, now in an unincorporated area, are served by the surrounding higher level of government, often a county. This process needs approval only by the government wishing to erase itself.

In Pennsylvania, every square inch of land must be incorporated, preventing dissolution. Municipalities in Connecticut, Delaware, Hawaii, Massachusetts, New Hampshire, New Jersey, North Carolina, Rhode Island and Vermont also restrict dissolution, said Michelle Wilde Anderson, who studies distressed communities as an assistant professor at University of California Berkeley School of Law.

Municipal Toolkit

Pennsylvania’s rural populace, Rust Belt communities and former company towns that have lost residents could benefit from the option, she said.

Legislators “should give those kinds of areas the tools to reconsider what’s the best way to provide services,” she said. Having the ability to dissolve can give municipal officials leverage, she said.

“It’s a way to say, if we can’t survive on this business model, we have to think about which of the changes we can make,” she said. “It’s one more thing on the list to focus voters’ attention on the urgency of fiscal challenges and get them to make some hard decisions.”

Pennsylvania Choice

The path of merger or consolidation is often unavailable because municipalities are reluctant to take on neighbors, which may be distressed.

State officials recommended that Farrell, a steel city on the Ohio border whose population has fallen to 5,000 from more than 15,000 in the 1920s, consolidate with four neighboring municipalities to tackle its fiscal strains. Yet voters in three of the other communities rejected the measure, and Farrell has been in the state’s program for distressed communities since 1987.

“People don’t want to give up their territories,” said Mayor Olive McKeithan, who doesn’t support dissolving Farrell. “Why would you want somebody coming into your town to run your community?”

In Fallston, merging with the adjacent township of Patterson would have resulted in savings and better services, said Smakosz, the former councilman.

Even though the township's population is 10 times greater than Fallston's, the borough spends almost as much — $18,000 a year — for municipal insurance, he said. The borough website displays a call for volunteers to help provide services.

Cuomo Push

There have been 10 mergers and consolidations since 1994, according to state data. In neighboringNew York, more villages have dissolved in the past five years than in the previous 30, said Joseph Stefko, chief executive officer of the Center for Governmental Research, a Rochester, New York-based nonprofit that advises municipalities. Since 1920, 47 villages have dissolved, with 10 cases in the last five years, he said.

"Economic and fiscal pressures have resulted in more communities looking at this," he said.

New York Governor Andrew Cuomo touts the need to reduce local governments to lower property taxes, and has proposed rebates to land owners in localities that share services.

In New Jersey, Pennsylvania's other neighbor, the merger of Princeton Borough and Township last year has resulted in savings and some services being expanded, said Stefko, whose group worked on the transition.

"Pennsylvania is at a critical junction," Gerald Cross, executive director of the Pennsylvania Economy League, told lawmakers at a hearing last month in Harrisburg, the capital.

"If we fail to reform the way local governments operate, we will see more and more communities unable to claw their way out, but plenty of reasons for residents to move out for other states that take a more modern approach to governance," he said.

By Romy Varghese May 4, 2014 5:00 PM PT

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California Dispute Over Spicy Sauce Imperils Bond Payment.

A dispute over eye-watering odors between city officials in Irwindale,California, and a company that makes spicy sauce there may jeopardize bond payments if the food maker leaves, according to bond documents.

Huy Fong Foods Inc., which grinds peppers for its Sriracha Hot Chili Sauce in the community about 20 miles (32 kilometers) east of Los Angeles, has been locked in a legal dispute with the city since last year, when a judge ordered it to reduce "extremely annoying, irritating and offensive" smells that prompted complaints from neighbors.

While the two sides are negotiating over odor-abatement technology, closely-held Huy Fong has threatened to leave town, even as Irwindale plans to sell $10.8 million in bonds to refinance debt. The offering is backed by real-estate taxes and Huy Fong, with its 628,000-square-foot (58,300-

square-meter) plant, is the third-largest property owner in the city, according to the documents.

"Although anticipated that the parties will reach an agreement, if such agreement cannot be reached between the city and Huy Fong, and Huy Fong's operation is negatively impacted or shut down, it could have a material negative impact on the assessed valuation of such property and corresponding negative impact on the tax revenues," according to bond documents.

Huy Fong's property would generate about $584,000 a year in tax revenue toward the bonds, according to the documents. The bonds, which are insured, are rated AA, third-highest, by Standard & Poor's.

Donna Lam, operations manager for Huy Fong, didn't immediately respond to a phone call requesting comment on the company's plans.

'Public Nuisance'

Complicating the issue is a planned City Council vote, scheduled for May 14, on a resolution to declare that Huy Fong has breached agreements to deal with the odors and declaring the factory a public nuisance, according to the bond document.

Chief Executive Officer David Tran, 69, grew up in Vietnam and emigrated to the U.S. in 1979. He named the company for the ship that carried him.

The rust-colored sriracha sauce, packaged in a clear squeeze bottle with a green cap, is decorated with a rooster, the symbol of Tran's birth year. The company expanded into its Irwindale plant from nearby Rosemead as its popularity grew.

Neighbors of Huy Fong's plant have complained of stinging eyes, aggravated asthma symptoms and nosebleeds, Irwindale's city attorney has said.

Irwindale, with a population of about 1,500, is located at the base of the San Gabriel Mountains. Just 1 percent of the city's area is occupied by homes and apartments, with the largest share devoted to industrial uses such as sand and gravel mining, according to the city's website.

The case is City of Irwindale v. Huy Fong Foods Inc., BC525856, California Superior Court, County ofLos Angeles.

By James Nash May 1, 2014 8:23 PM PT

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Ride Sharing: The Big Opportunity for Cities.

Uber, Lyft and Sidecar present cities with the opportunity to radically transform transportation in their communities. If cities make use of the lessons they are learning from work with car share firms like Zip Car and with bike share programs, they are likely to achieve remarkable success in the newest iteration of the sharing economy.

However, if current trends are any indication, city taxi commissions see these companies primarily as threats to the established order and are seeking regulatory solutions where a little entrepreneurship might be more properly applied.

The outlook is not at all rosy for the car share firms. A dozen cities are either writing citations to Lyft and Uber drivers, issuing cease and desist orders to the companies, or banning operations outright. To be fair, many cities are also seeking to catch up with the application of technology to this otherwise static public service, so I remain optimistic.

It matters little whether companies such as Uber, Lyft and Sidecar are called Transportation Network Companies or traditional taxi and limousine services. The simple fact remains that existing regulatory frameworks for taxis in cities became outmoded with the advent of the smartphone and the app. The sooner taxi commissioners embrace this reality the sooner they will find the path out of the regulatory maze.

Of course cities have some obligation to regulate services to the general public within their jurisdictions. But where is it written that the basis of such regulation must be the existing formula for traditional dispatch taxicabs? What is it that cities need to actually regulate that is not presently required as part of qualifying for a driving license? Enhanced driver training? Premium vehicle liability insurance? Universal service? Car specifications (color, model, age)? Competition? Price? A case probably can be made for the first two or three but not so much for the latter three.

In 2013, the California Public Utilities Commission issued a ruling that allowed Lyft and Uber to operate under less rigid rules than locally regulated taxis. As recently as this week, a federal judge in Houstondeclined to temporarily restrain Lyft and Uber from operating in Houston and San Antonio. A further hearing is set for July 15, perhaps providing time for the cities and the companies to hammer out an agreement.

The sharing economy offers opportunities for cities to increase the options available for those in need of transportation, lodging (see Airbnb and its similar challenges) and a range of other services not yet envisioned. The sharing economy represents the highest form of individual entrepreneurship and as such deserves the chance to grow and contribute to the daily life and economic prosperity of city residents.

When a company called Flex Car (later bought by Zip Car) arrived in cities more than a decade ago, the transformation was revolutionary. Cities did the unthinkable – they gave up precious curbside parking spaces to a private company to place universally accessible cars in proximity to people in need of wheels for a short-term errand.

Cities created a new regulatory paradigm for this new and much sought after service. I own a car and still signed up in the first month the company offered services in my city (I'm still a member all these years later.) That same spirit of innovation needs to be applied to the likes of Uber, Lyft and Sidecar, and to their successors.

by James Brooks

APRIL 24, 2014

About the Author: James Brooks is NLC's Director for City Solutions. He specializes in local practice areas related to housing, neighborhoods, infrastructure, and community development and engagement. Follow Jim on Twitter @JamesABrooks.

Supreme Court Weighing Whether Public Employees Can Reveal Corruption.

The Supreme Court on Monday sounded ready to rule that a public employee who testifies about corruption in his government department cannot be fired for revealing the truth.

But first justices will need to confront their own 2006 ruling that sharply limited the free-speech rights of such workers.

“Why do we put people at risk for telling the truth?” asked Justice Sonia Sotomayor, as the court heard the case of an Alabama community college official who was dismissed after revealing that a state legislator was drawing a salary for a college job but doing no work.

Edward Lane, the fired official, lost his free-speech lawsuit last year against the college president who dismissed him after the U.S. 11th Circuit Court of Appeals ruled that, under the 2006 Supreme Court precedent, Lane was not protected.

Although teachers and other public employees are free to speak as citizens, the high court ruled, the 1st Amendment does not protect them if they learn something on the job and reveal it to the public over the objections of their employer. The 5-4 ruling in Garcetti vs. Ceballos rejected a suit by a Los Angeles County deputy district attorney who was demoted after raising questions about the validity of a disputed search warrant.

The court’s opinion by Justice Anthony M. Kennedy said the deputy district attorney was speaking about an internal complaint. He was “not speaking as a citizen for 1st Amendment purposes,” Kennedy said.

That decision left public employees with little protection from supervisors upset by their comments.

Civil libertarians, whistle-blowers and public employee unions supported Lane in his appeal and urged the justices to revisit the issue so that public employees who expose corruption can be better protected.

In Lane’s case, federal prosecutors had ordered him to testify in the corruption trial of the state legislator.

“Well, what is he supposed to do?” Chief Justice John G. Roberts Jr. asked an attorney defending the college president. “He gets a subpoena” from the prosecutor and has to tell the truth in court.

“Mr. Chief Justice, we would never suggest anybody not comply with a subpoena and testify truthfully,” said Mark Waggoner, a lawyer from Birmingham.

“But you are suggesting he can be fired if he does it,” Roberts replied.

Sotomayor said the court should retreat from what it said in the Garcetti decision. “If someone is called to testify truthfully about a matter of public concern, should they be able to be fired under the 1st Amendment?”

It was clear she and most others thought the answer was no.

But Lane may win only a partial victory. Several justices said that although Lane had a strong free-speech claim, Central Alabama Community College President Steve Franks could avoid paying damages because the law was unclear.

The court usually shields police or other public officials from paying damages for violating a constitutional right if the law was not clear at the time. A decision in Lane vs. Franks is due by late June.

Meanwhile, the court agreed Monday to hear the case of a Florida fisherman who was ensnared by a federal law designed to prevent white-collar criminals from shredding documents.

The Sarbanes-Oxley Act makes it a crime to hide documents or any “tangible object” to thwart a federal investigation. Fisherman John Yates was accused by a federal agent of reeling in red grouper that were under the 20-inch minimum, then tossing them overboard to hide the evidence.

Yates was sentenced to 30 days behind bars. The justices will hear his appeal arguing that the so-called anti-shredding provision should not apply to fish.

By David G. Savage

BY MCCLATCHY NEWS | APRIL 29, 2014

D.C. GIves Up on Proposal to Make People Wait 24-Hours to Get Tattoos.

The D.C. Health Department said Thursday that it has abandoned its attempt to force tattoo and piercing customers to wait 24 hours before receiving their body art.

Najma Roberts, a department spokeswoman, said the waiting-period proposal was rejected because of “strong public opinion” against it, as well as a desire to focus on “public health concerns.”

“The ultimate goal is to prevent disease and health threats,” Roberts said in an e-mail.

When a 66-page package of draft regulations was released in September, the department took the position that government might have a role in protecting consumers from permanent consequences that they might come to regret.

“They can’t be responsible for themselves, as well as the person doing the work on them,” Roberts said at the time. “We’re making sure when that decision is made that you’re in the right frame of mind, and you don’t wake up in the morning . . . saying, ‘Oh my God, what happened?’ ”

View Full Story from the Washington Post

NYT: The Wire Next Time.

CAMBRIDGE, Mass. — LAST week’s proposal by the Federal Communications Commission to allow Internet service providers to charge different rates to different online content companies — effectively ending the government’s commitment to net neutrality — set off a flurry of protest.

The uproar is appropriate: In bowing before an onslaught of corporate lobbying, the commission has chosen short-term political expediency over the long-term interest of the country.

But if this is the end of net neutrality as we know it, it is not the end of the line for fair and equitable Internet access. Indeed, the commission's decision frees Americans to focus on a real long-term solution: supporting open municipal-level fiber networks.

Such networks typically provide a superior and less expensive option to wholly private networks operated by Internet service providers like Comcast and Time Warner.

The idea of muni networks has been around for a while, with bipartisan support. When the Telecommunications Act was under discussion in 1994, Senator Trent Lott, Republican of Mississippi, was one of its most enthusiastic supporters. Thanks to him and others, the act, passed in 1996, prohibits states from putting up unreasonable obstacles to any entity that wants to provide telecommunications services.

So why didn't a thousand muni networks bloom? After all, the 1996 act was aimed at increasing competition. But private providers rightly recognized muni networks as a threat, and in the subsequent decades have pushed through laws in 20 states that, despite the 1996 act, make it difficult or impossible for municipalities to clear the way for the sorts of networks that the 1996 act envisioned.

That means that the main problem behind getting muni networks up and running isn't about the technology — which not only exists, but is already being used in large and small cities around the world — but about the politics.

As a first step, Americans need to focus their efforts on getting these laws taken off the books. (To its credit, the F.C.C. recently signaled its willingness to help, saying it would consider blocking those laws at the federal level.)

Mere legislative change won't be enough, however. We need to elect leaders on the basis of their commitment to changing America's stagnant communications infrastructure.

There is much to be done at every level of government, but cities are the most promising battleground right now. Mayors, Republican and Democrat alike, are in the business of providing their citizens with services, and fiber infrastructure is just like a city street grid: Economic development, quality of life, new jobs and a thriving competitive market all depend on its presence.

Most important, cities have assets in the form of control over conduits, poles and rights of way that can be used to support the provision of competitive fiber-optic networks. Since 1998, my hometown, Santa Monica, Calif., has been saving money by shifting from paying expensive leases on private communications lines to using its own fiber network, called City Net.

The city planned carefully and built out City Net slowly, taking advantage of moments when streets were being opened for other infrastructure projects. Businesses in Santa Monica now pay City Net a third of what a private operator would charge, and the city government has made millions leasing out its fiber resources at reasonable rates to other providers.

According to Christopher Mitchell of the Institute for Local Self Reliance, a national expert on community networks, more than 400 towns and cities across America have installed or are planning networks. And that's not just good for consumers; it's good for business. Companies are moving to places like Wilson, N.C., and Chattanooga, Tenn., because those cities provide public, inexpensive, high-capacity connectivity.

American cities need fast, cheap, ubiquitous, open fiber networks, and every city has the tools at its disposal to get these networks built. But there are powerful and well-funded incumbents who will fight any mayor brave enough to consider the idea. If you're furious about your cable bill and worried about net neutrality, go tell city hall.

By SUSAN CRAWFORDAPRIL 27, 2014

Susan Crawford is a visiting professor at Harvard Law School and the author of "Captive Audience: The Telecom Industry and Monopoly Power in the New Gilded Age."

An 18.8 Percent Pay Hike for Boston Firefighters.

Boston firefighters would get an 18.8 percent pay raise under a contract deal that city labor officials said includes measures to improve safety and management in the Fire Department.

The six-year pact, which firefighters are expected to vote on next week, would cost the city $92.4 million, say city officials, and it comes seven months after an arbitrator put an end to acrimonious negotiations between the city and police officers .

Firefighters have been without a contract for about three years. Mayor Martin J. Walsh had promised during last year's campaign that he would move swiftly to reach a resolution.

The firefighters' raise would be less than the 25.4 percent pay increase police officers received from the arbitrator last year, a boost that became a hot topic in last year's mayoral race.

The tentative firefighter agreement includes a baseline 14 percent pay increase, along with additional funds that preserve a unique 0.5 percent pay perk known as the transitional career award program, which firefighters get each time there is a pay increase.

Walsh administration officials said the union agreed to a lower pay package than police received to end the long-stalled negotiations.

View Full Story from the Boston Globe

APRIL 25, 2014

Seattle Mayor's $15 Minimum Wage Plan Hits Snags.

Mayor Ed Murray of Seattle said Thursday that his effort to build consensus behind raising the city's minimum wage to $15, more than twice the federal rate, had faltered amid continuing differences between business leaders and labor unions that had been advising him on the issue.

"We're stuck at the moment," Mr. Murray said in a news conference where he had been expected to present a proposal for raising the wage to one of the highest in the country. Instead, Mr. Murray, a Democrat and former state senator who was elected last year on a promise to fight economic inequality, said the negotiations were continuing on a committee of elected officials and business and labor interests that he had appointed to develop a wage plan.

The mayor said that he was as committed as ever to a $15 minimum wage, with a cost of living adjustment mechanism that would push the wage to $17 over time — and that the committee had agreed in principle on that much as well. But after the committee could not reach agreement by a deadline this week, he said that he had decided to let it continue its deliberations to avoid having the issue placed before voters this fall as a ballot initiative, a move threatened by some labor advocates.

A protracted fight over such an initiative might lead to “class warfare,” the mayor warned. “I’m probably less optimistic than I was this morning, but I still remain optimistic. If this fails, we’ll try something else until we get to $15.”

View Full Story from the New York Times

APRIL 25, 2014

The Rising Pressures on the Water We Drink.

We need to know more about how agricultural practices, extreme weather and aging infrastructure affect our water systems.

With large areas of the United States suffering through severe drought, it is understandable that policymakers should be focused so intensively on the *availability* of water for agricultural, industrial and drinking uses. Yet, as our recent study of Nebraska water resources suggests, there are equally challenging and closely related issues for managing the *quality* of the water supply.

The costs of managing drinking-water quality are substantial and rising. The federal Environmental Protection Agency estimated last year that the nation may need to spend upwards of $380 billion in capital costs alone to upgrade its drinking water systems. Investing in our water infrastructure is certainly important. But what is equally important is a more integrated and balanced approach to managing the water supply that recognizes the interconnection of land-use and agricultural practices with surface- and ground-water quality.

For Nebraska, there are three main pressures on water quality that are likely to resonate across the United States, especially in farm states: the ever-increasing intensification of agriculture in response to increasing demands for food; the increasing frequency of extreme weather events as climate changes; and an aging infrastructure of drinking-water and sewage-treatment systems.

Without improved management practices at the source, intensification of agriculture will inevitably lead to increased contamination from runoff into surface waters and leaching into ground waters. The adverse human-health effects of nitrates and traces of pesticides in drinking water in agricultural areas are well known, but there are possibly more subtle effects that are less well understood and yet potentially more serious. For example, there is evidence that increasing levels of nitrates can lead to a change in chemical conditions in which naturally occurring contaminants such as uranium and selenium can be mobilized and as a result find access to the drinking-water supply. Combinations of nitrate and other difficult-to-treat and potentially toxic chemicals increasingly have been identified in both public and private drinking-water supplies.

Add to this the expected increase in the variability of precipitation events — from drought to flood in a short space of time — and there is the possibility of episodic events that overwhelm the drinking-water system. Some states, such as Iowa, have already experienced surges of nitrates from fertilizers that accumulate in dry soils during drought and then are washed out when rains return. These kinds of changes in source water quality have only recently come under study.

Finally, an aging treatment and distribution infrastructure is unlikely to meet the technological demands of more challenging clean-up requirements and may also contribute to contamination, especially from bacteria, through leakage and cross-connections. Water-supply and sewage systems are closely linked in many communities, both above and below ground.

If we expect to solve these problems by cleaning up contaminated waters at the point of release, then the costs are likely to be considerable. If treatment alone is viewed as the only solution, then costs are unfairly passed on to communities not responsible for the contamination. These costs can be particularly serious for small rural communities, where the technology required to remove both uranium and nitrate could cost as much as $5 million and require substantially increased operational costs.

Potable drinking water supplies are especially vulnerable and increasingly expensive to maintain in an agricultural landscape. There must be a balance between the costs and benefits of using chemicals that can impact water quality at different points of the water system. For example, how do the costs of managing fertilizer applications at the farm stack up against lost agricultural yield? And how do these compare with the costs of treating for nitrates and related contaminants at the water-treatment plant?

Studies of questions like these are few and far between. Yet if we are going to respond efficiently and equitably to the complex and intensifying pressures on our water supplies, we will need to do it through dialogue that uses this kind of evidence as a basis for developing sound policy.

BY DANIEL SNOW,PETER CALOW | APRIL 17, 2014

How a Small County in California Went Grid Positive.

Yolo County has become the first county government in the state to not only zero-out its electric bill with renewable energy, but also to become grid positive.

California is known for being a leader in solar energy, but a small county in Northern California has taken things a step further. It has become the first county government in the state to not only zero-out its electric bill with renewable energy, but also to become grid positive. Yolo County (population 200,000), just west of Sacramento County, now produces 152 percent more energy from solar panels than it uses.

Terry Vernon, deputy director of Yolo County General Services, is behind much of the solar success. In 2010, the Yolo County government was facing an annual $1.4 million electric bill. Vernon knew there was a better way. In the 1980s, Vernon helped Stanford University put power back into the grid with a cogeneration plant that heated the entire campus. So he was no stranger to innovative energy solutions, and knew that he could help power Yolo County with renewables. The issue he was facing, however, was that Yolo County was, like the rest of the country, in a recession.

“I had to look for a way to do a zero-capital investment because we didn’t have any capital funding,” Vernon told RMI. “It had to pay for itself the very first day.” Vernon said it took a lot of effort; he had to go to the county board numerous times. Fortunately, the board was extremely supportive of the project. Even before board members knew it would produce a positive cash flow, they saw the potential to reduce the county's carbon footprint and greenhouse gas emissions. Once they approved the proposal, the first solar project was under way.

An Innovative Solar Plan

Working with SunPower, Yolo County installed a 1-megawatt solar power system at the Yolo County Justice Campus in the county seat, Woodland. Yolo County owns the system and associated renewable energy credits, and financed the purchase using multiple funding sources, including a $2.5 million loan from the California Energy Commission, and clean renewable energy bonds and qualified energy conservation bonds available through the American Recovery and Reinvestment Act of 2009. The system produced $162,000 the first year of operation, and is predicted to earn the county $10 million over the first 25 years.

With the success of that project under his belt, Vernon decided to do even more. In 2013, the county installed three arrays totaling 5.8 MW of power as part of its County Wide Solar Project. The first array produces .8 MW for three buildings on the county government campus in Woodland, reducing the campus' electric bill by 75 percent through net energy metering. Two 2.5 MW arrays were installed at Grassland Regional Park in Davis and sell power back to PG&E, the local utility company, through a feed-in-tariff (FiT). These projects also were installed with no upfront capital investment. In partnership with the Yolo County Office of Education, the county secured $23 million in qualified zone academy bonds (QZAB).

The projects not only eliminated the county's electric bill, but also earned just under $500,000 the first year. The county sells electricity to PG&E for 10-cents/kilowatt hour, although when its 20-year FiT contract is over, that price might rise. The county conservatively predicts it will generate $60 million over the next 35 years and avoid 12,000 metric tons of carbon dioxide emissions each year. "We not only did it with zero upfront capital investment," Vernon stated, "we eliminated our electrical bill, and we generate cash, which goes into our revenue stream."

In July, the EPA recognized Yolo County on its list of green power partners that generate and consume the largest amount of green power on-site, alongside companies such as Walmart and Apple. Although Yolo County came in 14th in the nation (in January, it moved up to 13th) for amount of kWh used on-site (13.5 million), if ordered by the percentage of total electricity use, Yolo County would be first at 152 percent with no other entity even coming close (second place partners only reach 75 percent).

Efficiency First

Even before the solar projects were installed, Yolo County was at the forefront of environmental action. In the 1980s, it adopted an energy plan that was the first of its kind, and built a gas-to-energy facility at the county landfill that generates 20 MWh/year and captures 90 percent of methane emissions. From 2002 to 2004, the county enacted the County Wide Energy Conservation Retrofit Project, through which it replaced lights, boilers, HVAC equipment, chillers, fans, water heaters and motors in all major county buildings.

In 2008, Yolo County approved a plan to change the temperature set points in all county office buildings (3 degrees higher in summer, 2 degrees lower in winter), to change air conditioning and lighting system schedules to the minimum hours per day of operation, and to perform retro-commissioning on all building outdoor air economizer systems, among other actions. These actions annually save the county over $200,000 and reduce carbon emissions by more than 1,200 tons. And in 2011, the county passed the Climate Action Plan, designed to reduce the county's greenhouse gas emissions back to 1990 levels by 2020.

Educating the Younger Generation

Yolo County officials realized that public education is key to their climate goals. Part of the QZAB education bonds acquired through their partnership with the Yolo County Office of Education, along with a donation from SunPower, financed the construction of seven "solar academies" to bring environmental education to K-12 students. The academies teach school children about climate change, environmental science, renewable energy technologies and energy auditing.

The Qualified Zone Academy Bonds typically are used by K-12 school districts, community college districts and county offices of education to fund capital projects accompanied by an educational component. For Yolo County's solar projects, the bonds were structured as a lease payable from the county's general fund with a term of 20 years. In addition, the bonds required a 10 percent match by a private or nonprofit entity, which came from SunPower. The benefit of using these bonds to finance the county's solar projects is twofold — first, the county benefits from a direct federal subsidy (ability to pay back the bonds at no interest); and second, the County Office of Education benefits from the 10 percent contribution to implement the academies. But "the real winners," explained Vernon, "are the children of California."

Santa Clara County and Orange County already are trying to replicate Yolo County's successes, and Vernon would like to see other counties follow. "Global warming makes me nervous for my children and grandchildren," Vernon told RMI. "Other counties and municipalities can duplicate a piece of this project and achieve the same results. Even if they only did one megawatt, which most cities can do, it would make a big difference."

BY LAURIE GUEVARA-STONE – ROCKY MOUNTAIN INSTITUTE | APRIL 17, 2014

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Battle Intensifies Over Ride-Sharing in Seattle.

Supporters of Seattle's ride-service companies submitted more than 36,000 signatures to place a referendum on the November ballot to block new regulations that would have limited the number of cars they operate in the city.

Supporters of Seattle's ride-service companies Thursday submitted more than 36,000 signatures — twice the number needed — to place a referendum on the November ballot to block new regulations that would have limited the number of cars they operate in the city.

Backers of the new services — which includes Lyft, Uber and Sidecar — say the flood of signatures reflects strong public support and alarm that the new City Council ordinance would have restricted access to the popular, mobile-app-summoned alternative to taxis.

"The fact that we were able to gather more than double the required number of signatures in such a short time shows that Seattle voters clearly want to have a conversation about this issue," said Brad Harwood, spokesman for Keep Seattle's Ride Options Coalition.

By filing the petitions, the companies prevent a limit of 150 drivers each on the road at one time from going into effect. But the action also suspends requirements on safety, driver training and insurance that made up the bulk of the City Council ordinance approved March 17 and scheduled to kick in Friday.

The city could still enforce existing taxi and for-hire laws that make ride-services illegal, something City Attorney Pete Holmes declined to do while the City Council was formulating new rules over the past year.

Seattle Mayor Ed Murray, who opposed setting limits on the number of ride-service vehicles, said the mobile-app, taxi and for-hire companies have agreed to a 45-day negotiation period in which to try to work out rules for their continued operations.

In the meantime, Murray said, the city Finance and Administrative Services Department will develop enforcement guidelines.

The ride-service companies say they recognize the need for city policies governing their operations.

“We look forward to working with the mayor and the city to find a workable solution,” Harwood said.

Murray held out hope earlier in the week that he could reach an agreement that would keep the referendum off the ballot. But a lawyer for the companies said that once submitted, referendums can’t be withdrawn.

“Once they’re filed, they’re filed,” said James Greenfield, an attorney with the Seattle firm, Davis, Wright, Tremaine.

He said the City Council could refer a revised ordinance to the ballot to compete with the ride-service referendum.

A citizen’s initiative is also in the works. One filed last month would limit the number of ride-service drivers and add that they could not work while under the influence of marijuana. No signatures have been gathered for that measure.

The City Council adopted the ride-service regulations after an outcry from taxi and for-hire drivers who said the new companies weren’t subject to the same strict rules about numbers and safety. Seattle limits the taxi industry to 688 vehicle licenses and hasn’t increased the number since 1990.

Councilmember Tom Rasmussen said he opposed putting caps on the ride-service companies, but said the provisions on vehicle inspections, driver training and insurance were important for customer safety.

“The services are very popular. They’ve been very well received. The caps we put on them were arbitrary,” he said.

But he questioned why the referendum didn’t just repeal the caps and leave the safety provisions in place.

“Seems like that would make them concerned, to be operating without any local regulations, the potential for liability and the potential for the city to shut them down. I think they would be motivated to reach some agreement,” Rasmussen said.

Under the Seattle City Charter, 16,510 registered voter signatures, or 8 percent of the total number of votes cast in the last mayoral election, are required to qualify a citizens referendum for the ballot.

After initial inspection by the City Clerk, the petitions will be delivered to King County Elections for signature verification.

Information from The Seattle Times archives was included in this report.

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Shared Cities: Building the Infrastructure for a Collaborative Economy.

Today, in many U.S. cities, an innovative, shared infrastructure is being erected, fueling a renaissance in how people live, work, and play.

Sharing and collaboration have long been a universal characteristic for cities. Centuries ago, money and other financial means of exchange didn't exist. Thus human survival depended on cooperation, trading, and bartering.

Today, in many U.S. cities, an innovative, shared infrastructure is being erected, fueling a renaissance in how people live, work, and play. This new movement—both revolutionary and disruptive—dovetails the popularity of the book *What's Mine Is Yours: The Rise of Collaborative Consumption,* a bestseller by Rachel Botsman. It features ideas that promote civic connection, economic continuities of scale, and sustainable lifestyles. Once the concept takes hold, this fast-growing collaborative model promises to revolutionize urban systems and the delivery of goods and services to the general populous.

Convenient Options

In the past 12 to 18 months, consumers and civic leaders have witnessed the proliferation of early stage companies in what's being called the "collaborative economy." Popular new enterprises such as Lyft (ridesharing) and Zipcar (car-sharing) are sprouting up in hundreds of communities to provide cost-effective, convenient options to consumers craving flexibility.

These and other shared economy options have captured the attention of scores of stakeholders including public officials, transportation planners, regulatory commissions, private sector service providers, sustainability experts, and non-profit community advocacy groups. All are grappling with what a restructured societal landscape might look like amidst this new normal. And all of this is occurring against a backdrop of explosive shifts in demographics, consumerism, and technology that are butting up against existing Industrial Age rules and regulatory structures.

Shared Cities as an Emerging Trend

Enter "shared cities," a movement which is reimagining ways to efficiently and safely facilitate the dispersion of community assets like housing, transportation, and workspaces. Denver, Portland, Boston, and Madrid (Spain) are among the many cities now capitalizing on this model. If executed well, these collaborations will foster highly sustainable communities that boost civic vibrancy and strong economies.

Brad Segal is president of Progressive Urban Management Associates, a national leader in advancing downtown and community development. He believes that sharable assets in cities naturally grows out of significant changes in consumer behavior. “An entire section in our PUMA Global Trends Report explores the impact of the sharing economy on cities throughout the U.S.,” says Segal. “It’s an emerging trend that appears to be here to stay.”

The shared cities movement recently captured the attention of municipalities, as evidenced by the June 2013 Sharable Cities Resolution adopted at the U.S. Conference of Mayors. The purpose of this resolution? To foster and encourage increased adoption of sharability within cities. This includes boosting awareness of the possibilities as well as addressing regulations that may hinder participation in the shared economy.

Collaborative Travel Services

A major catalyst behind the shared cities movement is Airbnb.com. This online travel rental portal facilitates guest lodging at private residents, in castles, on boats, and so on. Since 2008, it has created a worldwide community of hosts and travelers through its inventory of 500,000 accommodation listings in 33,000 cities in 192 countries.

Recently, AirBnb announced a partnership with the City of Portland called the Shared Cities Initiative. Based on a manifesto from its innovative CEO Mark Chesky, Airbnb aims to set up a social capital model that will be replicable in other cities. This model promises expanded economic, social, charitable, and environmental value to Portland’s sharing economy.

As sharing services like Airbnb become more commonplace in cities such as Portland, so too will these partnerships between cities and companies. Collaborative arrangements such as this are being brokered amid concerns that private lodging and car share companies are violating laws and regulations designed to capture tax revenues and ensure consumer safety. In New York, Chicago, and San Francisco, for example, tensions are escalating as new shared city innovations bump up against established regulatory practices. In Denver— arguably the top relocation city for millennials hungry for a collaborative culture— hotels, taxi companies and other legacy businesses aren’t happy. They argue that shared economy competitors reap an unfair advantage by sidestepping local rules and regulations.

Government agencies, meanwhile, feel reluctant to use their enforcement powers in fast-growing shared economies. After all, these collaborative business markets didn’t even exist five years ago. So for shared economy stakeholders, both public and private, it can prove difficult to find the sweet spot between their model and existing, more traditional models.

A Middle Ground?

“Given the rapid emergence of the sharing economy infrastructure, there is a growing call nationally for cities to take a more expansive look at their regulatory practices in order to determine whether there is some sort of middle ground,” said Brittany Cameron, partner for Smart Regions Initiative, a consumer advocacy firm that cultivates dialogue on regional strategies fueling smart consumption.

Cameron is also a private driver and mentor for the ridesharing service Lyft. This role has given her a behind-the-scenes perspective on how shared city environments can evolve. Citing a California example, she believes the political climate around the concept of shared cities will remain in flux as

Industrial Age models collide with new market realities.

“The California Public Utilities Commission’s approval of new regulations governing ridesharing services such as Lyft, SideCar, and Uber offers a great step forward in terms of informing future regulatory decisions for shared service providers,” Cameron said. “This is our first real look at how to offer a clear articulation of guidelines for welcoming shared city providers to a new market.”

Cameron believes prolific opportunities for shared cities innovations exist both locally and regionally. “It’s no longer only a local issue,” she said. “Even Lyft is expanding outside of Denver into adjoining cities such as Boulder and Fort Collins.”

Innovations in Workspaces

In addition to transportation and travel lodging related services, communal workspaces are becoming another key infrastructure component of today’s shared cities revolution. It has led to a popular concept called “coworking,” which has sparked the proliferation of collaborative workspaces in warehouse and commercial districts throughout the world. Many of these locales were started by remote workers and freelancers who grew restless with working at home or in boisterous coffeehouses. These spaces cater to independent workers eager to nurture a like-minded community of professionals.

Craig Baute, owner of Creative Density Coworking in Denver, believes that this proliferation of shared worksites represents a hidden gem for local economies. In addition to independent workers, coworking appeals to start-up businesses that are on a growth trajectory but need to keep their expenses in check. Baute’s recommendation to cities? Invest in coworking start-ups. He believe that this allows for greater productive use of underused vacant spaces that dot many central-city areas. “Once a city steps forward to get the ball rolling, the private sector often helps move it ahead,” says Baute.

He notes that a small investment (typically $150,000 or less) can yield a huge return for a city in terms of civic vibrancy and economic activity. “Sadly, many cities are unaware of this idea. Many city leaders haven’t recognized it as a tool for attracting top talent. Yet it’s an investment they can quickly break even on, one that young professionals will increasingly flock to.”

Coworking Setups Regionally, Nationally, Globally

As the shared cities model solidifies its presence locally, look for increased attention around these concepts regionally and nationally. In Colorado, for example, Baute is spearheading the development of a Colorado coworking “passport”. This will provide members with unlimited access to all passport-sponsored spaces throughout the state. He notes that beyond broadening the accessibility to those seeking shared work communities, this innovative passport creates a perfect forum for advancing regional economic cooperation.

Also in its early stages is CoworkingVISA, which provides access to member businesses at coworking spots globally. The city of Madrid, Spain, which boasts a fervent shared economy culture, features HUB Madrid, a coworking venue which provides benefits to businesses and their workers in this Spanish metropolis. All of this reflects the nature in which shared city infrastructure elements such as coworking spots are being adopted to support a global economy.

Implications for Shared Cities

Adopting a shared cities regional mindset could improve how municipal budgets are allocated for infrastructure projects such as roads and transportation systems. Currently when funding approval is being sought for new highways, bus lanes, or new rail lines, it's often hard to get all stakeholders situated on the same page.

Making a shift to a shared economy may result in a more efficient means of addressing these issues in a cost effective manner. This will foster an environment where local and regional leaders begin asking questions such as: "Does it make sense to invest all this money, time, and construction effort into expanding our infrastructure? Or should we consider the less costly option of letting shared city innovations fill the gaps? What will allow for the best use of taxpayer money?" These questions and more are likely to dominate future debates on the merits of the shared economy model.

In the meantime, a terse marriage is in the offing as Industrial Age mores continue to clash with innovations that represent the "new normal" for markets seeking efficiencies in service. While this wrestling over boundaries is likely to continue in the foreseeable future, the shared cities concept and the supportive infrastructure required to sustain it will garner increasingly more attention in years ahead.

BY MICHAEL SCOTT

APRIL 21, 2014

The Obstacles in the Pathway to Zero Waste.

A resource recovery rate of 100 percent may be a worthwhile goal, but there are plenty of challenges facing governments that want to achieve it.

Trash, garbage, rubbish, refuse, scrap, debris, junk, dregs — we refer to the waste we produce by many names. However, a shift in our terminology is rapidly taking place: More and more, waste collection and disposal are being relabeled as "resource recovery." That "waste" is getting trashed as a concept reflects a growing awareness that we can't continue to bury our garbage in landfills forever.

That awareness is central to an emerging goal of zero waste: a resource-recovery rate of 100 percent. We're a long way from that now. Nationally, the average waste-diversion rate is about 35 percent, while reported diversion rates around the country vary widely, from single digits to just over 80 percent for San Francisco at the top of the scale.

While waste-diversion rates are important, they offer only one measure of the entire cradle-to-grave system of materials sourcing, production, use and disposal. Most simply conceived, that system encompasses raw material (mined, extracted or grown) that is made into products that, at the end of their useful lives, are thrown away. But branching and connected subsystems add complexity. For example, when raw materials become limited due to availability or pricing, or disposal becomes too expensive or restricted, more products are reused or their components are recycled, creating "feedback loops" into the system.

More complexity is added when input and output flows are considered. Raw materials are inputs, but so are recycled materials when they are looped back into the system. Similarly, wastes can be disposed of as solids (in landfills) but also as liquids (via sewer systems and wastewater treatment plants). Then factor in whether the waste is coming from residential, commercial, industrial or agricultural sectors. A diagram of the system components and flow pathways gets more and more tangled.

In this light, measuring waste diversion is not so simple. Yet, without finding a widely accepted way to calculate diversion rates, how could one ever claim zero waste has been achieved?

Nevertheless, "it's important to set a zero-waste goal," says Jared Blumenfeld, the U.S. Environmental Protection Agency's Region 9 administrator and former director of San Francisco's Department of the Environment, because "it gets you on the road to designing a zero-waste system." As that process proceeds, he says, "you'll engage in waste-characterization studies and find lots of things that don't need to go into landfills."

As compelling as the idea of a zero-waste system may seem, there are plenty of challenges facing governments that are embarking on the process Blumenfeld advocates. Los Angeles already has the highest waste-diversion rate among the 10 largest U.S. cities, having achieved 72 percent in 2012. But Sinnott Murphy and Stephanie Pincetl, authors of [a recent research paper] on L.A.'s quest to achieve zero waste, find that while the city's efforts are "aggressive" they are "insufficient for addressing resource conservation challenges." Murphy and Pincetl cite L.A.'s "continued reliance on waste management approaches that have proven inadequate to address the increasing complexity of solid waste and limited data quantifying and characterizing waste generation patterns."

L.A.'s waste-management methods are common to existing systems in the United States. They are a legacy of the Progressive Era, when federal policy institutionalized solid-waste management at the local level and set a design for systems to take unlimited quantities of waste and try to deal with them to minimize adverse local impacts.

Murphy and Pincetl note that while little attention is being paid to waste generation at the federal level, many states have enacted recycling goals to divert waste from landfills and have pursued extended producer-responsibility policies to reduce the more-toxic elements of the waste stream. But Murphy and Pincetl conclude that "these policies have been too limited in scope to stem the tide of increases in waste generation," leaving cities and counties "managing a problem that continues to grow."

Indeed, as is so true of politics, all waste is local. Local communities sit at the end of the waste stream. The more effectively they act, the less goes to waste. But the local recovery system is part of the much larger materials system, and it's going to take an integrated policy and regulatory framework by government at all levels to create true pathways to zero waste.

APRIL 21, 2014

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Keeping Cities from Becoming "Child-Free Zones"

With kids on the decline in urban areas, cities can make themselves more attractive to young families by building more playgrounds.

It's beyond dispute at this point that there's been a central city revival over the past decade or so. Downtowns throughout the country have seen increases in residential population, and commercial districts that were moribund in 2000 have come alive with restaurants and entertainment. If you're seeking evidence, just look around.

Real as the resurgence has been, however, it is one marked by a nest of nuances. Perhaps the most important of them has to do with children and families.

In the past few months, the urban policy websites that help define the debate over cities and their future have nearly all weighed in on a striking set of numbers, ones that focus on the relative absence of children under 18 in some of the most successful city centers. The numbers are straightforward: 13 percent of San Francisco is under 18; 15 percent of Seattle; and 17 percent of Boston. That compares to the national average of 24 percent.

In spring 2013, the Tulane University geographer Richard Campanella wrote an online essay lamenting the fact that children were notably scarce in the newly fashionable neighborhoods of New Orleans, including the one he himself lived in. “Unless gentrified neighborhoods make themselves into affordable and agreeable places to raise and educate the next generation,” Campanella declared, “they will morph into dour historical theme parks with price tags only aging one-percenters can afford.” Within a short time, Campanella’s blog post had attracted hundreds of responses, most of them sympathizing with his argument.

Even some of those who have passionately championed the city revival are expressing their concerns over the issue. “In our rush to promote higher-density urbanism,” the urbanist author Kaid Benfield recently asked in a piece for Atlantic Cities, “are we inadvertently creating child-free zones that are inhospitable to families with kids? … If we’re as committed to diversity as we like to say, shouldn’t that include children?”

A little perspective is useful here. Cities are reviving at a time when the size of families throughout the country is shrinking. The percentage of U.S. residents under 18, which was 26 percent in 1990, has declined steadily since then and is projected to decline further over the coming years. Some of the cities with the lowest percentage of kids, including New York and San Francisco, saw smaller percentage declines in the past decade than the national average. Walk around Lower Manhattan or New York’s Upper West Side on a weekend morning and you will see a parade of strollers; children haven’t exactly disappeared from urban America’s gentrified streets.

Still, there’s no denying that the shortage of urban children is something to worry about. When some of the nation’s most desirable cities show under-18 populations of one-sixth or less, an imbalance exists that threatens over time to turn otherwise healthy central cities into demographic outliers.

Washington, D.C., is a good example. Over the past decade, it has been growing at a pace far greater than most American cities. Almost all of the population increase has come from the age 24-35 cohort. Washington has the highest rate of one-person households in the country. And though it has seen a fair number of births compared to other cities—about 8,000 per year—D.C. has found it difficult to keep families living within the city once the children grow a little older. The statistics for other big cities, including those with impressive downtown revivals, are relatively similar.

The worrisome absence of children in reviving urban areas is not a phenomenon that public policy can easily address. There is no magic antidote to high rents and dysfunctional schools. But there is one step that cities can take in the short run to make their central neighborhoods more family friendly. They can see to it that there are places for children to play.

Most of America’s older cities are park-rich and playground-poor. They possess huge areas of sprawling parkland that make the city as a whole a greener place, but aren’t easily accessible to families living in the inner neighborhoods. Darell Hammond, head of the children’s advocacy group

KaBOOM!, refers to huge swaths of territory in America's big cities as "play deserts." "Kids aren't playing the way they used to play," Hammond says. "And that has an impact on their health and the community's health."

There are good statistics on the play desert problem in America.

According to a study in 2012 by the Trust for Public Lands, the most playground-friendly city in America is Madison, Wis., with a total of 7.1 playgrounds for every 10,000 residents. Cincinnati is second, with 5.1. By this yardstick, some of the more successfully gentrifying cities in America in recent years have abysmal numbers. Chicago stands at 1.9 playgrounds per 10,000 residents; Washington, D.C., at 1.7; San Francisco at 1.6 and Los Angeles close to the bottom at 1. If you plot the percentage of children in a big city against the number of playgrounds, you nearly always get a correlation. This is not to say what causes what, but it does make clear that quite a few cities desiring a reputation for family friendliness have failed to address a simple problem that is limiting their attractiveness to young families.

Los Angeles is one of those cities. Its confines include the magnificent 4,000-plus-acre Griffith Park, but many of the city's neighborhoods have no usable public playground at all. "In older parts of town," the chairman of the L.A. Parks Foundation wrote recently, "there are many dense miles of residences and commercial properties unbroken by green spaces."

In Los Angeles, play deserts are an old problem. For decades, they contributed to the sterility and monotony of the inner-city neighborhoods where poor people and minorities clustered. Most of those people remained in the city because they lacked the resources to settle further from the center. Now they have been joined by an affluent cohort of urban returnees who have the skills and political clout to pressure the city into creating more green space. Gentrifiers and inner-city old-timers have plenty to argue about, but this is one subject on which they should be unanimous. More green space is good for everybody.

And the need for more and better places to play is slowly becoming part of the national conversation about urban revival. "I think you have a convergence going on," says Darell Hammond, "about what it means to have family-friendly, child-friendly cities."

Two years ago, in the midst of a decline in real estate prices all over the city, Los Angeles purchased 181 acres of available land and used it to create 50 new neighborhood parks. More than 20 new parks have already opened. Most of them are less than an acre in size. But they are big enough to contain up-to-date equipment and to give local kids a place to play other than the street. Some of the parks are actually quite elaborate, like Drum Barracks Park, located on an old oil well site, which includes statues of camels that once lived nearby.

But you don't need camels to have a serious impact on your city's playground problem. Chicago is a good example. It doesn't so much have a shortage of playgrounds as a shortage of playgrounds any family would want to use. There are 525 city playgrounds in all, not counting those attached to public school grounds. A majority of them are in bad condition, with broken equipment, rotting wooden fixtures and no accessibility for the handicapped.

In spring 2013, the city announced a program called Chicago Plays, which promised to restore 300 playgrounds over five years. Fifty were scheduled for restoration by the end of the first year alone. "It's not a paint job," Mayor Rahm Emanuel declared in announcing the initiative. "It's a total redo of equipment. No other city is doing this." Emanuel promised that when the program was complete, every child in the city would be within a seven-minute walk of high-quality playground space.

The remarkable thing about Chicago Plays is how cheap it figures to be, at least compared to other family-friendly urban strategies. The city estimates that it can restore a dysfunctional playground to good shape for about $125,000. That means a total cost of $38 million over five years, all from existing Park District funds, no new money necessary.

New York City is going about playground enhancement in still another way. It is gradually making school playgrounds, normally closed outside school hours, into facilities open to the public virtually around the clock. Some 290 sites were selected for the city's Schoolyards to Playgrounds program in 2007, some of them needing nothing other than to be unlocked, and others requiring extensive renovation and capital improvement. By the end of 2013, 229 school playgrounds had been opened to the public, most of them in play desert neighborhoods in Brooklyn and Queens.

The crucial point is that here, too, the cost is minimal in the context of a city budget of roughly $75 billion. The initial capital cost projection was $117 million, with operating subsidies of $14.5 million a year. New York can afford that, especially given the tangible increase in urban livability that the program promises.

It would, needless to say, be a mistake to treat play deserts as the primary reason families with children move out of gentrified cities. Underperforming schools are the reason most often cited, and with justification. But when weak schools are paired with the absence of playgrounds, the pressure on young parents to decamp for the suburbs can be too much to resist.

No city should want a reputation as a place unfriendly to children. For a relatively trivial sum, it can take a step in the right direction. Any city that doesn't take that step is sending the wrong message.

APRIL 2014

Alan Ehrenhalt | Contributing Editor

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Transit Agencies Turn to Alternative Fuels.

Both environmental and budget concerns are prompting American municipal transportation agencies to turn away from diesel.

The transit agency in South Bend, Ind., like many others, is getting rid of its diesel-powered buses and replacing them with vehicles that run on natural gas.

The South Bend Public Transportation Corporation, known locally as "Transpo," put in an order for 16 new coaches that run on compressed natural gas. They typically cost about $20,000 more than similar, diesel-powered vehicles, but they pay for themselves quickly, said David Cangany, Transpo's general manager.

Transpo is paying $3.04 a gallon for diesel this year, but an equivalent amount of natural gas only costs about $1, Cangany said. Even after taking account the fact that buses burn more natural gas than diesel, the change will eventually save Transpo at least half of its $1.2 million annual fuel budget.

"It's being green, and it's being conscious of how we're spending taxpayer dollars. At the end of the day, it's good for our community," Cangany said.

Transit agencies around the country are increasing their use of alternative fuels. The American Public Transportation Association (APTA), in an Earth Day release, reports that last year more than 40 percent of transit buses used alternative fuels.

One in five transit buses runs on natural gas. Another 13 percent are hybrid-electric and 7 percent run on biodiesel, according to APTA.

The 40 percent of buses using alternative energy compares with 3.4 percent for automobiles (including flex-fuel vehicles). Even more buses are likely to use alternative fuels in the future.

"This is good for the environment, good for the economy and good for the country," said APTA President and CEO Michael Melaniphy, noting that much of the alternative fuels being used are produced domestically.

The environmental benefits of using alternative fuels is a matter of great debate. The industry group Natural Gas Vehicles for America, for example, claims that new natural gas vehicles can emit as much as 21 percent less greenhouse gases than new diesel vehicles. The reductions are even greater when replacing older diesel vehicles. But a study published earlier this year in the journal *Science* concluded that those savings were negated by methane leaks elsewhere in natural gas transmission networks.

The first transit agencies to use alternative fuel vehicles generally did so out of concerns for the environment, Melaniphy said, but more agencies are making the switch now that the technology is cheaper, smaller, safer and easier to use. These days, the appeal of alternative fuels still varies from agency to agency.

"One of the biggest appeals of transit is for people to go green. Taking public transit is an easy way to reduce your carbon footprint. We want to advance that," said Anna Chen, a spokesperson for Metro, the transportation agency in Los Angeles County.

Los Angeles retired its last diesel bus in 2011, following nearly two decades of replacing diesel buses with "clean" vehicles. The agency, which has more than 2,200 buses, said the shift will reduce smog and greenhouse gases in the region. It also bought 25 electric buses, which are expected to arrive by the end of the year, in an effort to further lower emissions.

But Tony Bryant, director of bus maintenance for MARTA in the Atlanta region, said cost was the driving factor in the shift there. MARTA also began replacing its diesel vehicles in the mid-1990s, but it put the move on hold after 70 percent of the fleet ran on compressed natural gas.

Last year, though, MARTA decided it would start to complete the process. Buses that run on natural gas are more expensive to buy and more expensive to maintain than diesel buses, but those extra costs pale in comparison to the money MARTA would save on fuel by converting its remaining vehicles to natural gas.

"Because our fuel costs are going to decline over time, it allows us to put that money back into increased service. We can actually offer more service than we were able to before," Bryant said.

The huge surge in U.S. production of natural gas means transit agencies can count on natural gas being cheaper for a long time, even if natural gas prices climb, Bryant said. “The fuel supply has been so plentiful that the cost of the fuel has plummeted. There is no reason to expect that to change anytime soon.”

Because natural gas is so cheap, the Atlanta agency also hopes it can convert its fleet of 400 support vehicles, along with its smaller paratransit buses to natural gas, he added.

But Bryant said the budget reasons, not environmental goals, made natural gas the clear choice for MARTA. The U.S. Environmental Protection Agency has tightened emissions standards for diesel vehicles over the last decade, so that new diesel buses and new compressed natural gas buses have “virtually identical” emissions of greenhouse gases, he said.

In South Bend, the shift to natural gas buses is part of an agency-wide focus on better environmental practices. Transpo opened a new building in 2010 that recycles water, uses geothermal energy for heating and cooling and uses intelligent lighting to save energy.

The transit agency also partnered with city hall to build a fueling station for natural gas vehicles. The city started by buying four garbage trucks that run on compressed natural gas and wants to convert 65 percent of its fleet to the new fuel. That move would save the city 22 percent of its fuel costs over five years, said Kara Kelly, South Bend’s director of communications.

Cangany, Transpo’s general manager, said the switch in fuels will also help the agency weather budget crises.

“As our funding continues to dwindle and be in question, we have to look at ways to be sustainable on our own,” he said. “It’s one of the ways we are able to be sustainable financially but sustainable environmentally.”

Daniel C. Vock | Staff Writer
APRIL 22, 2014

Portland Will Drain 38 Million-Gallon Reservoir After Teen Urinates in It.

Portland administrators will flush 38 million gallons of water from Mt. Tabor Reservoir 5 after a 19-year-old man urinated in the city’s drinking supply.

“Even though there is very minimal public health risk, the bottom line is that our commitment is to serve water that’s clean, cold and constant,” said Water Bureau administrator David Shaff. “That doesn’t include pee. Not from people, at least.”

Surveillance video of man urinating in Mt. Tabor Reservoir in SE Portland Around 1 a.m. Wednesday, April 15, 2014, the security officer who monitors video cameras at Mt. Tabor Reservoir complex in SE Portland spotted a man leaning against the iron fence at Reservoir 5, and, after a moment or two, hitching up his pants and pulling away from the bars.

Around 1 a.m. Wednesday, the security officer who monitors video cameras at the reservoir complex spotted five people with skateboards “hanging out near the gatehouse,” Shaff said.

Three of the men headed toward Reservoir 5, the kidney-shaped landmark on the western flank of

Mt. Tabor.

The camera caught one man as he stopped, leaned against the iron fence and, after a moment or two, hitched up his pants and pulled away from the bars, Shaff said.

“When you see the video, he’s leaning right up because he has to get his little wee wee right up to the iron bars. There’s really no doubt what he’s doing,” Shaff said.

“It’s stupid. You can see the sign that says: ‘This is your drinking water. Don’t spit, throw, toss anything in it.’ He’s four feet away from that sign. Unless he’s from North Dakota and just moved here, he’s got to know that’s our drinking water.”

The video also shows two men trying to climb the fence. One made it and may have stepped in the water — “If so, he discovered that it’s really, uncomfortably cold,” Shaff said. Then the men spent some time taking cell phone pictures of themselves.

While the group was documenting its visit to the reservoir, a Water Bureau security officer and Portland Police officers headed in their direction. Police stopped a car on Southeast 69th Avenue near the east entrance to the park and cited three men on accusations of trespassing; one was also given a citation accusing him of public urination. Police have not released the names of those cited and have not decided whether to charge anyone with additional crimes.

The Water Bureau used to keep security guards on duty at the Mt. Tabor and Washington Park reservoirs around the clock. But those posts were cut several years ago in an attempt to limit rate increases.

Now the bureau has guards patrol all Water Bureau property, including the reservoirs, and officers who monitor reservoir security cameras from the city’s Emergency Operations Center in east Portland. Shaff said he does not believe having a security guard posted at Mt. Tabor would have sped the response Wednesday morning.

Water Bureau officials turned off the pipes that carry water to and from Reservoir 5 immediately. They expect test results on the water to come back Thursday, and to show no contamination or health risk. Still, crews will flush the reservoir — and give it a second spring cleaning on top of the one it received about a month ago — over the next four to six days just to be safe and to reassure consumers.

Strange things end up in Portland’s water supply all the time, with minimal risk or impact to users. And this is not the first time human beings have attempted to interfere with the stuff that comes out of Stumptown taps: In 2008, a man and a woman caught skinny dipping in Mt. Tabor were sentenced to 16 hours of community service each.

Three years ago, the city flushed 8 million gallons of water after a 21-year-old Molalla man peed in Mt. Tabor Reservoir 1.

City officials estimated that flushing the water and cleaning up after that episode cost $35,000. Shaff said he wasn’t sure what this effort will cost. The current shutdown at Mt. Tabor won’t impact Portland water users, he said.

“Right now we’ve got 100-plus million gallons of day free flowing down the river because the Bull Run reservoirs are as full as they can be,” he said. “I’ve got tons of water available that doesn’t have human pee in it, so I’m going to replace this.”

The federal government has ordered Portland and other cities with open-air reservoirs to cover them. City leaders are waiting on results of a May ballot measure that could shift control of the Water Bureau from the City Council to a new independently elected board to decide how to proceed.

BY MCCLATCHY NEWS | APRIL 18, 2014

Keystone Pipeline's Fate Now in Hands of Nebraska Supreme Court.

The focus of the Keystone XL debate has shifted from a fierce lobbying war in Washington to Lincoln, Nebraska, where the state Supreme Court has been asked to weigh a legal challenge to the pipeline.

The U.S. State Department, which is responsible for reviewing whether the project is in the nation's interest, said April 18 that it would delay making a recommendation until questions about the way the route was approved through the prairie state are resolved. That could spare President Barack Obama from having to decide on a project that splits supporters of his in the environmental and labor movements before an important congressional election in November.

"Once again, the administration is making a political calculation instead of doing what is right for the country," Terry O'Sullivan, general president of the Laborers' International Union of North America, said in an e-mail. "It's clear the administration needs to grow a set of antlers, or perhaps take a lesson from Popeye and eat some spinach."

If the seven-member state Supreme Court upholds a lower court decision, TransCanada Corp. (TRP), the Calgary-based company that wants to build Keystone, will need to apply to the Nebraska Public Service Commission. The commission by law has seven months for its pipeline reviews.

The State Department said the possibility of a new route coming out of that process justified hitting the pause button. The announcement drew a strong reaction from all sides — including pledges from congressional leaders to force a decision sooner by legislation.

View Full Story from Bloomberg

APRIL 21, 2014

California Preparing for Self-Driving Cars by 2015.

Self-driving cars sound like fantasy to many, but regulators are laying the groundwork for the technology to hit the roads next year.

Autonomous vehicles are headed for the commercial market, and they may find their way onto our roadways as early as 2015.

But that reality would require a huge rework of today's operational regulations for personal vehicles — and the California Department of Motor Vehicles (CA DMV) is moving fast to see that it does in fact become reality. Accounting for the multitude of issues and conflicts with existing regulations is a big job, so the CA DMV is looking to the public for help. On March 11, the department workshopped its regulations at its headquarters in Sacramento, where representatives of industry, advocacy groups and the public met and discussed what the future of autonomous vehicles will look like.

The workshop, a recording of which is available on Google+, was attended by Google; automakers like Volkswagen Group, Mercedes and Chrysler; and third-party manufacturers like Garmin and TomTom. IT Security and privacy advocacy groups were also represented, along with some members of the public, both through a Google Plus webcast and in person.

"They [the automakers] want to come to California because there are 38 million people in California and they see the market," he said. "They see the different terrains. There are mountains, beaches, deserts, forests — there are all of the different climates, and all of the different roadways. There are rural roads, and congested city streets."

Getting autonomous vehicles launched commercially is a huge job because of all the factors at work, which include privacy, security, safety, liability, proper usage and standardization, but Soriano said the DMV will reveal a draft of the regulations in June or July in a hearing where the public will have a chance to see what the rules are going to look like, and then weigh in on them. The public will have a chance to formally address the regulations and influence them, Soriano said, noting that the public already *has*influenced the DMV's work through participation in online communities on Reddit, Twitter, Google Plus and LinkedIn.

"They've heavily influenced what we brought up and what we discussed at the workshop," Soriano said. "The things that are brought up online, we monitor this; people come up with ideas that we are actively discussing."

One discussion on Reddit received more than 700 comments from users who had questions, suggestions and concerns about the upcoming regulations. As with all things technology, the issue of privacy is one of the prominent concerns with autonomous vehicles. In this vein, Consumer Watchdog, a nonprofit advocacy group, told the DMV on March 11 that new driverless car regulations must protect privacy.

"The DMV regulations must give the user control over what data is gathered and how the information will be used," said Privacy Project Director John M. Simpson. "The DMV's autonomous vehicle regulations must provide that driverless cars gather only the data necessary to operate the vehicle and retain that data only as long as necessary for the vehicle's operation."

And Soriano is well aware that privacy is a main concern. "What information is being collected by these automobiles and who has access to that information?" Soriano explained rhetorically. "Who owns that information? How is that information going to be used other than the operation of the vehicle?"

People are talking about the good and bad uses of such data, Soriano said. A good use might be insurance companies taking a vehicle's driving habit data and applying it to the owner's rates in some yet-to-be-determined way, while a bad use could be if a user's Google habits somehow influenced his navigation software's decision-making, Soriano said. Hypothetically, a person who frequently Googles hamburger restaurants might find her car's navigation system taking her on detours through her town's hamburger district — if advertisers greased the right palms (with money, not hamburgers).

"It's not like you can go across the street to Joe Bob's Garage and say, 'Hey, can you certify that this thing is safe?' There's no industry for that," Soriano said.

Cybersecurity as it pertains to personal vehicles faces a similar problem. There simply aren't many practical studies of the challenges facing cybersecurity in autonomous vehicles, and how could there be? The vehicles don't yet exist in the numbers that they presumably someday will. "it's going to be difficult at best to try to regulate some of these things," Soriano said.

There is also the task of deconflicting existing regulations with the use autonomous vehicles. As this technology rolls out, vehicle code will need to adapt, but right now there are a lot of question marks, Soriano said.

"Potentially these things could roll out, and if the vehicle code doesn't change, it still will be illegal for you to text and talk on the phone while you're in these vehicles" he said. "But that doesn't make sense, so we're thinking of all these things that need to be changed."

Another big issue, which was raised by at least one Reddit user, is whether it will be permissible to drink and ride in an autonomous vehicle. Some vehicles are semi-autonomous, allowing for user operation on demand, while others are completely autonomous. Some support the idea of only embracing fully autonomous vehicles with an eye on what are estimated as large benefits.

"One of the primary functions of self-driving cars will be to transport people who cannot drive, whether they be too elderly, too young, visually impaired, and most importantly, inebriated," one Reddit user wrote. "We have the potential with SDCs to wipe out drunk driving in a generation."

One of the biggest hurdles when it comes to issues such as these, Soriano said, pertains to public perception and acceptance of new technologies and the cultural shifts they often bring about. Some people might not like the idea of people getting drunk in their cars, even if it were found to be safe. But that's something that will change over time, he noted, and their regulations will continue to change as well.

"What we produce at the end of this year," Soriano said, "is not going to be the end all to be all."

Colin Wood | Staff Writer

Colin has been writing for *Government Technology* since 2010. He lives in Seattle with his wife and their dog. He can be reached at cwood@govtech.com.

Dane County, Wis. Hopes Pre-Alerts Will Cut 911 Response Times.

The 911 center board unanimously approved a 90-day pilot program that would add pre-alerting for additional types of emergencies.

Amid continuing concerns about dispatch times, the Dane County 911 center will soon start having dispatchers alert responders more quickly for more types of serious emergencies.

The 911 center board on Wednesday unanimously approved a 90-day pilot program for so-called "pre-alerting" that would begin May 5.

Currently, the 911 center sends fire, EMS or police personnel quickly after obtaining location, name, phone number and nature of a problem for only a handful of emergencies. After that rapid dispatch, call takers continue to get further information. For other calls, 911 center staff ask more questions before dispatching personnel so the right resources are sent.

The current rapid-dispatch emergencies are a person on fire, trapped in a sinking vehicle, choking or not breathing; a vehicle in flood water or with accelerator stuck and unable to stop; or an active assailant. With the new pre-alerting, a rapid-fire dispatch would also be made for structure, outdoor or vehicle fires, and “significant” rescues.

The move comes six weeks after County Executive Joe Parisi announced pre-alerting should begin for Madison and other interested jurisdictions on March 31. The board, however, on March 19, indefinitely delayed Parisi’s bid over concerns by Madison fire and police officials and others about the method of pre-alerting Parisi sought and his failure to consult with responders before announcing the move.

Amid the delay, a subcommittee that had already been studying pre-alerting made recommendations that were then approved by the broader Operating Practices Committee and forwarded to the full, Madison-dominated board for a decision, which was unanimous and without discussion.

“The practice of pre-alerting had the chance to be vetted by the right committees,” Madison Fire Chief Steven Davis said later.

Madison police support the move for the same reason, and will monitor the pilot to see if more types of calls, such as a robbery in progress, would be appropriate for pre-alerting, Lt. Carl Strasburg said.

John Dejung, 911 center director, said that pre-alerting makes sense for the new fire emergencies included and that the system isn’t much different than the one Parisi promoted in early March. The main difference is that vehicle accidents with apparent injuries were not included, he said.

Maple Bluff Fire Chief Josh Ripp, who led the meeting because Chairman Paul Skidmore was absent, said he expects scrutiny of the pilot to detect unintended consequences.

Parisi is glad to see the board, the only governing body that currently has authority to make changes to the 911 center, is moving forward on pre-alert, spokeswoman Casey Becker said later. The county executive believes it’s important to continue to take a look at the board’s governance structure and determine which model best serves an agency, which works for 85 departments every day.

The board’s decision Wednesday is the latest development in a recent spat between Madison, the county and others over dispatch times. The dispute has been over technology and protocols, not the work of call takers or dispatchers.

Also at the meeting, recently retired dispatcher Debra Julian read a prepared statement voicing a lack of confidence in Dejung on staffing, training and other matters, and urged the board to recommend replacing him when his contract expires in June. The board did not ask Gillian any questions, and Dejung later declined comment on her statement.

The board also heard more concerns about a new computer-aided dispatch, CAD, system launched a year ago and continuing problems and fixes.

“It’s better than it was,” Dejung said. “We still have a long way to go.”

BY DEAN MOSIMAN, MCCLATCHY NEWS SERVICE / APRIL 17, 20140

WSJ: Judge Orders Detroit Into Mediation Over Regional Water Authority.

Bankrupt City Ordered to Reach Agreement with Surrounding Suburbs

DETROIT—A federal judge Thursday ordered this bankrupt city into mediation with its suburbs to reach an agreement on a new regional water authority to oversee water and sewer services currently provided by the city.Months of direct talks between the city of Detroit and the surrounding Wayne, Oakland and Macomb counties has failed to produce an agreement on a new authority. But U.S. Bankruptcy Judge Steven Rhodes said a regional authority could still be in the best interest of the city and its suburbs.

“I also have a sense that this bankruptcy offers a unique opportunity for the creation of that regional authority,” Judge Rhodes said. “If we do not take advantage of that unique opportunity, the opportunity in all likelihood will be lost forever.”

Direct talks broke down last month and the city started seeking proposals from private companies to run and potentially buy the regional water and sewer system. It is unclear whether the city will continue the privatization process as the closed-door mediations begin.

The move to regionalize one of the nation’s largest water systems comes as Detroit considers unloading assets to complete its debt-cutting plan, which creditors are expected to vote on later this spring.

After a year in office, Detroit Emergency Manager Kevyn Orr had said an outright sale of Detroit’s water department, which serves nearly 40% of Michigan’s population, is unlikely. He prefers a plan that calls for leasing the water system to a new regional authority, which he estimates would bring the city $47 million a year for 40 years. The money could help boost financial recovery for the city’s creditors and plans by the city for reinvestment in municipal services.

But suburban leaders so far have balked at their potential share of costs for system improvements and unpaid water bills. It is still possible the city-owned system could continue to be run as a municipal department from Detroit.

The Detroit Water and Sewerage Department provides about 600 million gallons of water a day to Detroit and 127 suburban communities in seven counties. It has nearly $1 billion in annual revenue.

By

MATTHEW DOLAN

April 17, 2014 10:29 a.m. ET

Write to Matthew Dolan at matthew.dolan@wsj.com

D.C. Council to Sue Mayor over How the City Spends Its Money.

The D.C. Council will sue Mayor Vincent C. Gray and the city's chief financial officer, the council chairman said Wednesday, setting up the first such legal showdown between the city's two branches of government in a decade.

Council Chairman Phil Mendelson (D) said the council will ask a D.C. Superior Court judge to determine whether Gray (D) and CFO Jeffrey S. DeWitt are violating a voter-approved law that allows the city to spend billions of dollars of its own money without strict congressional approval.

Under the measure approved last year — which was signed by Gray and passed a congressional review period — the District no longer needs to submit its budget to the president and Congress for approval. The process left the city vulnerable to national politics and often complicated its financial planning.

Now, the budget would pass the council, just as any other city legislation, and it would take effect unless Congress voted to reject it and the president agreed.

But last week, DeWitt joined Gray, Attorney General Irvin B. Nathan and the Government Accountability Office in saying the measure had no legal effect because it violates the city's charter, set by Congress.

Mendelson and a team of pro bono lawyers disagree. In a suit they intend to file Thursday, the council argues that Gray and others have been relying on a flawed legal analysis in rejecting the measure.

The section of law that the measure amended, they say, was one Congress did not set in stone but left subject to changes.

View Full Story from The Washington Post

APRIL 17, 2014

Is the Era of Unfunded Federal Mandates Over?

The current Congress has imposed few of these costly requirements. But it may be premature for state, local and tribal governments to stop worrying.

A Congressional Budget Office report issued in late March includes a rather surprising revelation: With the exception of the Affordable Care Act and another law affecting child nutrition passed in 2010, Congress has not passed any significant bill imposing unfunded mandates on state, local or tribal governments since 2008.

When the Unfunded Mandates Reform Act (UMRA) was passed in 1995, the problem was considered so important that the bill that became this law was the first to be introduced in the new Republican-controlled House after that party took over Congress for the first time in 40 years. The reason? Republicans desperately wanted to amend the Constitution to require a balanced federal budget, but states and localities raised concerns that the federal budget might be balanced simply by passing responsibilities — and costs — down to state and local governments.

UMRA requires the Congressional Budget Office (CBO) to disclose the cost of any mandate as defined by the law, including intergovernmental and private-sector mandates that exceed statutory thresholds, before a bill can be considered on the floor of the House or the Senate. For 2013, that threshold was $75 million for intergovernmental mandates and $150 million for private-sector mandates. The notion was that highlighting the cost would have a chilling effect on mandates.

The most striking figure in the new CBO report (which carries the not-so-catchy title of "A Review of CBO's Activities in 2013 Under the Unfunded Mandates Reform Act") is the small number of laws enacted in 2013 that contained intergovernmental mandates. In fact, there were only four mandates in the 72 bills that became law in 2013; none of these had costs above the threshold. One other bill — immigration legislation involving verification of employment eligibility — would have had costs exceeding the threshold, but it did not become law.

This 2013 experience compares to an average of 45 intergovernmental mandates per year in the prior four years, with only seven (in two bills, both in 2010) with costs above the statutory threshold. So, judging from the activity reported by the CBO, Congress has, for all intents and purposes, virtually stopped imposing costly mandates on state, local and tribal governments.

Further, CBO reports that only 13 laws containing 18 intergovernmental mandates above the threshold have been enacted in the 18 years since UMRA took effect. There is no record of the pace of intergovernmental mandates prior to the imposition of UMRA, but if the problem of unfunded mandates prompted the enactment of UMRA, the problem seems to have all but gone away.

There are several possible reasons for why this has occurred. First, the 1995 law simply may have worked as intended. With more information about the cost of mandates available to federal lawmakers, Congress has refrained from enacting mandates, or at least has taken action to lower the costs of the ones it does enact.

The other possible explanations suggest that more caution is in order. For one thing, it seems likely that the narrow definition of a mandate is partly at issue here. UMRA, for example, does not cover most "conditions of assistance" even if meeting those conditions might cost state and local governments a lot of money. This means that the requirements in the No Child Left Behind Act do not meet the UMRA definition of a mandate because states could (theoretically) choose to forego the federal funding. Similarly, changes to Medicaid have not been identified as mandates because large portions of the program are optional expansions that states have the authority to change. UMRA also does not cover legislation that supports the guarantee of a federal constitutional right; if UMRA had been around when the Americans with Disabilities Act was passed, for example, the requirements in that law would not have been identified as mandates.

In addition, as has been well documented, the current Congress not only has failed to pass unfunded mandates — it has failed to do lots of things. The 113th Congress passed 72 bills last year, 40 percent fewer than the number passed in 2009 and less than half of the number passed in 2005. This is a rare positive attribute of a so-called "do nothing" (or, to be fair, "do little") Congress: no laws, no mandates.

In the future, if we return to government controlled by a single party (or even a unified Congress), state and local governments worried about unfunded mandates imposed by Washington will have to return to a vigilant stance. For the time being, however, the highly partisan and dysfunctional nature of lawmaking in Congress appears to have at least one silver lining.

BY PHILIP JOYCE | APRIL 16, 2014

Oklahoma Bans Cities from Setting Local Minimum Wages.

Oklahoma's cities and counties are banned from setting their own minimum wage standards under a bill signed into law Monday by Gov. Mary Fallin.

"Senate Bill 1023 protects our economy from bad public policy that would destroy Oklahoma jobs," Fallin said in a prepared statement. "Mandating a minimum wage increase at the local level would drive businesses to other communities and states, and would raise prices for consumers."

Fallin's action appears to thwart efforts by an Oklahoma City group that had been circulating a petition calling for a local vote on whether to increase the city's minimum wage from the national standard of $7.25 an hour up to $10.10 an hour.

View Full Story from News OK

APRIL 16, 2014

Milwaukee's Push to Turn Vacant Land into Urban Farms.

After one of the longer winters in recent memory, the city of Milwaukee is planning to engage in a new kind of rebirth. As the ice melts away, a number of parcels of city-owned land that have long lain vacant and unused will be coming back to life, set to become urban farms and orchards yielding healthy food along with new opportunities for employment and business entrepreneurship.

It's all part of Mayor Tom Barrett's HOME GR/OWN program, a Bloomberg Mayors Challenge finalist whose mission, beyond increasing access to fruits and vegetables, is to turn the city's growing liability of vacant, foreclosed land into an asset: space for new economic activity that helps to stabilize distressed neighborhoods. We recently had a chance to talk with HOME GR/OWN's program manager, Tim McCollow, about the program's launch now that spring appears to finally be on its way.

When vacant properties in Milwaukee are tax-foreclosed, ending up under city ownership, they become substantial liabilities, costing the city $250 to $1,000 annually in direct costs of upkeep. And there are serious indirect impacts: attracting crime, stymying neighborhood cohesion and development, eating away at civic morale, and keeping property values, wealth creation and supportive tax revenues low.

The city is working in a smart way to shift these property liabilities out of the municipal budget and convert them to assets. HOME GR/OWN, a 2013 startup, is related to another effort Barrett launched this year: the Strong Neighborhoods Investment Plan. With $11.8 million in city funding, it aims to intensify the marketing of salvageable homes, raze 300 that are beyond repair and fund vacant-lot rehabilitation. HOME GR/OWN will help neighborhood associations, nonprofits and social entrepreneurs turn those vacant properties into the pieces of a new distributed food system.

Milwaukee is taking the steps needed to remove barriers to this revitalization. The city is reviewing internal processes, permitting and ordinances, and even designing "templates" of potential reuses, including costing and contracting models to help guide interested parties. In part due to the elimination of uncertainty and clarification of the process, many nonprofits and neighborhood associations already have signed on.

That aspect of hyper-local participation was no accident: HOME GR/OWN is designed to leverage existing resources and social capital already present in the neighborhoods targeted for revitalization. The launch of the program consists largely of parcels within the Lindsay Heights neighborhood, both because the area is troubled and in need of revitalization but also because of the rich network of funders and nonprofits already involved there.

While Milwaukee is building HOME GR/OWN through partnerships with nonprofits and social entrepreneurs, ultimately the goal is that program participation will be commercial as well, and McCollow sees Milwaukee as a perfect "national lab" to test the long-term commercial viability of urban agriculture. Ultimately, it's the city's hope that the market can drive this effort, needing only be helped along the way by municipal efforts.

Certainly the potential benefits of urban agriculture are multifaceted. One of the first well-developed urban-agriculture programs was Philadelphia's Greensgrow Project, which was founded in 1998 through the Reinvestment Fund (an initiative of the federal Community Development Financial Institutions Fund) and has continued to expand its community-supported agricultural effort. Greensgrow's vision is for people and communities nationwide to see urban agriculture as a useful tool in creating and sustaining regional food economies. Philadelphia has developed a robust set of partnerships that produce better use of the land and healthier food as well.

Many other cities have been developing complete urban agriculture programs to turn former costs into benefits. For example, San Francisco's Department of Public Works saves about $4,000 annually when urban agriculture replaces a vacant lot formerly festering with dumping, vandalism and degradation. In New York City, a study of community gardens showed that they can bring about a 10 percent increase in surrounding property values, translating into community wealth accumulation as well as higher tax revenues to support city services.

To Milwaukee's Tim McCollow, there are literal as well as figurative "healing aspects of food production." Taking each vacant property off the city's ledgers eliminates another small drain on its budget, but more importantly HOME GR/OWN aims to rebuild the city through the growth of a new local industry that adds to Milwaukee's health, well-being and vibrancy.

Ben Weinryb Grohsgal contributed to the research and writing for this column. He is a research assistant at the Ash Center for Democratic Governance and Innovation and a student in the master's in public policy program at the Harvard Kennedy School.

BY STEVE GOLDSMITH | APRIL 16, 2014

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Waste Incineration is Proving to be a Hard Sell for Cities.

New incinerators appeal to cities looking to get rid of garbage and produce renewable power. But local leaders find it tough to weigh sparse evidence on health threats against public opposition.

http://www.futurestructure.com/news/Waste-Incineration-Plants-a-Tough-Sell-for-Cities.html

Free Neighborhood Wi-Fi? Easier Said Than Done.

On April 2 in Washington D.C., the North of Massachusetts Avenue neighborhood — branded NoMa — launched the city's first outdoor neighborhood-wide free Wi-Fi network. And the project was much more challenging than officials expected.

NoMa is the fastest growing neighborhood in the city, according to the NoMa Business Industrial District (BID), and it now offers this network as part of the district's campaign to attract talented, tech-oriented people to live and work in the area — alongside existing organizations like NPR, the General Services Administration and the U.S. Department of Justice.

And according to NoMa BID President Robin-Eve Jasper, this launch is what their residents expected from the neighborhood — and they've gotten only positive feedback so far.

"You look around and see the world as changing; people are using their devices everywhere, and they're integrated into all aspects of our lives," Jasper said. "We thought, 'We want to enable people in the neighborhood to have service inside and outside,'" Jasper said. "We have a lot of very tech-savvy people, so they're very excited this is the first neighborhood in Washington to have it."

The launch on April 2 was the first phase of the rollout and provides access to roughly six streets — streets considered the neighborhood's core. The current set up can easily support up to 1,000 concurrent users, with data speeds of 200 Mbps, according to the district. Users should be able to stream high definition video throughout the neighborhood while outside, unless they are in a fast-moving vehicle or the network is particularly congested, Jasper said.

Though the official cost of the network has not yet been tabulated, Jasper said that it was expensive, despite a lot of local support from government agencies and community members. The network was more than one year in development, with one staff member who dedicated almost all her working hours for that year on the project. The rollout was funded entirely by district member dues, as well as supported by commodity contributions from the community.

"All the land owners donated the use of their roofs, so we're not paying any fees for that, which ordinarily they would charge," she said. "And DDOT [the District Department of Transportation] donated the use of all the electric and all the light poles, so we've got a lot of good in-kind value."

The network features 17 enterprise access points that distribute the signal. So far, the only glitch has been that one area of the neighborhood is not getting as much bandwidth as officials had anticipated, Jasper added, so the district is now working on solving that.

BID contracted with New York-based Skypackets to complete the technology rollout because the city did not have experience with this kind of project, she said, and officials didn't want to delay the rollout while they went through a learning process. The main rollout costs consisted of the equipment, pulling cable to buildings that didn't have it, and ongoing system management, she said.

Further upgrades to the network are now underway, including coverage for the remainder of the neighborhood. One map of the neighborhood's outdoor Wi-Fi coverage shows that eventually, almost every street will be included in the coverage area. But, Jasper said, the timeline for the continued rollout has not yet been established because the district realized during the first phase that this type of project is difficult to predict.

“We initially thought the whole thing would take six months, and we were way off,” she said, adding that the rollout took 11 months — and even more than a year if counting from the time the concept was conceived. “So it’s just made us more cautious about estimating, and we found in terms of building the infrastructure that there were more challenges than we thought. We had to get cable into enough points to get what we think was sufficient bandwidth. We had to get equipment on roofs of private buildings, and every building has a different perspective on license agreements or data they needed about the equipment that we were putting up.”

Despite some hiccups, support from the community has continued after the launch. Now that the network is operational, other buildings in the neighborhood have offered to contribute their infrastructure to be used in the network, offers the district is now considering alongside its future plans for the network.

“This is an active project, and we are closely monitoring the system’s performance,” Jasper said. “We plan to address any issues that negatively impact users and make sure that it is a quality network.”

The neighborhood is growing very quickly, she added, and it’s crucial that if BID is going to deploy a large, expensive project like this, that it provide the type of high-quality service that its residents expect.

By Colin Wood

BY GOVERNMENT TECHNOLOGY | APRIL 7, 2014

A New Way for Schools to Pay for Technology.

The federal e-rate program that provides money to schools and libraries for Internet connectivity is about to undergo a major overhaul that could mean the end of subsidies for pagers and mobile phones in favor of broadband wireless infrastructure.

Federal Communications Commission (FCC) Chairman Tom Wheeler announced the change in March during a speech he delivered at a Council of Chief State School Officers conference. The e-rate program provides discounts of up to 90 percent to help eligible schools and libraries obtain telecommunications and information services.

But in the years since the e-rate program was launched in 1996 as part of the Telecommunications Act, “Technology has changed; the needs of schools have changed; [and] the e-rate program must reflect this change,” Wheeler said. He recalled an incident in Michigan when elementary school students were midway through a 45-minute online math test when the system crashed as a result of inadequate bandwidth. The students had to retake the entire exam.

The telecommunications portion of the program, which includes everything from pagers and mobile phones to 800 numbers and email, is out of date in a world where communications is increasingly Internet-based, mobile and expected to be fast — whether it involves a phone call, text or video clip.

The e-rate program receives about $2.25 billion annually from the Universal Service Fund, an $8.5

billion program that uses a tax on various phone services to expand telecommunications in rural and high-cost areas of the country. The FCC created the fund during the 1930s to meet universal service goals of accessible phone service for rural areas and for low-income families. In less than 20 years, high-speed, mobile technology has passed by many of the original services subsidized by the fund.

The FCC wants to overhaul funding to focus on broadband connectivity, especially wireless service inside schools. “Wi-Fi has transformed computing and education, creating the possibility of one-t--one learning in classrooms and libraries, and freeing desks from wired connections,” the FCC explained in a report issued in March. More than half the public schools in the country, though, don’t believe their existing wireless networks have the capacity to handle new, technology-based custom teaching.

The wireless upgrade is part of a broad set of modernization goals set by the FCC that include: 1) giving schools and libraries affordable access to high-speed broadband to support digital learning; 2) maximizing the cost-effectiveness of e-rate funds; and 3) streamlining administration of the program.

Wheeler said the e-rate program spends about $600 million on outdated services. He acknowledged that moving some of the money away from programs that are no longer central to the needs of schools and libraries will antagonize certain groups in the education community, such as the producers and users of narrowband pagers, PBX switchboards and 800 number services. Dropping subsidies for outdated technology is one part of a broader focus on funding that the agency believes can free up an additional $2 billion over the next two years to help support broadband networks. The FCC also wants the distribution formula for wireless services to be more equitable. Currently, 80 percent of funding for wireless technology goes to urban school districts. Schools in rural communities have not benefited as well from the program as it’s currently structured, according to Wheeler.

What the FCC does not want to do (yet) is request more funds for the e-rate program. The FCC has said it will search for savings in the program before considering expansion. That may be prudent, given that Congress, especially the Republican-led House, has been cool to the idea of tacking on any more fees to cellphone subscriber phone bills. But advocates for increasing the funding point out that demand for e-rate funding has continuously exceeded the program’s cap of $2.25 billion.

Last year, President Barack Obama got the ball rolling on the new e-rate program when he proposed expanding the amount of funding by up to $6 billion by increasing the monthly universal service fees to cellphone users. The proposal was part of the president’s ConnectED initiative, which is aimed at connecting 99 percent of public school students to broadband speeds of at least 100 megabits per second, with a target of 1 gigabit per second within five years.

However, former Republican Congressman Tom Tauke told the Technology Policy Institute forum last year that proposing to tack on more fees on phone bills was likely to antagonize Republicans who want to limit government spending. Fred Upton, the Republican chairman of the House Energy and Commerce Committee, in speaking out against the president’s proposal, told *The Washington Post*, “Most consumers would balk at higher costs, higher phone bills.”

Republicans might not want to raise fees to boost the e-rate program, but the plan to change funding has received widespread support from the major organizations that represent the education and library communities. The American Library Association (ALA) called for swift action on e-rate reforms, including an increase in funding. The ALA pointed out that the average public library has about the same connectivity as the average home. “High-capacity broadband drives innovation and underpins modern library services in public and school libraries,” said ALA President Barbara Stripling.

The National Association of Elementary School Principals (NAESP) and the National Association of Secondary School Principals both pledged their support for modernization. While they support FCC Wheeler’s call to modernize the program, more funding is crucial, according to Gail Connelly, executive director of NAESP. “We hope the [FCC] chairman and commission members make a serious attempt to not only improve inefficiencies, but increase e-rate funding to meet current school and library needs, which is an estimated $5 billion,” she said.

The U.S. Conference of Mayors has also weighed in on the issue, sending a letter to the FCC that called for swift action. Citing the fact that the other advanced countries have much better technology infrastructure in their schools, the mayors called broadband as important as chalkboards and textbooks.

Can the FCC modernize the e-rate program without asking Congress for more money? The commission believes it can, though Chairman Wheeler has indicated he won’t hesitate to ask if more money is needed. Given the fierce drive to hold down the cost of government in Congress, it may be a while before more funds flow to schools and libraries to pay for technology.

Tod Newcombe | Senior Editor

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States Looking to Sell Some Roads to Cities and Towns.

For years, the leaders of Beaufort, S.C., have promoted the charms and convenience of their coastal city, which has a historic downtown and cozy neighborhoods. Many of Beaufort’s 13,000 residents can walk or ride their bikes to work or to stores.

To improve safety and boost pedestrian traffic, city officials would like Beaufort’s street grid, parts of which are more than 300 years old, to include narrow lanes and on-street parking, which would encourage drivers to slow down. But Beaufort cannot make changes to many of its own streets because the state, which prefers wider roads and faster speeds, owns virtually all of the roads in town.

That may change soon, as South Carolina legislators try to save money by unloading part of the state’s vast road network onto localities like Beaufort.

Road Network Ownership

The percentage of state road networks owned by state governments varies widely.

States With Biggest Share of Road Network

1. West Virginia* (89 percent)
2. Delaware (84 percent)
3. Virginia (78 percent)
4. North Carolina (75 percent)
5. South Carolina (63 percent)

* The District of Columbia owns 92 percent of its roads

States With Smallest Share of Road Network

1. New Jersey (6 percent)
2. Kansas (7 percent)
3. Iowa (8 percent)
4. Michigan (8 percent)
5. Massachusetts (8 percent)

Source: Federal Highway Administration, 2012.

In recent years, North Carolina, Texas, West Virginia and other states that own large road networks (see sidebar) have tried similar tactics. The cost of maintaining roads varies widely by the type of road and the location, but it can add up quickly. For example, the Texas Department of Transportation in 2009 spent $1 billion on road maintenance in 2009, the most recent year for which numbers are available.

State transportation departments once used their roads to wield power over politics and planning. South Carolina, for example, originally stepped in to build roads between county seats, connect to roads in neighboring states and funnel travelers to main routes. State legislators, who controlled the roads in their home counties, kept adding to the state's network.

"The road system as it currently exists still reflects the organizational and political realities of the 1930s and 1940s rather than the 21st century," said Pete Poore, a spokesman for the South Carolina Department of Transportation.

Now the roads are costly relics. But states have had limited success in giving them away, because cities such as Beaufort don't want to pay for them either.

"Our council feels there should be some quid pro quo. If we take the roads, we should be able to do what we want with them in a reasonable and responsible manner," said Scott Dadson, Beaufort's city manager. "Secondly, we should have funds that come with it."

Waning Appetite

Nationally, state governments own about 19 percent of the roads within their borders. But West Virginia, Delaware, Virginia, North Carolina and South Carolina all own more than 60 percent, according to the Federal Highway Administration. The state with the next-highest share is Maine, at 37 percent.

Each state amassed its huge network in a different way. But generally, state officials took over county roads and other farm-to-market routes because localities did not build enough of them or failed to maintain them adequately.

Decades later, states that gobbled up local roads no longer have the appetite to keep them. In growing areas, highways that once linked distant towns are now major local arteries. In some cases, states own odd stretches of local roads because of political reasons that were forgotten long ago.

States increasingly see their shorter, less-traveled roads as a drain on resources at a time when resources are increasingly scarce.

Inflation and fuel efficiency are sapping revenues from state and federal gas taxes. The federal government, which provides a third of the money that states spend on transportation, expects to run short of road money as early as July. This year's brutal winter, which added expenses for snow plowing and pothole repair, further strained state transportation budgets.

Another key question in handing over roads is who keeps the federal money designated for their maintenance, said Leslie Wollack from the National League of Cities. The current federal transportation law channels more money through states, which then decide how much to turn over to their cities.

"That creates a very large problem for the local governments, because they're not getting the money. They may not have chosen to build these roads in the first place, yet they are suddenly being given the responsibility to spend a lot of money," Wollack said.

Promoting Local Control

Some states are trying to convince cities to take on the added financial burden of maintaining the roads by touting the benefits of local control.

That is the case in Texas, which owns 80,000 miles of road, more than any other state (although North Carolina is a close second). The Texas Department of Transportation launched a "turnback" program last summer to encourage medium-size and large cities to take back lesser-used roads.

Mark Cross, an agency spokesman, said cities could better protect property values and respond to residents' concerns if they took over the state streets. With a transfer, he said, "a local government would have total control of traffic flow, parking, driveway access, speed limits, road closures and maintenance schedules."

The 59 localities eligible for the program would not get any money to keep up their new roads, but the state would redirect the funds it saved to other road projects in the same city on an ongoing basis. The state now spends $165 million a year maintaining the eligible roads, but it said it would not spend more than $100 million on the new program.

So far, only San Antonio and Lubbock have applied for the program, although other cities are in talks with TxDOT, Cross said.

Growing Pains

West Virginia state Sen. Bob Beach, a Democrat, is working on legislation to enable counties to raise money for transportation that the state would match. (There are no county roads in West Virginia; all of the famed country roads are owned by the state.)

Business leaders in the Morgantown area, where Beach is from, developed the plan to cope with a population surge and increased traffic congestion in the area, the senator said. Monongalia County, which includes West Virginia University, saw a 20 percent jump in residents during the last decade, bringing the total to just more than 100,000 people.

Legislators from the state's northern panhandle, which is fast becoming a suburb of Washington, D.C., also are interested in the arrangement, Beach said.

Local leaders told Beach they thought they could generate $50 million to $80 million with new taxing authority, which they want the state to match dollar for dollar. One of the projects they are considering is a $100 million bridge to ease traffic traveling from Morgantown's hospitals and athletic facilities to the nearby interstate.

But legislators do not want to take up new taxing authority in an election year, so lawmakers will study the idea this summer and consider making the changes next year, Beach said.

In South Carolina, previous attempts to offload state roads onto cities fell flat, so lawmakers are considering adding some money to the mix.

"While we're willing to discuss taking over roads, we have to have a dependable revenue source for it," said Scott Slatton, a legislative and public policy advocate for the Municipal Association of South Carolina.

The state House of Representatives approved offering financial incentives for cities to take over state roads. The proposal would dedicate a quarter of state road funds for an area to help cities maintain state roads that they take over. If the state did not provide adequate funding, the road would revert back to state ownership.

Even with the prospect of dedicated money, some cities are balking at the deal, Slatton said.

The Other Foot

Counties and municipalities in New Jersey have the opposite problem: They own virtually all the roads within the state's borders. When repair costs mount, they often turn to the state and federal government for more money.

Bill Dressel, the executive director of the New Jersey League of Municipalities, said he asked state and federal officials to find money to deal with the costs of this winter's storms, with little luck.

The amount of snow wasn't enough to merit a federal disaster declaration, he was told, and the state did not have money for relief.

Dressel met with Assembly Speaker Vincent Prieto, a Democrat, around St. Patrick's Day to plead his case. But the speaker told Dressel in a light-hearted way that there was no extra money in New Jersey for any needs, a Prieto spokesman said.

"Bill," Dressel remembers the speaker saying, "you're going to have to find the leprechaun's pot of gold, because you're not going to find it under the gold dome on West State Street."

By Daniel C. Vock

BY MCCLATCHY NEWS | APRIL 10, 2014

Pensions and Bureaucracies Strangle L.A., Panel Says.

Los Angeles's future is threatened by a sixfold increase in public pension costs and dueling bureaucracies that hinder its ports and tourism, according to a panel led by former U.S. Commerce Secretary Mickey Cantor.

The second-largest U.S. city could be more competitive if the nation's busiest seaport complex, the ports of Los Angeles and Long Beach, were to merge and regional tourism agencies were combined to speak with one voice, according to the report by the L.A. 2020 Commission.

The recommendations came the week after economists at the University of California, Los Angeles reported that Los Angeles lost 3.1 percent of payroll jobs since 1990, the biggest drop of any U.S. metropolitan area. The panel's proposals are intended to reverse the trend, Cantor said in a telephone interview from Los Angeles.

"This will have an effect on the trend," said Cantor. a partner in the Chicago-based law firm of Mayer Brown LLP. "Will it solve every problem? Of course not. We don't even pretend that."

The report went unmentioned last night by Mayor Eric Garcetti, a 43-year-old Democrat elected last year, in his first state-of-the-city speech.

Garcetti pledged to rein in the municipal bureaucracy, phase out the city business tax and offer summer jobs training to young people.

"Simply put, we are creating jobs in Los Angeles that aren't being filled by L.A. residents," Garcetti said. "We have failed to train tomorrow's workforce here in our own neighborhoods. I will change that."

Pension Costs

He did not propose any changes to city pensions, which the commission said now consume 18 percent of the city budget, up from 3 percent in 2003.

Los Angeles relies on an overly optimistic expectation that investments will return 7.75 percent a year, which causes the gap between available assets and obligations to widen, according to the report.

In contrast, Warren Buffett's Berkshire Hathaway (BRK/A) Inc. counts on annual returns of 6 percent for its pensions, according to the report.

"The city should use the discount rate and pension plan earnings assumptions Buffett uses," the commission said.

As of June 30, 2013, the Los Angeles pension plan for non-safety employees was 68.7 percent funded. The pension fund had $10.2 billion in assets and $14.9 billion in liabilities, resulting in an unfunded accrued liability of $4.7 billion.

‘Accountability’ Office

The independent commission, established last year by Los Angeles City Council President Herb Wesson, also recommended establishing an “Office of Transparency and Accountability” at City Hall, and empowering an independent five-member commission to set water and power rates.

Los Angeles’s problems with public education and transit, while “critical” to the region’s future, were beyond the scope of the 13 volunteers who served on the commission, the report said. In addition to Cantor, members included Austin Beutner, a co-founder of New York investment bank Evercore Partners and a former Los Angeles deputy mayor; former California Governor Gray Davis, and former U.S. Labor Secretary Hilda Solis.

By James Nash Apr 10, 2014 7:59 PM PT

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San Antonio: Innovative, Creative, Environmentally Conscious. And Still Running Out of Water.

To understand the legendary culture of water conservation that this city has cultivated in the last 20 years, consider that an 11-foot tall model of a low-flow toilet adorns the lobby of its water utility’s headquarters. The toilet recently was the subject of many photo opportunities when a group of more than 80 lawmakers, legislative staffers and water planners toured San Antonio’s water facilities.

“We’ve got cities coming from all over the world,” Greg Flores, the spokesman for San Antonio Water System, or SAWS, told the visitors over a home-cooked brisket lunch. Later, the group gawked at the utility’s underground reservoir storage system, drank treated wastewater from its award-winning water recycling plant and learned of plans for a desalination plant. The message was clear: The state’s thirsty cities should follow San Antonio’s lead.

Yet even with recent accolades from federal officials and a featured role in a public television documentary, San Antonio is grappling with explosive growth and dwindling water resources, just like rest of Texas. The city has long hunted for a new source of water beyond the inexpensive and clean Edwards Aquifer, which it has depended on for decades. But critics say that pursuit is happening at the expense of more rural communities. And they also fear it endangers San Antonio’s reputation as a “green” city that has been able to successfully balance growth and water conservation.

“We have to go outside the Edwards,” said Amy Hardberger, an assistant professor at St. Mary’s University in San Antonio who teaches water law and land use. “But how we do it and how much we do it means everything.”

San Antonio’s aggressive conservation efforts started in the early 1990s, when a federal judge ordered the city to pump less water from the Edwards Aquifer to protect endangered species. Ever since, attempts to secure new sources of water have had limited success. More than half of the 80 billion gallons of water SAWS delivered to 1.7 million consumers last year came from the Edwards, of which San Antonio is by far the biggest user, but that will probably be curtailed this year because of drought conditions and to protect the endangered animals who depend on the aquifer’s springs.

Overtures to buy groundwater from underneath rural South Texas counties have led to fears that the city will drain those aquifers. The utility says that is not its intention, but points out that if San Antonio does not get those water supplies, another city will.

Other regional water authorities that have pursued joint water projects with San Antonio have felt rebuffed. Ever since the utility backed out of a collaboration with the Guadalupe-Blanco River Authority in 2005, the two entities have fought constantly over water supplies in various river basins in South-Central Texas. “It’s the same as Lucy yanking the football away when Charlie Brown tries to kick it. We always feel that we are Charlie Brown,” an official at the river authority, Todd Votteler, said.

Even some legislators have said that San Antonio has insisted too aggressively that they relax local groundwater regulations, which would ease their attempts to buy water from other counties.

“When San Antonio comes into the room, there’s definitely a reaction that I’ve noticed: ‘Who loses on this deal for the benefit of San Antonio?’” said state Rep. Lyle Larson, R-San Antonio. “We’ve got to change that reputation. It’s created some regional confrontations.”

Both Larson and Flores say that the utility’s president, former state Rep. Robert Puente, has helped foster a more diplomatic approach since he was appointed in 2008.

Last month, yet another search for water supplies appeared to have failed. After more than three years of evaluating multiple proposals from the private sector to make the biggest addition to San Antonio’s water supply in history — 16 billion gallons a year — Puente appeared to throw up his hands and abandon the endeavor. All the projects were too risky because local opponents could cut off the supply, he said.

While environmental advocates applauded the decision, the business community was appalled. “It was a very surprising and disappointing announcement,” said City Councilman Joe Krier, former president of The Greater San Antonio Chamber of Commerce. Krier said businesses constantly ask him, “Are you going to have enough water for me 20 years from now? And we can’t give them an answer.”

Under pressure, Puente agreed to reconsider a proposal to pipe water from underneath rural lands northeast of Austin. But he also said the project would cost the utility $2.6 billion over 30 years and could require a 12 percent increase in water rates in just a single year. That would not be an easy sell in a region whose water rates have jumped more than 50 percent in the last decade. A large chunk of those increases are paying for $1 billion in sewer improvements after leaky pipes spilled more than 20 million gallons of raw sewage from 2006 to 2012, prompting the federal government to sue SAWS.

Such a large contract could also discourage conservation, environmental groups have pointed out, because the utility must pay for all the water whether residents use it or not. By contrast, the utility will own and operate the desalination plant it is currently building, which will treat water from a nearby salty aquifer, so it could cut production if demand lessens, saving costs.

A debate also still persists as to how much San Antonio has conserved, and how much new water it will need. Puente has championed the fact that from 1984 to 2009, water use decreased despite huge population growth. But data from the time frame of 1988 to 2013 shows consumption by ratepayers went up 24 percent, in part because SAWS absorbed a large new customer base in 2012.

The utility also serves sprawling areas outside city limits, where it has no say on how new developments are planned. Planners say that new homes are much more likely to include automatic irrigation systems, which can significantly increase water use. The city has long used off-duty police officers to build up one of the most robust enforcement programs of lawn-watering restrictions in the country, but that can only go so far.

But most believe that no matter what the city does to quench its thirst, decades of conservation habits will continue to be an emphasis.

"You've got to recognize that as the price of water goes up — and it will go up, because it is a scarce resource — that's going to encourage more conservation," said Reed Williams, a member of the SAWS board.

And it is indeed the water utility that prizes such a culture above everyone else. When Larson called El Paso the state's best water conserver at a recent water law conference, Puente, sitting right next to him, could not help but whisper audibly, "second only to San Antonio."

By Neena Satija

BY THE TEXAS TRIBUNE | MARCH 31, 2014

Rural Hospitals Are on Life Support.

Hospitals may be rural America's single most important and most endangered institution. Between having to serve some of the sickest and most expensive populations and federal cuts, can small town America save more from closing?

Forkland, Ala., is about as remote and as poor as towns in the United States get. Located on the western edge of Alabama's "black belt"—50 miles south of Tuscaloosa—its 645 residents earn just over $10,000 per capita a year, less than half the state average. The town has just one store—a squat whitewashed building next to city hall—with a smattering of soft drinks, candy bars and potato chips on its otherwise empty shelves. What Forkland does have is kin and community. Get off Highway 43 and the potholed county roads that connect to it, and you'll find that sense of community down the red clay roads winding through the pines that lead to the shacks, single-wides and small homes where generations of family live. When newborns enter this world, they do so at nearby Bryan Whitfield Memorial Hospital.

Forkland is small, poor and overwhelmingly African-American. Next-door Demopolis is larger (population 7,500), wealthier and equally divided between blacks and whites. With two paper mills and a cement factory, Demopolis has a significant industrial economy. It also has another economic driver that supports and supplements local industry: health care. Bryan Whitfield isn't simply a vital provider of medical services for its residents and those in the surrounding areas. It is one of the region's largest employers with about 260 people on its payroll. To put the hospital's impact in context, its budget is more than three times larger than the city and county budget combined.

Like most rural hospitals, Bryan Whitfield is in many ways a creature of government. Built with the help of federal funds under the Hill-Burton Act of 1948, the hospital is organized under Alabama state law as an independent health authority. The city of Demopolis appoints five of the hospital board's nine members and, under the terms of a court settlement, appropriates $125,000 a year to provide indigent care to town residents. Marengo County, in which the hospital is situated, pays an even larger sum—$360,000 a year—under the terms of the same settlement. By far the biggest contributors to the hospital's bottom line, though, are Medicare and Medicaid. Roughly 75 percent of the hospital's $73 million-plus budget comes from those programs, a significantly higher percentage than the average hospital.

In rural Alabama, $73 million is a large number. Even so, Bryan Whitfield's profit margins are razor thin—and recently got thinner. About two years ago, the federal recovery audit program found that the hospital had improperly billed Medicare; the federal government demanded that the hospital repay $1.3 million immediately. That presented hospital administrator Mike Marshall with tough choices. In December, he announced that the board had voted to lay off 40 employees and shut down the hospital's labor and delivery unit, which delivered 231 babies last year, but which did not collect enough revenue to cover its costs. If the labor and delivery unit shuts down, the residents of Demopolis and the areas that surround it, like Forkland, will be forced to drive to Tuscaloosa, Selma or Meridian, Miss., to receive prenatal care and to give birth.

"Some simply won't make it," says Forkland Mayor Derrick Biggs. "You'll have the baby on the way."

Tiffany Ward, one of the two doctors in Demopolis who delivers babies, warns of even more dire consequences. Many pregnant women depend on neighbors or on public transport to get to a doctor's office for a checkup, she points out. With prenatal care and delivery services an hour or more away at best, she says, "babies are going to die."

Unborn babies aren't the only ones at risk. Many residents of Demopolis see the debate about the future of labor and delivery as a proxy for something larger—whether their community will be able to maintain a full-service hospital. Similar debates are playing out in rural communities around the country, engendered by the costs of health care for small populations, by the way the federal Affordable Care Act (ACA) affects hospital financing and by decisions about what mix of services can best serve the health needs of a community that can't afford to have it all.

The stakes are high—and not just in terms of the availability of medical services. "Health care is actually the fastest-growing job in rural America," notes Maggie Elehwany, government affairs and policy vice president of the National Rural Health Association (NRHA). "If the hospital closes, a lot of these towns wither on the vine."

The numbers are startling. Rural America is sicker, poorer, older and more overweight than the country as a whole. That puts financial pressure on the hospitals that serve it.

"They are in more isolated areas, which means they have lower patient volumes overall," says Adam Higman, a vice president with Soyring Consulting, a firm that works with rural hospitals. Lower volume leads to lower staffing levels, which makes it hard to roll out new technology and implement new rules. "You can't get the same utilization out of the equipment," Higman says. "Every case is a higher cost to them than it would be to another facility."

They are also more dependent on Medicaid and Medicare, which tend to reimburse providers at lower levels than private insurance. According to Keith Mueller, who heads a center for rural health policy analysis at the University of Iowa, some 18 percent of rural Americans are Medicaid recipients, compared with 15 percent of urban Americans. Doctors in rural America receive an average of 25 percent of their reimbursements from Medicaid, as compared with 20 percent for nonrural doctors.

Not every rural hospital is struggling. In the energy-rich Mountain West and Great Plains, some rural hospitals enjoy monopoly positions that allow them to earn huge profits. But in areas where the economy is sluggish, as in rural Alabama, hospitals aren't just hurting, they are starting to close. The state has lost six hospitals in the past 18 months, more than in the previous 20 years, according to Don Williamson, the state health officer and acting head of the state's Medicaid agency. Another 22 hospitals are operating in the red. Many are serving areas with high numbers of uninsured patients, a combination that will make it extremely difficult for them to survive.

It's not just Alabama. More than 40 percent of rural hospitals nationwide are operating in the red, according to the NRHA. Even hospitals that are profitable typically operate with narrow profit margins. Many of these facilities are subsidized or owned outright by local or county governments, making what to do about the local hospital one of the most challenging issues faced by local officials. It's a challenge greatly magnified by the controversies surrounding the ACA.

When the reform was signed into law four years ago, the expectation was that virtually all of the nation's 48 million uninsured would gain health insurance, either through subsidized health insurance policies purchased on health exchanges or through expanded state Medicaid programs. In anticipation of this outcome, significant changes were made to the Medicare and Medicaid payments system. Most notably, the ACA requires that the federal government begin making deep cuts in so-called Disproportionate Share Hospital (DSH) payments to hospitals serving areas with high numbers of Medicaid patients and people without insurance. Other adjustments that have benefited rural hospitals are already being phased out. That might have been tolerable if hospitals were seeing a surge of new customers with health insurance. They are not. The U.S. Supreme Court's summer 2012 ruling on the constitutionality of the ACA gave states the ability to opt out of Medicaid expansion. As of today, only 25 states (and the District of Columbia), have chosen to expand. The result, says Tennessee Hospital Association president Craig Becker, is a slow-motion disaster.

"Between the ACA and other cuts, we are looking at $7.4 billion in cuts over a 10-year period," says Becker. "The cuts"—which begin in earnest in 2016—"are so catastrophic to some of our hospitals, not only rural hospitals but some of our big city hospitals as well, that I don't know how they are going to survive, particularly without a [Medicaid] expansion in place."

The situation poses challenges for state and local government officials. State officials must contend with the politically hot question of expanding Medicaid. Local officials in communities such as Demopolis are looking at committing ever-larger amounts of public funds to the local hospital or risking the loss of valuable services. In the process, they are making life-and-death decisions, both literally and figuratively, for their constituents and their communities.

The debate over the future of Demopolis' labor and delivery unit is many things: a debate about the value of life; about a community's demands and its limits; and about the future of rural medical care, a future embodied by people like Tiffany Ward and her husband Johnny.

Ward is Demopolis' newest physician. At the age of 30, she is also by far its youngest—and the kind of physician smalltown America dreams of. She grew up in a town of 350 people in rural Nebraska. When she decided to become a doctor, she wanted to be a generalist, someone who delivered babies, performed surgery and provided care in a rural area. When she completed her residency, she was recruited to be a doctor in Demopolis. Ward and her husband decided to move, even though it meant that Johnny would have to give up his high-paying job. Three months after arriving in Demopolis, Tiffany read in the local paper that the board had voted to close the labor and delivery unit.

Ward felt betrayed. She felt that she had been clear about her passion for obstetrics, even discussing strategies for increasing the number of kids born at Bryan Whitfield with the hospital board. She and other physicians in the community also worried about the effect a closure would have on patients.

"Transportation is a problem," says Dr. Alex Curtis, who divides his time between private practice and Bryan Whitfield's emergency room. "We have women who live two or three miles from the clinic and can't make it to their visit. We're now going to expect them to drive 50 miles?"

It's a concern that a significant number of Demopolis residents seem to share. On Jan. 30, the city council and county board of commissioners held an unusual joint meeting to explore whether some joint effort to preserve the unit might be possible. Among the ideas discussed was the possibility of enacting a small property tax increase or submitting a larger tax increase to voters as a whole.

It didn't happen. While the city offered $68,000 to keep labor and delivery open for an extra two months, the county board of commissioners balked at the suggestion that the county should make a matching contribution. Nor did county commissioners embrace the idea of raising property taxes.

"How would you like to run [for re-election] on the platform, 'I've raised taxes so we can help people from surrounding counties have babies here?'" asks hospital board member and local businessman Jay Shows, who notes that only 40 percent of the babies born at Bryan Whitfield are Marengo County residents. By a 3-2 vote, the board of commissioners voted the proposal down.

As Bryan Whitfield struggles to shut down unprofitable hospital operations, the town of Thomasville, 45 miles to the south, is doing something very different. It's preparing to open a brand-new hospital in 2016. The primary reason for doing so is economic. Thomasville is trying to supplement its paper and lumber mill economy with steel and pipe fabricators. It's betting that the city's location—100 miles north of the port of Mobile, which is expecting a surge in business after the widening of the Panama Canal is completed—will attract new industry. The documents on Mayor Sheldon Day's desk make it clear where he thinks such investment will come from: A brochure touting Thomasville's attractions is in Chinese.

According to Day, in the past seven years Thomasville has attracted $700 million in investments that Day says will create 1,500 new jobs. However, these are not low-risk jobs. Injuries are common and employers want treatment for injured workers to be readily available. "We recruited industries here with the understanding that a new hospital would be built," Day says.

Thomasville had a small, 49-bed private hospital—until its parent company went bankrupt three years ago. Now the city is partnering with a group of investors to build a facility that will be three times larger than the old one. The new hospital, however, will have only 29 beds. Instead of inpatient hospital beds, the new facility will have a large emergency room and spaces that can be used for more profitable undertakings, such as outpatient care.

"That's where the business is today, whether you like Obamacare or not," says Day. "At the end of the day, Obamacare is designed to keep people out of the hospital, which means outpatient services are what will be easier to get paid for."

The old hospital had a labor and delivery unit. The new hospital will not.

Back in Demopolis, hospital administrator Mike Marshall isn't surprised. "I came here from the for-profit sector," he says. "I told board members, 'If you want me to make this profitable, I can make it extremely profitable, but there are things you will lose as a result of that.'" The challenge, says Marshall, is finding the right balance. Ultimately, he says, "it's a community hospital, and we are trying to do everything we can to serve the needs of the community."

Marshall's actions in Demopolis—and Thomasville's plans for the future—illustrate something important. At the national and state level, debates about Medicaid expansion and the impact of health-care reform on hospitals tend to portray outcomes in binary terms: Hospitals stay open or they close. Sometimes that is exactly what happens. After all, rural hospitals in states such as Alabama and Georgia, which did not expand their Medicaid program, are already beginning to fail—and more failures are a virtual certainty in other states that refuse to expand Medicaid coverage.

What is more common, however, is that the mix of services rural hospitals offer will change. Instead of offering a full range of services, hospitals will focus on revenue opportunities. Rather than operating as stand-alone facilities, hospitals will join in the hospital industry's movement toward greater consolidation. Profitable rural hospitals, for instance, might join a for-profit chain, bringing the community the fiscal relief of a major new taxpayer but also a loss of control over what services will be available in the community. Other rural hospitals will affiliate with a larger institution that can offer technical assistance with the latest technological and quality initiatives as well as access to capital. This could bring real benefits, but it also creates the risk that facilities that once offered a full range of services become little more than glorified emergency rooms. That's better than nothing but worse than what many communities have now—hospitals that serve their communities as their communities want to be served.

In the end, the decision about what direction health services go will be made by elected officials. To get a new hospital, Thomasville passed a half-cent sales tax increase. Mayor Day estimates that it will raise at least half a million dollars a year for the new facility. Some in Demopolis hope for something similar, among them Dan England, the sole Republican on the Marengo County board of supervisors.

"It may surprise people, me being a Republican and all, but I think the hospital is kind of like the fire department," England says. "We don't expect the fire department to fund itself. There has to be public support."

But that doesn't mean that England is wholly enthusiastic about providing it. He'd prefer that the city of Demopolis step up.

Hospital administrator Mike Marshall and the majority of his board believe they are fighting for the community too. A positive cash flow isn't about greed. It's about maintaining the ability to recruit doctors, invest in equipment and undertake capital improvements. In short, it's about maintaining the hospital's viability.

"Look at the needs of the community," says Marshall, noting that the number of deliveries has been declining for years. The hospital, in short, is allocating $1.4 million a year to serve 145 residents. "Every year at budget time we talk about it," he says. "It has become such a drain that it is harming our ability as a hospital to be viable as a whole."

As for the idea that babies will die if labor and delivery closes, Marshall and his board don't buy it. "It will be a hardship on our citizens," says board member Shows. But "it is not the end of the world. And if they come in at 2 in the morning, we will deliver the baby."

As for Tiffany Ward, she has made her position clear: If the labor and delivery room closes, she's leaving. "We fell in love with this city," she says. Still, she says, "I don't want to waste a skill I went to school for 11 years for, either."

Demopolis Mayor Mike Grayson admits that, from a business perspective, keeping labor and delivery open doesn't make sense. But, he adds quickly, "I have yet to hear a good alternative."

What does seem clear is this. The decisions to come will only get more difficult—and not just in

Demopolis. As Don Williamson, Alabama's health officer, points out, in rural areas there are not enough physicians, there is poor access to specialty physicians plus some of the more lucrative revenue-generating procedures are not available. "Keeping a rural hospital in play," Williamson says, "is a difficult, difficult thing."

BY JOHN BUNTIN | APRIL 2014

Jacksonville, Fla., Creates Scorecard for Government Services.

Opaque governments, pay attention. Jacksonville, Fla., is showing how to do transparency right.

On March 5, Mayor Alvin Brown announced the city's new open data webpage, called JaxScore 1.0, which provides basic metrics about various city services for all to see. This transparency effort, officials say, is a push toward Brown's goals of improving performance and efficiency, and increasing public participation in government.

JaxScore 1.0 displays boxes in a grid format; each box shows a metric for a city agency, such as Animal Care & Protective Services, Information Technologies Division and the Jacksonville Children's Commission. If residents want to know how many jobs were created in one year by the Office of Economic Development, for instance, it's easy to see that the number is 1,712 (as of March 31). Clicking on that box brings up a PDF where users can view basic trend data in a graph, and a chart outlining more advanced data.

To make this data available, the city first had to begin collecting it — which has changed how employees are working.

Having the data published online is great for the public, but it also helps the city see how it's matching up to its goals, said Karen Bowling, Jacksonville's chief administration officer.

"We're all used to being graded," she said. "From first grade, kindergarten, we measure everything, so our employees really appreciate the opportunity to have this objective data so that it feeds right into the employee evaluation process. Rather than having to rely on anecdotal information, they can, on a monthly basis, know how they're doing against their goals. It's a thing of competence – they know where they're at."

How did the concept originate? From budget cuts, Bowling said. The city took a long hard look in the mirror, and decided that to make the most of their resources, it would need to benchmark its performance — something it previously had not been doing thoroughly, she said.

And it is a big change for city employees, said Cleveland Ferguson, deputy chief administration officer for the city. Pockets of government have done things in the same way for a long time, he said, so getting people to track their progress has been a bit of a culture shift — but it's worth it to get focused around the Mayor's goal of making government more efficient.

The data is available to the public through the JaxScore website, as well as to city employees internally through a dashboard. The data is collected by each departmental division, each of which has been assigned a data analytics person. The analytics employees along with a process improvement internal team work together to collect data each month, and that data is published quarterly. Eventually, Ferguson said, this data will build and allow them to recognize trends.

Now that employees started that habit of collecting the data and paying attention to performance, they're getting comfortable with the process — and enjoying the benefits the system brings, Ferguson said. Each month, employees can look back and see what they've done and how that compares to their goals.

The system was developed internally, with no outside procurement, and there was no cost other than a time investment, Ferguson said. It took about four months of intense dedication from a small team to get the system to where it is today, he said — and the response has been positive. "We've gotten glowing feedback from many constituencies that are into transparency and more open government," he said. "It has been overwhelmingly positive and we are very appreciative of that."

The culture shift and change in work processes is important, but the technology was a big piece too, Ferguson said — and the city will keep updating and improving the system. The city is now looking at several new interfaces that would allow employees to input data themselves, which would further streamline the data collection process, he said. The city plans to eventually add that functionality, as well as more public facing data, he said. The city's complaint system allows officials to monitor complaints, comments and questions in near-real time, and in a future iteration of Jaxscore, he said, that data will become available online, too.

Strong executive leadership from CIO Usha Mohan also was an important key to getting this project launched and having it be a success, Ferguson said. Mohan's background in health care, a sector that places emphasis on analytics, played a critical role in her understanding the importance of the city's transparency efforts, he said.

"We made a conscious decision to use IT strategically and not as merely providing a service," he said. "And she's the perfect CIO to appreciate the strategic nature of IT being change."

By Colin Wood

BY GOVERNMENT TECHNOLOGY | MARCH 31, 2014

NYT: Beneath Cities, a Decaying Tangle of Gas Pipes.

It is a danger hidden beneath the streets of New York City, unseen and rarely noticed: 6,302 miles of pipes transporting natural gas.

Leaks, like the one that is believed to have led to the explosion that killed eight people in East Harlem this month, are startlingly common, numbering in the thousands every year, federal records show.

Consolidated Edison, whose pipes supplied the two buildings leveled by the explosion, had the highest rate of leaks in the country among natural gas operators whose networks totaled at least 100 miles, according to a New York Times analysis of records collected by the federal Department of Transportation for 2012, the most recent year data was available.

The chief culprit, according to experts, is the perilous state of New York City's underground network, one of the oldest in the country and a glaring example of America's crumbling infrastructure.

In 2012 alone, Con Edison and National Grid, the other distributor of natural gas in the city, reported 9,906 leaks in their combined systems, which serve the city and Westchester County. More than half of them were considered hazardous because of the dangers they posed to people or property, federal records show. (There are more than 1.2 million miles of gas main pipes across the country. Last year, gas distributors nationwide reported an average of 12 leaks per 100 miles of those pipes.)

Most of the leaks in New York proved harmless, simply dissipating into the soil or air. But when gas finds an ignition source, the results can be deadly. Three separate episodes in Queens in recent years killed people, and a half-dozen others in the city left people injured, according to federal records dating back 10 years.

Elsewhere in the country, a rupture in a major pipeline in San Bruno, Calif., in 2010 caused an explosion that killed eight people. In 2011, a leak from an 83-year-old cast-iron main in Allentown, Pa., caused a blast that killed five people.

"It's like Russian roulette," said Robert B. Jackson, a professor of environment and energy at Stanford University who has studied gas leaks in Washington, D.C., and Boston. "The chances are, you are going to be lucky, but once in a while, you're going to be unlucky."

Striking in federal records is just how frequently there are near misses.

Last year, a Bronx woman awoke in the middle of the night to the pungent odor of gas. Her husband checked it out, but after smelling nothing unusual, he lit a cigarette. Suddenly, there was a flash of fire that left his face badly burned. In 2011, a 28-year-old man in Bayside, Queens, saw smoke coming from a basement utility room just before a small explosion blew the door open. The cause was traced to a leak in a 54-year-old steel main in the street nearby.

Nearly half of the gas mains operated by Con Edison and National Grid were installed before 1940, according to federal records. More than half of the mains are made of cast iron, wrought iron, or unprotected steel — materials that are vulnerable to corrosion and cracking, especially in cold weather. Indeed, there was another scare in the city on Saturday when a leak from a crack in a 108-year-old cast-iron main, maintained by Con Edison, in the Bronx caused the Fire Department to briefly evacuate two apartment buildings.

Communities across the country have been struggling to replace thousands of miles of these old, metal pipes with pipes made of plastic or specially coated steel that are less prone to leakage. Few, however, face as daunting a challenge as New York City.

To replace all of the old mains in its network right now would cost as much as $10 billion, Con Edison estimates. Much of that expense would fall on the residents and businesses that use the gas for heating and cooking.

Despite the high cost and logistical hurdles, alarmed regulators at the state's Public Service Commission have ordered the company to significantly step up its replacement schedule, from 50 miles of pipe a year to 70 by 2016, in the city and in Westchester. Even at that rate, it would still take nearly three decades for the utility to finish swapping out what regulators have identified as the most leak-prone pipes.

As a result, infrastructure experts say there could easily be more explosions like the one this month in East Harlem.

After the blast, federal investigators identified a leak in the gas main, but they are still not certain what caused it or if it was the source of the gas that exploded.

Federal records show the New York City utilities have been able to cut into their leak numbers as they have replaced mains. National Grid, in particular, has made improvements. Its rate of leaks per 100 miles of gas mains still ranks among the highest in the country, but it is significantly better than Con Edison's.

Con Edison has made progress, too. But last year, when regulators were considering whether to let Con Edison raise its rates, the commission's staff voiced concerns about the company's attitude toward safety.

The staff testified that Con Edison had 695 violations of the state's gas pipeline safety regulations over the previous three years. Not all of those violations were classified as "high risk," but the regulatory staff said any failure to follow the rules was "a serious issue that could either directly or indirectly lead to an incident causing serious public harm."

A spokesman for Con Edison, Michael Clendenin, responded by saying the company "takes compliance with the commission's regulations very seriously." He added that the complexity of New York City's infrastructure probably accounts for the utility's high rate of leaks, but added, "We attend to hazardous leaks immediately."

Deaths Over a Decade

In order to ignite, gas has to pool in a confined space until it makes up at least 5 percent of the air. Then, any flame or spark — even the flipping of a light switch — can set it off.

In the last decade, The Times identified from federal records 22 significant gas ignitions in the city; a dozen of these were categorized in federal records as full-fledged explosions.

Not counting the blast in East Harlem, gas-related episodes have killed three people in the city in the last decade and injured 22 others, according to a tally by The Times.

The East Harlem gas explosion, which also injured dozens, was the first fatal one in the city in nearly five years.

In April 2009, Ghanwatti Boodram, 40, a nurse and mother of three, was killed when an explosion leveled her house in Floral Park, Queens. A state investigation concluded that, among other failures, a Con Edison worker had not adequately checked for gas leaks in the area. The investigation found that faulty electrical wiring had set off a chain of events that created holes in the main, installed in 1950, allowing gas to escape and pool inside the house.

The year before, just minutes after Con Edison crews had restored gas service to a building in Flushing, Queens, Edgar Zaldumbide, 43, tried to light the pilot of his stove. An explosion followed. He died several weeks later; his 2-year-old daughter was badly burned, and 15 others were also injured. A state investigation concluded that, among other failures, a Con Edison worker had failed to adequately check for gas leaks in the area.

In 2007, as Con Edison workers were searching for the source of a gas leak that had forced residents in Sunnyside, Queens, onto the street, one resident, Kunta Oza, 69, was told by firefighters that she could return to her home. But minutes later, an explosion occurred, killing Ms. Oza.

State regulators concluded that corrosion, as well as overall wear, had contributed to a crack in the gas main, which had been installed in 1927 but was not on Con Edison's priority list to be replaced.

Gas-related incidents that result in fatalities garner the biggest headlines. A review of federal records, however, shows that there have been many smaller, yet still frightening, incidents that attracted no news media attention at all.

One such event occurred on March 6 last year in the Bronx.

At 4 a.m., Ping Ching Li, 57, and his wife, Cindy, were stirred from their sleep by the strong smell of gas in their two-story house. Both went to the garage to investigate, spraying water on the joints of the pipes that feed into the gas meter to check for bubbling. Nothing. They thought, perhaps, that the smell was emanating from their car, so they moved the car to the street.

Later, after Ms. Li returned upstairs, Mr. Li decided to check the garage again, to see if the car had been the source of the smell. He flicked his lighter to smoke a Marlboro Light, then suddenly, Whoosh! There was a blast of fire, and flames circled his head and arms, he recalled in an interview this week. He suffered second-degree burns and was hospitalized for two days at nearby Jacobi Medical Center. Today, Mr. Li said his vision in one eye remains blurry, and his hearing in one ear is greatly diminished.

“I feel very, very lucky,” said Mr. Li, who plans to file a lawsuit against Con Edison next week. “If the car were still in the garage, the whole house would have exploded.”

Con Edison workers later visited the couple’s house and explained that the leak had come from somewhere under their garage. A crack in a six-inch cast-iron main, installed in 1953, was to blame, according to federal records.

Pipe Replacement

Replacing aging mains is the surest way to reduce the number of hazardous leaks. But getting the old metal pipe out of the ground takes serious time, labor and money.

Last Thursday, a dozen employees of National Grid were digging four feet beneath Troutman Street in the Bushwick section of Brooklyn to uncover a cast-iron gas main. Over the course of a few days, working with a backhoe on the street, they intended to replace a 50-foot segment of that main with a yellow plastic pipe six inches in diameter.

The old main was not leaking badly, but city workers had opened up the street for a separate project, so National Grid, which supplies natural gas to Brooklyn, Queens and Staten Island, took the opportunity to swap out the pipe.

The utility has doubled the pace of its replacement program, to more than 40 miles a year, said William Akley, the company’s senior vice president for maintenance and construction. Still, it will take as long as 25 years to get rid of all of the “vintage” pipes, made of iron or bare steel, in the system, he said.

Some other cities, mostly in the Northeast, are proceeding at rates far slower than New York in replacing aging cast-iron pipes, according to Dr. Jackson, the Stanford professor. Baltimore is on track to replace its pipes in 140 years, while Philadelphia will not be done for 80 years, he said.

By contrast, one place that has been among the most aggressive in the country is Ohio. Beginning in 2002, one of the state’s major utilities, Duke Energy, which serves the Cincinnati area, was granted approval by state regulators to begin a 10-year, $700 million program to replace about 1,200 miles of cast-iron and bare-steel gas pipes, said Donald L. Mason, a commissioner at the time with the Public Utilities Commission of Ohio.

The number of leaks per miles for Duke Energy now ranks among the lowest in the country, according to The Times's analysis.

And in 2007, Dominion East Ohio, which chiefly serves Cleveland and northeast Ohio, initiated a 25-year, $2.7 billion program to replace 4,000 miles of pipe. The amount Dominion spent on leak repairs dropped to $6 million a year from $10 million, Mr. Mason said.

No catastrophic event led to the Ohio push. Instead, utility executives and state regulators were concerned that the original 40-year schedule to replace pipes that were already 50 to 75 years old was too slow.

"We felt that we needed to cut this in half, because 40 years was too long," Mr. Mason said.

Restrictive Rules

Con Edison, however, faces a unique conundrum when it comes to the heart of its territory, Manhattan, where the rules on when and how it can disrupt traffic are much more restrictive than elsewhere. As a result, the utility says it can cost as much as $2,000 a foot, or well over $10 million a mile, to replace a gas main.

"Some of this aging infrastructure has reached the end of its useful life," said Brigham McCown, a lawyer who was the administrator of the federal pipeline safety agency until 2007. But, he added, "It's a major ordeal in a city like New York to just start digging things up."

Felim McTague, a construction manager for Con Edison, said it was taking about two weeks per block to upgrade the gas mains in the meatpacking district of Manhattan. A crew of seven has to thread the new pipe — coated steel at the intersections, plastic in between — through a maze of steam pipes, phone lines, TV cables, and sewer and water mains. Every night, they have to cover the hole in the street with thick steel plates that can bear the city traffic.

"It's a tedious process," Mr. McTague said.

Because of how long an overhaul in New York City will take, some experts believe more effort needs to be devoted to detecting leaks and addressing them before they become serious.

Con Edison performs its own leak surveys of its mains at least once a year, sending teams out with sensors to measure the amount of methane in the air, according to officials, and more often in severe weather. The utility is still not doing enough, said Mark McDonald, who investigates gas explosions for insurance companies and property owners.

"Accelerated replacement is not the answer to today's problem; it's the answer to tomorrow's problem," Mr. McDonald said. "What needs to be happening is increased vigilance, increased leak surveys to spot these problems before it gets into someone's house."

Utility companies now largely rely on the noses of their customers to alert them to danger. The gas that flows through the network of pipes under the streets is naturally odorless, so a compound known as mercaptan that smells somewhat like rotten eggs is added.

In the case of the East Harlem explosion, Con Edison officials said a customer's call less than 20 minutes before the explosion was their only warning about a possible leak. The utility quickly dispatched two crews.

They arrived too late.

By PATRICK McGEEHAN, RUSS BUETTNER and DAVID W. CHEN MARCH 23, 2014

Jeffrey E. Singer contributed reporting. Susan C. Beachy contributed research.

IBM Designates 16 Places for SmartCity Projects.

Whatever the politics or geography, it's a safe assumption that most mayors love innovation. What's not assured, however, is the funding and resources to implement it.

Acting on this holdback and to develop the market in government data solutions, IBM has stepped in to offer aid through its Smarter Cities Challenge, an initiative to volunteer its expertise to 16 cities and counties around the world. As in previous years, the objective will be to provide solutions to civic challenges such as clean water, healthy food, revenue generation, job creation, efficient transportation and other issues.

The four areas selected in the U.S. for the Challenge were Dallas, Baton Rouge, La.; Birmingham, Ala.; and Suffolk County, N.Y.

Outside the U.S., cities included Abuja, Nigeria; Ballarat, Australia; Brussels, Belgium; Dublin, Ireland; Durban, South Africa; Jinan, China; Mombasa County, Kenya; Niigata, Japan; Perth, Australia; Tainan, Taiwan; Vilnius, Lithuania and Zapopan, Mexico.

This year will mark the fourth iteration of the competitive grant program and will mobilize IBM teams to the winning jurisdictions across the globe. Pro bono work includes consultation, months of issue-centered research, collaborative outreach and comprehensive recommendations to solve or improve problems facing regions and cities.

Speaking for Suffolk County, Justin Meyers, the assistant deputy county executive, said Suffolk is eager to enlist IBM's expertise against its challenge of a widespread water contamination from unsewered homes.

In Suffolk, Meyers said the county has about 360,000 homes, or 70 percent, without sewage connections that have been connected to Nitrogen ground and water contamination. The impact has resulted in a high cost sanitation effort, and for drinking water, major losses of wildlife and inadvertently causing the region to be susceptible to raging waterfronts that have no sea vegetation to slow it down.

"We got slammed by Superstorm Sandy and we're susceptible to any storm that comes up along the East Coast," Meyers said. "We looked at the IBM's Smarter Cities Challenge as an opportunity to partner with a private sector company that may have resources and abilities that we might not necessarily have."

Meyer's said his team will be waiting for IBM's team of consultants with current research and open access to county land and water data.

"IBM offers us an opportunity to expand on that and continue to hone our decision-making in the smartest way possible," he said. "Public-private partnerships are always important. Any opportunity that a government entity has, especially one such as this is a win-win."

Meryers also credited County Executive Steven Bellone for pursuing the IBM's support and other answers to the Nitrogen problem, which has daunted others in the past due to the sheer size of the costs, estimated to in the billions in terms of infrastructure.

"We're very excited to have won this," he said.

Jennifer Crozier, the vice president of the IBM's global citizenship initiatives, said the program has helped 100 jurisdictions since it began — every team effort valued at roughly $500,000 for each jurisdiction. Crozier said her teams at IBM recognize it's hard work to navigate the politics of local governments and want to help grant recipients with ideas that will bring community projects to life.

A significant challenge she said IBM observes is that municipalities struggle to making sense of data. Cities and regions often already have the raw information that measures community trends and needs, Crozier said; the difficulty lies in sharing this information among different agencies and interpreting information to make it actionable.

IBM hopes to realize tangible projects that offer big gains. As with past projects, Crozier said she'd like to take buzz words like big data, mobile, social and cloud technology and turn them into practical solutions for citizens and officials.

In a look back, the initiative is known for a wide range of urban improvements. In Syracuse, N.Y., IBM created a land bank for the city that enabled it to reclaim and work with the private sector to revitalize vacant properties. In Providence, R.I., it simplified and shortened the process of permit and construction plan applications. In the agricultural city of Date, Japan, IBM helped officials publish food safety information for consumers after Fukushima's tragic earthquake and nuclear reactor leak that contaminated much of the country's lands.

BY GOVERNMENT TECHNOLOGY | MARCH 26, 2014

Can Results-Based Preschool Funding Work?

Six hundred 3- and 4-year-olds are attending preschool in Salt Lake County and Park City, Utah, this year thanks to an innovative financing model that is catching the attention of government officials and lawmakers across the country.

Under "results-based financing," also known as "pay-for-success" or "social impact bonds," private investors or philanthropists provide the initial funding for social programs that are expected to save taxpayer dollars down the road. If the policy goals are met and the savings materialize (according to third-party evaluators), the investors receive their money back with interest. However, the government doesn't have to pay out more than it saves.

In Utah, the investors are Goldman Sachs and Chicago philanthropist J.B. Pritzker. They are putting up a combined $7 million for at-risk children to attend high-quality preschool. Researchers expect that attending preschool will make the children far less likely to require expensive special education services, which in Utah cost about $2,600 per year. The students will be tracked through the sixth grade. For the first group of students in the program, the United Way of Salt Lake and Salt Lake County have agreed to pay the investors if the goals are met.

Last week, Utah lawmakers allocated $3 million to help repay the investors in results-based financing programs such as the one in Salt Lake County and Park City, and to provide grants to early childhood providers to improve the quality of their programs.

“The taxpayers are the ultimate beneficiary,” said Janis Dubno, early childhood and education senior policy analyst at Voices for Utah Children, which co-developed the financing model and provided the research and analytic support to the program. “It’s a great way to shift funds from remediation to prevention.”

Among the critics of the Utah legislation were those who believe young children should learn at home, rather than at preschool.

Britain Was Pioneer

Britain pioneered the idea of social impact bonds in September 2010, with a program that aims to reduce recidivism at Her Majesty’s Prison Peterborough by providing prisoners and their families with intensive support to integrate back into their communities. Initial results have been promising.

Since then, some U.S. cities and states outside of Utah have begun using the model:

- In 2012, New York City announced the first social impact bond in the United States. Goldman Sachs invested about $10 million to finance a program that provides education, job training and counseling for teenage inmates to help them avoid a return to prison.
- Last December, New York state kicked off the nation’s first state-led pay-for-success project, raising $13.5 million for a program to provide employment training and job placement services to 2,000 former inmates. Under that program, institutional and wealthy individual investors will be repaid only if the number of people sent back to prison is reduced by at least 8 percent or the percentage of former inmates employed grows by at least 5 percentage points.
- In January, Massachusetts launched a seven-year, $27 million pay-for-success initiative to reduce recidivism among at-risk youth. Under the program, a nonprofit will provide more than 900 young men who are either in the probation system or leaving the juvenile justice system with outreach, life skills and employment training to try to reduce recidivism.
- Fresno, Calif. is leading a two-year demonstration project for the nation’s first social impact bond in the area of health care. The effort aims to cut the number of emergency room visits by lower-income children with asthma.

To help pay for their programs, the Obama administration is giving grants of about $12 million each to Massachusetts and New York state, through the U.S. Department of Labor’s Pay for Success competition.

The Rockefeller Foundation, which has spent about $9 million in grants and program-related investments since 2009 to support pay-for-success financing, was among the earliest promoters of the idea in the U.S.

“Fiscal austerity in state and local governments has led to cutbacks to vital social services, and prevention-oriented services are usually the first to go,” said Rehana Nathoo, a program associate at the foundation. “Pay-for-success models allow states to protect tax dollars by paying for programs based primarily on successful outcomes. They also provide an opportunity to develop solutions for emerging social issues earlier, instead of incurring higher costs down the road.”

Dubno, of Voices for Utah Children, said the model appeals to philanthropies who typically give money without expecting any financial return because “you can really magnify your impact by recycling those dollars.”

But the pay-for-success model also appeals to private investors such as Goldman Sachs, which has invested about $23 million of firm and client capital in the New York City, Massachusetts and Utah projects and is considering others. Andrea Phillips, vice president for the firm's urban investment group, said there has been strong interest from clients to make investments that not only offer a financial return but also help to improve communities.

"It's hard to size the market because it's a relatively new instrument, but we do see it growing," Phillips said. "We're optimistic we'll be able to move to both larger investment sizes and more standardization of deals, which will help us get this market to scale."

According to the Center for American Progress, a liberal-leaning think tank in Washington, pay-fo--success financing is in use or being considered in more than a dozen states. A number have introduced legislation to allow pay-for-performance financing and some are working with partners such as the Harvard Kennedy School Social Impact Bond Technical Assistance Lab, which provides pro bono help to governments considering social impact bonds.

Focus on Preschool

While many of the first pay-for-success projects have focused on reducing recidivism rates, early childhood education is quickly drawing interest as well.

ReadyNation/America's Edge, an organization of business leaders who want to strengthen the economy by investing in children, is hosting a technical assistance meeting later this month in North Carolina to help those interested in implementing results-based financing for early childhood education. Representatives from 26 states and the District of Columbia have signed up. [ReadyNation was created by The Pew Charitable Trusts in 2006. It no longer receives funding from Pew.]

"People are hungry for new ways to finance a service that is now widely acknowledged as being effective at helping children grow to be productive adults," said Sara Watson, director of ReadyNation/America's Edge. "There is still a great deal of advocacy around traditional financing mechanisms but in any environment in which budgets are tight, there's always going to be a hunger for new ideas. The idea of shifting funds to prevention services appeals to a broad array of decision makers on both sides of the aisle."

In Utah, Voices for Utah Children, the Granite School District and the United Way of Salt Lake began working together in 2010 to engineer the results-based financing model, from setting up a study to show the impact of preschool to finding investors to fund the project.

A study of the Granite School District preschool program between 2006 and 2009 found that 32 percent of low-income preschool students scored so low on assessments taken when they entered preschool that without intervention, they likely would have needed special education services in kindergarten and beyond. But among the children who participated in the preschool program who remained in the district, almost all of those 32 percent wound up not needing special education.

The impact of attending preschool appears to stay with students for many years. In 2013, only 57 percent of economically-disadvantaged fifth grade students in the Granite School District were rated proficient in language arts, compared to 78 percent of the fifth graders in the study who had attended preschool, all of whom were from low-income families. In math, 59 percent of economically disadvantaged students districtwide scored proficient compared to 73 percent of those who had attended the district's preschool.

Brenda Van Gorder, director of preschool services for the Granite School District, said those numbers are a result of the school district constantly working to improve its program, taking steps such as aligning standards with the kindergarten curriculum, providing ongoing professional development for staff, limiting class sizes to 20 children per class and involving families.

The district has cut preschool costs to $1,500 per child per year by limiting the program to three hours a day, four days a week for 4-year-olds, and by relying on child development associates for two-thirds of the preschool staff. The associates, who receive training but do not have college degrees, work 29 hours a week and receive no benefits.

Van Gorder said she tells people that anyone can replicate their success, as long as they focus on what improves the quality of a preschool and stop doing the things that don't work.

"Families say this has been a life changer," Van Gorder said.

By Adrienne Lu

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Is There a Better Model for Housing Vouchers?

A Baltimore program that requires participants to use their government rental aid in low-poverty, mostly white suburbs sheds light on how government can implement housing vouchers more effectively.

American public housing authorities have tried for decades to lift families out of poverty by offering them vouchers they could use for rental units in the suburbs. These programs, however, have met with limited success. Now two academics say an outlier, the Baltimore Mobility Program, may hold lessons for making them more effective.

A new article from Stefanie DeLuca, a sociologist at Johns Hopkins University, and Jennifer Darrah, a lecturer at the University of Hawaii at Manoa, suggests that a cocktail of intensive counseling, aggressive landlord outreach and slightly higher financial aid may help more housing voucher programs succeed. The authors reached this conclusion after conducting in-depth interviews with 110 Baltimore families who participated in or applied for the Baltimore Mobility Program (BMP), which has helped move more than 2,000 low-income African-American families from high-poverty, highly segregated city neighborhoods to more diverse, higher-income suburbs since 2003. The program is similar to the federal Housing Choice Voucher program, but includes additional court-ordered requirements to ensure that destination neighborhoods are not predominantly poor, black and on public assistance.

DeLuca and Darrah found that more than two-thirds of family participants chose to live in their new neighborhoods for longer than the required period — one year — and some remained there eight years later. That's important because past empirical studies of housing vouchers have found that families usually don't move to higher income, more diverse neighborhoods and if they do, they soon return to poor, segregated city neighborhoods.

But the bigger finding, according to Deluca, was that parents said their decision-making process for choosing neighborhoods had changed. After families had relocated, about 60 percent of parents experienced a shift in how they decided where to live, placing a higher value on certain criteria, such as high-quality schools, quiet neighborhoods and a diverse community.

I spoke with Stefanie DeLuca about what made Baltimore's experience different and what other housing authorities could learn from the city's program. What follows is a transcript of our conversation, edited for clarity and length.

I was hoping you would explain how this specialized Baltimore program is different from the traditional housing choice program that people may already know about.

Sure. There's really one main housing choice voucher program, which we used to call Section 8. It doesn't require families to live in any particular type of neighborhood. In theory, you could take your voucher and go anywhere. In practice, that rarely happens. What we see is, among black families in particular, families tend to cycle between poor, segregated neighborhoods. The Baltimore Mobility Program was different because it requires residents to relocate to neighborhoods that are low-poverty and mostly white for a period of one year, after which the voucher can be used anywhere.*

In the Baltimore program, there are counselors to help families move to these neighborhoods. These counselors organize briefings about the benefits of living in low-poverty neighborhoods with low crime and good schools. Families are counseled to repair their credit, which will help them manage their finances in the long run. The families are taken on tours of suburban neighborhoods to show them what these places are like because most of the families have never lived outside of the city. Counselors also help families think about saving up money for a security deposit toward the unit.

One other difference from the traditional voucher program: The Baltimore vouchers are already regionally administered. They're portable. Families can use them in any jurisdiction. Without this, if you're a Baltimore city resident and you want to live in Anne Arundel County next door, you would have to apply to the Anne Arundel County Housing Authority. That can be a bureaucratic nightmare for families, so they don't want to even bother. This program streamlines that process.

The article mentions the importance of working with landlords, can you talk more about that?

Counselors reach out to landlords who have rental housing in more middle-class neighborhoods in the metropolitan region around Baltimore to help them understand the benefits of renting to families in the program. Some of these are landlords who might not otherwise be inclined to rent to families with a voucher. The counselors explain to the landlords that they'll get their rent on time every month. It's a way of helping a landlord feel more confident about renting to a family they might not have in the first place. That's important because it's perfectly legal in all but a handful of states to discriminate against families with housing vouchers. Landlords do not have to rent to these families.

Your study mentions that the actual value of the voucher is a little higher than a traditional housing voucher. How much higher? What is the standard?

The Baltimore Mobility Program pays up to 120 percent of area fair market rent. The traditional voucher pays between 40 percent and 50 percent of area median rent for a metropolitan area, which is how the U.S. Department of Housing and Urban Development (HUD) calculates an area's fair market rent. What that means is you've got a voucher and that voucher is pegged at 50 percent of area median rent, and that's going to go a lot farther in a high-poverty neighborhood in East Baltimore than in Hunt Valley, Md., in northern Baltimore County. That makes it easier to rent in a poor neighborhood, discouraging moves to high-opportunity areas.

Could you see other cities copying the Baltimore program? What are the trade-offs they would have to think about?

A housing authority might have to choose between devoting resources to help fewer families move to better neighborhoods or helping more families move in general. Usually what housing authorities are trying to do is house as many families as they can, wherever they can, in part because that's how they're evaluated. They're evaluated on the lease-up rate. They are not evaluated on the quality of the neighborhoods where families get placed. You can get bonus points from HUD for leasing to families in low-poverty neighborhoods, but you're really getting evaluated based on successfully housing families somewhere.

Are there components of the Baltimore Mobility Program that housing authorities could adopt without incurring a large added expense?

I would argue, yes and no. It also depends on how a given housing authority operates. I think relatively low-cost options would be to vet rental housing units that are available — and meet the cost parameters for the voucher — for their location and the quality of local schools. What I've learned is that before participating in the Baltimore program, the families would use GoSection8.com, or a print-out list at the housing authority with some units listed from landlords who are participating in the program. Guess where those units are? They're in poor, segregated neighborhoods. If the housing authorities listed units that were already vetted for being in less poor neighborhoods with better schools, and if the families had the transportation to go check them out, that could be a relatively low-cost option.

More aggressive landlord outreach is also possible. That is, finding landlords who are willing to lease to tenants with a voucher. Those are things are not totally cost free, but only cost something in terms of time for a staff member.

On the other hand, it costs money to do this well and we've seen the benefits of running a mobility program with strong counseling supports and an innovative administration — neither of which are features of the federal housing choice voucher program.

You mention in the report that families were willing to make difficult trade-offs to stay in these new communities. I was wondering what are some of those things that were hard to give up, but they did give up once they were out in the suburbs.

The typical story we hear is familiarity, being around people you know. So I have some of these woman in the study saying, "I didn't want to move out there. I didn't want to move somewhere where I didn't know anybody. I didn't want to go, but I thought I would just stay for as long as the voucher tells me I have to stay and then I'm going to move back. But here it is seven years later and I'm still here."

After they're there for a while and they see it's peaceful, then it comes down to things like transportation and having to commute back to the city for a job. A lot of the women in these families work in the kinds of jobs that are more common in the city. The trade-off is commute time and having to spend more money on gas or vehicle maintenance. But what we hear from some of these women, they say it's worth it because when they come home at night, it's somewhere peaceful where they feel safe and they know their kids love the schools.

Critics of relocation programs say that when the families leave, they disrupt the existing communities. Does that apply to this Baltimore program?

We talk a lot about social networks. People think if families are leaving neighborhoods it's disrupting networks, and I think that's absolutely true, except when it's not. Families that have child care arrangements, have kin, have familiar institutions — that's certainly something that can be disrupted if they leave. On the other hand, we've had parents tell us they want to get away from their families because every time they get ahead, they have to give away money to somebody in greater need. Or somebody's a recovering addict and they want to get away from the networks that were keeping them hooked. So, there's definitely trade-offs to networks and network ties.

I've been studying mobility programs for a while and I think they are one policy lever we should make available. But it's not the only way to try to handle urban poverty. I would also argue that we need to figure out how to do community development and urban revitalization right.

You use the term "residential choice framework" to explain part of why the Baltimore program is successful. What does that mean?

A lot of public policy is premised on the idea that if we increase choice, we can reduce inequality. When we think about low-income families, we say they don't have as many choices. But just opening up choice isn't enough. To say to a family, now you can make a choice, you can go to any neighborhood you want, you can go to any school, that's an abstract understanding for a lot of families. They don't have any real experience with higher-quality settings to truly understand how they could benefit. So when the difficult trade-offs have to be made, whether you want to live far away or live somewhere totally unfamiliar — the decision-making doesn't play out quite the way you would assume. Sometimes when you see choice-based policies fall short of their goals in reducing inequality, we often assume it's because poor people don't want the same things middle-class people want. I would argue that the very inequality that led to the interventions also have given these families a lifetime of limited exposure to high-quality settings. So, their preferences, their choices and their decision-making are a function of that inequality. It's important to remember that poor families are not just middle-class families without as much money. They've learned to adapt to environments that are very different.

Let me push back on that a little bit. I've heard education reformers reject the idea that poor mothers want anything different from schools than wealthier mothers. Some of the options you're talking about, whether it's good schools or a safer community, seem intuitive to me, regardless of your income status.

When you ask low-income families what a good school is, a good school is often where there are security guards and metal detectors. These are things that I've been told for over a decade in talking to families for my research. What I've virtually never heard is anything about the school's test scores, the teachers' qualifications, the type of academic programming, the college acceptance rates. What a good school looks like for poorer families looks very different than the metrics middle-class families use. Everybody wants good schools for their kids. That's 100 percent true. What that looks like varies by class.

***Editor's note:** *Up until 2012 –the last year of data studied by DeLuca and Darrah — families were required to stay at least one year before relocating with their housing vouchers. Now the requirement is two years.*

BY J.B. WOGAN | MARCH 25, 2014

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The Soft Infrastructure of Smart Cities.

Cities serve as crucibles of civilization. Throughout history they've provided defining images of our advances in engineering and design but also reflections of our worst industrial and technological imperfections. Cities have been characterized in many ways. Only recently, however, have we begun to call them "smart."

In fact, "smart" is getting applied to all manner of infrastructure, from buildings and lighting to transportation and even electrical grids. One concept unifies all these diverse subjects under the "smart" label: the ability to send and receive information across connected systems.

To better describe these connections, researchers, designers and planners are drawing parallels between them and living organisms, using terminology like "urban metabolism" (the dynamics of community resource flows) to "living buildings" and "connective tissue." "Intelligent" buildings are "occupant-aware" with adaptive control systems to adjust lighting, heating and cooling to match use patterns. More broadly, as the era of Big Data and the Internet of Things progresses, so will engineered systems with real-time and even predictive abilities. These systems will help us solve problems on the fly based on prevailing conditions.

There are, however, vast differences between smart cities and nature's infrastructure. While natural infrastructure abounds in connections, flows and feedback loops, it doesn't have centralized management or data centers, and it most certainly doesn't have a system of governance to direct its activities. Even more fundamentally, natural infrastructure doesn't run on ideas. So what one might call "soft" infrastructure — purposes, insights, designs, policies, regulations, education — is a defining element of any man-made system.

Governing columnist Alex Marshall, in his book *Beneath the Metropolis: The Secret Lives of Cities*, brings this point home when he writes that while cities "are often thought of as self-operating organisms" that "seem to have just happened," in reality "the complex water, sewer and transportation systems that public officials control and operate are always the result of specific choices, usually by government."

As much as technology promises to automate our world, "soft" infrastructure will remain the domain of humans and civic leaders. Anthony Townsend writes in his book Smart Cities: Big Data, Civic Hackers, and the Quest for a New Utopia of an emerging contest over design control of these smart cities.

That contest pivots on the question of whether the design will be guided by a top-down, engineered approach or a bottom-up, organic one. On the top-down side, Townsend cites the effort of Songdo, South Korea, to scale building automation up to an entire city. He describes Songdo as the "world's largest experiment in urban automation with millions of sensors deployed in its roads, electrical grids, water and waste systems to precisely track, respond to and even predict the flow of people and material."

Just how functional, inviting and livable such a fully networked and automated city will be remains to be seen, and Townsend suggests that the purposes and uses of these connections — the soft infrastructure — ought to be turned over to residents and their civic leaders rather than to the engineers who build the system.

Reflecting the bottom-up approach to soft infrastructure, perhaps it is most fitting that San Francisco, with its links to Silicon Valley and "Big Data" companies, should be among the cities that are breaking new ground as incubators of civic-focused entrepreneurship. The city's Entrepreneurship-in-Residence program, says Mayor Ed Lee, "brings together government and startups to explore ways we can use technology to make government more accountable, efficient and responsive."

A city's soft infrastructure is "owned" by its residents and its civic leaders, and it's heartening to see San Franciscans engaging in such an innovative approach to the design and function of their city. After all, the "smarts" of any community will be judged in large part by how well its citizens use technology to make their city a better place to live. The evolution of the smart city will be fascinating to watch.

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A 'Wraparound' System of Care for Schools.

Several school systems are implementing so-called wraparound programs in an effort to help troubled kids, families and communities.

If you've spent any time following education policy these days, you probably know that Common Core Standards are the topic du jour. Depending on political leanings, people either love them or hate them. But even the most brilliant, focused and politically embraceable education reform initiative will fail if kids flat out aren't ready to learn when they show up at school each day because they're not getting what they need at home.

The importance of supporting potentially troubled kids in school was a key part of an interesting panel conversation on education reform held last month during*Governing*'s annual Outlook in the States & Localities conference in Washington, D.C. The panel featured Roy Romer, former governor of Colorado; Randy Weingarten, president of the American Federation of Teachers; and Elaine Weiss, head of the Economic Policy Institute's Broader Bolder Approach to Education initiative, which is aimed at moving the educational debate beyond didactics and to the ground-level realities of the well-being of kids and families.

As everyone on the panel pointed out, kids who show up at school hungry, tired, scared or in poor health — and whose home lives might be in shambles — aren't going to learn very well, regardless of the core course work or the quality of the teachers. Making matters worse, there's a good chance that these kids will be flat out disruptive in school, compounding the problem.

Fortunately, there are some school districts that are tackling this problem: In Cincinnati, the district has fully embraced the concept of "wraparound schools," or schools that house a variety of support services aimed at getting kids everything from food to health care to counseling in order to ensure that all students are ready to pay attention and perform in the classroom.

But true wraparound schools are much more than that, says Weiss of the Economic Policy Institute. As a first step, she says, wraparound schools certainly do look at the "opportunity gaps" that exist for some students, whether it’s as basic as getting them a backpacks to carry around school work and supplies, or as complicated as ensuring they get decent dental care. But the best wraparound programs are those that involve families and whole communities in looking out for the complete health and well-being of students and their families.

“A lot of educators complain that they can’t engage parents,” says Weiss. “So you have schools that are open from 8 a.m. to 5 p.m., and teachers say they can’t get parents involved? Well, maybe that’s because the parents are working.” As a solution, Weiss points to wraparound schools that have a coffee and meeting room for parents who walk their kids to school, along with schools that have evening hours so that working parents have a chance to engage.

Good wraparound programs go even further. A lot of parents in many school districts never graduated from high school or don’t speak English, so some wraparound programs offer English and high school equivalency classes. “Some are even offering things like tax preparation clinics in the evening,” says Weiss.

Ultimately, it’s all about engagement and coordination. Schools that are serious about the wraparound movement actually have dedicated staff who do nothing but coordinate parent and community involvement, social and health services, and the day-to-day learning environment. So while the educational world may at presently consumed by the debate over Common Core Standards, several schools are addressing the real building block to learning: Ensuring kids are healthy and secure.

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[Massachusetts' Hard Look at Hospital Mergers.](#)

As consolidations have become increasingly more common across the country, Massachusetts has the nation’s only independent state agency focused on evaluating their effects.

A new and unique commission in Massachusetts is bringing greater scrutiny to hospital mergers, which have grown steadily across the country in recent years and fueled fears of price hikes for consumers.

The Massachusetts Health Policy Commission, which came to life with a landmark 2012 law that sets caps on health spending increases and attempts to move away from the fee-for-service payment system, is the nation’s only independent state agency that makes reform recommendations and reviews merger proposals. Its first major merger action came last month, when it discouraged a merger between Partners HealthCare and South Shore Hospital, the two largest medical providers in southeastern Massachusetts. The commission concluded that it would lead to an increase of up to $26 million in spending and give the combined system considerable leverage negotiating prices with insurers.

Mergers between major hospital systems are increasingly more common, in part because of the Affordable Care Act’s demands for greater coordination between networks of health-care providers.

In three years, the number of consolidations almost doubled from 55 in 2009 to 105 in 2012, according to Irving Levin Associates, a business research firm.

A growing body of research argues hospital consolidations lead to higher prices for consumers, particularly in areas where there are already few competitors. But hospitals and lobbying groups contendthat only a small percentage of mergers occur in markets that lack enough independent hospitals to maintain competition and those transactions often lead to new investments that benefit consumers or improve the finances of the smaller partner in the deal.

In the case of Partners HealthCare and South Shore Hospital, the two argued a deal would allow them to combine more services to better monitor patients across the system and improve their health through new investments in electronic records and care coordination. But the commission—which can only review mergers and send reports to the state attorney general—decided those initiatives and others won't outweigh new costs from higher prices.

"This was its first real challenge for the commission as a new public entity, and so people were watching to see if it would call the shots as it saw it or [whether it] would pull its punches and play it more politically — and they didn't [do that]", said John McDonough, a professor at the Harvard School of Public Health.

Even without the authority to halt a merger, the commission is the nation's only independent state agency that's focusing on hospital consolidation. States have always exercised some power over mergers through licensing authority, but after decades of inactivity, they'll start looking harder at mergers either through agencies or attorneys general, McDonough said.

"It appears there's some momentum here because people understand with a lot more evidence that these mergers have consequences with health system costs, so the states that aren't afraid of government intervention are looking more seriously at these activities," he said.

Idaho's attorney general recently won a judicial victory against a merger with the help of the Federal Trade Commission (FTC), and Pennsylvania's attorney general joined the FTC to stop a deal late last year. In the Massachusetts case, Partners can't move forward with its deal for 30 days, giving the attorney general until late March to file a suit. But it's also possible the attorney general will work out a deal that extends that window to allow for negotiations that address the state's antitrust concerns.

Each merger case needs to be considered on its own merits and the nature of the market where the hospital systems are based, said Robert Huckman, a professor of business administration at Harvard who specializes in health care. The ACA encourages hospital coordination and large investments in electronic health records, but those goals often require some level of consolidation, he said.

"The flip side of that is greater market concentration," Huckman said. "There's a balance that needs to be struck between encouraging integration but discouraging excessive consolidation."

BY CHRIS KARDISH | MARCH 18, 2014

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Facing Obamacare Mandate, Governments May Turn to Temps.

Many states and localities are cutting their employees' hours to avoid having to offer them health insurances Some say they'll make up the workload by hiring more temporary workers.

The city of Mason, Ohio, faced a dilemma last year. Looming mandates from the Affordable Care Act required employers with at least 50 workers to provide coverage for those working an average of 30 hours per week. About half of Mason's 400 employees were part-timers not receiving health benefits; they would have to be covered under the new mandate. Expanding coverage would cost the city an additional $3.4 million annually, a large sum in a city whose general budget has only been around $24 million in recent years. But by not complying, Mason could be hit with hefty federal fines.

In the end, officials took a different tack. The city set a cap of 25 hours a week for part-timers, trimming their hours to avoid the mandate.

Other localities and states are making difficult decisions of their own to comply before the rule takes effect next year. Many agencies, particularly state colleges and universities, are cutting hours for those not currently receiving health benefits. In other cases, personnel offices are changing workers' status or reshuffling other categories to comply. For example, Virginia last spring capped all nonsalaried wage employees at less than 30 hours a week.

The move, which the state says keeps it from spending an additional $110 million a year on health coverage, affects some 10,000 state workers, mostly on college campuses but also in agencies such as the Department of Conservation and Recreation and in state-run liquor stores.

In some places, the changes have involved employees who wouldn't have used the government insurance plans anyway. Many of the affected Mason employees, for example, are students or retirees already covered by other plans. "I had a number of them come to me and say, 'I don't want health care, I just want a paycheck,'" says Assistant City Manager Jennifer Heft.

Will all these cutbacks and caps lead to more temporary and part-time public workers? Possibly, although it's too soon to know for sure. Certainly governments will have to find some way to make up the workload. (States and localities employ about 4.7 million part-time employees nationwide, accounting for a third of their workforce, according to the Census Bureau's most recent survey estimates.) Heft says that Mason has already hired between 30 and 50 part-timers. In Virginia, state human resources Director Sara Wilson says she expects agencies to respond by either hiring more temporary workers or converting some part-timers to full-time status.

Some states haven't had to take such drastic measures.

In Delaware, for example, part-time permanent state employees working more than 15 hours per week can already receive health coverage. A much smaller number of seasonal workers—about 600 by state estimates—do work more than 30 hours and don't receive benefits. Brenda Lakeman, Delaware's director of human resources management and benefits, says the state is coordinating with agencies to conduct reviews and limit the number of temp employees they'll need to cover.

"The key issue we've been stressing," Lakeman says, "is that we're trying to manage this without cutting any hours."

BY MIKE MACIAG | MARCH 2014

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New Orleans' Winning Strategy in the War on Blight.

A city with one of the nation's worst blight problems is now considered a national leader in reducing vacant and dilapidated properties.

Few urban problems are more insidious than blight. Vacant or dilapidated properties suppress property values, threaten public safety, chase away investment and hurt quality of life.

Blight was a challenge for New Orleans even before Hurricane Katrina flooded nearly 80 percent of the city's housing stock in 2005. By 2010, New Orleans had perhaps the country's worst blight problem, affecting an estimated 43,755 properties — nearly one-quarter of the city's residential addresses.

So it might be something of a surprise that the city now is considered a national model for blight reduction. What might be even more surprising is how that turnaround has been accomplished in little more than three years.

What wasn't surprising at all was that blight was a big issue in the 2010 mayoral race. The winner of that contest, Mitch Landrieu, had promised to reduce the number of blighted properties by 10,000 by 2014. Landrieu quickly went to work, strengthening the city's enforcement powers, streamlining the process for remediating blighted properties and implementing a new computerized system to track code enforcement and permitting.

The new blight remediation process begins with property inspection. It then moves to a hearing in which the property owner is either found guilty or in compliance. If guilty, the owner must remediate the problem or the property is either demolished or goes to a sheriff's sale, which allows for a clean transfer of ownership.

Elected officials are generally reticent to take people's property, but the old approach just wasn't working. "Before, owners of blighted properties just ignored city fines, and peer pressure didn't change their behavior," said Deputy Mayor and Chief Administrative Officer Andy Kopplin. "But once they know you'll seize their property, they get religion."

To coordinate the blight-reduction efforts of various city agencies, the Landrieu administration created BlightSTAT, a process in which representatives from the Department of Code Enforcement, the Office of Community Development, the Office of Information Technology and Innovation, the Law Department and the New Orleans Redevelopment Authority meet to set goals and report on progress. The city's Office of Performance and Accountability acts as an ombudsman, presenting data and holding the agencies' feet to the fire.

But no one does a better job of holding feet to the fire than New Orleans' residents. The BlightSTAT meetings are open to the public, some have drawn over 100 attendees and each concludes with a question-and-answer period. (For two years after the first meeting in November 2010, the meetings were held twice a month; now that the initial surge of dilapidated properties has been addressed, they're held monthly.) Residents can also find out the status of specific properties on a "BlightStatus" website.

Feedback from residents and the New Orleans police department is used to set priorities among the dilapidated properties. BlightSTAT prioritizes properties whose remediation can stabilize a neighborhood as well as those in high-crime areas and major commercial corridors. Blight remediation is also the top priority when federal assistance is made available.

By early this year, Mayor Landrieu had more than made good on his promise, reducing the number of blighted residential properties by about 13,000. The average time from initial inspection to hearing has been cut in half, and one of the nation's former blight leaders is now reducing it faster than any other American city.

Just as blight threatens public safety and harms quality of life, eliminating it creates a virtuous circle. BlightSTAT can't claim sole credit for an extended real-estate boom in New Orleans or for the new confidence investors are demonstrating in the city, but it's hard to imagine that New Orleans' comeback would be nearly as robust without it.

BY CHARLES CHIEPPO | MARCH 18, 2014

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Grays Harbor County School to Build first U.S. Vertical-Tsunami Refuge.

A new scenario for a Cascadia megaquake and tsunami warns that more than 10,000 could be killed and 30,000 injured. But a school district near Westport, Grays Harbor County, is doing everything it can to keep its students safe.

A new scenario for a megaquake and tsunami off the Washington coast warns that the death toll could top 10,000 — but Paula Akerlund is doing everything she can to keep her kids safe. All 700 of them.

The Grays Harbor County school district Akerlund oversees on the Washington coast is preparing to build the nation's first tsunami refuge.

Residents of Westport, Grayland and other communities in the Ocosta School Districtapproved a $13.8 million bond issue earlier this year to replace a flimsy elementary-school building with a complex that includes a gym strong enough to withstand tsunami surges, tall enough to stay dry and big enough to shelter more than 1,000 people on its roof.

"We're probably less than a mile from the Pacific Ocean, and we have no hills to run up or other natural high ground," Akerlund said. "Our only alternative is to get as high as we can, as fast as we can."

In the wake of a magnitude-9 quake on the Cascadia Subduction Zone — a 700-mile-long offshore fault — the resulting tsunami is expected to slam into Westport and other parts of Washington's outer coast within 20 to 30 minutes.

Ocosta Elementary and Ocosta Junior/Senior High School sit side by side on a highly vulnerable peninsula, connected to the mainland by a bridge that is likely to be damaged in the quake.

During Thursday's statewide earthquake drill, the Great Washington ShakeOut, the children will follow their current evacuation plan, which calls for gathering on the second floor of the high school. But that building isn't very tall — and was constructed before the risk of megaquakes and tsunamis was known, Akerlund said.

The new gym will be built on a small hill, and its roof will sit about 55 feet above sea level. That's well above the tallest surges tsunami modelers predict for the school site, said Chuck Wallace, deputy director of emergency management for Grays Harbor County. "We're pretty much using our worst-case scenario for height."

Two previous bond measures to upgrade aging school buildings had failed when Wallace, Akerlund and other local officials decided to fold the tsunami refuge into their plans. "We just thought it made a lot of sense, since we needed to rebuild anyway," Akerlund said.

Even though Grays Harbor County has one of the state's highest unemployment rates, the measure passed overwhelmingly.

"The community really stepped forward to say: We're going to do this for our children," Akerlund said.

The gym will also provide a refuge for nearby residents.

Several other coastal communities in Washington and Oregon have considered so-called vertical-evacuation towers, berms or other structures, but Ocosta's is the only one with a guaranteed source of funding. Akerlund said construction is expected to start next summer.

"It's really exciting that the first tsunami vertical-evacuation refuge in the United States is going to be built here in Washington," said John Schelling, earthquake and tsunami program manager for the Washington Emergency Management Division. "My hope is that this really serves as a catalyst up and down the coast."

Making the gym sturdy enough to survive a tsunami will add about 20 percent to the cost, said Cale Ash of Degenkolb Engineers, which is helping design the project. The building must be constructed on deep pilings, in case the tsunami scours out the foundation, he explained.

The gym will be bolstered by reinforced concrete cores at each corner with staircases leading to the roof. Even if the walls are ripped away, the cores should remain intact through both the quake and the tsunami, Ash said.

The school district and county have applied for a $2.25 million Federal Emergency Management Agency (FEMA) grant to help defray the extra cost and allow for a larger building capable of sheltering up to 1,500 people.

"We are committed to doing this, but it would sure help us to have some additional funds," Akerlund said.

The new megaquake scenario, released Monday by CREW — the Cascadia Region Earthquake Workgroup — underscores the need for better preparedness across Washington, Oregon, British

Columbia and Northern California.

The last Cascadia megaquake and tsunami struck in 1700. The average interval between the most powerful quakes is about 500 years, but geologic records show that some were separated by as little as 200 years.

The report estimates more than 30,000 people will be injured in the region's next magnitude-9 quake and tsunami. Damage in Washington and Oregon alone is likely to exceed $80 billion.

Though the tsunami itself isn't expected to do much damage inside Puget Sound, the intense ground shaking — which can go on for five minutes — could unleash landslides and undermine ports, ferry terminals and fuel terminals. It could also do serious damage to tall buildings, which are particularly vulnerable in the biggest quakes, the report says.

In areas like Renton and the Kent Valley, loose soils will liquefy, causing buried water and sewer lines to rupture — and the damage could take several years to repair, Schelling said.

Roads and bridges are also vulnerable, but the experience from Chile's 2010, magnitude-8.8 quake proves the value of being prepared, Schelling added. Though the country's Route 5 — the equivalent of Interstate 5 — was badly damaged, an alternate route was opened within 24 hours, complete with portable refueling and comfort stations.

By Sandi Doughton

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Why Is Government Still Using Windows XP?

Vanderburgh County, Ind., with a population of just over 180,000, faces a bill between $500,000 and $1 million to upgrade its computer systems from Windows XP. The police department in Washington Township, N.J., faces $70,000 in upgrade costs. Over in Monroe Township, the police department there is looking at upgrade costs in the vicinity of $100,000. That's a lot of money for small counties and municipalities still trying to crawl out from under years of fiscal hardships.

On April 8 – one week before the annual tax filing deadline – Microsoft will no longer support its long-running operating system (OS) known as Windows XP. What that means is that Microsoft will stop all technical support for the software, including updates and security patches. Windows XP has been running since 2001, and has become the workhorse operating system for major enterprises, including all levels of government. Today, nearly 30 percent of the computers in the world still run XP, including 95 percent of the world's automatic teller machines, according to NCR Corp. Nobody knows how many computers in government still rely on XP, but the fear is that far too many will still be using it when the deadline passes.

The biggest concern for the laggards is the potential for security breaches. With Microsoft no longer providing security updates, Windows XP increasingly will become vulnerable to hackers, thieves and even foreign agents interested in disrupting government operations. Just one compromised computer on a government agency network exposes the other machines to attack. "There's no way I would encourage anyone to use Windows XP," Trey Ford, a security strategist with Rapid7, a Boston-based data security company, told the *Boston Globe*. “I won’t let anyone in my family run XP.”

But as cash-strapped state and local governments are finding, the desire to upgrade faces the cold reality of funding. “I think government’s situation is unique compared to other sectors, given the funding challenge,” said Brian D. Kelley, CIO for Portage County, Ohio. “It’s not as simple as replacing a box.”

Kelley points out that any time an operating system is upgraded, IT managers have to make sure a host of peripheral devices, including printers and barcode scanners, for example, are compatible. If not, they will require upgrading as well. Besides devices, the upgrade will also force investments in new versions of application software, some of which is unique to the public sector. Kelley, who sits on the board of directors for GMIS International, the largest membership organization for government IT managers, says the phase-out of Windows XP is a hot topic among the membership. “There’s a complexity to this that goes beyond the basics,” he said.

Microsoft says the 12 year-old operating system no longer addresses today’s business or technology needs, nor does it address security threats. The newer OS, such as Windows 8, released in 2012, has dramatically enhanced security and better support for government’s growing mobile workforce, according to Stuart McKee, chief technology officer for state and local government at Microsoft.

“We have been working with all of our state and local government customers very closely over the last 24 months to cooperatively plan their migration strategies,” said McKee. “For customers still using Windows XP, we are proactively working with them on how best to ensure support, which is going to be unique to each one.” Microsoft’s large state and local government customers have custom support agreements in place that will ensure the systems still running XP are as safe as possible, according to McKee.

But small government entities don’t have the clout or funds to pay for such custom support. In Washington Township, police Chief Rafael Muntz said an upgrade is needed so that the department can access critical, Web-based databases, such as the National Crime Information Center database that tracks stolen property, court systems to search warrants and the county’s public safety network. All would be cut off because of security concerns. Without access to those databases, the township’s police department would basically shut down, he told the news outlet NJ.com.

Microsoft is offering a number of special upgrade offers and programs to help reduce costs and deal with the transition, including up to $350 back per device when a government agency purchases a device running Windows 8.

Kelley says that government IT managers all agree that migrating to the next operating system is a necessity. “Unfortunately, everyone is in different stages,” he said. “It’s not happening at once or on time. Some governments are far ahead on this, while others continue to struggle because of funding issues.”

BY TOD NEWCOMBE | MARCH 17, 2014
This article originally appeared in Government Technology magazine.
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The First City to Limit the Number of Ride-Sharing Drivers.

Seattle Monday became the first city in the country to limit drivers for Lyft, uberX and Sidecar, in what will eventually be an overhaul of all of the city's ride-service rules.

The regulations, approved unanimously by the City Council, will limit each company to 150 drivers on the road at the same time, collectively capping them at 450. UberX, Lyft and Sidecar — which together have at least 2,000 drivers in the city — say the limitation destroys their business model and ability to maintain quick service.

Three of the nine council members at the standing-room-only meeting — Tom Rasmussen, Sally Bagshaw and Tim Burgess — attempted to amend the regulations so there be no caps placed on drivers. Thousands of emails have poured into council members from fans of the companies, which use smartphone applications to dispatch drivers using their personal vehicles.

The City Council's taxi committee considered regulations for almost a year before Monday's vote. But Councilmember Sally Clark emphasized at the meeting that the council has a lot more regulation and deregulation to debate.

"What we're doing today is not a complete fix," said Clark. "But it's a start."

The regulations allow for the council to reconsider driver limits — and maybe getting rid of them altogether — in a year.

Mayor Ed Murray said in a statement Monday that he hopes to phase out limits after the council approves of fair ways to deregulate the local taxi industry.

"I remain concerned about the issue of caps on rideshare vehicles, which I believe is unreasonably restrictive and unworkable in practice," Murray said.

The regulations would take effect 30 days after Murray signs them into law; he has 10 days to sign the bill after he receives it. The rules also would apply to any new companies that are formed.

No one has yet been able to say exactly how the law will be enforced yet. The City Council's proposal included a recommendation to hire at least three more staff members to help with enforcement. Right now, there are three enforcement officers handling almost 700 taxis and about 200 other for-hire vehicles.

Seattle is the second government to officially legalize the operations of Lyft, uberX and Sidecar, which operate in dozens of cities nationwide. California was the first when it legalized the companies statewide last year. Several other cities and states are still debating what legal conditions they would allow the companies to work under, if at all.

Lyft and Sidecar officials said Monday they will continue operating in Seattle after the rules go into effect, despite earlier threats to shut down. UberX representatives have made the same threat, but did not say Monday whether they intended to follow through.

UberX Seattle manager Brooke Steger said she still urged Murray to "reject the anticompetitive and arbitrary caps that will slingshot Seattle's transportation ecosystem back into the Dark Ages."

But Clark pointed out that the number of drivers set in the law is arbitrary now because Lyft, uberX and Sidecar all have been uncooperative in sharing key data with the city, such as how many drivers they have or what their master insurance policies cover.

"You are doing so many things right. You have so much to teach regulators," Clark said. "If only you would communicate and collaborate a little bit more. How many wars can you wage with cities and states across the United States? It's incredible."

The council also required Lyft, uberX and Sidecar to meet state insurance requirements for for-hire cars. As of Monday, none of the companies have proved to the city that they meet those requirements.

That means Lyft, uberX, Sidecar or their drivers will have to purchase commercial insurance, which the companies have been letting drivers work without since they entered the Seattle market about a year ago.

UberX driver Chamji Sherpa, 43, of Renton, said he purchases commercial insurance that costs him $5,000 — a good deal he gets because of his clean driving record.
He hopes he'll be able to continue driving for uberX after the rules go into effect, not because he makes more money than he did as a Yellow Cab driver but for the scheduling flexibility.
Sherpa said he expects the rideshare companies' customer service to nose-dive when the new rules go into effect.
"In rush hour, 150 drivers each is not going to be enough," said Sherpa. "It's not even enough for downtown."
He also said he thinks the new rules will force out part-time drivers because the cost of insurance won't pencil out. Many of his friends, including Lhakpa Gelu Sherpa, a former world-record holder for fastest Mount Everest climb, drives for uberX when the local mountain-guide business slows down.
Many uberX drivers who showed up to support the company said they drive part time while starting businesses or working freelance jobs.
"I don't want to take anyone's job," uberX driver Todd Gentry said of the local taxi industry. "I want them to do their job better."
A city-commissioned study last summer showed dissatisfaction with the local taxi industry, which the city hasn't allowed to grow in numbers since 1990. As a concession to the tightly regulated taxi industry, the council's new rules also call for the release of 200 more taxi licenses over the next two years.
Taxi and for-hire vehicle owners and drivers breathed a sigh of relief when the caps were approved.
Eastside for Hire manager Samatar Guled said the new rules will make it easier for all the companies to compete on a level playing field. His company has been working with a third-party app called Flywheel that has the same basic dispatch and payment functionality as the apps for Lyft, uberX and Sidecar.
"It's been a long and painful year," Guled urged before the council vote. "Level the playing field today — no delays, no excuses."
Now the Seattle City Council will start collaborating with the Metropolitan King County Council on how to regulate the companies countywide. Until the County Council votes on regulations for the companies, there has been no indication that the county will try to shut down Lyft, uberX and Sidecar operations outside of Seattle.
BY MCCLATCHY NEWS | MARCH 18, 2014
By Alexa Vaughn

Can Cities and Suburbs Work Together?

One Arizona mayor argues it makes more sense to fund cities and their suburbs as large metro areas, rather than as politically separate entities.

The federal government has all the money, states have all the power and cities have all the problems. This is a favorite saying of former District of Columbia Chief Financial Officer Natwar Gandhi (now a Governing Institute senior fellow) and the complaint has been getting louder recently among big city officials. They say cities can no longer function well in a financial model that pits them against their surrounding counties.

Scott Smith, mayor of Mesa, Ariz., argues that it makes more funding sense to think of cities and their neighbors as part of metropolitan areas, rather than as separate entities. Mesa has a population of about 450,000 and is located in the Phoenix metro area, which boasts a total population of 3.6 million.

The post-World War II model for cities as self-enclosed economic centers is outdated, he said.

"They're no longer suburbs – they're more like villages in this entire metro area," Smith said of his region during a recent visit with *Governing's* editorial staff in Washington, D.C. "Those systems have not caught up with reality and now there's a frustration among cities that other levels of government have sort of been dinosaurs."

Smith is referring to the way cities get their money. Back to Gandhi: he says the federal government has all the money because it runs the printing presses. The Feds dole it out to states, which have all the power because they funnel it down to local governments and can increase taxes if they need to. Local governments are left to compete with each other for dollars while they are responsible for directly serving their constituents' needs.

It's a system that's getting on the nerves of all kinds of leaders. More than 2,300 miles away, in upstate New York, Syracuse Mayor Stephanie Miner noted in a recent interview that the underlying economic model for cities is dated to the 1950s. "Property [taxes] to fund new services – that doesn't work anymore," she said. "We have to come up with a new model."

Commuter taxes, which exact an additional income tax on people who live outside of the jurisdiction in which they work, are a natural part of the discussion. But they've been a part of the debate for half of a century without much change. In fact, the movement has slowed. As early as 1969, a white paper prepared by an advisory commission on intergovernmental relations noted that a total of 3,476 jurisdictions, including school districts, imposed a local income tax. Thirty years earlier, there had been none (Philadelphia became the first in 1939). In 2011, more than 40 years following the white paper, the number had only increased to a total of 4,943,according to the Tax Foundation.

Miner said that cities and their surrounding suburbs should share more (services, revenues, etc.) and acknowledged that they are not operating in isolation.

A big sticking point, however, is that cities and suburbs have competing interests. Cities bear the brunt of the region's population and are responsible for keeping up services accordingly during the day. Washington, D.C., for example, swells to about 1.2 million people during the day – its tax base is about half of that. But as the cost of living has soared in cities, poor people are moving from cities to suburbs and suburban social services are straining to keep up.

Smith said that in an ideal world, federal funding for programs wouldn't filter through states, metro areas would instead have a direct line to the source. It's a longshot – distributing such funds to 50 states is much easier than distributing them to hundreds of metro areas.

And that sort of mentality would also require a more unified effort between cities and their suburbs – perhaps an even longer shot.

"We haven't done a great job of conveying that message," said Smith. "It's always been about us, us, us."

Liz Farmer |

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Renewable Energy Sources May Drive Many Off the Grid Permanently.

As solar and battery technology improves, widespread "grid defection" may begin to set in.

Two weeks ago, Rocky Mountain Institute, HOMER Energy, and CohnReznick Think Energy released The Economics of Grid Defection, which assesses when and where distributed solar-plu--battery systems could reach economic parity with the electric grid, creating the possibility for defection of utility customers. Theresults of our analysis have been startling to many: continued rapid declines in the cost of solar and the start of the same trend for storage mean that grid parity may come much sooner than previously thought—and well within the 30-year planned economic life of typical utility investments.

This blog post explores why cost parity doesn't necessarily equate to widespread customer defection, why defection would create a suboptimal electricity system, and why even the specter of customer defection is relevant.

We selected the pairing of solar PV and batteries—and, for commercial scenarios, the addition of diesel gensets—to explore one set of economics around the trend. There are other disruptive challenges to the grid, including grid-tied solar PV, distributed gas microturbines, and integrated resource microgrids. If anything, these multiple potential disruptors increase the urgency to plan and execute a purposeful electricity system transformation. That transformation is already under way, and the approaching date of grid parity for solar-plus-battery systems is an important consideration.

Economic parity doesn't necessarily mean customers will defect

Our report does not predict if, when, or how many customers will choose to defect. Rather it projects the economics of several current (and possibly, accelerating) trends that are reshaping the electricity landscape: dramatically declining costs for solar and batteries; increasing customer demand for clean electricity, resilience, and other value-added services; and recent upward pressure on retail electricity prices. Ultimately, the impact of these trends depends on a number of factors, including how customers, utilities, regulators, technology providers, and society choose to respond.

The economics that were the subject of our analysis are one of many factors that influence any customer decision to defect (or not) from the grid, or even to adopt grid-tied distributed resources. Other factors customers consider include transaction costs, the relative convenience or hassle associated with the decision, upfront capital and time requirements, confidence a given solution will reliably meet their needs (including the risk that a distributed generation and storage system's capacity would be sized either too small or too large to closely match a customer's demand), uncertainty about their long-term electricity needs, and more. Very few customers, especially in the commercial sector, know with certainty their electricity demand for the next twenty years.

Service providers—utilities or third parties intent on winning customers over from grid-supplied electricity—will need to create integrated service packages to overcome adoption barriers that have plagued efficiency and distributed generation providers. Regardless, in addition to the rapidly growing grid-connected distributed solar market, we've already seen early adopters working with service and technology providers either to go entirely off-grid or install grid-tied solar-plus-battery combinations that similarly impact (and reduce) their demand from the grid.

Defection wouldn't be the best outcome

Customers will make decisions that serve their best interest based on the many factors referenced above, and while for a very few defection might ultimately be the best outcome, mass defection from the grid is almost certainly suboptimal. Distributed resources such as solar and storage can generate more value and have better economics for customers and society both if they are connected to the grid. The challenge is that today's utility business models and regulatory environment don't incentivize the rapid evolution of those solutions, something that needs to change if society is to capture that value.

There is tremendous potential system value in identifying where grid-tied distributed energy resources can create new sources of value and how to access that value. But does most or all of the new value accrue to customers? Or can these resources also create important new sources of value for the grid and ultimately for society? The answer to the latter question can be a resounding yes, so any sustainable solution will need to find a way to equitably share value created through distributed investments.

So how would widespread grid defection create undesirable outcomes?

For one, large numbers of customers going it alone for their electricity generation introduces all manners of economic inefficiency. Each customer faces the risk of over- or under-investing in capacity. Over-investing especially—via necessarily larger systems sized to individual peak demand—would result in significant overbuild and sunk capital. Instead, markets (via a connected grid) provide for greater economic efficiency by allowing customers and suppliers to readily make transactions to balance their own supply and demand, including optimizing distributed generation and storage investments across larger pools of customers rather than one by one, each for their own. Grid-based solutions reduce this economic risk and allow assets to be utilized more efficiently.

For another, grid defection raises social equity concerns. With widespread defection, utilities operating under legacy business models would be forced to significantly raise retail electricity prices to recover costs of grid infrastructure. Those higher prices would unfairly burden remaining grid-connected customers who cannot or choose not to invest in distributed generation and storage, including low-income families who can't afford system upfront costs and apartment residents who logistically can't install systems.

An entirely off-grid system would only become a reality if customers are not given an opportunity to participate, through new business models, in the business of generating, storing, and balancing electricity needs. Or if customers' requirements, including for resilience and clean energy, are not being met by their central provider. That's a future that would be suboptimal for all.

Why potential defection matters—customer choice and empowerment

But if a grid-defected future is so suboptimal, why then is it so important to understand the economics of grid defection?

First, there is strikingly little quantitative analysis to inform the discussion. It's critical to know the facts and underlying analytics to support productive conversations about how to move forward in the face of powerful trends and a dramatically shifting electricity landscape.

Second, the option to defect—whether or not it is ultimately exercised in part or in full—adds urgency for utility business models and regulations to change and identifies when scaled solutions that properly value distributed investments need to be in place. Empowered customers, ones with the ability to choose how they purchase, generate, store, and/or use electricity, have a more important seat at the electricity table. That empowered customer is a force of change.

Customers, utilities, grid operators, regulators, and technology providers must work together to develop business models that stave off the need or even desire for customer grid defection. The electricity system needs to give customers an opportunity to transact with the grid in a way that meets their desires (for clean, reliable, affordable electricity) and be compensated for any value they are able to bring to the system at large (through contributions to peak shaving, investing in local reserve supply through distributed storage, through distributed generation that can supply feeder-level power needs, and others).

Going beyond the either/or of grid-connected or grid-defected

We need not face an electricity future with an either/or dichotomy of two extremes: total utility/centralized dependence and total defection/independence. There exists another path, one in which central and distributed resources are complementary, connected and supported by a nimble grid. That's why RMI's high-renewables (80 percent) Transform scenario in Reinventing Fire envisions a future and a grid powered by equal parts distributed and centrally generated renewables.

In such a future, the utility evolves to play a critical coordination and stewardship role, one that helps balance various distributed resources and supports them with low-cost central generation. Customers, utilities, regulators, and technology providers have an urgent need to shape this future, or we could in fact run the risk of the defected extreme.

A commitment to collaboratively forging solutions

Disruptive challenges-cum-opportunities won't go away. Distributed solar PV is scaling rapidly. Battery costs are declining, with breakthrough innovation accelerating. And third-party service providers are making these systems financially and logistically accessible to bigger pools of customers. RMI's historic and current activities on energy efficiency, balance of system solar cost reduction, system financing innovations, and storage integration have helped propel the economics of distributed resources forward. An electricity future that includes significantly higher percentages of distributed renewables offers many benefits. But to access those benefits, the entire electricity system must evolve … with utilities and the grid, not in spite of them or without them.

That's why RMI is committed to collaboratively forging solutions. To achieve the optimal energy future, our Electricity Innovation Lab (e-Lab), for example, brings together utilities, regulators, NGOs, technology providers, and other stakeholders to collaborate on practical solutions to the challenges today's electricity system faces. In addition, we work hand-in-hand with these and other stakeholders on key components of an integrated solution through direct engagement. Our work on these solutions will be the focus of a forthcoming blog.

This feature originally appeared on the ***Rocky Mountain Institute website*** *and was republished with permission.*

U.S. Sues Philly School District Over Beard-Length Rule.

The U.S. Department of Justice has filed a federal civil rights lawsuit against the School District of Philadelphia, claiming a rule regulating the length of employees' beards constitutes religious discrimination.

According to the suit filed Wednesday, the district in October 2010 instituted a new grooming policy preventing school police officers and security guards from having beards longer than a quarter of an inch.

School police officer Siddiq Abu-Bakr maintained an untrimmed beard for the 27 years he worked at the district, the suit states. Abu-Bakr is a member of the Islamic faith, which he says requires that he not cut his beard.

When Abu-Bakr notified his supervisor his religious beliefs precluded him from complying with the new policy, he was allegedly issued a written reprimand cautioning that continued violation of the rule would result in “further disciplinary action.”

Though, according to the suit, Abu-Bakr provided district officials with a letter from his imam confirming his religion prohibited him from trimming his beard, the district allegedly responded his request was outweighed by “the integrity of the policy.”

The lawsuit claims the district failed to consider Abu-Bakr’s request for “reasonable accommodation” to its grooming policy. The district instead denied the request without showing that complying would cause undue hardship, according to the suit.

Prosecutors said Abu-Bakr filed a religious discrimination charge with the Equal Employment Opportunity Commission, which referred the matter to the Justice Department after determining there was reasonable cause to support the allegation.

View Full Story from The Philadelphia Inquirer:

http://www.philly.com/philly/education/US_.html

Seniors Create Their Own Communities in Cities.

More and more seniors are creating naturally occurring retirement communities, forcing cities to rethink zoning laws and how they provide services.

Why do people live in cities? Well, obviously, there are a lot of reasons, from work opportunities to cultural amenities. But for our purposes, one of the reasons is independence. Unlike rural or suburban locations where movement is largely dependent on owning a car, people who live in cities have so many more options for getting about, thanks to dense, walkable neighborhoods and extensive public transit.

Independence is a key reason why people tend to enjoy aging in cities, too. This desire has led, in part, to a growing trend whereby seniors cluster together in cities. These clusters, first noted in 1986 by University of Wisconsin-Madison professor Michael Hunt, are called naturally occurring retirement communities. NORCs, as they are known, aren’t purposely built for seniors. Rather, they evolve naturally, as adult residents age in place.

Nationally, about 17 percent of America’s seniors currently live in a NORC, according to the Administration on Aging. Some organizations have that number as high as 36 percent. Either way, the figure is only expected to grow in the decades ahead. By 2030, the 65 and older age group will exceed 72 million, up from about 40 million in 2010.

Not surprisingly, New York City is the epicenter for NORCs: It has 27 across four boroughs. While most are clustered in high-rise developments, such as Co-op City in the Bronx, some have spread into entire neighborhoods. These horizontal NORCs have morphed into "senior villages", which today can be found in more than 120 cities and towns across U.S. Senior villages are different from NORCs in that people over a certain age band together and form a nonprofit organization that can provide a range of services from transportation and home maintenance, to medical and care management services. Members pay a fee ranging from $500 to $1,000 annually, with discounts for low-income elderly.

One challenge faced by senior villages and NORCs alike is how to retrofit and upgrade housing so that it is senior friendly. For example, much of Philadelphia's housing stock is old and not easy to renovate. More than 70 percent of Philadelphia's seniors are homeowners, according to the Philadelphia Corporation for the Aging. They also tend to be poor — Philadelphia's poverty rate is the 7th highest in the country — and therefore don't have the resources to adapt their homes as they age. One solution is to change the city's code so that homeowners can convert the first floor or a garage into an apartment that could be become senior-friendly housing, according to the Philadelphia Inquirer. The other is to make sure that 10 percent of any new housing development is designed to be accessible by wheelchairs.

A particular challenge facing just NORCs is a lack of community support. To address this, several cities have started creating supportive services programs (SSP), which are essentially partnerships between local organizations to provide services, such as transportation, to seniors. Once a NORC meets certain criteria it can be eligible for local, state and federal aid for support services. One of the first SSPs was set up by the New York chapter of the Jewish Federations of North America; it's now considered one of the templates for what a SSP should provide to an aging community.

As the number of seniors in cities grow, the concept of NORCs will likely become more mainstream, leading to some tensions between residents and businesses and the seniors who have chosen to remain and create their own natural community there. Take, for instance, the McDonalds in Queens, N.Y., which decided in January to enforce a 20-minute dining limit on patrons in an effort to compel a small, but regular group of senior Koreans who congregated there during peak hours, to leave the premises. The restaurant said the group of seniors wasn't using the dining room for eating, but for socializing. The seniors said the McDonalds was convenient and allowed them to stay together.

Michael Kimmelman, a columnist for The New York Times, called the McDonalds a "ready-made NORC," that allowed the group to overcome the problems of loneliness seniors face. "They were drawn there by proximity and price, and they have stayed for the companionship."

BY TOD NEWCOMBE | MARCH 7, 2014

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Los Angeles Enacts Strict Regulations on E-Cigarettes.

E-cigarettes have been promoted as a safer alternative to cancer-causing tobacco products that can wean heavy smokers off their habit.

But on Tuesday, Los Angeles officials joined a growing list of cities that treat e-cigarettes just the same as regular cigarettes, banning their use in parks, restaurants and most workplaces.

The decision came after an impassioned and at times highly personal debate at the City Council that highlighted the backlash the smokeless cigarettes have generated as their popularity grows.

Critics warn that the electronic devices, which produce a nicotine-laced vapor inhaled by users, could pave the way for a resurgence in tobacco use among young adults.

Dr. Jonathan Fielding, director of the Los Angeles County Department of Public of Health, said the growing acceptance of “vaping”– as e-cigarette use is known — threatens to undermine decades of public education efforts aimed at stigmatizing smoking.

Other e-cigarette opponents said they do not want to risk the possibility that the secondhand vapor will be found to be harmful.

“We have a right to … choose to breathe clean air,” Councilwoman Nury Martinez told her colleagues. “And if this device turns out to be safe, then we can always undo the ordinance. But if this device proves not to be safe, we cannot undo the harm this will create on the public health.”

Five states and the District of Columbia have already included e-cigarettes in anti-smoking bans or moved to restrict where they can be used. Last year, New York City passed an ordinance applying traditional anti-smoking rules to e-cigarettes and Chicago recently moved to prohibit vaping in bars, restaurants and most indoor public places.

The e-cigarette crackdown has come “much faster than what happened with smoke-free ordinances,” said Tim McAfee, director of the federal Centers for Disease Control’s Office on Smoking and Health, which has yet to release data on the potential harm of secondhand vapors.

Los Angeles’ decision means that within weeks, e-cigarettes users will have to camp out with smokers relegated to sidewalks outside their jobs and smoking porches at bars and nightclubs. The devices will be permitted in vaping lounges, where customers can sample flavored e-cigarette liquids. But they will be outlawed in outdoor dining areas of restaurants and at city-sponsored farmers’ markets. Geraldine Monroy, who works at Downtown Vape, said she doesn’t use e-cigarettes in restaurants out of respect for other customers. But she voiced dismay that vaping will be outlawed in bars.

If e-cigarette users are forced outside, “you leave your friends, you leave the excitement,” she said. “Regulating them would take away a lot of the enjoyment we have in smoking them.”

Cities are acting but, at the federal level, e-cigarettes are still treated far differently than tobacco products. Americans haven’t seen a cigarette ad on TV for decades. But e-cigarette manufacturer NJOY — which hired lobbyists to influence the outcome of Tuesday’s council vote — has run spots during the Super Bowl, one of the most watched television events of the year.

“You know what the most amazing thing about this cigarette is?” says the narrator in one NJOY ad. “It isn’t one.”

That is the argument made by Jeff Stier, a senior fellow with the National Center for Public Policy Research, a conservative think tank focused on free market policies. The push by cities to restrict e-cigarettes limits access to an alternative to smoking — and could have the unintended effect of slowing progress on public efforts to combat harmful tobacco use, he said.

“Within a decade, e-cigarette sales will outpace cigarette sales,” he said. “I think that’s a victory for public health that we should not get in the way of.”

The long-term health effect of vapor on those who are in close proximity to e-cigarette users remains unclear. The lack of federal data on the question has given ammunition to supporters of e-cigarettes who assert that the council is acting prematurely. Tuesday’s City Hall debate quickly turned personal. Councilman Mitch O’Farrell, who pushed for the new restrictions, recalled his days breathing secondhand smoke as a waiter in a downtown restaurant. Martinez, who sided with O’Farrell, described her husband’s unsuccessful battle to quit smoking.

Councilman Joe Buscaino led an unsuccessful attempt to exempt bars and nightclubs from the ban, a measure sought by lobbyists for the e-cigarette industry. He too invoked a family member while making his arguments.

E-cigarettes “are not tobacco,” he said. “I don’t think they should be regulated exactly the same way. And I’ve heard from so many people, including my cousin Anthony, that they’ve stopped smoking from the help of e-cigarettes.”

Buscaino’s bid to allow the devices in 21-and-older establishments was supported by five other council members: Bob Blumenfield, Mitchell Englander, Felipe Fuentes, Curren Price and Paul Krekorian.

But Council President Herb Wesson balked at the exemption, telling lawmakers that he has been hooked on cigarettes for nearly 40 years — and will probably die because of them.

Calling himself “the council’s No. 1 smoker,” Wesson said he took up the habit as a 20-year-old factory worker because he wanted to be “cool.”

“I’m telling you, the high percentage of kids that smoke, smoke because it’s cool. And when you’re 15 you want to be cool,” he said. “I will not support anything — anything — that might attract one new smoker.”

Some council members expressed frustration at the lack of research on the effects of e-cigarette vapor. Manuel Suarez Jr., owner of Golden State Vape Shop, said fear about the devices is based on misunderstanding.

“We cater to people who’ve been smoking for over 20 years,” he said. “We’re here to help them quit.”

BY MCCLATCHY NEWS **|** MARCH 5, 2014

By David Zahniser and Marisa Gerber

Cities Consider Taxing Commuters to Drive Up Revenue.

Taxes on commuters (and reverse commuters) represent a largely untapped source of revenue that cities may begin to target more aggressively — particularly if they’re struggling. View data showing the cities with the most outside workers and reverse commuters.

Buried deep in Detroit Emergency Manger Kevyn Orr’s restructuring plan released last month was a single line that caught the attention of one group of taxpayers. For the first time, the city publicly stated it was weighing an ordinance requiring employers to withhold city income taxes for reverse commuters.

The vast majority of U.S. cities don't impose a local income tax, but Detroit and some that do struggle to collect all that they're owed from reverse commuters, people who work outside the city where they live. More commonly, central cities seek ways to tax nonresidents working downtown – known as commuter taxes – as property tax bases dwindle. Taken together, these two groups of taxpayers represent a largely untapped source of potential revenue that cities may begin to target more aggressively, particularly if they're struggling.

While New York City's commuter tax expired more than a decade ago, political arguments for its revival continue to persist, as recently as last year's mayoral election. Last week, officials in Johnstown, Pa., which participates in a state program for distressed cities, told a panel of judges that they either needed to implement a commuter tax or scale back services. In Indiana, state legislators are mulling their own commuter tax for counties.

Governing compiled data published for the Census Bureau's American Community Survey to compute localities' estimated nonresident workers. Across all cities with at least 50,000 workers, nonresidents accounted for slightly more than half – 52 percent – of the total workforce.

This share is far higher in some areas than others. Nonresidents account for more than three-quarters of the workforce in Irvine, Calif. (79 percent), Orlando, Fla. (77 percent), Salt Lake City (75 percent) and Miami (75 percent).

In some jurisdictions that aren't as large, residents make up an even smaller fraction of the employment base. Nearly 96 percent of those working in Tysons Corner, Va., live outside the unincorporated area near Washington, D.C. – higher than any other city or Census-designated place with at least 50,000 workers.

Calls for commuter taxes are most common in declining central cities surrounded by wealthier enclaves.

Only select jurisdictions in 17 states impose local income taxes, according to the Tax Foundation. Often, these localities tax residents and nonresidents at different rates, as is the case in Detroit.

Detroit's problem stems from the fact that many of its reverse commuters fail to pay local taxes. Employers in Michigan aren't required to withhold local income taxes if they're not levied by the jurisdiction their employees work in. Twenty-two cities in the state levy local income taxes. Detroit's tax rate is the highest, set at 2.4 percent for residents and 1.4 percent for nonresidents for 2013.

About half of working Detroit residents are employed outside city limits, and many of them aren't paying local income taxes. A study published by consulting firm McKinsey & Co. estimated that Detroit residents commuting to jobs outside the city failed to pay more than $140 million in local income taxes owed in 2009.

Brad Williams, the Detroit Regional Chamber's vice president for government relations, said most of the area's larger employers with automated payroll systems already collect local income taxes.

Some worry that commuter taxes or taxes on reverse commuters could drive businesses out of cities. The local chamber's Williams, though, said there's no evidence that Detroit's local income tax on nonresidents — higher than all other Michigan localities — led employers to look elsewhere. The chamber's larger concern, he said, is ensuring that any collection of local taxes isn't overly-burdensome for employers.

"I think there's a proper way to do it, but we just haven't seen the details yet," Williams said.

Another option is for the state to help administer the local tax. Michigan Gov. Rick Snyder said in December that the state was studying the possibility of adding a Detroit tax schedule to state income tax forms. That's how the local tax is already administered in Maryland, for example.

Kim Rueben, a senior fellow at the Urban Institute, said efforts to tax commuters gain more traction in central hubs with a local income tax that lack the population base to provide services for businesses and their workers.

Of course, it's far easier politically to approve tax hikes on nonresidents than those residing in a city. "As places are hard-pressed to raise the money they feel they need to provide services, there is always an attractive aspect to taxing nonvoters," Rueben said.

Commuter taxes, Rueben said, also tend to be more prevalent in areas with fragmented jurisdictional boundaries. So cities occupying vast land areas, such as Los Angeles and Phoenix, wouldn't benefit from commuter taxes as much as a place like Pittsburgh might.

City Commuter Data

The following table lists computed totals for residents living and working in a city and those who work in the city and reside elsewhere. Data is shown for jurisdictions with at least 50,000 workers.

City

Nonresidents % of workforce

Total working in city

Workers from city

Nonresidents working in city

Tysons Corner CDP, Virginia 95.6 65,088 2,871 62,217

Auburn Hills, Michigan 93.3 51,903 3,481 48,422

Beverly Hills, California 91.6 54,491 4,575 49,916

Southfield, Michigan 91.3 76,747 6,649 70,098

Doral, Florida 90.9 67,569 6,142 61,427

Carson, California 88.8 55,202 6,208 48,994

Rockville, Maryland 88.5 69,186 7,970 61,216

Marietta, Georgia 88.3 75,551 8,855 66,696

Towson CDP, Maryland 88.2 60,780 7,192 53,588

Troy, Michigan 87.9 83,273 10,107 73,166

Palo Alto, California 87.5 83,740 10,481 73,259

Bethesda CDP, Maryland 87.5 81,244 10,163 71,081

Harrisburg, Pennsylvania 86.3 56,472 7,739 48,733

Schaumburg, Illinois 85.7 71,277 10,163 61,114

Dearborn, Michigan 84.7 78,493 11,973 66,520

Santa Clara, California 84.4 101,014 15,749 85,265

Fort Myers, Florida 84.2 67,480 10,673 56,807

Bloomington, Minnesota 83.9 82,376 13,270 69,106

Rancho Cordova, California 83.9 51,642 8,321 43,321

Alpharetta, Georgia 83.6 81,153 13,273 67,880

Reston CDP, Virginia 83.6 59,845 9,799 50,046

Farmington Hills, Michigan 83.6 50,505 8,303 42,202

Sandy Springs, Georgia 83.3 77,399 12,962 64,437

Santa Monica, California 83.2 100,672 16,954 83,718

Walnut Creek, California 83.2 51,497 8,655 42,842

Greenville, South Carolina 83.1 92,283 15,622 76,661

Warren, Michigan 83.0 80,571 13,680 66,891

Mountain View, California 82.9 67,661 11,552 56,109

Burbank, California 82.7 95,296 16,524 78,772

Redmond, Washington 82.7 86,262 14,961 71,301

Orange, California 82.0 94,826 17,049 77,777

Richardson, Texas 81.8 83,653 15,240 68,413

Livonia, Michigan 81.7 66,145 12,108 54,037

Paradise CDP, Nevada 81.5 249,447 46,103 203,344

Hartford, Connecticut 81.2 109,191 20,577 88,614

White Plains, New York 81.2 58,504 10,972 47,532

Eagan, Minnesota 80.9 52,306 9,989 42,317

West Palm Beach, Florida 80.7 92,087 17,791 74,296

Sugar Land, Texas 80.6 52,242 10,137 42,105

Renton, Washington 80.5 56,752 11,081 45,671

Newport Beach, California 80.3 74,010 14,557 59,453

Ontario, California 80.2 98,904 19,571 79,333

Sterling Heights, Michigan 80.2 52,474 10,408 42,066

Sunnyvale, California 80.1 85,864 17,101 68,763

Torrance, California 79.9 104,021 20,936 83,085

Sarasota, Florida 79.6 58,593 11,924 46,669

Wilmington, Delaware 79.4 61,046 12,558 48,488

Boca Raton, Florida 79.2 103,463 21,480 81,983

Tempe, Arizona 79.1 161,809 33,793 128,016

Redwood City, California 78.9 52,857 11,176 41,681

Irvine, California 78.7 224,105 47,635 176,470

Newton, Massachusetts 78.6 52,327 11,174 41,153

Waltham, Massachusetts 78.5 51,994 11,158 40,836

Cambridge, Massachusetts 77.9 118,669 26,212 92,457

Fort Lauderdale, Florida 77.6 163,152 36,512 126,640

Bellevue, Washington 77.6 118,018 26,417 91,601

Orlando, Florida 77.4 320,527 72,404 248,123

Fullerton, California 77.4 54,407 12,307 42,100

Centennial, Colorado 77.4 50,022 11,318 38,704

Beaverton, Oregon 77.3 58,566 13,309 45,257

Costa Mesa, California 77.0 80,116 18,422 61,694

Albany, New York 76.9 110,749 25,624 85,125

Pasadena, California 76.9 110,154 25,402 84,752

Pleasanton, California 76.8 52,482 12,202 40,280

Columbia CDP, Maryland 76.5 68,143 16,024 52,119

Arlington CDP, Virginia 76.4 192,828 45,530 147,298

Pomona, California 76.4 52,838 12,466 40,372

Pensacola, Florida 76.1 53,985 12,883 41,102

Everett, Washington 75.6 98,497 24,024 74,473

Pompano Beach, Florida 75.5 58,003 14,227 43,776

Salt Lake City, Utah 75.4 251,376 61,948 189,428

Miami, Florida 75.3 411,805 101,888 309,917

West Valley City, Utah 75.3 50,977 12,594 38,383

Irving, Texas 75.2 185,136 45,856 139,280

West Des Moines, Iowa 74.9 50,062 12,571 37,491

North Charleston, South Carolina 74.6 82,883 21,019 61,864

Newark, New Jersey 74.3 159,816 41,028 118,788

Hayward, California 74.3 63,390 16,320 47,070

Kent, Washington 74.1 58,662 15,208 43,454

San Bernardino, California 74.0 94,175 24,467 69,708

Carrollton, Texas 74.0 64,910 16,904 48,006

Anaheim, California 73.6 172,360 45,490 126,870

Carlsbad, California 73.6 59,103 15,598 43,505

Alexandria, Virginia 73.5 96,292 25,472 70,820

Ocala, Florida 73.5 55,709 14,786 40,923

Santa Ana, California 73.3 156,250 41,648 114,602

Atlanta, Georgia 73.0 464,557 125,618 338,939

Carmel, Indiana 73.0 50,664 13,667 36,997

Birmingham, Alabama 72.8 181,415 49,291 132,124

Chapel Hill, North Carolina 72.6 52,028 14,246 37,782

Melbourne, Florida 72.4 54,088 14,912 39,176

Fort Hood CDP, Texas 72.3 51,630 14,295 37,335

Fontana, California 72.1 60,523 16,910 43,613

Franklin, Tennessee 72.0 56,686 15,845 40,841

Dayton, Ohio 71.8 90,033 25,395 64,638

Hollywood, Florida 71.4 62,135 17,768 44,367

Kalamazoo, Michigan 71.2 56,278 16,188 40,090

Columbia, South Carolina 71.1 145,593 42,120 103,473

Lakewood, Colorado 70.9 76,248 22,165 54,083

Grand Prairie, Texas 70.8 66,347 19,399 46,948

San Mateo, California 70.8 53,890 15,748 38,142

Washington, District of Columbia 70.7 796,601 233,411 563,190

Charleston, West Virginia 70.7 56,976 16,705 40,271

Corona, California 70.5 71,174 20,979 50,195

Naperville, Illinois 70.3 80,700 23,989 56,711

Hillsboro, Oregon 70.3 65,076 19,315 45,761

Clearwater, Florida 70.0 65,105 19,526 45,579

Glendale, California 69.8 91,477 27,610 63,867

Frederick, Maryland 69.8 54,587 16,478 38,109

Glendale, Arizona 69.6 77,779 23,674 54,105

Scottsdale, Arizona 69.5 165,529 50,543 114,986

Lansing, Michigan 69.4 79,183 24,237 54,946

Rochester, New York 69.3 150,381 46,220 104,161

Cleveland, Ohio 69.2 265,013 81,651 183,362

Concord, California 69.1 55,497 17,156 38,341

Cincinnati, Ohio 68.7 242,052 75,715 166,337

Overland Park, Kansas 68.6 118,915 37,286 81,629

Rancho Cucamonga, California 68.6 62,871 19,737 43,134

Tampa, Florida 68.1 327,583 104,570 223,013

St. Louis, Missouri 68.1 252,303 80,431 171,872

Round Rock, Texas 68.0 55,764 17,840 37,924

Pasadena, Texas 67.9 51,274 16,483 34,791

Fremont, California 67.7 79,967 25,822 54,145

St. Paul, Minnesota 67.6 176,439 57,235 119,204

Lakeland, Florida 67.6 71,664 23,218 48,446

Jersey City, New Jersey 67.4 123,052 40,104 82,948

Berkeley, California 67.0 74,307 24,554 49,753

Plano, Texas 66.5 175,721 58,924 116,797

Providence, Rhode Island 66.4 120,330 40,465 79,865

New Haven, Connecticut 66.4 90,307 30,338 59,969

Richmond, Virginia 66.2 161,610 54,646 106,964

Allentown, Pennsylvania 66.2 53,526 18,097 35,429

Elgin, Illinois 66.0 53,342 18,151 35,191

Pittsburgh, Pennsylvania 65.9 289,682 98,695 190,987

Portland, Maine 65.9 66,719 22,725 43,994

Portsmouth, Virginia 65.9 51,926 17,707 34,219

Ogden, Utah 65.8 56,049 19,177 36,872

Grand Rapids, Michigan 65.5 117,304 40,436 76,868

Syracuse, New York 65.5 102,965 35,510 67,455

Minneapolis, Minnesota 65.1 306,041 106,735 199,306

Roseville, California 65.1 68,864 24,021 44,843

Macon, Georgia 65.0 54,528 19,068 35,460

The Woodlands CDP, Texas 64.8 51,709 18,195 33,514

High Point, North Carolina 64.7 61,504 21,727 39,777

Kansas City, Kansas 64.1 76,889 27,633 49,256

South Bend, Indiana 64.0 59,118 21,267 37,851

Asheville, North Carolina 63.1 81,380 29,995 51,385

Ann Arbor, Michigan 62.9 106,251 39,382 66,869

Charleston, South Carolina 62.9 88,469 32,792 55,677

Tacoma, Washington 62.8 108,836 40,537 68,299

Boston, Massachusetts 62.6 572,520 214,193 358,327

Garland, Texas 62.5 70,248 26,367 43,881

Huntington Beach, California 62.3 74,881 28,225 46,656

Metairie CDP, Louisiana 62.2 67,378 25,442 41,936

Sacramento, California 61.9 287,815 109,789 178,026

Cary, North Carolina 61.9 74,428 28,337 46,091

Detroit, Michigan 61.6 263,057 100,946 162,111

Knoxville, Tennessee 61.6 167,228 64,164 103,064

Chattanooga, Tennessee 61.6 159,201 61,172 98,029

Riverside, California 61.6 138,995 53,425 85,570

North Las Vegas, Nevada 61.6 51,792 19,909 31,883

Buffalo, New York 61.1 152,816 59,479 93,337

Miami Beach, Florida 61.1 65,071 25,320 39,751

Akron, Ohio 61.0 105,520 41,197 64,323

Frisco, Texas 61.0 50,304 19,641 30,663

Oakland, California 60.9 191,273 74,874 116,399

Elizabeth, New Jersey 60.8 51,316 20,103 31,213

Chandler, Arizona 60.7 107,405 42,248 65,157

Springfield, Massachusetts 60.7 73,200 28,769 44,431

Stamford, Connecticut 60.6 80,796 31,838 48,958

Roanoke, Virginia 60.4 70,843 28,036 42,807

Johnson City, Tennessee 60.3 52,706 20,945 31,761

Long Beach, California 60.2 180,295 71,718 108,577

Boulder, Colorado 59.9 97,921 39,311 58,610

Joliet, Illinois 59.9 55,546 22,271 33,275

Vancouver, Washington 59.8 85,730 34,455 51,275

McAllen, Texas 59.7 83,231 33,527 49,704

Las Vegas, Nevada 59.5 312,520 126,448 186,072

Lafayette, Indiana 59.5 51,706 20,942 30,764

Green Bay, Wisconsin 59.1 65,091 26,638 38,453

Jackson, Mississippi 58.9 107,227 44,046 63,181

Denver, Colorado 58.4 461,854 192,318 269,536

Thousand Oaks, California 58.1 64,634 27,076 37,558

Bowling Green, Kentucky 58.0 53,418 22,410 31,008

Baton Rouge, Louisiana 57.8 179,731 75,867 103,864

San Buenaventura (Ventura), California 57.7 58,176 24,612 33,564

Hialeah, Florida 57.4 79,713 33,922 45,791

Aurora, Illinois 57.4 67,344 28,673 38,671

Yonkers, New York 57.2 58,935 25,225 33,710

Lynchburg, Virginia 56.6 55,363 24,002 31,361

Savannah, Georgia 56.5 104,223 45,314 58,909

Gilbert, Arizona 56.5 59,718 25,976 33,742

Baltimore, Maryland 56.4 360,471 157,059 203,412

Des Moines, Iowa 56.3 132,714 58,028 74,686

Kansas City, Missouri 56.2 307,101 134,533 172,568

Aurora, Colorado 56.2 119,940 52,547 67,393

Worcester, Massachusetts 56.2 100,486 44,023 56,463

Norfolk, Virginia 56.1 187,299 82,264 105,035

Manchester, New Hampshire 56.1 62,141 27,287 34,854

Olathe, Kansas 56.1 57,976 25,438 32,538

Peoria, Illinois 55.8 77,765 34,347 43,418

Erie, Pennsylvania 55.5 58,917 26,224 32,693

Rockford, Illinois 55.4 91,757 40,889 50,868

Little Rock, Arkansas 55.3 160,499 71,802 88,697

Jacksonville, North Carolina 55.2 66,873 29,992 36,881

Champaign, Illinois 55.0 51,353 23,093 28,260

Dallas, Texas 54.8 795,719 359,598 436,121

Tuscaloosa, Alabama 54.3 63,079 28,850 34,229

Durham, North Carolina 54.2 155,482 71,230 84,252

Springfield, Missouri 54.2 145,710 66,784 78,926

Lafayette, Louisiana 54.2 97,224 44,575 52,649

Hampton, Virginia 53.8 64,815 29,976 34,839

Wilmington, North Carolina 53.5 79,638 37,056 42,582

Santa Clarita, California 53.3 65,887 30,755 35,132

Huntsville, Alabama 53.2 139,466 65,277 74,189

Santa Barbara, California 53.2 64,164 30,008 34,156

Evansville, Indiana 53.1 91,545 42,980 48,565

Tyler, Texas 52.8 73,381 34,620 38,761

Chesapeake, Virginia 52.3 94,971 45,281 49,690

Chula Vista, California 52.3 62,488 29,783 32,705

Salem, Oregon 51.9 91,515 44,014 47,501

Newport News, Virginia 51.7 107,917 52,079 55,838

Gainesville, Florida 51.7 92,061 44,482 47,579

Beaumont, Texas 51.6 74,322 35,995 38,327

Santa Fe, New Mexico 51.6 54,932 26,598 28,334

Bloomington, Illinois 51.4 56,843 27,599 29,244

Houston, Texas 51.3 1,638,995 797,826 841,169

Fort Smith, Arkansas 51.1 63,673 31,157 32,516

Longview, Texas 51.1 53,690 26,275 27,415

Mobile, Alabama 51.0 126,221 61,881 64,340

Raleigh, North Carolina 50.9 276,164 135,477 140,687

Modesto, California 50.7 83,119 41,013 42,106

Bloomington, Indiana 50.4 57,968 28,734 29,234

Mesa, Arizona 50.3 152,180 75,586 76,594

Iowa City, Iowa 50.2 59,798 29,798 30,000

Fayetteville, Arkansas 50.0 51,736 25,886 25,850

St. Petersburg, Florida 49.9 127,366 63,806 63,560

Murfreesboro, Tennessee 49.7 59,621 29,975 29,646

Madison, Wisconsin 49.6 189,632 95,631 94,001

Fort Worth, Texas 49.3 408,538 207,003 201,535

Arlington, Texas 49.0 143,041 72,930 70,111

Provo, Utah 49.0 68,030 34,663 33,367

Lancaster, California 49.0 51,344 26,209 25,135

Urban Honolulu CDP, Hawaii 48.9 283,963 145,241 138,722

Greensboro, North Carolina 48.9 180,490 92,280 88,210

Waco, Texas 48.9 80,113 40,942 39,171

Springfield, Illinois 48.8 90,519 46,344 44,175

Davenport, Iowa 48.8 60,760 31,111 29,649

Henderson, Nevada 48.6 78,488 40,368 38,120

Greenville, North Carolina 48.4 57,145 29,488 27,657

Seattle, Washington 48.2 500,946 259,461 241,485

Winston-Salem, North Carolina 47.6 140,360 73,552 66,808

Portland, Oregon 47.4 427,396 224,692 202,704

Denton, Texas 47.4 64,368 33,868 30,500

Fayetteville, North Carolina 47.2 130,505 68,902 61,603

Spokane, Washington 47.0 123,658 65,575 58,083

Milwaukee, Wisconsin 46.2 284,320 153,062 131,258

Augusta-Richmond County consolidated government, Georgia 46.0 119,748 64,683 55,065

Cedar Rapids, Iowa 45.6 93,924 51,094 42,830

Columbus, Ohio 45.5 468,052 255,184 212,868

New Orleans, Louisiana 45.3 207,368 113,505 93,863

Toledo, Ohio 45.2 130,634 71,524 59,110

Santa Rosa, California 45.1 80,219 44,068 36,151

Tulsa, Oklahoma 44.7 265,756 146,916 118,840

San Francisco, California 44.4 605,275 336,695 268,580

Phoenix, Arizona 43.9 770,189 432,447 337,742

Boise City, Idaho 43.9 145,561 81,689 63,872

Tallahassee, Florida 43.5 137,132 77,519 59,613

Eugene, Oregon 43.2 87,533 49,728 37,805

Bellingham, Washington 43.0 52,164 29,735 22,429

Athens-Clarke County unified government, Georgia 42.9 69,728 39,785 29,943

Indianapolis city, Indiana 42.4 504,209 290,547 213,662

Fargo, North Dakota 42.4 89,447 51,534 37,913

Memphis, Tennessee 42.3 391,232 225,553 165,679

College Station, Texas 42.3 53,590 30,940 22,650

Duluth, Minnesota 42.2 56,378 32,559 23,819

Omaha, Nebraska 41.9 293,183 170,327 122,856

Reno, Nevada 41.9 139,772 81,259 58,513

Las Cruces, New Mexico 41.6 51,460 30,056 21,404

Oklahoma City, Oklahoma 41.4 372,770 218,370 154,400

Stockton, California 41.0 103,446 61,034 42,412

Topeka, Kansas 41.0 83,880 49,453 34,427

Charlotte, North Carolina 40.4 498,231 297,001 201,230

Los Angeles, California 40.0 1,905,120 1,142,167 762,953

Shreveport, Louisiana 40.0 113,696 68,256 45,440

Nashville-Davidson metropolitan government, Tennessee 39.8 392,649 236,397 156,252

Oxnard, California 39.8 62,329 37,511 24,818

San Jose, California 39.6 382,074 230,688 151,386

Montgomery, Alabama 39.5 127,323 77,079 50,244

Visalia, California 39.4 51,693 31,348 20,345

Louisville/Jefferson County metro government, Kentucky 39.2 330,171 200,725 129,446

Rochester, Minnesota 39.0 84,325 51,426 32,899

Columbia, Missouri 38.9 78,370 47,866 30,504

Salinas, California 38.7 61,091 37,467 23,624

San Diego, California 38.2 815,539 503,939 311,600

Tucson, Arizona 37.7 274,623 171,107 103,516

Fort Collins, Colorado 37.5 86,693 54,197 32,496

Fort Wayne, Indiana 37.4 140,619 88,025 52,594

Norman, Oklahoma 37.4 50,654 31,715 18,939

Fresno, California 37.0 214,741 135,250 79,491

Austin, Texas 36.8 585,103 369,969 215,134

Philadelphia, Pennsylvania 36.4 706,553 449,532 257,021

Columbus, Georgia 35.9 110,252 70,662 39,590

Chicago, Illinois 35.6 1,394,957 898,956 496,001

Clarksville, Tennessee 34.9 52,983 34,492 18,491

Bakersfield, California 33.1 143,501 96,001 47,500

Lexington-Fayette urban county, Kentucky 29.1 182,938 129,711 53,227

Sioux Falls, South Dakota 28.2 107,389 77,089 30,300

Billings, Montana 27.9 65,023 46,861 18,162

Midland, Texas 27.8 58,006 41,878 16,128

Colorado Springs, Colorado 26.8 218,644 160,069 58,575

San Antonio, Texas 26.7 719,084 527,112 191,972

Virginia Beach, Virginia 26.7 194,331 142,508 51,823

Wichita, Kansas 26.3 199,747 147,204 52,543

Lawton, Oklahoma 26.3 52,393 38,611 13,782

Albuquerque, New Mexico 25.8 286,985 213,058 73,927

Wichita Falls, Texas 25.0 56,006 41,995 14,011

Brownsville, Texas 24.9 64,868 48,734 16,134

Jacksonville, Florida 24.8 452,404 340,353 112,051

Abilene, Texas 21.9 59,590 46,538 13,052

New York City, New York 21.5 4,304,757 3,378,793 925,964

Amarillo, Texas 18.6 92,353 75,220 17,133

Lubbock, Texas 18.3 124,307 101,512 22,795

Lincoln, Nebraska 17.5 148,991 122,926 26,065

El Paso, Texas 17.3 277,176 229,138 48,038

Corpus Christi, Texas 16.4 148,291 123,918 24,373

Anchorage municipality, Alaska 9.0 163,754 148,998 14,756

Laredo, Texas 7.2 92,328 85,687 6,641

Source: American Community Survey, 2010-2012 estimates

Reverse Commuters Map

Here's a map showing cities where more residents reverse commute, shown as a share of the total workforce. Figures represent residents living in a city, while the table lists those who work in a city.

http://www.governing.com/gov-data/transportation-infrastructure/reverse-commuters-map-data-for-cities.html

BY MIKE MACIAG | MARCH 5, 2014

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12 Ways to Transform Downtown.

Concise explanations of strategies that will make your downtown more vibrant and one or two examples of cities that have successfully implemented the strategy.

http://www.futurestructure.com/news/12-Strategies-That-Will-Transform-Your-Citys-Downtown.html

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Infographic - Anatomy of a Smart City: Curious About What Makes a City Smart?

Explore this stunning and detailed infographic from Postscapes.

http://www.futurestructure.com/news/Infographic-Anatomy-of-a-Smart-City.html

Mike Maciag | Data Editor

mmaciag@governing.com @mmaciag

How Mayors Used the Stimulus for Energy Efficiency Projects.

A new survey shows how cities used money from the 2009 stimulus package to invest in energy efficient infrastructure.

A one-time infusion of federal funds five years ago enabled cities across the country to build charging stations for electric vehicles, wind turbines and other energy-efficient infrastructure, according to a new survey conducted by the U.S. Conference of Mayors.

The association examined how cities took advantage of the federal Energy Efficiency and Conservation Block Grant Program, which received $2.7 billion under the economic stimulus package, officially known as the American Recovery and Reinvestment Act of 2009. About half of the money went directly to cities, with an average grant per city of about about $1 million.

“What the survey shows is that cities made very good use of these funds,” said Shane Bemis, mayor of Gresham, Ore. “[Cities] moved in many new directions in terms of energy and climate.”

The survey went out to nearly 1,400 mayors. Between late November 2013 and mid-January, 204 of them answered questions about the block grant program. Mayors from cities as large as Los Angeles and as small as Redmond, Wash. — population 54,000 — participated in the survey. The sample spanned cities across country, from Fairbanks, Alaska to Tallahassee, Fla.

About 62 percent of respondents said they used the federal funds to invest in new programs that weren’t in their existing climate or energy plans. The report’s authors highlighted the statistic to demonstrate that mayors leveraged federal aid to make new progress on energy efficiency and conservation. “The prevailing view at the time [the stimulus bill passed] was that many cities would simply substitute EECBG dollars for allocated local funding to existing city energy initiatives,” the report said.

The vast majority of mayors (87 percent) said federal funds went to city projects and operations, such as making city-owned buildings more energy efficient and upgrading streetlights. Retrofits of government buildings were the most common use of the funds, though write-in responses detailed a variety of other projects, such as putting a wind turbine on top of a building and buying a solar-powered garbage and recycling container.

Bridgeport, Conn., used about $70,000 from the grant program to pay for a feasibility study on constructing an anaerobic digester, which recovers methane from food waste and other types of biodegradable material and converts the gas into heat and electricity. Now Anaergia, a biogas energy company, plans to build the digester next to the city’s sewage treatment plant. Currently, Bridgeport pays more than $2 million a year to haul its sewage to New Haven, where it is burned. The project is currently in a design phase, but eventually the digester could save the city about $1 million in trucking fees and energy fees, said Bill Finch, the mayor of Bridgeport.

“We’re all trying new things,” said Jim Brainard, mayor of Carmel, Ind., where the federal grant program paid for replacing almost all the city’s streetlights with LED bulbs. “The best ideas are going to be copied and repeated.”

On a conference call Feb. 27, Bemis, Brainard and Finch — two Republicans and a Democrat — said the survey results underscore the effectiveness of the grant program and should persuade Congress to allocate more money in the future. Mayors needed to talk with their representatives in Congress and point to specific projects that demonstrate a return on investment, Bemis said. Both Republican mayors stressed that energy efficiency should not be a partisan issue.

Though the mayors pushed a policy agenda that would yield environmental benefits, such as improving water and air quality, they did not mention the phrases “climate change” or “global warming” on the 20-minute call. Instead, they emphasized how mayors could save money through energy efficiency and conservation. “Sometimes it’s a little more difficult to talk about climate in different parts of the country,” Bemis said. “But it’s always open and available to talk about saving money and return on investment.”

http://www.usmayors.org/pressreleases/uploads/2014/0227-report-eecbgsurvey.pdf

J.B. Wogan | Staff Writer

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Columbia Mayor Steve Benjamin appointed chairman of Municipal Bonds for America.

Columbia Mayor Steve Benjamin has been selected to lead Municipal Bonds for America, a nationwide nonpartisan coalition of state and local governments along with brokers and dealers to protect and promote the value of tax-exempt municipal bonds.

Those bonds, which are the chief tool used by state and local governments, help build and maintain roughly 75 percent of the nation’s infrastructure.

“It became clear to us that a lot of folks in Washington and across America didn’t understand just how important this tool is in providing vital services to our citizens and how devastating it would be to lose it,” Benjamin said. “Our job is to change that by educating policy makers, the media and the public and promoting reasonable and fair regulation that preserves the municipal bond market’s integrity and supports our cities, counties and states for generations to come.”

Benjamin already has served on the organization’s executive committee and now will replace outgoing MBFA chairman and president of the New York City Housing Development Corp. Marc Jahr.

MBFA was created in response to last year’s sequestration debate on Capitol Hill after lawmakers discussed eliminating the tax-exempt status for municipal bonds, a move that would have increased significantly the cost of necessary infrastructure improvements and led to widespread utility rate and tax increases.

According to a June 2013 report from the National Association of Counties, the debt service burden for countries would have topped $9 billion if municipal bonds had been taxable over the last 15 years.

Municipal bonds typically are used to finance various projects including roads, bridges, public housing, hospitals, schools, public utilities and water and sewer systems. If structured properly, they should come at a low cost to taxpayers.

The two most commonly used bonds by municipal governments are general obligation bonds and revenue bonds. General obligation bonds are secured by the full faith and credit of the issuer and supported by the government's ability to use its taxing power. Often times, they are voted in by citizens through bond referendums.

Revenue bonds are supported through various funds generated by the facility financed from the bond. Those could include tolls, rents or charges.

Bonds typically have a life-span of 20, 30 or 40 years.

Municipal bonds could be of particular interest to Benjamin as he looks to finance the Bull Street development and baseball stadium with a combined $92 million in cash reserves, as well as hospitality and installment purchase revenue bonds.

Benjamin has said that the huge investment by taxpayers would provide a big return by putting the 180 acre property on the city's tax rolls.

"Tax-exempts municipal bonds represent a century-old compact between the federal government, state and local government, the public and investors that has built much of our nation's core infrastructure," Benjamin said. "I am honored to have this opportunity to protect that promise and help cities like ours continue to invest in roads and bridges, improve water and sewer systems and create tens of thousands of jobs."

February 25, 2014 By Kelly Petty

WSJ: Chicago Has Problems, but It's No Detroit, S&P Says.

The Windy City has problems, but they're far from those of Motown.

That's the gist of a report out Thursday from Standard & Poor's concluding the finances of Chicago and Detroit have "more differences than similarities."

After Detroit filed for bankruptcy last year, the fiscal woes of Chicago drew more attention, particularly since its pension system is one of the most underfunded among U.S. cities and a big jump in payments looms. One local TV station posed the question: Is Chicago on the same financial path as Detroit?

S&P in the new report delivers some good news for Chicago, where leaders bristle at the comparison. The city's economy is in far better shape because of its size and diversity. The ratings firm projects per capita income, for example, in Chicago at 93% of the national average, while putting it at 57% in Detroit. And while Chicago has seen population declines, they haven't been nearly as sharp as Detroit, and the city continues to attract people in their 20s and 30s.

And while there's plenty of complaints about Chicago politics, S&P analysts say the city has benefited from stability in the long-tenure of Mayor Richard M. Daley and the transition to Mayor Rahm Emanuel. Detroit has seen more turnover at city hall and plenty of political gridlock, the ratings agency says.

A spokesman for Mayor Emanuel wasn't immediately available to comment.

Still, there's plenty to worry about in Chicago, and S&P sees one of the things the city has going for it is its ability to raise taxes.

Like Detroit, Chicago has limited capacity to cut costs with an estimated two-thirds of spending tied to public safety. Chicago also has what S&P describes as very weak budget performance with the city in past years relying on one-time maneuvers to balance its annual spending plan. Budgeting will become even more difficult in the coming years with Chicago's annual contributions to its deeply underfunded pension system set to more than double if it doesn't push unions and state lawmakers to change retirement benefits.

Going forward, S&P says one major difference between Chicago and Detroit is the Windy City can raise basically any tax without voter approval — an option Detroit didn't have. But Mr. Emanuel and other elected officials have been hesitant to turn to tax hikes, which isn't a favorite of voters and raises fears people will exit the city.

Overall, Jane Hudson Ridley, an credit analyst at S&P, says "Chicago's growing economy and taxing flexibility provide it with the resources to avoid a fate similar to Detroit's."

Recent trading in government bonds suggests the market essentially agrees with S&P, says Dan Berger, senior market strategist at Thomson Reuters Municipal Market Data.

"Chicago will trade cheaper than a lot of other credits, but clearly Detroit and Puerto Rico are in their own league," he adds.

By MARK PETERS

–Mike Cherney contributed to this article.

WSJ: For Storing Electricity, Utilities Push New Technologies.

SAN FRANCISCO—From backyard tinkerers to big corporations, inventors have been struggling to find a way to store solar, wind and other renewable energy so it can furnish electricity when the sun doesn't shine or the wind doesn't blow.

Now California is offering businesses a big incentive for success—contracts that the utility industry estimates could total as much as $3 billion for successful, large-scale electricity-storage systems.

Starting this year, big utilities that do business here must begin adding enough battery systems or other technology so that by 2024 they can store 1,325-megawatts worth of electricity—nearly 70 times the amount that the handful of mostly experimental systems in the state store now. Regulators are also requiring municipal utilities to buy or lease energy-storage equipment.

The storage systems California wants don't exist on such a scale, so the new rules amount to a big bet—paid for by utility customers—that creating demand will produce workable new technology. If so, other states are likely to follow suit, experts say.

"We're not talking about lab experiments anymore," said Nancy Pfund, managing partner of Silicon Valley venture-capital firm DBL Investors. "We're talking about a real solution to a growing issue as renewables become a bigger percentage of everyone's grid. The whole world is watching this."

Like most states, California has an electric system that was built around big power plants that cranked out electricity around the clock. But utilities here are on track to get a third of the electricity they sell from intermittent resources like solar panels and wind turbines by 2020.

Nationally, renewables accounted for 37% of the new generating capacity added last year, according to the Federal Energy Regulatory Commission.

Utilities now use small natural-gas plants to fill gaps when power generation and demand aren't in balance, but the state thinks storage systems would be more efficient and produce less pollution.

At least in the first few years, many of the storage contracts are likely to go to projects that use rechargeable batteries, like the ones in electric cars and buses, industry officials say. Batteries have been tested for durability and safety by the automotive industry, and they are in widespread use.

"Battery technology is probably going to be the immediate, short-run leader," said Jeff Gates, managing director of commercial transmission at Duke Energy Corp. DUK +0.57% in Charlotte, N.C. Duke built a large battery-storage facility near one of its Texas wind farms, and the company plans to build similar projects in California and other states, he said.

While utilities have installed a handful of battery-storage systems in California and other places, many of them were designed to store less than an hour's worth of electricity to provide extra power to transmission lines. Under the new program, California utilities are likely to want systems that can store at least two or three hours of power to fill in gaps left by solar panels after sunset, Mr. Gates said.

Different types of batteries are already being made by manufacturers including General Electric Co. GE -0.59% , of Fairfield, Conn., and LG Chem Ltd. 051910.SE -1.17% of South Korea.

Some people hope that California's bet on energy storage will create opportunities for technologies that currently exist only in the lab or in one-off projects, including storage based on compressed air or giant flywheels. Gravity Power LLC, a startup in Goleta, Calif., uses deep underground bore holes, filled with water, to create energy when huge pistons are dropped down central shafts.

Among the questions the California experiment may answer is where storage devices should be installed. Some experts think they should be built next to wind farms, for example, as Duke did. Others suggest they should be located along transmission lines or installed next to businesses and homes with solar panels.

"I don't think we understand the function of storage on the grid [enough] yet to know where it would have the highest value," said Mark Nelson, a power-planning manager at Southern California Edison, based in Rosemead, Calif.

SolarCity Corp. SCTY -4.16% , of San Mateo, Calif., in December began offering commercial customers rechargeable batteries—the same ones that are used in Tesla Motors Inc. TSLA -3.91% electric cars—along with solar panels. Tesla, of Palo Alto, Calif., said Wednesday that it plans to build a U.S. battery factory to supply its Fremont, Calif., car factory and SolarCity's energy-storage business. "Storage is important because the sun only shines part of the day, but we use electricity all of the day," Elon Musk, who is chairman and chief executive of Tesla and chairman of SolarCity, said Thursday during an appearance in San Francisco.

Southern California Edison recently installed stacks of lithium-ion batteries at an Irvine, Calif., parking garage that has solar panels on the roof and a row of electric-car chargers on a lower floor. The panels generate electricity for the car chargers and the batteries, which help power the chargers after sunset.

Some utilities and consumer advocates worry that the technologies are expensive and aren't ready for prime time.

Mike Niggli, president of San Diego Gas & Electric Co., a unit of Sempra Energy, said that although there are many storage technologies, "few of them are cost-effective at this time."

The financial strength of some companies likely to offer their products is also a concern, following a series of bankruptcies by battery makers, including Xtreme Power, which filed for Chapter 11 last month, and A123 Systems Inc. and Ener1 Inc., which filed for bankruptcy protection in 2012.

California is one of 37 states that have renewable-energy mandates or goals, but the only one to require utilities to buy lots of storage.

"Energy storage is a highly specialized market now," said Haresh Kamath, a researcher at the Electric Power Research Institute, a utility-funded group in Palo Alto, Calif. "But I expect it to become an important part of the grid's architecture in coming years."

By CASSANDRA SWEET and REBECCA SMITH

Feb. 27, 2014 7:32 p.m. ET

Write to Cassandra Sweet at cassandra.sweet@wsj.com and Rebecca Smith at rebecca.smith@wsj.com

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Drought (and an FBI Investigation) Settled a Longtime Feud Between Los Angeles County Water Districts.

For nearly three years, two Los Angeles County water districts had been locked in an ugly feud.

The Central Basin Water District, a water wholesaler, refused to sell to its rival, the Water Replenishment District, which manages an underground storage basin in southeast Los Angeles County that serves 4 million residents. For its part, the WRD was just as happy not to buy the water, lest the purchase benefit Central Basin.

The standoff cut groundwater storage even as the state faced a looming drought.

But as Central Basin faces an FBI corruption investigation, the bad blood between the two agencies has suddenly eased.

Central Basin this month agreed to sell 60,000 acre-feet of water to the Water Replenishment District. Water experts say the sale represents a major boost to the local underground basin. It comes as the drought is forcing local agencies to rely more on the basin for water.

"I think it's a new day where we're finally practicing good water management in our basin," said Kevin Wattier, general manager of the Long Beach Water Department, who has sat on the sidelines as the water war raged. "We put zero drops of water in this basin. And that, to me, is the travesty. And it was because of this war."

Typically, the Water Replenishment District replenishes the basin with about 100,000 acre-feet of “artificially captured water” a year, most of it from rain runoff. About 20% usually comes from imported water purchased from Central Basin. But there has been very little rainfall in the last three years, which combined with the lack of imported water has concerned Wattier and others.

The detente comes amid a year of change at Central Basin, which has faced several scandals and has seen some of its top leaders depart. On Friday, former Assemblyman Thomas Calderon — a onetime consultant for the agency — was charged as part of a major federal corruption case, along with his brother, state Sen. Ron Calderon (D-Montebello).

The charges Friday alleged the brothers took tens of thousands of dollars in bribes, though not related to Central Basin. However, the FBI obtained boxes of records from Central Basin’s offices last year and is continuing to investigate.

Thomas Calderon was widely seen as a field marshal in Central Basin’s protracted battles with the WRD.

Both sides now agree the conflict did far more harm than good. Central Basin and the WRD each spent about $2.4 million in the water war. Central Basin sent state legislators and lobbyists after its rivals, in one case paying a consultant to create promotional online stories under the names, bios and photos of reporters that did not exist. The WRD bought up domain names such as “centralbasin.net” and used it to post stories critical of its rival.

Central Basin was so concerned about being sued that it secretly managed a $2.7-million fund for its own groundwater storage project without public hearings or notifications. In a deposition as part of a lawsuit filed last year against a former vendor, Central Basin’s former general manager, Art Aguilar, testified that the board wanted to pursue the storage plan but “didn’t want anybody to know what we’re doing.”

Legislation ended up precluding Central Basin from pursuing groundwater storage, but the fund is now part of the FBI investigation.

The scandals and investigation have left Central Basin humbled — and with leaders vowing reform.

Tony Perez, who became Central Basin’s general manager last spring, said the agency is doing things differently. The district has launched its own internal investigation into the $2.7-million fund, he said, and is working on reforms after an audit found “significant deficiencies” in its financial controls.

The audit cited a case in which Central Basin paid $22,000 upfront for the college tuition of Gil Cedillo Jr., the son of Los Angeles City Councilman Gil Cedillo, who had been paid $112,000 a year by the agency until he was let go last year. The audit also found that Central Basin had been lax in the contract bidding process, among other problems.

Central Basin recently dropped the last of its litigation against the WRD and also recently made about $800,000 in budget cuts to close a deficit.

Perez said the battles with the WRD were a wasteful example of turf building.

“I think it’s a cautionary tale to all members of the water community that we need to work together,” he said. “I think that both parties are reasonably going to enter into this environment of trust a little bit slowly, but both sides are going to have to take a step out of the darkness.”

He said the water sale to the WRD will help Central Basin by bringing in $4.2 million.

Rob Katherman, the WRD's board president, said the change of leadership at Central Basin has made a major difference. Two incumbents on the Central Basin board were ousted after a series of stories in The Times about the water war and how the agency was spending money.

In an interview, Aguilar described the battle with the Water Replenishment District as a part of a "costly and nonproductive" conflict that no one party could be blamed for. He said he is glad it's been resolved.

"The basin has gone without adequate replenishment," he said.

Overall, southeast L.A.'s basin is a better reserve than some parts of the state hardest hit by the drought. Officials said the 60,000 acre-feet of additional water from Central Basin comes at a key time, when some cities in the area will be required to pump more water from the underground storage.

Albert Robles, a WRD board member and Carson councilman, said southeast L.A.'s water situation would have been significantly more secure if not for the feud.

"Had it not been for the war," he said, "we would literally be laughing at today's drought."

BY MCCLATCHY NEWS | FEBRUARY 25, 2014

By Hector Becerra

NACO: Urge Your U.S. House Members to Vote "YES" On the Homeowner Flood Insurance Affordability Act of 2014, H.R. 3370.

The U.S. House of Representatives is poised to begin debate this week on the Homeowner Flood Insurance Affordability Act of 2014 (H.R. 3370, as amended). Please urge your House Member to vote "yes" on the measure.

H.R. 3370 was originally introduced as a companion bill to the Senate measure (S. 1926)—also known as the Homeowner Flood Insurance Affordability Act of 2014. However, the original legislative text has been replaced with completely new language. The amended bill will be considered under a procedure that will require a 2/3 majority vote to pass and does not allow for any amendments.

H.R. 3370 (as amended) contains several provisions that would address county concerns::

Reinstates Grandfathering: The House bill would permanently repeal Biggert-Waters' phase-out of grandfathered policies and thus would allow grandfathering of policies to continue. This means that post-FIRM properties built to code at the time of construction may have the ability to grandfather into a lower premium.

Removes Sales Trigger: The House bill would discontinue the practice of fully actualizing rates at the point of sale, meaning the sales "trigger" is removed; this would ensure premium insurance rate certainty at the point of sale.

Retroactively Refunds Policyholders: The House bill would retroactively refund some Pre-FIRM policyholders if they paid a higher premium under Biggert-Waters.

Allows for Annual Surcharge: The House bill would institute a $25 annual surcharge for all NFIP primary home policy holders and a $250 annual surcharge on all second homes and businesses. All revenue from these surcharges go toward the NFIP reserve fund, established to meet the future obligations of the NFIP.

Requires Affordability Study and Provides Additional Funding for the Study: The House bill would increase funding for FEMA to complete an affordability study from $750,000 (under Biggert-Waters) to $3 million. The measure would also reaffirm that the study be completed in two years.

Background Information and Why This Issue Matters to Counties

The purpose of the Biggert-Waters Act of 2012 (BW-12) was to make FEMA's National Flood Insurance Program (NFIP), which faced a deficit of $24 billion, solvent. However, BW-12 resulted in some unintended consequences for local governments, residents and businesses.

A number of the nation's 3,069 counties, both coastal and inland, have stated that their homeowners and business are facing drastically increasing annual NFIP flood insurance premiums due to BW-12's phase-outs of subsidized premium rates. According to the Government Accountability Office, properties in 2,930 counties had subsidized policies as of June, 2012.

Since selling properties with high annual insurance premiums is unlikely, people could walk away from existing mortgages, impacting both local economies and housing markets. As more homes become vacant, counties' property values are in turn impacted.

As the Federal Emergency Management Agency (FEMA), which oversees the NFIP program, continues to update its Flood Insurance Rate Maps (FIRMs), more low-lying areas may begin to face drastic premium rate increases in the future.

by Hadi Sedigh on 2/25/2014 4:45 PM

NLC: A Snapshot of Healthy Corner Store Initiatives.

Local governments across the country are coming up with creative solutions to ensure all residents have easy access to healthy, affordable foods.

For many Americans, buying fresh fruits and vegetables is as simple as walking a few blocks to the neighborhood grocery store or getting in the car and driving a short distance to the supermarket. There are many, mostly low-income people however, who do not have such easy access to healthy, affordable foods.1 For these Americans, the long distance between home and supermarket, coupled with a lack of public transportation options and/or privately-owned transportation, limits their ability to maintain a healthy diet. Communities in which residents are unable to easily overcome the geographic disparity between the location of their residence and healthy food retailers have increasingly been described as food deserts. The U.S. Department of Agriculture (USDA) defines food deserts as areas in which "at least 500 people and/or at least 33 percent of the census tract's population must reside more than one mile from a supermarket or large grocery store."

An estimated 23.5 million people in the U.S. live in communities without access to healthy foods.4

The USDA has developed the Food Access Research Atlas to help identify such areas. Within these areas, the primary food retailers tend to be small food stores, i.e. convenience stores, corner stores, small rural markets, bodegas, etc. A study done in 2008 by the California Center for Public Health Advocacy, PolicyLink, and the UCLA Center for Health Policy Research found that there is a 20 percent higher prevalence of obesity and a 23 percent higher prevalence of diabetes among adults living near abundant convenience stores, compared to those who live near supermarkets and produce vendors.

In response, city and community leaders are promoting healthy neighborhoods by encouraging small food shops to provide nutritious, affordable options for residents living in food deserts as a means to address the lack of access to healthy and affordable foods and contribute to improved nutrition and health outcomes. Many city-led or city-supported programs nationwide focus on enabling corner stores and smaller markets located in food deserts to provide healthy foods. These programs vary in scope, geography, the types of incentives they provide, and the policies they utilize to improve access and consumption of healthy foods. For instance, programs that are larger in scope are able to encourage small food markets to sell healthy foods by offering training,marketing materials, technical assistance, refrigeration equipment, and even vouchers for fruits and vegetables. Through incentives, these programs encourage stores to add new, healthier items to the shelves. Other programs work with community leaders and interested small food shop owners to make healthier options more visible in stores and more available to the public. In addition to increasing access to healthy foods, these programs can promote neighborhood economic development because they include business development components for participating store owners. Finally, these programs also encourage community development through engagement with neighborhood groups and citizens.

This guide highlights the efforts of four cities:

- Tupelo, Mississippi
- St. Louis, Missouri
- Philadelphia, Pennsylvania
- Minneapolis, Minnesota

Each of these cities is taking action to increase access to healthy and affordable food in their communities. The city programs highlighted here vary in size and scope and are intended to provide a snapshot of the range of opportunities that city leaders have to address issues of healthy food access in their communities. Tupelo, Mississippi's Health on a Shelf program provides incentives for small food owners to prominently display healthy food options in their stores. The City of St. Louis' Healthy Corner Store Project necessitates direct engagement between local government departments, the community, and corner stores to increase nutrition education and expand access to healthy and affordable foods. As part of the Get Healthy Philly Initiative, the city and its partners work with over 600 local corner stores to provide healthier food options. And since 2008, when the City of Minneapolis passed an ordinance requiring small food stores to carry at least five varieties of fresh produce, the city and its partners have worked with these small stores on education, planning, and implementation to provide healthier food options to residents.

Download the Brief.

WSJ: Harrisburg Will Exit State Receivership.

Judge Determines Capital City's Fiscal Emergency Is Over

Pennsylvania's capital of Harrisburg will exit state receivership on Saturday, after a judge determined the city's fiscal emergency is over following its sale of a troubled incinerator and the 40-year leasing of parking services late last year.

The latest step is a milestone for the city, which faced about $360 million in debt largely from the incinerator project and had teetered on the edge of bankruptcy before Gov. Tom Corbett appointed a receiver under a state law for fiscally distressed municipalities.

Municipal-finance experts said the city's recovery plan, which also included concessions by public-employee unions, could serve as a model for other cities.

"They're showing the way that many, many cities" have to go, said Christopher Leinberger, chairman of the Center for Real Estate and Urban Analysis at George Washington University.

The city entered receivership in December 2011, after an attempt by City Council members to declare bankruptcy was thrown out in court. This past December, under the receiver's plan, the city completed the sale of the incinerator to a nearby waste-management authority and leased the parking system. The transactions are expected to help the city have balanced budgets for the next three years. The city received $16 million for economic development through the bond sale for the parking transaction and will receive some parking revenue each year.

The city of 49,000, however, is hardly out of the woods. It will have to find ways to address other woes, from its aging infrastructure to high crime rate.

"By working together, we overcame extraordinary challenges to create a sound plan for Harrisburg that did not include bankruptcy or bailouts," said Mr. Corbett, a Republican, who faces re-election this year.

The incinerator project, which became mired in debt during more than a decade, has generated criticism and calls for criminal investigations. The Dauphin County district attorney has requested that the state attorney general, Kathleen Kane, investigate the project. On Wednesday, a spokesman for Ms. Kane, a Democrat, declined to confirm whether such an investigation is under way.

By KRIS MAHER CONNECT

Feb. 26, 2014 6:38 p.m. ET

Write to Kris Maher at kris.maher@wsj.com

Making the Most of the Water You Have,

In the midst of the worst drought on record, some California communities are showing that there's plenty that can be done.

It's February, normally one of California's wettest months. Yet Caltrans, the state's transportation department, is using its huge messaging signs above freeways to announce "Serious Drought — Help Save Water." An usual message for a transportation department, but it's an unusual year for California: its driest on record.

Assuming rainfall doesn't pick up significantly, a wide spectrum of repercussions will be in store for residents across the state, particularly those in northern California. While most of California's water resources exist in the north, many communities in that region are less prepared to deal with the drought than are those in southern California.

For example, the small city of Willits, located north of San Francisco, is already at its most severe water-rationing level and is actively seeking alternate water sources. Yet rainfall for Willits averages 51 inches a year — more than three times that of Los Angeles. Under serious though slightly less critical circumstances, the city council of Sacramento in January enacted severe water rationing for residents and businesses. Sacramento sits at the confluence of the Sacramento and American rivers and has water rights to both, but major reservoirs on the rivers that capture rain and snowmelt are at less than 20 percent of normal capacity.

Meanwhile, hundreds of miles to the south, managers of the huge Metropolitan Water District (MWD) that supplies water to more than 19 million people and the majority of southern California's cities say they have enough reserves to get the state's most populous region through the year and even into 2015 without rationing.

Setting aside the Golden State's fascinating and contentious water history (broadly centered on the transfer of water from north to south) there is an existing, complex supply system in place that supports residents, businesses and agriculture. None will be spared the effects of the drought, so there are lessons to be learned from water-delivery agencies and communities that have prepared more aggressively for shortfalls in supply. An array of best practices is already in place in communities across the state.

For example, the city of Los Angeles has for many years metered and charged for water use. In contrast, Sacramento is in a multiyear process of installing water meters; roughly half of its residents are still charged a flat rate independent of usage. Additionally, L.A. provides a $2-pe--square-foot incentive to remove water-intensive lawns, mandates low-flow water fixtures and promotes an ongoing conservation campaign. The city's per-capita water use has dropped from 187 gallons a day in 1986 to 123 gallons. L.A. uses less water than it did 40 years ago despite the addition of more than 1 million residents.

In terms of hard infrastructure, the MWD has invested heavily in building reservoirs to enlarge capacity. The district recently announced record storage levels throughout the system, which in addition to the reservoirs includes banked supplies underground and in Lake Mead.

The city of Long Beach has taken a technology approach: Its water department is engaged in one of the most aggressive recycled-water-system expansions in the state. Recycled water is being used to displace millions of gallons of imported potable water to irrigate city parks, golf courses, cemeteries and athletic fields. When complete, this system will more than double recycled water use in Long Beach and meet 12 percent of the city's total water demand.

The San Diego Water Authority is taking resilience to a whole new level through the construction of a desalination plant. When the new facility is completed, it will not only provide 7 to 10 percent of the region's water but will add an important resource to its diversification strategy. Most significantly from a resiliency perspective, water from the plant will be provided completely independent of the broader region's seasonal snow or rainfall levels.

These examples serve to highlight that a community's ability to withstand or recover quickly from difficult conditions — whether they be drought or other circumstances – can be vastly improved through an array of soft infrastructure (such as policies and regulations), hard infrastructure and technology. As those Caltrans freeway signs suggest, there are plenty of things that can be done.

Bob Graves | Associate Director of the Governing Institute

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BY BOB GRAVES | FEBRUARY 24, 2014

Why Is Los Angeles Closing Its Libraries?

In the sun-filled space at the Roy Romer Middle School library, thousands of books invite students to stimulate their curiosity and let their imaginations soar. There is classic "Tom Sawyer" and popular "Harry Potter," biographies of Warren Buffett and Tony Blair, illustrated books on reptiles and comets.

But the library has been locked. The tables and chairs have been empty. That's because budget cuts in the Los Angeles Unified School District have eliminated hundreds of library aides, leaving Romer's library unstaffed for months at a time over the last four years.

Principal Cristina Serrano said the situation has handicapped students — especially as new state learning standards require them to use more research in their papers and projects.

"The students need access to books; they need guidance on how to use the library for research," she said. "But funding is not easy for us."

Romer isn't the only L.A. Unified library that has had trouble. About half of the 600 elementary and middle school libraries are without librarians or aides, denying tens of thousands of students regular access to nearly $100 million worth of books, according to district data.

The crisis has exacerbated educational inequalities across the nation's second-largest system, as some campuses receive extra money for library staff and others don't. It has also sparked a prolonged labor conflict with the California School Employees Assn., which represents library aides.

Since 2011, the union has alleged that L.A. Unified laid off their members, then illegally allowed parent volunteers, instructional aides and others to do their work at nearly four dozen campuses.

The district issued a bulletin last year clarifying that library work can be performed only by those with proper credentials, but the union asserts that violations are still occurring. The issue is set for a hearing by the state Public Employment Relations Board in May.

Franny Parrish, a library aide involved in the union's unfair practice charge, said the issue is not only jobs, but the security of L.A. Unified's $205-million library book collection. Without trained staff to make sure books are properly checked out, returned and refiled, she said, thousands have gone missing.

Aiming to stem the problems, the Los Angeles Board of Education recently agreed to form a districtwide task force to seek ways to improve access to school libraries with more dollars, alternative arrangements and collaboration with other public libraries and charitable organizations. The move was brought forward by board member Monica Ratliff, a former teacher who saw firsthand the boost that school libraries gave her students at San Pedro Elementary in the low-income downtown Los Angeles garment district.

“Children love books, love reading and love information,” Ratliff said. “But what’s happening now is an inequitable distribution of resources. Some schools make it work and others don’t. It’s extremely problematic.”

L.A. Unified paid for library staff in every school before the recession began in 2008. Today, it provides librarians in high schools but leaves most elementary and middle school campuses to make tough choices on whether to use their limited discretionary funds on library aides, nurses, counselors or other key staff. At Romer, Serrano said, parents’ first priority has been a full-time nurse. But she recently secured federal funds to reopen the library next month.

Wide disparities have emerged among the system’s seven districts. In the east and southeast Los Angeles area, for instance, 57% of libraries are unstaffed compared to 26% in the district covering south Los Angeles, according to L.A. Unified data.

Of 500 primary centers and elementary campuses, the district still directly pays for library aides at only 80 — those with significant African American student populations — as part of a 2011 civil rights settlement with the federal government.

In other schools such as Wonderland, active and more affluent parents have raised private funds to restore their library aides.

At Lorne St. Elementary in Northridge, parent April Dobson organized a successful campaign to restore their library aide, featuring 1,000 protest letters, a public “read-in” event and calls to elected officials.

“Our parents were willing to speak up because we didn’t feel it was appropriate to close our libraries and deny access to children,” Dobson said. “But it concerns me to realize that we solved the problem for our children but that so many other schools are suffering from this.”

The problem is magnified for many children in low-income neighborhoods who live in “print-deficient environments” with few books at home, Ratliff said.

A 2004 study by Stephen Krashen, a linguist and USC professor emeritus, found that children in low-income neighborhoods had access to fewer books or high-quality bookstores and libraries. Krashen said his research and countless other studies have found that library access can help reduce the effects of poverty on reading achievement. His 2012 analysis of an international reading test in 40 countries found that access to a library with at least 500 books was nearly as strongly related to test scores as poverty. At San Pedro Elementary, where nearly three-fourths of students are learning English and 85% are from low-income families, the school advisory council decided that developing literacy was so important that they chose to pay for a full-time library aide.

During a recent visit to the school’s library, first-grader Marlene Sanchez clutched a popular book about a talking dog, “Martha Speaks,” and said her weekly library visits were among her favorite parts of school.

“I don’t have a bookshelf at home,” she said. “It costs a lot of money and we can’t buy books. But I would love to fill a bookshelf with books.”

The school uses the library to promote its “million word campaign,” which features a computer program that quizzes students on each book read and tallies up their word counts. Last year, 120 of the 750 students hit the mark — an eighth-grade standard — and the school posts pictures every month of its most voracious readers. Despite the preponderance of students not fluent in English, half of those who took state standardized tests last year were at grade level in reading.

“We ask our students to read daily,” said Principal Hector Carreno, “and if the library were closed it would be hard for them to do so.”

BY MCCLATCHY NEWS | FEBRUARY 24, 2014

By Teresa Watanabe

Philadelphia City Workers Get Closer to a Contract, Finally.

A five-year stalemate, Mayor Nutter yesterday signed a tentative agreement for a new contract with the city’s white-collar union. Nutter announced the deal last night with Fred Wright, the recently elected president of the American Federation of State, County and Municipal Employees’ District Council 47. Nutter cited Wright’s replacing union president Cathy Scott as a reason the negotiations moved forward.

“This agreement, as everyone knows, has been a long time in coming, and not for a moment would I suggest that it’s been an easy process because it has not been,” Nutter said at a news conference. “The events of the last few days and months with Mr. Wright and his leadership team quite frankly have accelerated the process.”

The deal — which Wright said DC 47 would vote to ratify next week — goes until July 2017, or 18 months into the next mayor’s term. The city estimates that it will cost $122 million over the next five years, which Nutter called “a substantial challenge for our budget, but one that we believe is warranted on behalf of our employees and taxpayers.”

The 2,700 members in the union’s main bargaining unit have been working without a contract and without raises since July 2009. The city has been calling for savings through pension, health-care and work-rule changes, and Scott refused to negotiate changes she described as “givebacks.”

Wright unseated Scott in a September election by pledging to reach a deal with the city quickly and to secure wage increases. She contested his election and forced a January rerun, which Wright won by an even greater margin.

“We wanted to get in and get a deal,” Wright said yesterday. “This was a very long process, both sides have come together, they heard each other, and they came to a fair contract.”

Nutter achieved several of the major changes he sought, including a new health-care-funding arrangement and a rule that prevents employees from earning overtime during weeks when they took paid sick leave and worked fewer than 40 hours.

But he made substantial compromises as well. For instance, new employees will not automatically enter into a less-costly pension plan that his administration designed. Instead, they will have the option of choosing the new plan or paying 1 percent more of their pay into the pension fund.

The deal could put pressure on the leadership of blue-collar District Council 33, the city’s largest union, which has been without a contract or raises for the same period. DC 33 president Pete Matthews, whose union last week returned to the bargaining table for the first time in a year, was not available for comment. Here are the major terms of the DC 47 agreement, according to the Mayor's Office:

Wages: The deal includes $2,000 bonuses and 3.5 percent raises to all DC 47 members. They get an additional 2.5 percent raise in July 2015 and a 3 percent raise in July 2016. Step and longevity increases that were frozen during the impasse will be restored.

Pensions: Current employees will pay an additional 1 percent of their pay to the pension fund. New employees will have the option of enrolling in a new plan that saves the city money. If they choose not to — as members of other unions with this option have done — the new employees will pay an additional 1 percent of their pay into the fund.

Health care: The city will give the union's health fund a $5 million cash infusion, on top of a $2.5 million payment in December. The city also will increase its monthly contributions to the fund from $975 per employee to $1,100 per employee. In 2015, the union will switch to a "self-funding" model that the city says will result in substantial savings.

Furloughs: Nutter had sought the right to furlough workers during economic downturns. The agreement does not include a new provision for furloughs but eases the rules for temporary layoffs, which the administration says will give the city greater flexibility.

Negotiations with DC 33 are expected to resume later this week. The city is in arbitration with the firefighters union over the current contract period and soon will enter arbitration with the police officers union to replace a contract that expires in July.

By Sean Collins Walsh

BY MCCLATCHY NEWS | FEBRUARY 26, 2014

As Lyft Debuts in Minneapolis, City Threatens Ticketing and Impounding.

A West Coast car-sharing service is facing off against Minneapolis City Hall, and regulators say they are prepared to ticket and impound cars they encounter after the service launches Thursday.

Lyft's unique model relies on regular people essentially becoming chauffeurs in their own vehicles, picking up passengers who request a ride through the mobile app. The service — known for its signature pink mustaches on the front of the participating cars — is already up and running in more than 20 cities, including St. Paul.

Minneapolis officials told the company several months ago that city ordinance defines Lyft as a taxi service. That requires the vehicles and drivers to be licensed and inspected as taxis, which clashes with Lyft's business model.

Lyft spokeswoman Paige Thelen said Tuesday that the company planned to start Thursday after talking with city leaders and coming to the conclusion that Lyft's peer-to-peer operation was not considered a taxi or for-hire business. "We feel like we're in a good place to move forward and launch in Minneapolis and continue conversations with them to find a solution that would be permanent," Thelen said.

But the city's head of business licensing, Grant Wilson, said the city will enforce city taxicab regulations if it sees Lyft cars operating around town. The city has already towed three vehicles operated by UberX, a similar company that Wilson said launched about a month ago in Minneapolis.

View Full Story from the Minneapolis Star Tribune:

http://www.startribune.com/local/minneapolis/247374901.html

California's Drought Relief Package Signed into Law.

Gov. Jerry Brown signed legislation Saturday to free up the state's water supplies and aid residents who face hardship because of the drought, according to a release from his office.

More than $687 million will go to drought relief, money that will fund housing and food for workers directly affected by the drought and projects aimed at more efficiently capturing water, the release said.

"Legislators across the aisle have now voted to help hard-pressed communities that face water shortages," Brown said in a statement. "This legislation marks a crucial step – but Californians must continue to take every action possible to conserve water."

The two bills Brown signed passed with wide margins in the Senate and Assembly.

View Full Story from The Los Angeles Times HERE.

MARCH 3, 2014

WSJ: Private Capital for Public Works.

A bipartisan move in Congress seeks investors for American roads, ports and bridges.

The budget deal and $1.1 trillion spending bill agreed to by Congress and the White House should help our country climb out of recession. We also hope the compromise and common sense displayed by these agreements mean Washington can next tackle what's really needed to assure robust economic growth and full employment—the rebuilding of public infrastructure.

In his State of the Union message, President Obama proposed that money saved by enacting tax reform be used to rebuild ports and roads, pointing out that "first-class jobs gravitate to first-class infrastructure." Promising ideas are also emerging on Capitol Hill, among them the Bridge Act, introduced by Sens. Mark Warner (D., Va.), Roy Blunt (R., Mo.) and eight others—four Democrats and four Republicans.

The Bridge Act would set up an independent, nonpartisan financing authority that would provide loans and loan guarantees to states and localities, helping them fill gaps in infrastructure funding by attracting private investment for transportation, ports, water, sewer and other projects. The authority would finance 49% or less of a project's cost. Sen. Lindsey Graham (R., S.C.), a co-sponsor, notes that this incentivizes private investment "with the federal government as a junior partner." The bill's sponsors estimate that the funding authority could attract up to $300 billion with government funding $10 billion.

The Bridge Act revives House and Senate efforts of the past decade to create a national infrastructure bank, based on the idea that the federal budget should be a tool to encourage investment, as it was when Jefferson purchased Louisiana and Eisenhower built our interstate highways.

There also is encouraging movement in the House, where Transportation and Infrastructure Committee Chairman Bill Shuster (R., Pa.) called for a transportation funding bill by August. This would leave time to negotiate a final bill with the Senate before authorization of the current transportation bill, MAP-21 (the Moving Ahead for Progress in the 21st Century Act), expires this fall. Mr. Shuster also aims to end contentious, short-term extensions of highway and transit funding by establishing a national transportation plan. He will need cooperation and resolve from fellow lawmakers.

The Congressional Budget Office projects that a six-year transportation bill will need to add $100 billion to fund transportation at current levels, and U.S. Transportation Secretary Anthony Foxx warns that the Highway Trust Fund—the source of most transportation funding—could start "bouncing checks" this year.

Last year, Rep. Rosa DeLauro (D., Conn.) reintroduced legislation to create a national infrastructure bank structured much like the funding authority proposed by the Bridge Act. This would be a companion to the Senate bill if it gains traction among a majority of House members.

In addition, bicameral bipartisan legislation has been introduced—by Reps. John Delaney (D., Md.) and Jeff Denham (R., Calif.), and Sens. Michael Bennet (D., Colo.) and Mr. Blunt—that would allow corporations to repatriate a portion of their overseas earnings tax-free if they invest in bonds that would finance a $50 billion national infrastructure fund. The House bill is co-sponsored by 25 Democrats and 25 Republicans. The proposal merits careful consideration.

An improved climate for cooperation also could hasten passage of bipartisan legislation introduced in both houses of Congress—by Sens. John Hoeven (R., N.D.) and Ron Wyden (D., Ore.), and Reps. Ed Whitfield (R., Ky.) and Allyson Schwartz (D., Pa.)—that would enable state infrastructure banks to sell Transportation and Regional Infrastructure Project bonds to investors. These bonds would provide buyers with a federal tax credit in lieu of interest.

We also hope the time is ripe for Congress to allow Real Estate Investment Trusts and Master Limited Partnerships to invest in public and private infrastructure projects that produce revenue, such as ports, transportation projects, transmission lines and energy retrofits for buildings. REITs are publicly traded entities that qualify for an IRS designation enabling them to cut or eliminate corporate taxes; in return, they distribute 90% of their income to investors who pay income tax on those dividends at regular rates. MLPs also are publicly traded and do not pay federal or state taxes; MLP unit holders receive quarterly distributions on which they pay income tax at their own rates.

Pipelines and some other U.S. energy infrastructure are currently MLP-eligible. Allowing REITs and MLPs to invest in infrastructure could dramatically increase financing of crucial projects.

Each of these proposals could open a door to states, counties and cities looking to fix or replace their degraded transportation facilities. Each would use the federal government as a catalyst or tool to help localities structure projects that can be financed with private partners—benefiting both.

Ironically, global sovereign-wealth funds and non-U.S. pension funds are the largest investors in crucial infrastructure—while American mutual funds, pension funds and retail investors allocate a minuscule portion of their trillions of capital to these facilities.

In its latest report on global competitiveness, the World Economic Forum ranked America's infrastructure 25th among nations. The country needs to do much better.

By FELIX ROHATYN And RODNEY SLATER

Feb. 19, 2014 7:05 p.m. ET

Mr. Rohatyn is an investment banker and former chairman of New York's Municipal Assistance Corporation. Mr. Slater is a former U.S. secretary of transportation.

[In a Tale of Two Muni Markets, it's Far, Far Better for Advisers to Find the Middle Ground.]

Neither the best- nor worst-case scenario is accurate and that means credit analysis is more important than ever.

Charles Dickens' famous first line of "A Tale of Two Cities" — "It was the best of times, it was the worst of times" — could have referred to investors' views of U.S. cities and the municipal bond market in 2013. The best of times reflects the apparent laissez-faire attitude of many market participants toward credit analysis and the worst of times in the hysteria that every city could become the next Detroit.

As usual, the truth lies somewhere between the two extremes. Advisers should encourage tax-exempt bond market investors to stick to this less-traveled middle road.

In the 1970s and early '80s, before municipal bond insurance, many states submitted financial statements less than 10 pages long — including all the notes. Investors and their advisers largely relied on the opinions of ratings agencies. Subsequently, bond insurance provided investors with an extra level of perceived protection and also boosted transparency, as bond insurers were among the first to call for greater disclosure from states and municipalities.

The downside: Investors became even more lackadaisical about credit analysis. Too often, investors said, "As long as I buy AAA insured municipal bonds, I don't have to worry about credit risk."

The implosion of the bond insurers in the 2008 financial crisis put a temporary end to the widespread "set it and forget it" philosophy. Today, advisers may hear investors say, "As long as I buy A or AA general obligation bonds, I don't have to worry about credit risk." We've gone two steps forward, only to take a giant step back.

What causes municipal bond investors to fool themselves into thinking credit analysis doesn't matter? Corporate bond investors typically don't take such a cavalier attitude toward credit risk. Perhaps events such as mergers, which can cost bonds their investment-grade status overnight, have made taxable-bond investors more circumspect in their research.

In an odd juxtaposition with the casual attitude toward credit risk, many municipal bond investors have become paranoid about the financial condition of states and municipalities. Such hysteria makes for good headlines and causes restless nights — but also misses the target.

Municipal investors have to cope with today's elevated, sustained levels of media attention. Triggered by the 2008 financial meltdown, the municipal market has faced one negative headline after another. Bond defaults. Predictions of billions of dollars in additional defaults. High-profile bankruptcy filings by Detroit and other cities. Fearmongers see Detroit's July bankruptcy protection filing as a harbinger of things to come. But while other cities share some of the same problems, the breadth and depth of Detroit's issues sets it apart.

As a practical matter, it should be obvious that neither the best- nor worst-case scenario accurately portrays the U.S. municipal market. Less obvious is which scenario investors should fear most. Headline-driven hysteria may cause sleeplessness and high blood pressure, but it promotes a higher awareness of the importance of credit research.

Although the "worst of times" scenario is exaggerated, serious stresses remain at both the state and local levels. In fact, investor reliance on the "best of times" approach potentially is more damaging to portfolios. Investors who assume that all tax-exempt bonds rated A or better are safe risk exposing themselves to unwanted surprises. One doesn't have to experience a default to feel the effects of such surprises. Deteriorating credits can whittle away at a bond's value.

So far this year, the multiple-notch rating downgrades of several highly rated bonds, both in the general-obligation and essential-purpose-revenue categories, have cost investors as their prices fell to reflect the increased credit risk. These actions have reflected ratings agency views on deteriorating financials, poor management, and/or the lack of political will to take prudent actions, among other factors.

Advisers can best help investors through diligent, credit-centric security selection, considering all aspects of the issue before purchase and maintaining a strong surveillance system to mitigate unpleasant surprises. Investment advisers who focus on credit analysis should have a better chance of avoiding credit debacles and might even uncover issues with trends the market doesn't yet reflect.

Bloomberg News

By Robert F. Collins

Dec 17, 2013 @ 12:01 am (Updated 4:09 pm) EST

Robert F. Collins is head of municipal fixed income at Wilmington Trust.

[Lyft Lauches in Houston Friday, but with City Eyeing Enforcement.]

Lyft is avoiding fines by not charging or accepting donations.

An app-based ridesharing service is charging into the Houston market without waiting for the city to revise rules that could subject the company and its drivers to fines if customers paid for their rides.

But the company, Lyft, is avoiding any immediate confrontation with city officials by temporarily refraining from charging or accepting donations. The city, meanwhile, will continue work on changes in its taxi and limousine ordinance that could enable Lyft and similar services to operate and accept payments. The service begins on Friday.

The company, which connects riders with drivers who use their own vehicles, has evaluated the city's ordinance and believes existing law allows it to operate, Lyft spokeswoman Erin Simpson said.

The service doesn't charge a prescribed fee – payments are made via mobile phone and are technically donations – and it conducts its own background checks of drivers.

"Lyft is not a taxi or limo service," Simpson said. Houston officials disagree, however, saying the city ordinance covers all sorts of fees and tips.

"There are some working girls that work the streets of Houston who say, 'We're legal because it is just a donation,'?" Mayor Annise Parker said Wednesday. "I'm sorry, we will enforce our ordinances."

After more detailed conversations on Wednesday, the company indicated it would – for an unspecified time – forgo any exchange of money between drivers and riders, said Christopher Newport, chief of staff for the city's regulatory affairs department.

Anyone who accepts payment for a ride would be operating an illegal taxi service, Newport said. And Lyft could be cited for operating an unregulated dispatch service by connecting drivers and riders, he said.

Both infractions are Class C misdemeanors, punishable by a $500 fine for each occurrence.

Newport said Lyft's decision not to allow payments stalls the conflict for a while, though the company didn't give city officials a guaranteed date when payments would begin changing hands.

"We're going to watch them, but for now this resolves it," Newport said.

At the earliest, the changes in city rules could take effect about two months from next Tuesday, when two City Council committees will meet jointly to discuss the matter, Newport said.

DRIVERS, CARS CHECKED

Lyft uses a smartphone app to connect drivers and riders. The drivers' backgrounds are checked by the company, and drivers must operate a four-door car newer than model year 1999 that has passed a 19-point safety checklist.

Each driver, when operating as a Lyft driver, is covered by a $1 million insurance policy in addition to the driver's own liability insurance.

Riders log in and look for a ride. The driver and rider can see one another via the app, and both must agree to the trip before it is booked via smartphone.

The route is mapped, so both the driver and rider know the path before they leave. Once at the destination, the two part ways. Each then fills out a survey rating the other, respectively. The rider is also given a suggested donation for the driver, but can alter that to whatever he or she likes.

Lyft takes a 20 percent cut of all donations for its role.

Simpson said the company sees itself as a solution to traffic congestion. Solo motorists can offset their vehicle operating costs by driving others, while those interested in getting a ride can avoid paying for parking and spending money for fuel.

Paul Gutierrez, interviewed in downtown Houston, said he's wanted Lyft as a local ride choice for some time.

"I am glad they're finally just going to jump in," Gutierrez said. "I'll use it this weekend."

Lyft will debut in Houston with service within most of Loop 610. and in nearby areas like Garden Oaks and the Galleria. As more drivers are introduced and riders respond, Lyft's service will expand, said Simpson, the company spokeswoman.

SUCCEEDING ELSEWHERE

In similar markets, the service has grown quickly.

"I think of (Los Angeles) as a really great example where many people rely on their cars to get around," Simpson said. "L.A. has been one of Lyft's fastest growing cities, which really speaks to people wanting to have options."

Houston officials agree, which is why they have spent the past few months preparing for changes to the city code. Officials have stressed safety and giving residents as many options as possible.

A study released last month found Houston's taxi and limo industry is unlikely to suffer from the entrance of newer companies like Lyft.

BY DUG BEGLEY, MCCLATCHY NEWS SERVICE / FEBRUARY 20, 2014 0

Reporter Mike Morris contributed to this story.

Desalination Making a Splash in California.

California has grappled with water scarcity for generations and now the San Diego Water Authority is betting on desalination.

When thinking of California, Hollywood, Silicon Valley and even the Gold Rush are likely among the first things that come to mind. But more than anything else, water has defined the state and shaped its history. Cities throughout the state have thrived – or withered – depending on how successful they were at securing water rights.

The legendary California Water Wars of the early 1900s still elicit strong responses, especially from those who continue to call California's Owens Valley home. Owens Valley was the epicenter of the struggle between the water-rich eastern Sierra farmers and the growing city of Los Angeles. Famously recounted in the 1974 film Chinatown, Los Angeles water chief William Mulholland engineered the Los Angeles Aqueduct that brought water to millions in Southern California while devastating the Owens Valley.

Today, water is still perhaps the most important issue California contends with. It's such a divisive topic that it has many times over the years yielded various movements to divide California into two or more separate states. Currently a “Six Californias” plan is being touted by Silicon Valley venture capitalist Tim Draper. In Sacramento, Governor Jerry Brown’s $25 billion proposal to construct two massive water-diversion tunnels in the Sacramento-San Joaquin Delta have further polarized residents. Those in the northern third of the state, where most of the water (usually) resides tend to resist efforts by Central Valley farmers and Southern California metropolises to have “their” water taken from them.

Currently, California finds itself in the midst of a severe – though historically commonplace – drought. Talks of water diversification that extends beyond relying on the Colorado River and the California Water Project are again ramping up.

In Carlsbad, Calif., however, such talk about diversification has been replaced by action. Carlsbad, which lies about 35 miles up the coast from San Diego, is the site of a $1 billion desalination plant that is currently under construction. Under the jurisdiction of the San Diego County Water Authority, the plant is expected to come online in 2016 and provide San Diego County residents with 50,000 acre-feet of water (more than 16 billion gallons) every year.

The bulk of the funding for the plant comes via $734 million in bond financing. The plant is being built, and will be operated by, Poseidon Resources of Stamford, Conn. As part of the deal to build the plant, the authority has agreed to purchase those 50,000 acre-feet of water every year for 30 years, with a safeguard in place that the authority can reject any water that doesn’t meet its standards. At a current price of $2,000 per acre-foot, which is double what it pays for the water it receives from the Metropolitan Water District of Southern California, the authority is gambling that as water scarcity in California continues, desalinated water will pay off in the near future. The desalination plant will provide 7 to 10 percent of San Diego County’s water supply by 2020.

Historically, desalination has not been considered a viable option in the United States. Though the basic technology has been around for decades, the cost and energy requirements have not penciled out here, especially as water in the U.S. has been relatively cheap and abundant. In the Middle East, desalination plants are common and necessary. Israel, for example, has three of the largest desalination plants in the world, churning out as much as 40 percent of that country’s water supply. Those plants are operated by Israel’s IDE Technologies. At the Carlsbad plant, IDE will share operations with Poseidon.

The first big attempt at desalination in the U.S. began in 1997 in Tampa Bay, Fla. That project, on which Poseidon also worked, was fraught with financial setbacks and wasn’t completed until 2007. Currently, the Tampa Bay facility outputs approximately 25 million gallons of fresh water every day – about half the output expected from the Carlsbad plant. Aside from a handful of small scale facilities, that’s really about it for American desalination efforts.

While the present drought in California is a handy reminder that water shortages are a regular occurrence, the Carlsbad plant has been in the works for years. Like the ever-increasing miles per gallon feats automobile manufacturers are able to conjure, desalination technology has benefited from decades of small but numerous improvements.

So why is San Diego investing a billion dollars into desalination?

“The cost of desalting seawater has come down significantly over the last two decades or so,” said Bob Yamada, Water Resources Manager at San Diego County Water Authority. “Previously, ocean desalination was not in the ballpark with other new water supplies. Improvements in the reverse osmosis technology and improvements related to energy recovery have contributed to a now cost-competitive water supply option.”

Many of the improvements Yamada cites have been shepherded at IDE's desalination plants in Israel.

"The technology has improved incrementally," Yamada said. "In particular, reverse osmosis technology, which was first commercialized in the 1960s, there have been incremental improvements in that technology over the last 50 years but in the last 20 years we've seen significant incremental improvement in things like salt rejection, the membrane area, all of these things that manufacturing processes have improved."

In addition, Yamada said that there have been a significant changes in energy recovery technology. A company called Energy Recovery, based in San Leandro, Calif., manufactures devices called pressure exchangers, which transfer the pressure that's produced in the desalination process to pressurize the feed water stream coming into the plant. The Israeli plants all use pressure exchangers manufactured by Energy Recovery, as will the Carlsbad plant

"These things have all come together to reduce the cost of seawater desalination," said Yamada.

Desalination itself is a relatively straightforward process. At a very simplistic level it's just filtering seawater. But it's not quite that easy. Generally it takes two gallons of sea water to make one gallon of fresh drinking water. The seawater is drawn into the desalination system for the first step of the process – removing the suspended particles in the seawater. This occurs through a filtration process. In the case of Carlsbad there are large filter basins wherein the water is filtered through a combination of sand and anthracite, a type of coal. This process removes the suspended particles. The water is then further purified through reverse osmosis. In reverse osmosis desalination, water is pressurized and that pressure forces water molecules through a semipermeable membrane. The membrane rejects the salt molecules and creates two streams of water. One stream is called permeate, water that has gone through the membrane and is now essentially fresh water. The other stream created is called the brine stream. The brine stream exits the system with twice the salinity of normal sea water and still at very high pressure. The energy in that pressure is recovered by the pressure exchangers and transferred back to the feed water stream. The permeate stream is disinfected and then pumped to a storage tank where it is blended with water coming from water treatment plants. That blended water flow is then distributed within the aqueduct system.

Construction on the Carlsbad plant is more than 40 percent complete. Part of the project also includes a 10-mile pipeline that connects the plant to the authority's water treatment site in San Marcos, Calif. More than three miles of the pipeline have been built so far.

In the early 1990s San Diego was getting virtually all of its water from the Metropolitan Water District. However, severe droughts in the late seventies and late eighties prompted water officials to set upon a diversification strategy. While the desalination plant will only contribute 7 to 10 percent of the region's water supply, it makes up what will be one of the most diverse water supplies in the state. By 2020, the authority will get water from eight different sources, including Metropolitan but also from the nearby Imperial Valley, from ground and surface water, from recycled water, and from the desalination plant.

"The obvious benefit from a desalination project is we've got the largest reservoir in the world at our doorstep," said Peter MacLaggan, Senior Vice President of Project Development at Poseidon. "It's not subject to snow pack or rainfall. It's truly drought-proof. It truly has some inherent reliability features that aren't present with the other supplies in the region and as such it represents a hedge against droughts."

It may be that the time has come for desalination to take its place in California's water ecosystem.

There are 15 proposed desalination plants for California that are in various stages of planning. Poseidon is close to beginning working on a second, similar facility in Huntington Beach, Calif. That project, MacLaggan said, is waiting on one final permit from the California Coastal Commission.

The Carlsbad plant, MacLaggan said, will be the biggest and “most technologically advanced and environmentally sensitive desalination plant in the western hemisphere.”

For more than a century and a half California has been fighting itself over water. The Carlsbad desalination plant is giving rise to optimism that there is at last a viable solution to easing the state’s perpetual water woes that amounts to more than just a drop in the bucket.

FutureStructure

BY CHAD VANDERVEEN | FEBRUARY 13, 2014

Is Solar-Powered Desalination Answer to Water Independence for California?

From Isle of Man to Saudi Arabia, renewable desalination is gaining interest around the world as solution to water scarcity and food crisis

A flock of starlings takes flight in a field north of Bakersfield in California’s San Joaquin Valley. Photograph: Eric Rorer/Getty Images/Aurora Creative

Thousands of acres on the west side of California’s San Joaquin Valley lie fallow. In official speak, the former agricultural land has been “retired”. Water supplies have always been a problem for this drought-prone region. Yet what’s pushed the area over the brink is salinity.

The problem is in large part caused by farm irrigation, which picks up the salt that naturally occurs in the rocks and soils of the Central Valley and transfers it through drainage. Compounding the problem is the tidally influenced water that is pumped into the area from the Sacramento-San Joaquin Delta. A study by the University of California estimates that, left to continue, the Central Valley could be facing reparation costs of up to $1.5bn by 2030 and the loss of up to 64,000 jobs as agricultural production slides.

A California-based startup thinks it might have the answer. WaterFX’s solution comes in the unlikely shape of a vast bank of parabolic mirrors and an advanced “multi-effect” evaporating unit. The Aqua4 system offers a renewable method of desalinating briny water, which, if its developers prove right, could put California “on a path to water independence”.

How does it work? Unlike conventional desalination, which uses a high-pressure reverse osmosis system that forces salt and other solids through a membrane, WaterFX cleans water through use of a 400-kilowatt solar “trough” – hence the mirrors. This concentrated solar still collects the sun’s energy, which heats a pipe containing natural oil, providing heat for the subsequent distillation process.

“We wanted it to be highly modular and highly scalable so the same system is usable for very small applications all the way up to very large scale,” says Aaron Mandell, founder and chairman of WaterFX, which is piloting the idea in the Californian water district of Panoche.

The potential of renewable desalination is exciting interest in other corners of the globe. For example, Sundrop Farms, which is based in the Isle of Man, has installed a desalination plant near Port Augusta, South Australia. Located 100 metres from the shore, the solar-powered plant treats salt water pumped directly from the sea. As well as returning freshwater, the plant uses hot water generated during the desalination process to heat nearby greenhouses.

Interest is also on the rise in the Middle East and North Africa, which currently suffers a gap in water demand of about 42 cubic kilometres per year – a figure that could increase nearly fivefold between now and 2050, according to a recent World Bank report (PDF). Experimentation in renewable desalination is already under way in Qatar, where Norway's Sahara Forest Project has embarked on a pilot scheme. Saudi Arabia, meanwhile, has plans to build a solar-powered plant in the Al-Khafji governorate, with talk of more besides.

From a sustainability perspective, the upside of the technology is huge. The US federal government is currently pumping in about seven million-acre feet of water into California's Central Valley every year. Replacing a "meaningful percentage" of that figure – say, 20%-30% – would be enough to have a dramatic impact on securing water security for the area, says WaterFX's Mandell.

The implications for sustainable agriculture are also vast. After a successful proof of concept stage, Sundrop is now building a 20-acre greenhouse, which promises to produce 2.8m kg of tomatoes and 1.2m kg of pepper a year. As well as making desert land productive, Sundrop maintains that its approach reduces pesticide use, cuts food miles and results in better tasting produce.

The arguments from a climate-change perspective appear especially attractive. Saudi Arabia's 30 or so desalination plants, for instance, currently use about 300,000 barrels of crude oil equivalent a day. The trend in other Gulf countries, as well as in Algeria and Libya, is similar. "The status quo is not sustainable," concludes the World Bank, which describes the elimination of fossil fuel use in desalination as "critical".

As with all new technologies, the key consideration is whether the idea is scalable. The first question is whether the science actually works. The initial pilots look promising. WaterFX's test facility, which started operations six months ago, is successfully producing up to 14,000 gallons of fresh water a day. Plans are now under way to expand the demonstration project, which will push up its capacity to 65,000 gallons a day over the same 6,500 sq ft area.

A big stumbling block is cost. Solar-powered desalination currently averages about $1.52-$2.05 per cubic metre of water produced, depending on technology, energy costs and location, according to the World Bank. Conventionally, alternatives typically cost half that or less. The cubic-metre costs of desalinised water in Israel's traditional Hadera and (newer) Sorek plants, for example, are $0.65 and $0.52 respectively.

Mandell insists that the technology promises to become more price-competitive as production increases. "If 70% of your cost is fuel production for traditional desalination and you want to scale up, the cost goes up significantly, unlike solar desalination," he says. That logic is truer still if oil and gas prices increase in the future. Advances in concentrated solar power will drive efficiency savings, too.

Either way, don't expect renewable desalination or its supporters to go into retirement any time soon.

Oliver Balch

Guardian Professional, Tuesday 28 January 2014 12.35 EST

How the 'Private Option' Medicaid Could Hurt Local Health Centers.

In this sleepy Mississippi River Delta town in eastern Arkansas, the community health center that opened in 2012 stands out among the downtown's mostly abandoned buildings constructed over a half century earlier.

The 15,000 square-foot brick building with its two-story lobby and green awnings was paid for through a $2.8 million grant from the Affordable Care Act — a federal investment designed to ensure the nonprofit clinic could treat hundreds of additional patients, many of whom would gain health coverage under Obamacare.

Now, though, Mid-Delta Health Systems is worried it won't have enough money to maintain services to low-income patients because of how the state is expanding Medicaid.

Arkansas' "private option" model is putting newly eligible recipients into the same private plans that any consumer might buy in the health law's online insurance marketplaces. And private insurers pay the community centers far less than they have received from traditional Medicaid — in Clarendon, less than half as much.

With an estimated 200,000 Arkansans eligible for expanded Medicaid through the private health plans, the centers fear a big financial hit.

Medicaid reimburses health centers better than private doctors because federal law requires the centers be paid in relation to the actual cost of care they provide. The higher rates are supposed to reflect the sicker and poorer patients they see and the fact they can't limit the number of uninsured or Medicaid patients they treat.

As more states look to follow Arkansas' lead — Utah and New Hampshire are among those considering similar expansion plans — health centers are bracing for the worst.

"Medicaid is our single largest payer and if that payment rate is destabilized, then, we will start to see health centers close due to financial viability and solvency issues," said Daniel Hawkins, senior vice president of the National Association of Community Health Centers, which traditionally treat many patients who are uninsured or on Medicaid.

The Pennsylvania Association of Community Health Centers lodged a protest in January against a draft proposal by Gov. Tom Corbett, a Republican seeking federal approval of a similar private option plan that would force centers to negotiate their rates with private plans. But the state reversed course in the final application submitted Wednesday to the Obama administration, guaranteeing that centers could keep their current rates and that health plans include them in their networks.

Iowa, the only other state currently using the private option, albeit on a smaller scale, also pays health centers at their full rate.

Medicaid is a state-federal program that covers the poor. The health law expands coverage in participating states to everyone under 138 percent of federal poverty level, or up to $15,600 for an individual, with the federal government paying the full cost through 2016 and states covering up to 10 percent of the cost in subsequent years.

State Perspective

When the federal government approved Arkansas' plan last year, it asked the state and Arkansas' 12 health centers to negotiate a new payment system. No deal has been reached though, so insurance plans have paid the centers the same discounted rates they negotiate with private physicians.

Arkansas Medicaid Director Andy Allison argues that Medicaid funding for health centers should be cut for the same reason the law cut federal funding to hospitals –they are expected to see fewer uninsured patients and therefore have less uncompensated care.

"We don't agree with that," said Alvin Sliger, Mid-Delta's soft spoken executive director. He and other health center officials say they deserve higher reimbursements than private physicians because they will continue to treat sicker and poorer patients and under federal law, must offer broader services, including dental care, immunizations and mental health treatments. Unlike private physicians, moreover, the centers cannot limit the number of Medicaid or uninsured patients they treat. Those rules don't change under the private option Medicaid.

Sliger also says its uncertain how quickly the uninsured will enroll in Medicaid —and, therefore, how many uninsured his clinic will still see.

Since the Medicaid expansion began in January, Mid-Delta has received $60 for routine office visits for Medicaid private option enrollees who are covered by Blue Cross and Blue Shield of Arkansas, compared to the $138 it gets from traditional Medicaid.

About 30 percent of Mid-Delta's patients, for instance, have high blood pressure and 14 percent have diabetes—both higher than national averages. Slightly more than half are uninsured, 17 percent receive Medicaid and 90 percent have incomes below 200 percent of federal poverty level, or $23,000 for an individual — roughly the median income in the region.

The centers treated about 156,000 patients in 2011, the latest year for which figures are available, including 67,000 who were uninsured.

Massachusetts Example

Hawkins, of the national trade group, noted that in Massachusetts, more than one in five of the patients seen at health centers in 2011 were still uninsured, down from 36 percent in 2007 when the state went to near universal coverage. Despite the drop in that state's uninsured rate, the actual number of uninsured residents receiving care at Massachusetts health centers increased by 6 percent between 2007 and 2011, as private physicians focused on those who had coverage, according to a study by George Washington University.

While health centers may lose some patients who see private physicians after they gain coverage, the Massachusetts experience suggests that many will continue to use the centers for primary care because they are nearby and offer needed services.

Health centers got a bonanza from the health law to help them gear up to treat newly insured people as well as those who still lacked coverage — $11 billion in additional federal funding over five years to expand and modernize. The nation's 1,200 community health centers have thousands of sites and treat 21 million people a year, most of them poor.

Allison said he didn't expect the pushback he has received. "I'm a little surprised at how they are reacting," he said in an interview in Little Rock.

The Obama administration would likely have to approve a cut in centers' Medicaid funding because the way they are paid is set through federal law, said Sip Mouden, executive director of Community

Health Centers of Arkansas.

Meanwhile, the GOP-led Arkansas Legislature began meeting this month and it's uncertain whether it will renew its private-option Medicaid expansion plan beyond June 30.

Despite all the uncertainty, Mid-Delta has continued enrolling its clients in Obamacare — with most joining Blue Cross and Blue Shield, the only private option plan available in the county.

"I am rejoiced and happy," said Rosalita Lott, 60, who enrolled at the center last month. "It's a lot of pressure off of me and I will be able to sleep tonight."

BY KAISER HEALTH NEWS | FEBRUARY 21, 2014

By Phil Galewitz

States Aren't the Only Ones Reforming Health Care.

Some of the most promising experiments to improve quality of care while cutting expenses are taking place at the local level.

Richard was a textbook case for Hennepin Health. The county-run Medicaid plan in Minneapolis had targeted a specific, expensive-to-treat population with the aim of reducing health-care costs and Richard—45 years old, uninsured and homeless—fit the bill. Instead of having his health problems, which included chronic back pain compounded by drug and alcohol abuse, managed through medication and therapy, Richard checked into an emergency room whenever he needed help. He had become what's known in the emergency medicine world as a frequent flyer. Not only were his visits adding to the state's already substantial tab for uncompensated care, the emergency room could not provide a long-term plan for his care. That's why Richard was identified by Hennepin Health as the perfect candidate for a new, coordinated approach to handling chronic, costly users of emergency medical services.

Richard was assigned a coordinator to help him get ongoing medical attention through a regular primary care physician, as well as help in other areas of his life; it turns out that he had been homeless since he was 15. Under Hennepin Health, he's now living in stable housing and is receiving regular preventive care for the first time in his life. Richard also is now living sober.

Multiply Richard's experience times thousands or millions of patients, and a program like Medicaid can begin to see a substantial increase in quality of care for its beneficiaries and a decrease in the costs of providing that care.

The Hennepin approach is one of many cost-control experiments taking place nationwide. Such customized pilot programs have the backing of the Affordable Care Act (ACA), which specifically bankrolls ideas that shake up the way health care is delivered and providers are paid. There are three big ideas gaining interest and acceptance to attack persistent problems: the lack of coordinated care to treat the whole person, not just medical issues; the misuse of health care among people who have trouble navigating the complexities of the system; and the poor level of collaboration between health-care providers and the public and private sectors. Cost-containment efforts by states, including pilot programs in Arkansas and Oregon, have been widely reported. But some of the most promising experiments are taking place at the local level.

The driving goal behind Hennepin Health, which began as a pilot two years ago, is to provide holistic care for the urban poor and do it in a way that motivates everyone involved—from medical providers to county health-care officials—to save money. The incentives certainly seem right: Under Hennepin Health, the state gives the county a set amount of money per Medicaid client each month. Whatever the county manages to save goes back to the doctors in its network and also to future investments in the model.

The key to the approach is straightforward. It involves identifying frequent users of emergency rooms, such as Richard, and then steering them into primary care and other services. Hennepin officials use data from partner hospitals to identify individuals who regularly visit emergency rooms and who, in the past, weren't connected to a primary care physician when they left. These individuals are now assigned a service coordinator, essentially a health-care and social services "quarterback" who oversees all of a patient's health and social services needs. The coordinator then matches clients to clinics or health-care networks that offer a wide variety of services, from dental to mental health care. In fact, dental services alone have proved so attractive to clients that it has been a useful tool for keeping sometimes unreliable, unpredictable patients in the system, says Jennifer DeCubellis, area director of the Hennepin County Human Services and Public Health Department.

But the goal of creating a truly comprehensive, integrated system that meets more than just the clinical needs of patients requires a high level of coordination and cooperation among medical providers, government officials and other service providers. That's never been easy to accomplish. Hennepin County had to persuade providers to allow it to embed county human services staff in hospitals, where they are now responsible for connecting patients with housing, employment and transportation, in addition to coordinating their care. "The biggest thing was getting people to see that each system didn't have to build its own resources, and actually that [doing so] was detrimental," DeCubellis says.

The experiment appears to be paying off. In its first year, Hennepin reduced projected costs by more than 5 percent per patient, and the county will put $1 million into new programming that's expected to return another 30 percent in savings next year. For the costliest patients—the top 5 percent, who used 64 percent of program funding—the county has already saved between 40 and 95 percent per client. Those are the kinds of numbers that have drawn the interest of not only other localities in Minnesota, but health-care officials and providers nationally.

This more holistic, coordinated and preventive approach to health care isn't new. North Carolina won an Innovations in American Government award in 2007 for Community Care of North Carolina, which consists of 14 regional health-care networks organized by community physicians, hospitals, and health and social services departments as a way to focus more coordinated and preventive care on high-cost users. Now the approach pioneered by North Carolina is catching on in places as varied as rural Minnesota and the urban northeast.

Southern Prairie Community Care, a 12-county consortium of health-care providers and county agencies in southwest Minnesota, is launching its own North Carolina- and Hennepin-style integrated, collaborative Medicaid program. In calculating whether it was feasible to introduce such a program in an area characterized by its far-flung geography, Mary Fischer, the group's executive director, says that whatever challenges the group faced logistically were more than offset by long-established relationships among agencies and providers, which made the whole notion of coordination and cooperation feasible. "We will never be a place that can co-locate everything, but we see lots of opportunities in just aligning the various services and decreasing fragmentation through closer communication," says Fischer.

The next step for Minnesota is using a statewide ACA innovation grant to move beyond Medicaid and

Medicare patients and on to the rest of the state’s population by involving private health insurance companies. That will take negotiating with the insurers that have to structure the payments, but it will also require threading the needle with private doctors, says Scott Leitz, assistant commissioner of health care for the state Department of Human Services. “We’re not there yet.”

A key challenge in establishing a coordinated, cooperative and preventive program is tracking down the people who ought to be in it. Camden, N.J., tried an unusual approach: bringing aspects of police “citystat” programs to health care. Dr. Jeffrey Brenner, who had become familiar with mapping crime hot spots as a citizen member of a police improvement commission in the city, decided to see if the stat method might be applied to honing in on the city’s costliest patients. What he and Camden officials found was startling: 20 percent of patients accounted for 90 percent of hospital costs, and nearly half of the 77,000 city residents visited an emergency department at least once a year.

Using that data, Brenner in 2007 teamed up with a nurse and social worker, and they started making individual house visits in areas of high hospital utilization. The team then helped connect people to the services they needed to keep them out of emergency rooms. With the help of support from funders like the Robert Wood Johnson Foundation, Brenner ultimately created the Camden Coalition of Healthcare Providers. Today the organization’s staff numbers about 65 and is expanding with the aid of a grant from the Centers for Medicare & Medicaid Services. It’s also bringing the idea of medical “hot spotting” to new communities both urban and rural.

The approach that has evolved out of Brenner’s first hot-spotting visits remains simple: Teams made up of nurses, community health workers, dieticians, social workers—whoever is needed—are dispatched to patients who frequently visit the hospital. While the work can start in the hospital, home visits are typically an integral part of the hot-spotting approach. The work runs the gamut: helping patients understand their medicine regime, arranging for transportation to follow-up appointments, and connecting clients to primary care. Coordinators might even help a client obtain a gym membership or set him up with volunteer opportunities as a way to move him back into the mainstream and, potentially, a paying job.

Offering a range of services is critical to the success of such an approach, says Andrea Miller, the Camden Coalition’s senior program manager for new hot-spotting initiatives. “There’s such a stigma around high utilization [with the sense that those patients] are just not compliant,” says Miller. “But the truth is there are many barriers preventing them from getting what they need.”

With its first 36 patients—who as a group averaged 62 hospital and emergency room visits per month—Camden reduced average monthly health-care costs for the group from $1.2 million to about $500,000. Other communities have seen the same kind of hot-spotting success. A group based in eastern Maine, for example, started hot spotting in January 2012. Among the 44 patients who have 12-month post-intervention data, there’s been a 76 percent reduction in emergency department use and an 86 percent reduction in hospital admissions.

Last month, Maryland’s Howard County Health Department became the first government entity to launch its own hot-spotting team, with guidance from Camden. Using a $250,000 state grant, Howard is now hiring a nine-member team of registered nurses, community health workers and data managers to intervene with people who make frequent trips to the county’s general hospital. If Howard County realizes the same savings as other jurisdictions, the hope is to make the pilot a permanent fixture by getting both public and private insurers—as well as providers—to help fund the program, says Dr. Maura Rossman, Howard County health officer. “We think this might be something where anyone from insurers to hospitals may be interested in partnering,” she says.

One of the most obvious avenues for applying a more comprehensive and prevention-focused approach to the high cost of health care is to focus on such chronic conditions as asthma, diabetes, congestive heart failure, depression and chronic obstructive pulmonary disease.

Take Akron, Ohio, where about 11 percent of adults have Type 2 diabetes, several points above the most recent national median as calculated by the Centers for Disease Control and Prevention (CDC). That number alone may not seem jaw-dropping, but the trend is: If Akron and surrounding Summit County do nothing and the growth rate in Type 2 diabetes continues, fully one-third of the population will be diabetic by 2050. Compounding the problem is the fact that many of those with Type 2 diabetes don’t seek medical care until the situation is dire, and 31 percent of the diabetic population has no insurance. With hospitals losing more than $50 million a year in unreimbursed care costs, and with a widespread concern in the community that disease prevalence is a drag on the workforce, the city and county launched an initiative to tap the resources of as many groups as possible.

A research group, called the Austen BioInnovation Institute, took the lead as coordinator between more than 70 groups that cut across government, the health-care sector, religious organizations and nonprofits—each with a role in prevention as well as managing the care of people who are already diabetic. The institute, funded by Akron’s three major hospital systems, was the logical choice to lead the effort since it was created to do research and advance community health. With the help of a $500,000 CDC grant, what Akron calls its Accountable Care Community launched in 2011.

The core of the concept is to bring public health and clinical medicine together on a community level. “If you looked at a community,” says Dr. Frank Douglas, Austen BioInnovation’s president, “and mapped out whatever opportunities there were for care and prevention and could bring together resources on a local basis, then anyone living in a particular set of ZIP codes could reach out to an identified source who could triage them into an appropriate place so they don’t wait until an emergency [to seek care].”

Three competing hospitals offered the data to help make that possible. They’ve also lent their staff to teach nutrition and wellness classes, to host screenings at churches and to offer free care at libraries and elsewhere. Nonprofit community health groups have redeployed staff to monitor the cases of diabetics and ensure they’re managing their disease in cooperation with their primary care provider. The Summit County Public Health Department is also boosting its efforts, embedding staff in low-income housing to meet with people flagged by the hospital system. “You spend an hour at the doctor’s office and the other 23 hours at home,” says Donna Skoda, deputy commissioner of the Summit County Public Health Department. “That’s where those supports have to be.”

Government efforts aimed at encouraging healthier habits among citizens haven’t been limited to only public health or social services departments. Planning and transportation officials have also helped by making areas more walkable and providing greater access to public parks. Austen BioInnovation took a page out of Camden’s playbook, finding high-concentration areas of diabetes and then getting city planners to implement “road diets”—reducing the number of car lanes while adding bike lanes.

As in other jurisdictions that are trying to reduce health-care costs among their citizens, the early results in Akron are encouraging. Among a sample of 2,000 diabetics after the first 18 months, average monthly costs for health care have gone down more than 10 percent, saving $3,185 per person a year. More than half of participants lost significant amounts of weight, and emergency room visits were lowered by a range of one-third to one-half.

The program picks up on the lessons of others that have come before it: linking patients to their next step, and thinking beyond what they need from their doctors to stay healthy.

“It’s teaching people to lift up your head, look at what services are available around them, and finding ways to partner when we can,” Hennepin’s DeCubellis says. “If you’re not connecting people to their next location, their next program, they’re going to fall apart after they leave.”

Governing

Chris Kardish | Staff Writer

After Setbacks, Municipal Bond Sector Is Looking Up.

THE municipal bond market has been judged lately more by its failures than its successes, and the judgment has been harsh.

Interest rates on municipal issues rose last year, taking the yield on the Bond Buyer 20-bond municipal bond index to 4.75 percent from 3.85 percent, the largest increase in more than 30 years. And as prices move in the opposite direction from yields, the average municipal bond mutual fund tracked by the research firm Morningstar lost too much on its holdings for interest payments to make up the difference. Investors withdrew a net $58 billion from muni mutual funds last year as returns deteriorated.

A similarly sharp rise in yields on long-term Treasury bonds played a big role in the poor performance of municipal issues, analysts say, but so did some civic bankruptcies. The California cities of Stockton and San Bernardino filed for protection from creditors in 2012, and Detroit did the same last summer in the largest case of its kind ever.

Investors’ faith was shaken further when prices plunged on bonds issued by Puerto Rico. The American territory has $70 billion in debt, a prodigious amount relative to the size of its economy, which has been inundated with difficulties.

Interest on Puerto Rican munis is exempt from federal and state income tax, no matter where a bondholder lives. That has made them popular with well-off investors nationwide, especially in high-tax states like New York and New Jersey, who otherwise receive the state tax deduction only on bonds issued in their home state.

But Puerto Rican issues became far less popular last year, with some yields doubling to about 10 percent in the face of concern that the island’s credit rating would fall to junk status. It fell to that level last week when two ratings agencies downgraded it.

Developments on Wall Street and in Puerto Rico and Detroit have depressed municipal bonds, but their tax advantages and safety, compared with stocks or some other assets, almost always make them suitable holdings for investors of a certain age and a certain income, whatever the short-term outlook, financial advisers say. And the market is expected to improve in 2014 as fundamental financial conditions that influence it become more favorable.

“I’m more optimistic this year,” said Alan Schankel, a municipal bond strategist at Janney Montgomery Scott. “I think the rising-rate environment will continue, although not dramatically. I think municipals will do better than other fixed-income investments.” He said that while downgrades have exceeded upgrades for the last few years, “I think that will reverse toward the end of the year.”

What investors are facing right now, he noted, are tax increases that went into effect a year ago but are likely to become palpable only in April, when the first returns are due that take the increases into account. Among the changes are a jump in the top federal income tax rate to 39.6 percent from 35 percent and a new 3.8 percent tax on investment income for high earners that was included in the Affordable Care Act. The increases will make well-off taxpayers "realize how valuable the tax-free status of municipal bond income is," Mr. Schankel said.

At the same time, state and local governments have adjusted to their straitened circumstances since the financial crisis by curbing spending, he said. That helps munis in two ways, by improving their ability to meet bond payments and by limiting their need to float new issues. Add it all up, he said, and "the supply-demand dynamics are a little more favorable for municipals."

Strategists at Citigroup also anticipate a healthier market. "We remain cautiously positive on our outlook for municipal credit over the next year, though some issuers will face their share of challenges," they wrote in a recent note to clients. "Most state and local governments will continue to take the steps needed to balance available revenues with needed expenditures, minimizing the magnitude of actual payment defaults."

They also highlighted the prospect of increased tax receipts as the economy recovered.

States are also addressing more effectively one of the biggest threats to financial stability that they and their cities face: runaway pension obligations. A report by Evercore Wealth Management noted that several states passed laws to limit their liability for retirement benefits to government employees.

California is expected to go further and place an initiative on the November ballot to amend the state Constitution to "enable cities to modify their existing pension programs, preserving only the vested earnings for existing employees," the report states. "From the investor's point of view, it would at last tackle what has become a major — and increasingly detrimental — factor in the long-term credit viability of municipal bond issuers."

Whatever developments may affect the market, financial advisers recommend a healthy allocation to municipal bonds for almost anyone with a moderate to high tax liability."If you're paying 40 percent federal and state combined, at least half of your bond allocation should be in munis," said David Molnar, a partner at HighTower San Diego, part of the HighTower nationwide advisory firm. "If you're in higher tax brackets, then I would go higher, even to 85 percent."

Elizabeth Ruch, a financial planner at Waddell & Reed in San Diego, counsels anyone middle-age or older and in higher tax brackets to keep about 20 percent of total investment assets in bonds, with all or nearly all of it in munis. Most investors should own funds rather than single bonds in the interest of creating a broad mix of issues, she added, and because professionals have better knowledge of what can be an opaque market with limited information available to novices.

Ms. Ruch finds municipal bonds especially good for well-off people past 70 1/2, who are required under federal law to take minimum distributions from their retirement plans. She contends, though, that most young investors should emphasize capital growth over the tax-free income of munis. "No one under 30 needs munis unless they're as rich as Bill Gates," she said. "They can take the risk of the stock market."

As municipal bonds demonstrated last year, owning them can be risky too, but not as much as some think, Mr. Molnar said.

"Everything we're hearing from Wall Street in the past six months is that bonds are bad," he said.

“Our view is that that’s overdone. You should own stocks, too, but munis and other bonds provide steady, consistent income and diversification.”

By CONRAD DE AENLLEFEB. 10, 2014

San Antonio Gives Up on Groundwater Plan.

More than three years after San Antonio Water System asked the private sector to develop plans for a new water supply for the growing, thirsty region, the utility has decided not to use any of them.

Instead, SAWS announced on Thursday, it will shelve three groundwater pumping projects that had made it to the final round of consideration in favor of expanding existing plans to desalinate brackish water in southern Bexar County.

One of the three proposals includes a controversial plan to pipe 16 billion gallons of water each year to San Antonio from underneath Val Verde County in West Texas. The plan had generated fierce opposition from water users along the Rio Grande, whose groundwater-fed flow could have been affected.

But the Val Verde County project may have actually been the most feasible, at least from a legal standpoint, because no groundwater conservation district exists in that county. The other two proposals San Antonio was considering were deemed unfeasible because they lie within groundwater districts that could could restrict pumping in the future. The utility said it was not worth paying tens of millions of dollars for infrastructure that may ultimately not have water to deliver.

“Groundwater law in Texas leaves too much uncertainty and risk for the private and public sectors,” said Robert Puente, the president of SAWS. “I hope that the proposers and cities across the state will join SAWS in calling for the Legislature to change the law so Texans can build projects to meet growing future demand.”

The move came as a surprise to John Littlejohn, founder of the Val Verde Water Company, who had submitted the proposal to pump groundwater from Val Verde County. Asked on Thursday whether he would try to sell the water to another city, he said he would have to weigh his options.

It was also a surprise to San Antonio officials who had been told by SAWS last year that their residents would likely have to pay at least 10 percent more for water in the short term to finance such groundwater pumping projects.

“It just goes to show you how quickly things change,” said SAWS spokesman Greg Flores. “We are conserving water better than we had planned, which means we can stretch our current resources out further.”

He added that a desalination plant SAWS plans to build could also treat more water than the utility had originally thought. The plant had been expected to provide 9 billion gallons of water each year, but Flores said SAWS may now be able to treat more than twice that amount.

Still, that won’t be easy. SAWS had planned to pump brackish groundwater from southern Bexar County, where no groundwater conservation district exists. To expand the capacity of the desalination plant, the utility will have to increase its pumping area to include land governed by the

Evergreen Underground Water Conservation District, which has resisted SAWS' efforts to take its brackish groundwater.

BY THE TEXAS TRIBUNE | FEBRUARY 7, 2014

By Neena Satija

Cradle-to-Grave Debt Load Leaves No Chicagoan Unburdened: Bloomberg.

Chicago is now the city of big debt, where each of its 2.7 million residents — from infants in diapers to senior citizens on fixed incomes — is on the hook for about $20,000 in long-term pension promises and bond obligations. Like the relentless snow clogging the city's streets, it just keeps piling up.

Chicago isn't bankrupt Detroit, junk-status Puerto Rico or New York at the brink of insolvency in 1975. Yet the city of gleaming skyscrapers along Lake Michigan's shore tripled its debt load from 2002 to 2012, as it ignored annual pension payments and borrowed for capital and operating expenses. A $590 million payment for retirement obligations is due next year, threatening cuts in everything from police to garbage collection, a tax increase, or both.

The rescue Chicago Mayor Rahm Emanuel needs will have to come from another financial leaky boat, the state of Illinois, which has the lowest credit rating among U.S. states. Lawmakers in Springfield, the capital, on Dec. 3 approved retirement-benefit cuts to address a $100 billion state pension shortfall. Not, though, for Chicago.

"The legislature and the city council and the mayor need to come to fiscal reality and recognize this is not sustainable," said Laurence Msall, president of the Civic Federation, a nonprofit research group based in Chicago. "They've created a bigger problem down the road, and now we are down that road. And there is very little road left."

More Debt

The city is about to pile on more borrowing, worsening its status as the biggest carrier of per-capita debt among the nation's most populous cities. Chicago plans to sell $650 million of bonds in the coming weeks, adding to liabilities that soared in the past decade.

In the 10 years starting in 2002, the city increased its bonded debt by 84 percent, to $7.8 billion, according to the Civic Federation. That added $1,320 to the tab of each city resident. Among the 14 major cities surveyed by the group, only New York recorded a higher per-capita increase, $1,555 in that period. The average jump was $324.

At the same time, Chicago's per-capita pension obligations for teachers, police, firefighters, transit workers and other employees almost quadrupled, topping $11,800 in fiscal 2012. The combined debt burden from pensions and borrowing reached almost $19,600 per person in 2012, the federation said.

'Fiscal Cliff'

It took years for Illinois lawmakers to address pension shortfalls. Chicago doesn't have the luxury of a long debate. Like all other municipalities in the state, it must make higher retirement-fund payments next year, as required by a 2010 law.

“The work is far from finished,” Emanuel said in a December press release after lawmakers approved the bill cutting state pension benefits, saving Illinois an estimated $145 billion during the next 30 years. Chicago is “standing on the brink of a fiscal cliff.”

Moody’s Investors Service made a similar observation in July when it cut the city’s grade three steps to A3, six levels below the top, and tagged its general obligations with a negative outlook. A reduction of that magnitude was unprecedented for a U.S. city as populous as Chicago, according to Moody’s data since 1990.

The New York-based ratings company cited “large and growing pension liabilities and accelerating budget pressures” stemming from them.

Detroit Road

“Chicago is on the road to Detroit,” declared the headline on a Feb. 5 editorial in the Chicago Tribune. That’s an exaggeration, said Rachel Barkley, a municipal credit analyst at Morningstar Inc. (MORN) in Chicago.

“It is much more akin to New York — a diverse economy, third-largest city, economic heart of the Midwest, a stable population and a considerable tax base,” Barkley said. “However, they still need to address that liability.”

In a Jan. 16 report, she showed that Chicago’s debt load per person was the biggest among the 25 most-populous U.S. cities — and almost twice that of Puerto Rico, the U.S. territory that is groaning under $70 billion of bonds.

‘Flashing Yellow’

The downgrade means “flashing yellow lights for the investor,” said Richard Ciccarone, chief executive officer of Hiawatha, Iowa-based Merritt Research Services, which analyzes municipal finance.

“The good news is the breadth of their tax base and leadership, but they need some help from the state,” Ciccarone said. “They need the legislature to act — yesterday.”

Investors are demanding higher interest rates to own some Chicago bonds since the July downgrade. The extra yield buyers require over benchmark municipal debt on general obligations maturing in January 2022 has averaged about 3 percentage points since August, data compiled by Bloomberg show. That spread averaged only about 1.6 percentage points in the five months before the Moody’s cut.

Chicago plans to sell $650 million in general obligations by early March, Kelley Quinn, a spokeswoman for the mayor, said yesterday. Proceeds would go toward infrastructure, repaying debt and legal judgments against the city. The city hasn’t considered issuing pension bonds to meet retirement obligations, Quinn said.

‘Streaming Out’

In his annual budget address in October, Emanuel painted a portrait of residents and businesses “streaming out of Chicago” if the legislature doesn’t restructure the pensions.

“We will not preside over a city in which garbage is not picked up, graffiti is not removed, and libraries and other vital services must be shut down,” Emanuel said.

The city’s population shrank about 7 percent from 2000 to 2010, while New York and Los Angeles both grew at least 2 percent, Census data show.

Chicago’s debt-load challenge is complicated by a lawsuit filed last month by a coalition of labor unions claiming the state’s pension restructuring law violates constitutional protections against reducing benefits. Discussion with state lawmakers on how to resolve the city’s liabilities have included elements of the bill passed in December.

The outcome of the lawsuit is critical to easing the city’s debt load without driving away tax-paying citizens and businesses, said James Spiotto, a municipal bankruptcy specialist in Chicago.

“If you cut services and increase taxes, people will leave,” said Spiotto, managing director of Chapman Strategic Advisors. “And if you keep repeating it, you get into a death spiral. Eventually there would be fewer workers and fewer people to pay the pension debt.”

By Tim Jones Feb 13, 2014 10:00 PM PT

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California Welcomes Insurance Coalition for Ride Sharing, Uber Joins In.

SAN FRANCISCO, Calif. — On Feb. 10, ride sharing companies took another major step toward establishing a foothold in the world of urban transportation when the California Public Utilities Commission (CPUC) officially recognized and welcomed the creation of the first ever Peer-to-Peer Rideshare Insurance Coalition.

The CPUC, the governing organization of ride-sharing civic technology companies such as Lyft, Uber and others, released a statement of welcome to the coalition that aims to collaborate with the insurance industry to support peer-to-peer ride sharing growth.

On Feb. 10, Lyft announced the list of members slated to attend the first Peer-to-Peer Rideshare Insurance Coalition meeting during the last week of February. The members are:

• John Zimmer, Co-Founder and President, Lyft
• Amy Fox, Partnership Development, Lyft
• Beth Stevens, General Counsel, Sidecar
• Corey Owens, Public Policy, Uber
• Phil Recht, Former Chief Counsel, National Highway Traffic Safety Administration for U.S. DOT
• Bill Vainisi, Senior Vice President & Deputy General Counsel, Allstate Insurance
• Chuck Wallace, Founder, Esurance
• Kedar Deshpande, Strategic Initiatives, Farmers Insurance
• Marzia Zafar, Director of Planning & Policy, California Public Utilities Commission
• Carol Brown, Chief of Staff to Commission President Peevey, California Public Utilities Commission

Though announced by Lyft in a blog on Feb. 5, this is the first time the CPUC has formally recognized its involvement as a participating observer in the coalition.

“I’m happy to see this diverse set of participants come together to find a market solution that will enhance insurance for the Travel Network Companies," said CPUC President Michael Peevey, the commissioner assigned to TNC proceedings, in a CPUC release.

"I will keep a close eye on this, and if there is an insurance gap that has been identified and confirmed, then I will propose regulations that could close the gap if the market has not stepped in to do so," Peevey said.

Marzia Zafar, director of the CPUC's Policy and Planning Division, also confirmed today that Uber, which had not initially signed on as a founding member, was now a part of the coalition as well. A notable development, considering the company is currently defending itself in a liability lawsuit after a 6-year-old girl was killed on New Year's Eve in San Francisco by a driver who claimed to be a part of Uber. The lawsuit, filed on Jan. 27 by the girl's family, has pushed liability issues of ridesharing companies into the forefront of public debate.

On Sept. 19 the CPUC confirmed itself as the regulatory agency and set insurance regulations for ride sharing companies in addition to regulations such as criminal background checks, driver training programs, zero tolerance for drugs and alcohol, and 19-point vehicle inspections. The current insurance coverage amount is $1 million per incident for ride sharing vehicles.

Leading up to the Sept. 19 decision, Uber was one of the few ride sharing organizations to advocate against the CPUCs authority over transportation networks, according the CPUC Decision Document. Uber argued the regulation may inhibit innovations within the industry and that "no public policy or public interest is advanced by such an extension of the law."

The coalition's first meeting is scheduled to take place in February, and a full list of members will be shared later this week.

Governing

BY NEWS STAFF / FEBRUARY 10, 2014

Pittsburgh Along for Ride with Lyft, Uber, but PUC Not.

Lyft users book a ride from an app and pay a suggested donation by credit card through a smartphone. DriverS use their personal cars with a pink mustache hooked on the front as identification for the car service.

The Pennsylvania Public Utility Commission is ready to take a razor to giant pink mustachioed cars that are offering rides in Pittsburgh.

The PUC said Wednesday the agency looking into complaints against Lyft, a driving service booked through a smartphone app, and other unlicensed transportation services and is "preparing to take action" to curb the practice.

PUC spokeswoman Jennifer Kocher said the agency has been made aware of Lyft's operations in Pittsburgh, which began on Friday. She couldn't say where the complaints originated.

"Generally speaking, we could file an internal PUC complaint or we can file criminally. Many times, we do both," Kocher said. "The companies and drivers alike could be cited because (the drivers) are providing the actual service."

“We’ll be heading in that direction.”

Lyft’s entrance to the Pittsburgh market reached the City Council Building this week when competitors, including Yellow Cab, asked the city to pass an ordinance authorizing police to cite unlicensed transportation services.

Jamie Campolongo, CEO of Pittsburgh Transportation Group, which owns Yellow Cab, was one of the people requesting the ordinance. Campolongo said last week Lyft’s operation is illegal and establishes an uneven business environment, because his company has to adhere to PUC rules and licensing. He could not be reached for comment on Wednesday.

Mayor Bill Peduto’s chief of staff, Kevin Acklin, said the mayor supports the new company and that it will provide needed competition to what he called “duopoly” among taxi services in the city.

“This is something we want to see. Other cities have adopted this,” Acklin said. “Whatever licensing happens is a judgement the Public Utility Commission has to make. We’re not going to make that judgement.”

Acklin said Peduto does not support having police ticket Lyft or other app-based driving services. He said the city would get involved only if the company did not pay the proper business taxes. Uber, a similar transportation service, lists Pittsburgh as one its operating cities.

“We’re not going to just come out of the box and say ‘no,’” Acklin said.

Lyft users book a ride from an app and pay a suggested donation by credit card through a smartphone. Drivers, who typically greet passengers with a fist bump, use their personal cars with a pink mustache hooked on the front as identification for the car service. The tech-savvy company is based in San Francisco and offers services in 20 other cities.

“Despite being Lyft’s newest market, we have already seen a very positive response from Pittsburgh community members, who see Lyft as an additional transportation option that is safe, affordable and reliable,” said Lyft spokeswoman Paige Thelen. “By supporting innovation and technology, Mayor Peduto and the city of Pittsburgh are paving the way for providing sustainable transportation options that make our cities safer and better connected.”

Fights over state and municipal regulations are nothing new to Lyft. There have been clashes with traditional cab companies in Atlanta, Dallas and Seattle as government leaders grapple with how the company should be regulated.

BY BOBBY KERLIK, MCCLATCHY NEWS SERVICE / FEBRUARY 13, 2014

Blackstone-Fueled Single-Family Home Boom Lifts Chicago: Bloomberg.

The tan, three-bedroom house on Chicago’s North Side sits half a block from a Family Dollar store and a pawn shop — an unlikely patch of gold to mine for Blackstone Group LP (BX) in the single-family rental market.

The world’s largest alternative-asset manager is among investors buying distressed properties in the

Chicago area after private-equity and hedge-fund firms helped send property values surging in hard-hit markets such as Phoenix and Atlanta. That demand, along with low mortgage rates and a growing economy, is now fueling a recovery in the third-biggest U.S. city as it joins the housing resurgence that already has bolstered much of the country.

Chicago home prices climbed 11 percent in November from a year earlier, the biggest jump in almost a quarter century, according to S&P/Case-Shiller data. While gains are slowing across the country, the Windy City was one of nine areas in the group's 20-city index to show a year-over-year increase in housing values.

"They flocked in the early recovery to places such as Phoenix and Las Vegas and parts of California, and Chicago and some other markets lagged behind a little bit," said Lance Ramella, a senior vice president at John Burns Real Estate Consulting in Naperville, Illinois. "Chicago just wasn't providing that yet and now it is."

National Purchases

Institutional investors, led by companies such as Blackstone's Invitation Homes and American Homes 4 Rent (AMH), have bought as many as 200,000 U.S. properties in the last two years, taking advantage of real estate prices that fell as much as a third from the 2006 peak, and rising demand for rentals among Americans who lost their houses in the foreclosure crisis. Their reach has stretched from the hard-hit regions of California to small Ohio towns to the sprawling suburbs of Atlanta.

Chicago trailed some other markets for attracting investor interest because Illinois is a judicial foreclosure state, meaning home repossessions require approval by a court, slowing down the process, and there were fewer opportunities to buy distressed real estate in bulk, Ramella said. Prices in other cities fell further than in Chicago, making them more appealing.

Now that values in other areas have bounced back so much, buying there isn't as attractive and investors have turned to other areas, such as Chicago, for better pricing, Ramella said.

"They're looking for distressed property and a lot of runway for appreciation," Ramella said. "We've got a lot more room to appreciate here."

Investor Purchases

In Chicago, investors accounted for about 20 percent of purchases in the first half of last year, according to Geoff Smith, executive director of the Institute for Housing Studies at DePaul University in Chicago.

Like the portfolios of other investors, Invitation Homes' Chicago-area holdings are mostly filled with properties in suburbs such as Barrington and Oak Park. The smattering of houses they own in the city itself is evidence that the rebound is starting to broaden. Even in some neighborhoods where prices fell more than the rest of Chicago during the foreclosure crisis, values are climbing.

"Those hard-hit areas are seeing some improvement recently," Smith said. "But they have a ways to go and they're in a really big hole."

Invitation has a reddish-brick, four-bedroom, 1,147-square-foot home for rent on tree-lined Moody Avenue for rent for $1,850 per month. The house is about 10 blocks west of Chicago Midway International Airport and about 15 miles from the Chicago home of President Barack Obama.

Chicago Trailing

Chicago has trailed the rebound of the majority of metropolitan areas in the S&P/Case-Shiller index, including Phoenix, Las Vegas, Atlanta, Los Angeles, San Francisco, Minneapolis, Miami, and even Detroit, which is mired in the largest municipal bankruptcy in U.S. history. Its 11 percent gain in November prices, while the city's biggest since December 1988, was still less than the national average of 13.8 percent.

High unemployment and an overhang of foreclosed homes have helped contribute to Chicago lagging behind the housing recovery, said Brad Hunter, the chief economist at housing-research firm Metrostudy. The area's jobless rate was 8.3 percent in December, the latest available figures, and reached as high as 11.9 percent in January 2010. The U.S. rate was 6.6 percent in January, according to the Labor Department.

Areas such as Phoenix and Las Vegas were among the first markets to come back after the housing bust as private-equity funds and other buyers sought bargain prices. In the Chicago region, investors weren't a big part of the buying market in 2012 and the early part of 2013, Smith said.

Invitation Homes

Invitation Homes entered the market in September 2012, according to Andrew Gallina, a spokesman for the Dallas-based company. Its house near the Family Dollar (FDO) on North Central Park Avenue on the North Side is in the Albany Park neighborhood. It sold for $380,000 last year, according to a warranty deed filed with the Cook County Recorder of Deeds in November. Invitation Homes' website earlier this year listed the monthly rent as $2,800.

For competitive reasons, Invitation Homes doesn't disclose specific data such as number of homes owned or occupancy rates, said Gallina, a spokesman for the company.

"We enjoy healthy occupancy in Chicago, as we do in all of our markets," Gallina said.

Highest Incomes

American Homes 4 Rent, the largest single-family rental company after Blackstone, owned 1,443 homes in the Chicago region, valued at $211 million, in the third quarter. The average annual rental income from the properties is $19,171, the highest of the Agoura Hills, California-based company's markets.

The publicly-traded company, founded by B. Wayne Hughes, has acquired more than 21,000 rental homes across at least 22 states in the U.S. The shares have returned 5.1 percent since the July initial public offering, including reinvested dividends.

The Chicago area's real estate swings have been less severe than in other locales. Phoenix home prices fell 56 percent from their peak in June 2006 to their trough in September 2011, according to S&P/Case-Shiller indexes. Since that bottom, prices rose 45 percent. In Las Vegas, which peaked in August 2006, prices dropped 62 percent until bottoming in March 2012. They've since climbed 42 percent.

By comparison, Chicago home prices declined 39 percent from the peak to their trough in March 2012. Since then, they've risen 23 percent.

Demand Rebounding

Sales demand is rebounding as buyers take advantage of low mortgage rates before expected increases as the Federal Reserve unwinds its stimulus program aimed at reducing borrowing costs. The average rate for a 30-year fixed mortgage was 4.23 percent last week, up from a near-record low of 3.35 percent in May, while still below the historical average of more than 6 percent over the past 20 years, according to Freddie Mac.

Home sales rose 8 percent to 8,126 in December from a year earlier in the Chicago metropolitan area, the Illinois Association of Realtors said Jan. 23. The median sales price jumped 18 percent to $177,000. Across the U.S., the annual pace of transactions declined from a year earlier.

In the city itself, sales climbed 12.5 percent from a year earlier, and prices rose 13.5 percent to $210,000, according to the Realtors group.

Investor purchases play “a real role” in boosting the market, said Jim McClelland Jr., a partner and chief operating officer at MACK Cos., which owns about 1,100 rental units in the Chicago area, mainly in the south suburbs, 95 percent of which are single-family homes.

Business Backbone

McClelland said MACK buys about 30 houses a month and that plenty of supply remains for the company to expand. Single-family home rental is the “backbone of our business,” he said.

Home prices are still down 25 percent from their peak in September 2006, according to S&P/Case-Shiller data. Foreclosures and short sales accounted for 31 percent of home sales in December in the Chicago area, compared with a national average of 14 percent, according to Lanny Baker, chief executive officer of ZipRealty Inc., based in Emeryville, California.

The relatively high number of foreclosures remain a scourge for the market, said Dory Rand, president of the Woodstock Institute, a Chicago-based nonprofit research group that studies foreclosures and housing.

“Too often, people read the headlines and hear the news about the economic recovery, the housing recovery,” she said. And “they think it’s happening everywhere, when in reality it’s not.”

For all the interest from investors, they might not be enough to maintain the recovery if prices rise too much, said Smith of DePaul. In that case, the question becomes if there will be enough owner-occupiers to fill the gap.

“That’s kind of the big question in terms of how sustainable the recent price gains in the housing market are,” he said. For investors, “they see opportunity, but if prices go up then the math so to speak might not work as well for them.”

By Brian Louis Feb 14, 2014

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What Government Can Learn from Colleges about Transportation Policy.

A new report details transportation policies on college campuses that could help municipalities promote public transit, biking and car-sharing services.

Cities should learn from college campuses for setting transportation policy, according to a new report by Frontier Group and the U.S. Public Interest Research Group (PIRG) Education Fund.

The report highlights the city of Palo Alto, which is studying options for a transportation plan that would encourage drivers to switch to mass transit, biking and car-sharing services. The city's goal is to reduce single-occupant car trips by at least 30 percent. As the Palo Alto Weekly reported last September, the city is likely to borrow ideas from nearby Stanford University, which successfully reduced solo driving by offering "a fleet of about 60 shuttle buses, free Caltrain passes, and cash incentives through the Commute Club, whose 8,000 members shun solo driving."

The report's authors argue that city leaders have some of the same incentives for de-emphasizing car-related commuting as their college counterparts. Some colleges are supporting pedestrian, bike and transit-related options as a way to free up real estate that would otherwise go to parking lots. Expanding transit options may also serve as a way to attract and retain a young workforce — the authors point to research by the Urban Land Institute last year that found members of the demographic group known as Generation Y breaks from older Americans in placing a higher value on walkable communities and access to public transit.

In some cases, colleges have become more experimental than cities in implementing transportation policies that are mindful of environmental impacts and efficient in using land, said U.S. PIRG senior analyst Phineas Baxandall, the report's lead author. "Some of the motivations [for universities] are more direct," he said. "Their land is even more limited. They don't have any powers of eminent domain to deal with land problems. They're even more focused on young people than cities are."

Much of today's college transportation experiments happen around bikes. For example, the University of Madison-Wisconsin has increased its share of students biking to campus by investing in on-campus bike repair services, subsidizing membership in the city's bikeshare program and increasing the school's supply of bike racks. The University of Dayton went a step further by offering free bikes to a random selection of freshmen who pledged not to bring a car to school for their first two years. The University of Colorado, Boulder, has contributed funding to city construction of underpasses with bike lanes and pedestrian walkways, so students, faculty and staff can reach campus without using a car.

The report also details a number of university programs that reduce the cost of using buses, subway cars and trolleys. About 104 colleges offer a Universal Transit Pass, better known as a U-Pass, which gives students unlimited and free access to local transit, according to the Association for the Advancement of Sustainability in Higher Education (AASHE). The map below shows the distribution of those discounted and free transit fare programs across the country; however, Baxandall said college representatives have contacted U.S. PIRG after the report published Feb. 5 to say that many more colleges offer discounted and free college transit than what AASHE captured.

For schools with a high proportion of commuters who live too far to bike to campus on a regular basis, the report points to another best practice at the University of California, Davis (UC-Davis), which offers incentives to carpool. UC-Davis has a carpooling program called goCarpool, with a variety of perks including discounted parking permits, reserved spaces and a pre-tax payroll deduction for the cost of parking permits.

J.B. Wogan | Staff Writer

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Jersey City Joins Paid Sick-Time Movement.

Across the country, only a handful of state or local governments require businesses to offer paid-sick days. Now two cities in New Jersey have joined the pack. Jersey City became the first city in the state to pass a sick-days ordinance last September. Newark's interim mayor, Luis Quintana, signed a similar measure Jan. 28.

Paid-sick time is but one response among elected officials to the current national debate over income inequality and poverty. Jersey City Mayor Steve Fulop was also a prominent voice in support of New Jersey's minimum wage ballot measure last year. While requiring paid-sick days and raising the minimum wage have been popular responses among Democrats, some states have seen bipartisan support for creating or expanding state-level tax credits for working poor.

So far, Connecticut, the District of Columbia, Seattle, Portland, Ore., and San Francisco have paid-sick-leave laws. Jersey City's ordinance went into effect Jan. 24 and both New York City and Newark have ordinances set to take effect later in the year. Each law is different in terms of which businesses must comply with the law, how long before an employee qualifies and how many days of paid-sick time a worker can accrue. To date, cities have been more active in passing paid-sick laws, though lawmakers in Vermont, Washington state, Hawaii and South Carolina are considering legislation this session.

In Jersey City, any business with 10 or more employees must offer paid-sick time to any employee who has worked for at least 90 days. Workers can earn up to five paid-sick days per year. The law also requires that businesses with fewer than 10 employees offer up to five days of unpaid-sick days per year.

Governing spoke with Fulop Jan. 31 about the ordinance. The following transcript has been edited for style and clarity.

I was curious if you did any kind of survey of businesses. Was there any effort to see what the impacts would be ahead of time?

The agreement with the business community and the labor community was Jersey City would pay for a study via Rutgers University a year after initiation to understand the impact and to see what needs to be changed. We're committing money towards that.

We want to make sure that we have a model that works for everybody and our goal is to lead the state of New Jersey in job creation. We don't want to hinder that, but at the same time, we want to make sure we have policies in place that are meaningful to working families. So we're trying to have that balance.

I know that the District of Columbia initially passed a partial paid-sick-leave ordinance, but it left out people in the fast food industry. Your version would apply to those workers, right?

Yes, absolutely, it would. If you employ 10 or more in Jersey City, you are required to provide paid sick leave. It's earned. It's not a giveaway. It's not additional vacation days. There's an education component. There’s a recourse component. It’s based on time spent working for the employer.

Were there any adjustments you made to the law based on business concerns?

We tweaked the number of days. We tweaked the number of employees. We think what we’ve implemented is very fair and balanced for where we’re situated in the region.

What about seasonal workers? Did you have a provision for, say, a company that hires teenagers every summer for all four years of high school?

No. We’re not separating out different types of employees. We didn’t make exemptions. The rules are the rules.

Prior to this law being passed, what was the city’s own policy regarding sick time?

Our workers are union workers, so they are entitled to sick time. It’s all contract negotiated for us.

What about this moment seemed like it was the right time to test this out?

You know, as the expression goes, ‘It’s always the right time to do the right thing.’ When the economy is perfect or great, people are going to say, don’t do anything to disrupt it. When the economy is recovering, people are going to say, don’t do anything to disrupt it. Your special interests are always going to take a position saying that now is not the right time. So, I view it as now is as good a time as ever. It’s going to be a net benefit to families.

BY J.B. WOGAN | JANUARY 31, 2014

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Long Bonds Gain in Best Month Since ’12 With Yields: Bloomberg Muni Credit.

The longest-maturity municipal bonds have gone from market laggards to the best-performing area of local-government debt, a boon to issuers locking in borrowing costs for decades.

Municipal obligations due in 22 or more years have earned 3.6 percent in 2014, beating shorter maturities and surpassing the 2.4 percent gain for the entire $3.7 trillion market, Bank of America Merrill Lynch data show. January was the best month for the longest-dated debt in two years.

As the Standard & Poor’s 500 Index (SPX) extends losses to a fourth straight week while inflation remains subdued, investors have renewed confidence in lending to municipalities for lengthier periods. Issuers last month sold tax-exempt, 30-year bonds to finance a home for sharks at the New York Aquarium, and for a National Football League stadium in Minneapolis.

“For investors that want income, the long end of the market looks a lot more attractive than the shorter end,” said Clark Wagner, director of fixed income in New York at First Investors Management Co., which oversees about $1.5 billion of munis.

The increased demand for longer maturities is a reversal from 2013, when the securities lost 6 percent, the most since 2008, and trailed other market segments, Bank of America data show. Investors are finding value in longer munis when comparing yields with those on Treasuries as well, Wagner said.

Fund Appetite

Last month, mutual funds focusing on longer-dated local-government debt received the most money since September, according to U.S. Lipper Fund Flows data.

The S&P 500 dropped the most since June yesterday after a private report showed U.S. manufacturing slowed more than forecast in January, fueling questions about the strength of the economic recovery. The index of shares set a record high last month.

Meanwhile, the Federal Reserve's preferred inflation gauge has been below the central bank's target since April 2012. Subdued inflation preserves the value of longer-maturity bonds' fixed payments.

"The relative value is much better out long because it performed so poorly last year," said Daniel Solender, who helps oversee $15 billion of munis at Lord Abbett & Co. in Jersey City, New Jersey.

Extra Yield

Investors receive about 3.5 percentage points of extra yield when buying 30-year benchmark munis rather than those maturing in two years, exceeding the five-year average spread of 3.3 percentage points, Bloomberg data show.

"The short part of the market did well last year," Solender said. "So there the yields are low and the opportunities are not as great."

Compared with federal debt, longer-dated munis are the cheapest part of the local-bond market.

Thirty-year bonds yielded 3.9 percent yesterday, close to the lowest since June and compared with 3.53 percent for similar-maturity Treasuries. The ratio of the interest rates, a measure of relative value, was about 110 percent, the highest since November. The greater the figure, the cheaper munis are relative to federal debt.

Shark Home

New York City's Trust for Cultural Resources on Jan. 31 sold about $44 million of tax-exempt revenue debt rated three steps below benchmark munis to finance expansion of the aquarium in Coney Island, Brooklyn. More than half the debt matures in 2038 and 2043, Bloomberg data show.

The plans include a new 57,500-square-foot building that will house 40 sharks and other species of fish and invertebrates, according to bond documents.

Minnesota last week sold $462 million of bonds repaid with annual appropriations from the legislature for a new stadium in Minneapolis for the NFL's Vikings. The debt is rated two levels below top-rated obligations.

A June 2043 maturity priced to yield 4.12 percent. The tax-exempt bonds have gained since their sale, trading yesterday with an average yield of 3.87 percent, Bloomberg data show.

Signs the economy may be losing momentum have cooled speculation for higher interest rates, Solender said.

Interest rates on 30-year Treasuries will climb to 4.24 percent in the fourth quarter, according to the median forecast of 52 analysts in a Bloomberg survey. In September, the median forecast was for 4.35 percent in the fourth quarter of this year. Bond prices move in the opposite direction of yields.

“The economic numbers have not been as strong as some might have anticipated,” Solender said. “The stock market performed so well last year and is not doing as well this year. All those factors are making some reassess that outlook.”

By Michelle Kaske Feb 3, 2014 5:00 PM PT

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Illinois Pension Fix Ends Bleeding Before Bond Sale: Bloomberg Muni Credit.

Illinois’s borrowing costs have fallen to the lowest level in six months as investors join Governor Pat Quinn in wagering that a law bolstering the worst-funded state pension system has “stopped the bleeding.”

The extra yield demanded on 10-year Illinois debt relative to AAA munis reached 1.43 percentage points on Jan. 30, the least since July 18, as the state prepares a $1 billion general-obligation bond sale this week, according to data compiled by Bloomberg. The fifth most-populous state already spared taxpayers more than $20 million on an offering in December, less than two weeks after legislators passed a pension bill that saves $145 billion over 30 years.

Illinois is returning to the $3.7 trillion municipal market after being spurned by investors over a pension-funding ratio of 40.4 cents on the dollar, the weakest of any U.S. state, and a credit grade that’s the lowest. Investors are signaling they agree with Quinn, a 65-year-old Democrat, who in his State of the State address last week said Illinois is making a fiscal comeback.

Illinois “is perceived as being on the right trajectory,” said Konstantine “Dino” Mallas, who helps oversee $20 billion of munis at T. Rowe Price Group Inc. in Baltimore. “I wouldn’t say they’re out of the woods, but maybe they’ve stopped digging themselves into a deeper hole.”

Python Slain

The state has become one of the most prominent examples of governments across the U.S. that face swelling retiree obligations, which forced officials to allocate tax dollars away from services such as education and infrastructure. Quinn has likened the pension expense to a python strangling the state’s finances.

“We can tell the people of Illinois we stopped the bleeding,” Quinn said in his address. “We turned the corner.”

Adjusted net pension liabilities increased for 38 states in the 2012 fiscal year, Moody’s Investors Service said in a report last week. Though Illinois’s burden is the highest among states, rising interest rates and gains in stocks reduced the obligation by about 9 percent, according to preliminary 2013 data collected by the New York-based company, which ranks the state A3, four steps above speculative grade.

Updated projections show Illinois's new pension law will save $145 billion over 30 years, according to offering documents for this week's sale. That's down from an initial $160 billion estimate. Even so, the system is expected to be fully funded by 2039, earlier than forecast, the documents show.

Appreciative Investors

"Investors indicate a significant interest in Illinois's bond offering," John Sinsheimer, the state's director of capital markets, said in a statement. "They tell us they understand and appreciate the hard work that went into the passage of our pension reform law."

The most frequently traded Illinois securities are taxable pension bonds due in June 2033, according to data from the Municipal Securities Rulemaking Board. The debt traded last week at an average yield of 5.36 percent, for a spread of about 2.22 percentage points, close to the narrowest in at least a year.

The measure hasn't changed Illinois's negative outlook from Moody's and Fitch Ratings. Standard & Poor's said the state's grade could be raised or cut in the next two years, depending on how the law is implemented. S&P and Fitch both confer an A-ranking to the state, equivalent to the Moody's rating.

Catching Up

Illinois has outperformed a broad municipal-bond rally as investors bet its fiscal health is improving. Its bonds have gained 2.6 percent over the past three months, the most among the 27 states tracked by S&P index data.

"Given that the spread is wider in Illinois than other states, the potential for Illinois to outpace is greater — to catch up to other states," said Robert Amodeo, head of munis in New York for Western Asset Management Co., which oversees $28 billion in local debt. "Illinois's fiscal condition is better today than it was a few years ago."

Proceeds from this week's deal will fund school construction and transportation projects under the Illinois Jobs Now capital program. Quinn said in his address last week that the state has invested more than $31 billion into roads, bridges and highways through the initiative.

Legal Challenges

The state may have to boost yields to find enough demand for such a large offering, Amodeo said. While the spread to AAA munis is already wider than any other state's, investors will demand compensation for the risk that the pension law will be overturned in court and that lawmakers won't extend tax increases set to be phased out in fiscal 2015.

"They will find sufficient demand to match that size; it may just cheapen up a bit," Amodeo said.

A union coalition filed a lawsuit last week claiming the December pension bill is unconstitutional and amounts to "theft." It joins retired teachers and state employees in challenging the legislation. Illinois acknowledges in offering documents that more groups may follow.

The plan lawmakers passed last month addresses the $100 billion public pension shortfall through smaller cost-of-living adjustments and later retirements.

"Teachers, nurses, emergency responders, and other workers and retirees will not stand by while politicians try to take away their life savings illegally," state AFL-CIO President Michael Carrigan said in a statement.

Tax Hurdle

The Democratic legislature raised the individual income tax rate to 5 percent from 3 percent in 2011. The levy is scheduled to drop to 3.75 percent after Dec. 31. Including the promised reduction in the corporate tax rate, Illinois's collections would fall by as much as $5 billion annually, offering documents show.

"One of their largest hurdles is on the revenue side," Mallas of T. Rowe Price said. Should lawmakers fail to extend the higher tax rates, it would be "very disappointing" for investors, he said.

Illinois may benefit from a lack of supply. States and cities issued $12.6 billion through Jan. 24, down 33 percent from the same period last year, data compiled by Bloomberg show.

As withdrawals from muni mutual funds have abated, yields have fallen to close to the lowest levels since June. That was when the state last issued tax-exempt general obligations, amid the worst monthly rout for state and local bonds since the financial crisis in 2008.

By Brian Chappatta Feb 2, 2014 5:00 PM PT

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D.C. Council Decriminalizes Marijuana Possession.

The D.C. Council voted Tuesday to eliminate criminal penalties for possession of marijuana but left smoking it in public a crime, keeping alive concerns about racial profiling in pot arrests in the District.

With an 11 to 1 vote, several council members reversed their previous support for a more far-reaching measure, weakening an effort to join the quarter of U.S. states that have decriminalized small amounts of marijuana.

While they stuck with their plans to drop possession to a civil offense — akin to a parking ticket — council members decided not to decriminalize public smoking. They did, however, reduce the maximum jail sentence from six months to 60 days.

"I do not want the public smoking of marijuana around my kid — I do not," said the council's chairman, Phil Mendelson (D), raising his voice to press his point. "I do not want to have to somehow rationalize to her why that's okay . . . and I dare say that I'm not alone as a parent."

Mayor Vincent C. Gray (D) also withdrew his unconditional support for decriminalization. In a letter Tuesday to the council, he and Police Chief Cathy L. Lanier warned that removing the threat of jail time could lead to widespread public smoking of the drug in the District.

But proponents accused the council of thwarting the original measure's intended effect of protecting low-income African Americans, who because of crowded quarters in city apartments or public housing are more apt to smoke outside and be targeted by police.

According to recent studies, blacks account for nine out of 10 arrests for simple drug possession in the District, although they account for less than half of the city's population. Rates of drug use among adolescents differ marginally by race.

FEBRUARY 5, 2014

View the full story from the Washington Post:

http://www.washingtonpost.com/local/dc-politics/dc-council-weakens-bill-to-decriminalize-marijuana/2014/02/04/508eaabe-8d27-11e3-95dd-36ff657a4dae_story.html?hpid=z6

What Happens to Riverside's Magic Wi-Fi System?

The future of Riverside, Calif.'s Wi-Fi network remains undecided after a contentious discussion during a Jan. 28 City Council meeting. Chief Innovation Officer Lea Deesing presented a summary of the network's history, which dates back to 2006, along with the costs of several options the city has going forward. Deesing recommended "winding down" the existing network and focusing new Wi-Fi efforts on more high-use areas. The City Council, however, had concerns about costs and possible lapses in service, while several residents shared concerns that their neighborhoods have no other way to access the Internet.

The one thing everyone agreed on was that the people want Internet access – the problem is finding a cost-effective solution that makes good on Riverside's promise to provide Internet to the people.

"As technology rapidly advances, we are now facing a difficult decision of what to do with the network," Deesing said during her presentation. The equipment that's needed to replace broken or damaged equipment in the network is no longer manufactured, and the city hasn't budgeted enough money for continued operation. Riverside's Wi-Fi network also does not technically reach broadband standards as download speeds are only 1 Mbps, while broadband specifies minimum speeds of 6 Mbps download and 1.5 Mbps upload.

Several city services also rely on the Wi-Fi network for video feeds, including eight police cameras, four cameras used by the Riverside Downtown Partnership, three public works cameras and one public utilities camera. The cost to continue using these cameras without the existing Wi-Fi network would be $25,000 one-time and $15,000 ongoing, Deesing said.

The camera issue is one of the cheapest and simplest problems to solve where the city's Wi-Fi is concerned, however. Riverside spends an estimated $718,000 per year to maintain the Wi-Fi network, but there's only $378,000 budgeted for this fiscal year, which means the city has a decision to make. Deesing presented several options, including: keeping the network as it is now; maintaining it in-house rather than paying a contractor; building a new network; discontinuing the network; or winding it down and refocusing on high-traffic areas. The last option was Deesing's recommendation.

Taking over in-house was not found to be more expensive the first two years, Deesing said, and overall was not found to be a cost-effective option. Keeping the network the same carries a high risk of incurring additional costs because the equipment is old, which is why she didn't recommended this option. Deesing also provided statistics showing that the network is used less than officials had expected, which makes continued financing difficult to justify.

Deesing provided statistics for 2013 that showed that 42,000 devices connected to the city's Wi-Fi network each month, accounting for about 147,000 logins. More than half of all users log in just once per month. A program offered through SmartRiverside gives students computers and a wireless card to access the free Wi-Fi network to help close the digital divide, but the city found that fewer than 5 percent of those devices actually connect to the network. "We were surprised by that," Deesing said.

A survey of about 6,500 student households by the Alvord Unified School District and Riverside Unified School District found that 4 percent of households used the city's network for home Internet use, while about 2 percent used it while away from home.

Building a new Wi-Fi network would cost the city about $6.5 million, not including software and maintenance costs, Deesing said. She also pointed to Seattle and Houston as examples of administrations that canceled Wi-Fi programs because they were too expensive.

Discontinuing Riverside's network would take six to nine months and cost about $175,000 if decided this year, Deesing said. If undertaken the following fiscal year, discontinuing the network would cost $200,000 to $250,000 because of electricity costs in the interim time.

Deesing pointed out that many businesses already provide free Wi-Fi to customers that overlaps with the city's network. She recommends winding down the network and refocusing city efforts on hot spots like the mall, convention center, city libraries, community centers and museums. This could eventually cost as much as $500,000, she said. Deesing recommended that the city begin winding down the network on July 1 in order to give everyone time to prepare for the change.

One concern raised by the City Council was a possible lapse in service if Riverside doesn't start building the new hot spots before the existing network is wound down. Deesing estimated that the cost to eliminate a lapse in service would be about $400,000 and did not recommend such a course.

One citizen who spoke after Deesing's presentation said he was "very disappointed" that service would be discontinued because in his neighborhood many young students wouldn't have access to the Internet in their homes if not for the city's Wi-Fi network.

Another citizen complained that the city is overly focused on the downtown area, while ignoring the neighborhoods and people who lack Internet access. "Riverside is a whole area! Not just a downtown speck and a few libraries," the woman said.

The motion was continued, meaning the decision has been delayed until an unspecified date.

BY GOVERNMENT TECHNOLOGY | FEBRUARY 5, 2014

By Colin Wood

[How Municipal Bond Dividend Cuts Impact NAV Performance And Investor Sentiment.]()

Last year, we penned an article about why we thought Municipal bond CEFs were about to suffer numerous and painful distribution cuts. The key data that suggested the cuts to our firm was a downward move in average Relative UNII (underdistributed net investment income) from +23% to -18% in only seven months. For more detail, you can read the article on our blog under the December

2012 section.

What is UNII? UNII is a balance sheet item for a closed-end fund that helps account for retained or overpaid income distributions. Relative UNII is calculated as the funds UNII balance divided into the amount of one-year income-only yield. We have used this data point to normalize our UNII analysis for the past 6 years. We believe it allows for better fund-to-fund comparisons. Our firm's primary research is based on comparing various data on CEFs to peer-group data and to themselves over time. In fact, UNII was the data point we wanted access to when we originally created our CEF Universe report in early 2008.

CEF Advisors argues that the direction of UNII over time is more important, than if for example, the balance is reported as +$0.10 per share vs. -$0.10 per share. To read an earlier article on UNII and UNII trend, please visit our blog under the March 2013 section. This data point trending down, suggested that Muni funds, as a group, were pulling from all available UNII to meet their dividend policies until forced to make a dividend change. Earnings coverage for these funds was maintained at about 98%, without a significant number of National Muni Bond CEF dividend cuts during the same time period, averaging only 2 dividend cuts a month.

What is Earnings coverage? It is the average earnings of the fund dividend by the current distribution amount (net investment income is the primary source for most muni bond funds). It is then adjusted to cover the same time period. For example, if average earnings covered a three month time period at the fund, we would compare it in percentage terms to three months' worth of distributions.

We suspected these funds would pull UNII to meet their dividend policies for as long as possible. If and when they ran out, we believed that Fund's board of directors would have to start adjusting distributions downward to meet the manager's investment results and market expectations. Two factors contributed to the timing of when we expected the dividend changes to occur.

First, we noticed for the first time since we tracked the data in 2009, that a few National Muni Bond CEFs were reporting some of their distributions as return of capital (ROC). RoC is a somewhat common occurrence for equity CEFs, and has pockets of acceptable reporting for taxable bond CEFs. However, to our understanding, has been historically absent from the municipal bond sector. In our opinion, this was the distress at the fund level that suggested UNII balances had generally been eroded and that cuts should be coming. We covered return of capital in an article posted to our bog in the October 2013 section.

Second, we noticed that 45, or almost half of national muni CEFs were expected to announce their next distribution amounts in the next week. All but 7 National Muni funds were expected to announce their next dividend amount during the month of December. Almost a third (30%) of those funds ended up reducing their distribution levels by an average of -6% according to fund press releases that week. This meant that for every dollar that investors were expecting of income, they would end up receiving on average $0.94 going forward. This was the first round of widely painful dividend cuts to muni bond CEF investors.

The Aftermath? In January 2014 we thought it would be interesting to see how discounts and performance had been impacted by the stress and market reaction to the December 2012 dividend cuts. In our experience the more homogeneous the data analyzed, the easier it is to see what is actually going on and to filter out some of the noise caused by outside, sometimes unknown factors. We searched for a core group of CEF national municipal bond funds that were highly similar to each other. We started with the 101 non-Build America Bond National Muni Bond CEFs. We required Leverage over 20% of assets, Liquidity over $333 per day, Average Duration between 6-16, Rated

Bonds averaging A or AA (investment grade, no BBB or BB). This reduced the list down to 56 core funds. Making things easy, all but one of these funds existed in November of 2012 (and met the same screening metrics). We used our CEF Universe data to produce these results (CEFuniverse.com) with a summary table below.

This group of example funds had a relative movement of -8.24% to NAV as seen in the dramatic widening of the discount during 2013. With both discount widening and net asset values falling, the average yield increased to 6.8% (even with dividend cuts lowering distribution levels). Not all funds cut, but of the 97 National Muni CEFs in existence on November 30, 2012, about 48% of Muni CEFs reduce their yield by an average of -6.5% during the year.

As seen in the next above, Municipal CEF's that cut distributions had a 1 year average NAV TR of -8.85%% and the muni CEFs with increases have an average 1 year NAV TR of -5.81% over the same time period, even beating the average fund with no changes of -7.00% NAV TR. This does suggest that for the muni funds forced to make dividend changes in the past year, it had a negative impact on the investment portfolio.

I believe it also refutes the sometimes held belief that dividend cuts don't hurt investors in the long run. The thought that, NAV performance will make up for the difference in yield. The current average discount for the muni CEFs without a cut is -3.8% and for those with a cut it is -6.98%. This suggests the market is giving CEFs with cuts a relative -3% extra discount simply because they had to cut the distribution vs. other factors impacting the fund's pricing.

Remember from the first table above, that muni CEF yields are up. However, funds that cut have NAV yield up 7% and those that maintained or increased their distributions have seen an average 17% increase. This shows a 10% extra relative yield boost for successfully avoiding dividend cuts.

To our firm, it is clear that some fund managers were forced into income only vs. NAV total return investment decisions. This can be seen as the CEFs that had to cut distributions lagged by -3% to funds that increased and -1.3% to funds that maintained levels. The Market (through average discounts) is now asking funds that cut for -3.5% more of a relative discount for funds that cut their dividend levels.

We think this is why it is important to track NAV total return, UNII trend and Earnings Coverage levels especially for muni bond closed-end funds. We would also argue that if you add discount analysis you will have the tools to maintain a municipal bond portfolio. For our clients, we seek to find good performing NAV's, avoid dividend cuts. Selling CEFs that are expensive and buying when they are rationally cheap vs. just cheap. You will have a chance at better portfolio (NAV) total return, better market perception (discounts) and more forward looking cash flow (yield). With the thought that bonds are no longer capital appreciation vehicles we think covering all three bases is crucial.

You should experience more day-to-day price volatility (in CEFs), but we believe you can have better principal performance (the value of the holdings) and more consistent stable tax-free income. Municipal bonds are not for every investor and usually not for a majority of their assets. However, we think, though clearly biased, a well-educated investor or advisor can better use CEFs to meet this objective than other potential option. Many funds report portfolio and financial data monthly and there are about 100 national muni bond CEFs and 100 state specific funds to choose from. This gives you more choices (a third of all CEFs) than in any other closed-end fund sector. Good luck, and best wishes.

Additional disclosure: The views and opinions herein are as of the date of publication and are subject to change at any time based upon market or other conditions. None of the information contained herein should be constructed as an offer to buy or sell securities or as recommendations. Performance results shown should, under no circumstances, be construed as an indication of future performance. Data, while obtained from sources we believe to be reliable, cannot be guaranteed.

Seeking Alpha

Feb. 6, 2014 5:48 AM ET

Is Solar-Powered Desalination Answer to Water Independence for California?

From Isle of Man to Saudi Arabia, renewable desalination is gaining interest around the world as solution to water scarcity and food crisis

Thousands of acres on the west side of California's San Joaquin Valley lie fallow. In official speak, the former agricultural land has been "retired". Water supplies have always been a problem for this drought-prone region. Yet what's pushed the area over the brink is salinity.

The problem is in large part caused by farm irrigation, which picks up the salt that naturally occurs in the rocks and soils of the Central Valley and transfers it through drainage. Compounding the problem is the tidally influenced water that is pumped into the area from the Sacramento-San Joaquin Delta. A study by the University of California estimates that, left to continue, the Central Valley could be facing reparation costs of up to $1.5bn by 2030 and the loss of up to 64,000 jobs as agricultural production slides.

A California-based startup thinks it might have the answer. WaterFX's solution comes in the unlikely shape of a vast bank of parabolic mirrors and an advanced "multi-effect" evaporating unit. The Aqua4 system offers a renewable method of desalinating briny water, which, if its developers prove right, could put California "on a path to water independence".

How does it work? Unlike conventional desalination, which uses a high-pressure reverse osmosis system that forces salt and other solids through a membrane, WaterFX cleans water through use of a 400-kilowatt solar "trough" – hence the mirrors. This concentrated solar still collects the sun's energy, which heats a pipe containing natural oil, providing heat for the subsequent distillation process.

"We wanted it to be highly modular and highly scalable so the same system is usable for very small applications all the way up to very large scale," says Aaron Mandell, founder and chairman of WaterFX, which is piloting the idea in the Californian water district of Panoche.

The potential of renewable desalination is exciting interest in other corners of the globe. For example, Sundrop Farms, which is based in the Isle of Man, has installed a desalination plant near Port Augusta, South Australia. Located 100 metres from the shore, the solar-powered plant treats salt water pumped directly from the sea. As well as returning freshwater, the plant uses hot water generated during the desalination process to heat nearby greenhouses.

Interest is also on the rise in the Middle East and North Africa, which currently suffers a gap in water demand of about 42 cubic kilometres per year – a figure that could increase nearly fivefold between now and 2050, according to a recent World Bank report (PDF). Experimentation in renewable desalination is already under way in Qatar, where Norway's Sahara Forest Project has embarked on a pilot scheme. Saudi Arabia, meanwhile, has plans to build a solar-powered plant in the Al-Khafji governorate, with talk of more besides.

From a sustainability perspective, the upside of the technology is huge. The US federal government is currently pumping in about seven million-acre feet of water into California's Central Valley every year. Replacing a "meaningful percentage" of that figure – say, 20%-30% – would be enough to have a dramatic impact on securing water security for the area, says WaterFX's Mandell.

The implications for sustainable agriculture are also vast. After a successful proof of concept stage, Sundrop is now building a 20-acre greenhouse, which promises to produce 2.8m kg of tomatoes and 1.2m kg of pepper a year. As well as making desert land productive, Sundrop maintains that its approach reduces pesticide use, cuts food miles and results in better tasting produce.

The arguments from a climate-change perspective appear especially attractive. Saudi Arabia's 30 or so desalination plants, for instance, currently use about 300,000 barrels of crude oil equivalent a day. The trend in other Gulf countries, as well as in Algeria and Libya, is similar. "The status quo is not sustainable," concludes the World Bank, which describes the elimination of fossil fuel use in desalination as "critical".

As with all new technologies, the key consideration is whether the idea is scalable. The first question is whether the science actually works. The initial pilots look promising. WaterFX's test facility, which started operations six months ago, is successfully producing up to 14,000 gallons of fresh water a day. Plans are now under way to expand the demonstration project, which will push up its capacity to 65,000 gallons a day over the same 6,500 sq ft area.

A big stumbling block is cost. Solar-powered desalination currently averages about $1.52-$2.05 per cubic metre of water produced, depending on technology, energy costs and location, according to the World Bank. Conventionally, alternatives typically cost half that or less. The cubic-metre costs of desalinised water in Israel's traditional Hadera and (newer) Sorek plants, for example, are $0.65 and $0.52 respectively.

Mandell insists that the technology promises to become more price-competitive as production increases. "If 70% of your cost is fuel production for traditional desalination and you want to scale up, the cost goes up significantly, unlike solar desalination," he says. That logic is truer still if oil and gas prices increase in the future. Advances in concentrated solar power will drive efficiency savings, too.

Either way, don't expect renewable desalination or its supporters to go into retirement any time soon.

Oliver Balch

Guardian Professional, Tuesday 28 January 2014

Bloomberg: Chicago Cabbies Sue Over Unregulated Uber, Lyft Services.

Chicago-area taxi operators claim in a lawsuit that the city is violating their rights by allowing the unregulated ride-share services run by Uber Technologies Inc. and Lyft Inc. to operate on its streets.

The failure to apply taxi and limousine rules to the two San Francisco-based companies threatens to devalue the more-than 6,800 operating permits issued by the city, which have a total market value of

$2.38 billion, according to a complaint filed today by the cabbies and their trade association in federal court in Chicago.

Uber, Lyft and other companies that provide smartphone applications to connect drivers with people looking for a ride have spurred lawsuits from coast to coast, including a wrongful death case over a child pedestrian's death in San Francisco and a complaint in New York similar to the one in Chicago.

The companies typically take a cut of fees from transactions booked through their apps. They say they're different from taxi dispatchers and shouldn't be compelled to comply with existing regulation.

Not enforcing the taxi rules against the companies violates federal constitutional guarantees of equal protection under the law and breaches the taxi operators' contracts with the city, according to the complaint. It also enables unregulated drivers to discriminate against the elderly or poor who may not be able to use a smartphone to summon one of their cars.

The lawsuit comes one day after Chicago Mayor Rahm Emanuel sent the city council a proposed ordinance that would require the licensing of transportation network providers. Licenses would cost $25,000 each plus $25 for each driver registered with the network on the day the application is submitted.

The legislation also includes insurance provisions, minimum vehicle standards and signage requirements.

A lawsuit seeking to block the ordering of rides via smartphone applications was filed last year against the New York City Taxi and Limousine Commission and was later dismissed. A 12-month TLC pilot program was later allowed. An appeal of that dismissal is still pending.

'Unlawful Transportation'

The cabbies are seeking unspecified money damages and a court order compelling Chicago to enforce the rules against operators the cab companies call "unlawful transportation providers."

Roderick Drew, a spokesman for Chicago's law department, said the claims have no merit and the city will move to dismiss the case.

"Plaintiffs' various complaints raise questions of public policy that are properly addressed through the legislative process, not legal claims that should be litigated in court," he said in an e-mailed statement.

While discussed in the complaint, Uber, Lyft and a third San Francisco-based company, Side.Cr LLC, which does business as Sidecar, aren't named as defendants.

"After years of neglecting Chicago drivers and passengers alike, the taxi industry has resorted to name-calling and frivolous lawsuits," Uber said today in a statement. "While they spend time in court, we'll be working with Mayor Emanuel to design a forward-looking regulatory regime that creates economic opportunity, prioritizes safety, and ensures access to the best, cheapest rides ever available in the city."

Uber was sued in a California state court in San Francisco by the parents of a 6-year-old girl who was struck by a car linked to the company. Uber said Jan. 1 that the driver was "a partner of Uber" who wasn't providing services on the Uber system during the time of the accident.

Paige Thelen, a spokeswoman for Lyft, said the company had no comment on the taxi operators' suit.

"We are glad to see the mayor is committed to crafting a framework to allow for multiple transportation options to exist in Chicago," she said in an e-mailed statement. "As it stands now, the proposed ordinance would not support the continued operation of Lyft." The company will continue its ongoing dialog with city officials, Thelen said.

Sidecar's media relations staff didn't immediately respond to an e-mailed request for comment on the lawsuit.

The case is Illinois Transportation Association v. The City of Chicago, 14-cv-00827, U.S. District Court, Northern District of Illinois (Chicago).

By Andrew Harris Feb 6, 2014 5:56 PM PT

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Bloomberg: California Drought Impact Seen Spreading From Fires to Food Cost.

The drought that's gripping California may soon have the rest of the country seeking relief.

The emergency, which follows the state's driest year on record, is likely to boost the prices of everything from broccoli to cauliflower nationwide. Farmers and truckers stand to lose billions in revenue, weakening an already fragile recovery in the nation's most-populous state. And California and other Western states are seeing a surge in wildfires.

As lawmakers rush to enact measures to help farmers and ranchers contend with the immediate threat to the nation's most productive agricultural region, the prolonged dry spell is sparking calls for a radical rethinking of how the state, and much of the West, distributes water to residents.

"We are at that point the risks for the future are really significant," said Peter Gleick, president of the Oakland-based Pacific Institute, a nonpartisan research organization. "We have to fundamentally change the way we manage water."

The drought is a stark reminder that California built the world's 10th-largest economy, the nation's top farming industry, and Silicon Valley, the epicenter of information technology, in a semi-arid environment that's struggling to sustain the water needs of 38 million people.

While rain doused San Francisco yesterday and more rain and snow are forecast in Northern California through the weekend, 17 rural communities are in danger of running out of water in as little as two months. Farmers may be forced to prune almond trees back by 90 percent, affecting yields for years.

Food Prices

The fallout may be felt on grocery shelves throughout the country in the coming months as prices of artichokes, celery, broccoli and cauliflower could rise at least 10 percent, said Milt McGiffen, a vegetable specialist at the University of California at Riverside. The state grows more than 80 percent of the nation's supply of these crops.

California saw an almost 50 percent increase in wildfires last year from 2012, setting a record. Governor Jerry Brown has ordered 125 additional firefighters hired for the northern part of the state and will keep seasonal firefighting forces in the south on the job longer.

Lost revenue in 2014 from farming and related businesses such as trucking and processing could reach $5 billion, according to estimates by the California Farm Water Coalition, an industry group.

Brown's Plan

Water specialists say state legislators must add to a system that includes 34 reservoirs, lakes and storage facilities and more than 700 miles of aqueducts championed by Brown's father, the late former Governor Edmund G. "Pat" Brown.

The State Water Project, as it is known, sends water from the Sierra Nevada Mountains in the north to Central Valley farmers and Southern Californians. For the first time in more than half a century, state officials said on Jan. 31 that they were unable to make deliveries through the project to 25 million Californians and about 750,000 acres of irrigated farmland.

Brown is championing a controversial plan to build two 30-mile (48-kilometer) water tunnels under the Sacramento-San Joaquin River Delta, an ecologically sensitive confluence of two rivers that's the hub of the state's water-distribution system. The $15 billion tunnels are intended to ship water from Northern California to farms and cities in the south and bolster the delta ecosystem that's on the verge of collapse.

"We live in this 'Cadillac Desert' where we have a chronic undersupply of water," said David Goldhamer, a water-management specialist, referring to a 1986 book that criticized government-driven development policies in the West for degrading the environment. "We need to add water-storage capacity."

Not Alone

California isn't alone. Portions of 11 states have been declared disaster areas by the U.S. Department of Agriculture. Oregon is experiencing extreme or severe drought in more than 75 percent of the state as is about 80 percent of Nevada.

The drought in the West is forcing water managers to cope with new risks, such as tinder dry forests prone to wildfires that threaten to burn utilities built to collect runoff from snowpack. It may also foul stored water.

"It denudes the landscape and you get rain or erosion afterward, and it puts a lot of sediment or carbon in the water," said Holly Hartmann, director of the Arid Lands Information Center in Tucson, Arizona. "You're looking at tens of millions of dollars to get the system back to where it was."

Changing Agriculture

If California is to rethink its water policy, it has to include shifts in agriculture, which consumes 80 percent of the water supply.

That won't be easy. Water wars have been waged in the state for more than a century. William

Mulholland's land grabs at the turn of the century prompted a violent reaction by ranchers.

In the early 1980s, environmentalists, farmers and ranchers, oil companies, land developers and water and power utilities took sides in a fight over the proposed Peripheral Canal, the predecessor to the tunnel that Brown is pushing now. Voters rejected that project 63 percent to 37 percent.

Now, as California reservoirs drop to 60 percent of their average and researchers report the lowest snowpack water content since records have been kept, Brown has called on residents and businesses to voluntarily cut water use by 20 percent. Mandatory water restrictions could follow.

Some residents don't have a choice. Two reservoirs serving Willits, a town of 5,000 nestled in the redwood trees of Mendocino County 135 miles north of San Francisco, hold an 89-day supply of drinking water.

Restricted to 150 gallons of water per day, residents are using paper plates and limiting showers to five minutes by timing them on smart phones.

'Learning Experience'

In nearby Brooktrails Township, Stephanie Willcutt's family is on a water budget. When they need hot water, they capture in jugs the cold water that comes out of the tap first.

"It's been a learning experience," said Willcutt, 40.

The drought's impact is being felt unevenly, with residents in the usually water-rich north facing $1,000 fines for water violations and ranchers in the Central Valley selling cows they can't feed, while Southern Californians continue to wash their cars.

"To place restrictions including fines on us while residents in Southern California have no restrictions makes no sense," said Karin Ignasiak, a retired state worker living outside Sacramento, where mandatory rationing is in place.

'Wake-up Call'

Even as residents try to conserve, water specialists said the drought calls for reconsidering the way the state uses water.

"It's going to be a wake-up call for some of the larger communities in Northern California," said Ellen Hanak, a water specialist at the San Francisco-based Public Policy Institute of California. "They haven't made as many investments in diversification as communities in the Bay Area and the south."

California voters in November will consider an $11 billion bond measure approved by lawmakers in 2009 to shore up the state's aging water infrastructure.

Democrats, who control the state legislature, have signaled they intend to modify the proposal, which polls show isn't likely to pass. Republicans have said any final bill should include funding for more reservoirs and dams.

In the short-term, the drought could cause California to lose some of the 1 million jobs Brown says he added since 2010 to help bring the state back from its worst recession since the 1930s.

"Given direct and indirect impact, you could see a loss of 37,600 jobs, about 24,000 of those from agriculture," said Scott Anderson, chief economist at Bank of the West in San Francisco.

Lost Wages

Employees in health care, real estate, and retail trade could also be let go, he said, equaling $1.5 billion in lost wages and salaries. Businesses could also be forced to budget additional millions for rising energy costs.

Californians must consider their long-term water habits, said Kevin Starr, author of the seven-volume "Americans and the California Dream."

"They invented California through water engineering — which is great as long as you have water to engineer," said Starr, a history professor at the University of Southern California. "The greater Palm Springs area has over 700,000 people in it and what did Mother Nature intend? Probably 7,000."

By Jennifer Oldham and Michael B. Marois Feb 6, 2014 9:00 PM PT

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Bloomberg: Dayton's Minnesota Thrives as Land of 10,000 Levies.

Almost two dozen states cut taxes last year, most in the belief that lower levies stimulate the economy. Not Minnesota, which raised them on high-wage earners, business sales taxes and cigarettes by $2.1 billion.

"We've never been a low-tax state," said Governor Mark Dayton, great grandson of the founder the company that became Target Corp. (TGT), the second-largest U.S. discount retailer, behind Wal-Mart Stores Inc. "We're a high-value state."

Not least for companies. Dayton and the legislature, controlled by the Democratic-Farmer-Labor Party, have lavished hundreds of millions of dollars of incentives on employers such as electronics maker 3M Co. (MMM) and the Mayo Clinic. Last week the state sold $468 million in taxpayer-backed bonds to build a stadium for the Vikings of the National Football League.

As U.S. states including New York, California and Florida debate what to do with projected surpluses — cut taxes, bolster education spending — Dayton defies the stereotype of a Democratic governor who scrimps on assistance to corporations. Still, he doesn't want Minnesota to emulate low-tax Texas or embrace the formula that government should put private-sector interests first.

"That's the stuff of fairy tales," Dayton said in an interview in his office in St. Paul, the capital.

Washington's nonprofit Tax Foundation, which studies policy, in a July 2013 analysis said Minnesota had the seventh-highest tax burden among U.S. states, which would "discourage productive behavior." It parodied the Land of 10,000 Lakes as "The Land of 10,000 Taxes." But if the increases and spending have hurt, it's not evident.

Moody's Assessment

Minnesota has the nation’s seventh-lowest unemployment rate, a figure that has dropped steadily to 4.6 percent in December, compared with 6.7 percent nationwide. Moody’s Investors Service cited “strong financial management” in an October report, and said the state’s diverse and stable economy is “expected to out-perform the nation over the long-term.”

Minnesota now projects a $1.1 billion surplus, prompting Dayton to propose the repeal of three sales taxes on business when the legislature returns this month. That has provoked charges that the increases were overkill.

“Rather than raising taxes and cutting sweetheart deals with businesses, how about we just create a more welcoming environment so we don’t have to do special favors for business?” said Senator Dave Thompson, who is seeking the Republican nomination to challenge Dayton in November.

“I’m convinced that if you tax more and spend more, you depress the economy,” Thompson said.

Economic Driver

While few make the case that higher taxes stimulate economic activity, the effect of lowering them can be overstated, said Art Rolnick, former senior vice president and director of research at the Federal Reserve Bank of Minneapolis.

“This is not what drives the economy — you can’t just look at taxes,” Rolnick said. “There’s no such thing as a good tax, but you’ve got to look at both sides of the ledger.”

“You got very low taxes in Mississippi, but what does the economy look like?” Rolnick said.

Mississippi’s median household income from 2008 through 2012 was $38,800 and its poverty rate was 22 percent, according to the Census Bureau. Over the same period, Minnesota’s median income was $59,100 and its poverty rate 11 percent.

Minnesota is a northern outpost of prosperity, a land where residents have higher levels of education, and per capita income is 8 percent above the national average, according to Standard & Poor’s.

Governor Ventura

With a population of 5.4 million, the state is home to 19 Fortune 500 companies, including UnitedHealth Group (UNH), Best Buy Co., U.S. Bancorp, Medtronic Inc. and General Mills Inc., as well as 3M and Target. Those companies have given the state stability despite its recent history of political swings and government gridlock, Rolnick said.

In the past 15 years, the governor’s office has been led by independent Jesse Ventura, Republican Tim Pawlenty and now Dayton. Legislative control has changed hands, and budget gridlock paralyzed the government twice since 2005, with a shutdown lasting 20 days in 2011.

“The economy is fundamentally very strong and it can take some bad political hits,” Rolnick said.

The Minnesota Chamber of Commerce argued against Dayton’s tax increases. Bill Blazar, the chamber’s senior vice president of public affairs and business development, said the state’s progress is a reflection of Pawlenty’s holding the line against a higher burden.

New Path

"We should have stuck with the austerity, but they chose the other way, to go back to where Minnesota was in the 1970s and '80s, when we put a gazillion dollars into the public sector," Blazar said of Dayton and his legislative allies. "It remains to be seen if the path we're on will work."

Dayton, a former one-term U.S. senator elected governor in 2010, said he is convinced of the wisdom of what he calls "the Minnesota model."

Tax breaks for expansions of the Mayo Clinic in Rochester and the Mall of America in Bloomington are investments that will deliver, he said. As for public money for the Vikings stadium — committed after the team threatened to leave — Dayton said he understands the resentment.

"The economics of professional sports are so skewed that any deal looks ridiculous to any normal person whose applying normal laws of economics, but in this case we'll get enormous returns," he said.

"We're not dummies. If they were negative investments or had a negative effect on cities, there wouldn't be this clamor for them," he said. "It's part of the fabric of life."

By Tim Jones Feb 6, 2014 9:00 PM PT

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Bloomberg: Detroit Cancels Swaps Forbearance Deal With BofA, UBS.

Detroit won't take legal action for now against Bank of America Corp. and UBS AG (UBSN) over a costly swaps deal, even after canceling a forbearance agreement it reached with the banks in July.

While they continue trying to negotiate an end to the swaps, which cost taxpayers about $4 million a month, the city and the banks will refrain from taking court action against each other, according to Bill Nowling, a spokesman for Detroit's emergency financial manager, Kevyn Orr.

"We basically have a gentleman's agreement," Nowling said in an interview yesterday after the city told U.S. Bankruptcy Judge Steven Rhodes it canceled the forbearance deal on Jan. 31.

The forbearance agreement, reached days before Detroit filed the biggest U.S. municipal bankruptcy, was a kind of truce. Detroit agreed not to sue to cancel the swaps and the banks agreed not to declare the city in default of the contracts, which would have allowed them to try to seize casino tax revenue.

The city and the banks have been trying to reach a settlement that Rhodes will accept. Last month, he rejected a proposal to buy out the swaps for $165 million, saying it was too costly.

Detroit's 4.5 percent sewer bonds that mature in 2035 rose about 3.6 percent today to 84.9 cents on the dollar, according to data compiled by Bloomberg.

$18 Billion

Detroit filed for bankruptcy on July 18 after decades of decline, listing $18 billion in liabilities and saying it couldn't pay creditors while also providing basic city services. Orr has been in courtsupervised mediation with creditors including bondholders and pension funds to seek an agreement on cuts.

The swaps were designed to protect against rising interest rates by requiring the banks to pay the city if rates climbed above a certain level. When rates fell, Detroit was required to make monthly payments.

Under a draft debt-adjustment plan sent to creditors last month, Detroit would pay nothing to Bank of America and UBS. While the city said in the plan that it disputes the legitimacy of the swaps, it said it may set aside about $4.2 million a month in a reserve fund in case a court finds them legal. Orr said he may file a debt plan with the court this month.

Last week, the city sued to cancel more than $1.4 billion in pension debt underlying the swaps. That lawsuit didn't seek to cancel the swaps themselves, which have cost taxpayers more than $200 million since 2009.

Casino Revenue

The swaps contracts give the banks the right to seek control of Detroit's casino taxes, which the city pledged as collateral, in the event of a default. In December, Corinne Ball, a lawyer for the city, told Rhodes the casino revenue was one of Detroit's best sources of money.

Ball, a partner at Jones Day, didn't immediately respond to a phone call seeking comment on the termination notice.

Megan Stinson, a spokeswoman for Zurich-based UBS, and Bill Halldin, a spokesman for Charlotte, North Carolina-based Bank of America, declined to comment.

The case is In re City of Detroit, 13-bk-53846, U.S. Bankruptcy Court, Eastern District of Michigan (Detroit).

By Steven Church Feb 7, 2014 9:41 AM PT

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Detroit Plan Revives Investor Scrutiny of Michigan: Bloomberg Muni Credit.

Detroit's plan to reduce its $18 billion of liabilities may derail the biggest wave of Michigan debt issuance since 2009 and elevate borrowing costs as investors renew focus on the state's approach to bondholders.

A proposal last week from Detroit Emergency Manager Kevyn Orr would pay pensioners at more than twice the rate of some bondholders and give 46 cents on the dollar for general obligations backed by the city's unlimited taxing power.

Issuance from Michigan has just started to revive after Detroit's July filing. The state's municipalities sold $464 million of debt in January, the most for the month in five years, data compiled by Bloomberg show. They did so at a price: The developments since July have boosted yields as much as

0.5 percentage point, according to research firm Municipal Market Advisors. Michigan itself pays the second-highest yield spread among states, Bloomberg data show.

“The bottom line as an investor in Michigan debt is you have a governor and leadership there who are complicit in subordinating” bondholders to pensioners, said Adam Mackey, head of munis in Philadelphia at PNC Capital Advisors, which oversees about $6.5 billion in local debt. “There will have to be more compensation for us as a lender.”

Favoring Michiganders

Detroit’s bankruptcy may set precedents for how retirees and bondholders are prioritized when a locality in the $3.7 trillion municipal market falls into distress. The episode is testing the assumption that bonds backed by the full faith and credit of states and cities are the safest among local debt.

Fitch Ratings said in a report last week that Republican Governor Rick Snyder was contributing to a mentality of “us versus them,” in part by a plan that would favor retired state workers, and even artwork, over bondholders. He proposed last month that the state pay $350 million over 20 years specifically for Detroit pensioners.

Snyder said this week that it was “premature” to conclude that borrowing costs would rise for Michigan issuers because of how bondholders have been treated in Detroit’s bankruptcy proceedings.

“Bankruptcy is something I hope no one aspires to be in, because it’s very difficult for anyone involved,” he said at a press conference to discuss his budget plan.

Repayment Menu

Under Orr’s latest plan, pensions would get 45 to 50 cents on the dollar, though retiree health-care liabilities would recoup just 13 cents. Investors who loaned $1.4 billion to shore up the two pension funds would receive 20 percent of their claims. Holders of $369 million in unlimited-tax general obligations would recover 46 percent, and the $161 million of limited-tax general obligations would get 28 percent.

The plan to cut payments to general-obligation holders and the governor’s proposal for Detroit retirees “means higher costs for municipalities that don’t deserve higher costs,” said John Mousseau, who helps manage $1.8 billion of munis as director of fixed income at Cumberland Advisors in Sarasota, Florida.

Mousseau also estimated a penalty of about 0.5 percentage point for localities in the state.

In the face of higher borrowing costs, Genesee County, Battle Creek and Saginaw County postponed a combined $131 million of issuance in the month after Detroit’s bankruptcy filing. All three eventually sold their debt.

School Finances

In January, about 20 school districts and Fenton Township joined Saginaw County in offering a combined $464 million of bonds, compared with $175 million in January 2013, according to Bloomberg data. They borrowed amid the municipal market’s biggest monthly rally since September.

In one example of the penalty Michigan issuers have paid, Dearborn School District nine miles (14 kilometers) west of Detroit priced about $68 million of bonds on Jan. 15 with an Aa2 grade from

Moody's Investors Service, two below the top. The 10-year segment yielded 3.4 percent, or 0.71 percentage point more than benchmark munis.

By comparison, Hermantown Independent School District No. 700 in Minnesota issued $49 million of bonds on Jan. 23, with the 10-year portion yielding 0.15 percentage point more than AAAs. In Washington, Auburn School District No. 408 sold about $44 million last week with a segment due in about 10 years priced to yield 0.1 percentage point more than the benchmark.

The former issuer has a Moody's grade equivalent to the Dearborn district, while the latter is one level higher.

'Cumulative Penalty'

Minnesota and Washington, like Michigan, have school-bond enhancement programs that help districts access capital markets and reduce borrowing costs.

In Michigan, "small school districts are going to pay another half a percent more than they would need to pay otherwise," Mousseau said. "That's fine if you're a bondholder and you're capturing incremental yield for no additional risk, but there's a cumulative penalty that the surrounding areas pay."

Investors "look at each entity individually and judge them on their own credit ratings and history," said Terry Stanton, a spokesman for the Michigan Department of Treasury, which oversees the school bond qualification and loan program. "There continue to be an abundance of sound, smart investments to make in Michigan and in our local communities."

Michigan debt trailed the broader market last month. The yield on 10-year state general obligations fell 0.15 percentage point, compared with a drop of 0.32 percentage point for benchmark bonds, Bloomberg data show.

Trailing California

The state's average yield spread since Detroit filed for bankruptcy protection is almost double what it was in the first half of 2013.

The eighth-most-populous state pays the second-highest yield relative to benchmark munis, with only Illinois facing a higher cost, Bloomberg data show.

That wasn't always the case. Before Detroit's filing, investors demanded a higher yield to own bonds from California, which has a Standard & Poor's rating two levels below Michigan's.

"Michigan has made it clear — in actions related to Detroit's bankruptcy — that it views municipal bondholders as effectively subordinate to pensioners and less important than protecting artwork," Concord, Massachusetts-based Municipal Market Advisors said in its report.

Four Michigan issuers are offering new bonds this week, Bloomberg data show. The $17 million of debt would be the least for a non-holiday week since November, the data show. The localities are borrowing as benchmark 10-year yields are the highest since Jan. 16.

By Brian Chappatta Feb 6, 2014 5:00 PM PT

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Lawyers, Consultants Making Millions off Detroit Bankruptcy.

Lawyers, accountants and other professionals racked up about $13.3 million in fees and an additional $348,000 in expenses from July to September in the early stages of the battle to restructure the bankrupt city of Detroit.

And that was before the legal ranks were called out in full force for fall hearings into whether the city was in fact eligible to file for Chapter 9. Considering that, there likely will be even larger fees when the next quarterly report comes due covering October through the end of the year.

The city has approved $62 million in contracts with lawyers and consultants as it grapples with about $18 billion in debt and projected long-term liabilities. And the city has budgeted $93 million to cover restructuring costs, Bill Nowling, spokesman for emergency manager Kevyn Orr, said Tuesday.

Detroit filed for bankruptcy on July 18. To try to contain professional costs, the court appointed Chicago attorney Robert Fishman as a fee examiner. He takes all invoices and pores over them to ensure they meet strict guidelines and then provides a redacted version of the authorized costs to the city to pay.

U.S. Bankruptcy Judge Steven Rhodes has been mindful of legal costs throughout the process and worked to strike a balance between allowing all parties to have their say while keeping proceedings moving at a fast clip and encouraging mediation for a speedier resolution to Detroit's problems.

Fishmam, who is paid $600 an hour, must submit quarterly reports with the fees and expenses. This is his first reporting, and while it is months late, the report notes that all questions have been resolved satisfactorily although one firm, Ernst & Young, which provided a cash-flow analysis for the city, had to resubmit revised invoices.

When they are reviewed, they will be filed as a supplement to the report, which will bring totals up because the original fee requests for August and September total about $2.5 million.

Nowling said the city pays 85% of the bills it receives. Now that the final fees have been authorized by Fishman and small adjustments made where there were questions or discrepancies, the city will pay the remaining balance and the books will be closed for that period of the bankruptcy.

The city pays its own professional costs and also covers the expenses of a retiree committee that was established to ensure retirees had a voice at the table.

The largest bill for the quarter was from the city's main legal firm, Jones Day, which had $6.6 million in fees — even with more than $1.5 million in agreed-upon discounts — and an additional $143,000 in expenses.

Local restructuring firm Conway MacKenzie had almost $2.3 million in fees and $1,200 in expenses. Miller Buckfire, whose co-president Kenneth Buckfire is the city's lead financial adviser, billed $1.2 million and had $51,000 in expenses. A breakdown of specific expenses is among the information that is redacted.

The four firms hired by the retiree committee cost the city just under $2 million in fees and another $61,500 in expenses.

“Clearly, the professional fee expenses incurred during the reporting period were substantial,” Fishman said in his report. But he notes that “due to the magnitude and complexity of the case, the novelty of the legal issues, the extremely tight time frames imposed by the court and the strong differences in opinion between the various parties about what to do and how to do it, it was and continues to be inevitable that the costs associated with the services provided by the various professionals were going to be significant.”

Nowling said that while the costs are high, “there is a level of comfort that they are being watched closely, the fee examiner is going over them with a fine-tooth comb and looking at everything.”

When Fishman was appointed, a court document carefully spelled out allowable fees, the discounts firms were expected to include and the parameters of what constitutes a legitimate expense.

At this point in the calendar, the money set aside for professional costs should prove to be enough, Nowling said. If the $62 million in retainers for legal contracts with the various firms runs out, further bills cannot be submitted without amending the contracts.

By Alisa Priddle

Detroit Free Press Business Writer

12:11 AM, February 5, 2014

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Lima, Ohio, Goes Mobile to Fight Malnutrition.

The city is taking fruits and vegetables on the road in an effort to combat obesity in its “food deserts.” It’s part of a growing trend of cities developing healthy eating initiatives.

Tired of near-bottom health rankings and growing obesity, the city of Lima, Ohio, is taking fresh produce directly to 18,000 residents on a converted bus.

That’s the number of people in the 38,000-person metro area who reside in a “low-access community,” where at least 500 people or 33 percent of a U.S. Census tract live more than a mile from a large grocery store. In rural areas, the U.S. Department of Agriculture definition of a so-called “food desert” extends to more than 10 miles.

Limited access to healthy foods has dragged down annual health standings, in which Lima’s Allen County ranked 83rd out of 88 in a 2013 state survey, says Mayor David Berger. In Allen County, some 77 percent of adults are overweight or obese along with 32 percent of youth. Nearly 60 percent of adults and two-thirds of youth don’t consume vegetables on a weekly basis. With just 12 full-service groceries serving the area and 260 convenience stores, it’s not surprising, Berger said at a recent meeting of the U.S. Conference of Mayors.

“It’s much easier to buy alcohol than an apple, and I think that’s pretty telling,” Berger said.

With the help of a $100,000 grant from the American Beverage Association, Lima took a donated bus from the regional transit authority, gutted it and rebuilt it with food racks and sales system that allows people to use credit cards or food stamps to purchase locally grown produce. In September the bus started making regular stops two days a week to places like churches, barbershops and nursing homes, averaging 77 customers and the retail equivalent of about $500 a day so far. The service is now running on an operating budget of $75,000 a year.

Lima is by no means alone in its problems or its solutions. One in three children in the U.S. are overweight or obese, a steady increase over the last quarter of a century, said Craig Moscetti, an associate for policy and programs at the Robert Wood Johnson Foundation's Leadership for Healthy Communities. Cities and states are increasingly viewing the issue beyond the lens of public health, Moscetti added. "This is not just a health issue," he said. "It is a productivity issue. It's an economic issue."

There are some signs that the message is getting through, if only faintly: obesity rates decreased slightly in 19 states accordingh to an August 2013 Centers for Disease and Control report.

In Lima, the goal is to expand services and increase their frequency throughout the county through partnerships with community groups. They also want to persuade convenience stores to stock their shelves with fresh produce and allow people to use food stamp benefits to pay for them—an increasingly popular effort among cities nationwide.

In Philadelphia, a city with a serious obesity problem that got on board with converting corner stores years ago, more than 350 locations serve fresh produce. Baton Rouge, which started a mobile food market last May, has established six corner-store partnerships. But the city has tried to combine the corner store initiative with business development, offering classes for participating stores, assistance in data collection and upgrading technology to accept food stamps, said Mayor Kip Holden. "Having a brother die of a stroke, a mother die of a heart attack at age 51, this has become a personal mission," he said.

A new farm bill, which is entering final debate in Congress, will likely cut the food stamps program by billions but include hundreds of millions to encourage use of the program at farmers' markets and money to encourage retail investment in "food deserts."

BY CHRIS KARDISH | JANUARY 27, 2014

Chris Kardish | Staff Writer

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WSJ: Rolling the Dice on Municipal Bankruptcies.

Want to gamble but can't make it to Vegas? Then buy bonds from an ailing municipality.

The amount of money that bond investors get back in municipal bankruptcies varies widely – even among creditors who own debt with similar characteristics, Moody's Investors Service said this week.

The commentary is timely given the ongoing drama in Puerto Rico, which has about $70 billion in outstanding debt that is widely owned among U.S. investors. The commonwealth has been downgraded to junk recently by two major rating firms, Moody's Investors Service on Friday and Standard & Poor's Ratings Services earlier this week.

Puerto Rico, which has faced a struggling economy in recent years, is not eligible for Chapter 9 municipal bankruptcy, but it is unclear how bond investors would fare if the island could not pay back its debt. Island officials say they are working to improve the commonwealth's finances and have assured investors they will get their money back.

Moody's analysts noted that in the bankruptcy case of Jefferson County, Ala., which was weighed down by more than $3 billion in sewer debt, investors who owned sewer bonds got back 54.1% of their money. However, J.P. Morgan ChaseJPM +0.25% ended up with a recovery closer to 30%. (Moody's did not include in its calculations a fine that J.P. Morgan paid related to a bribery investigation connected to the sewer bonds.) Other creditors got as much as 80%, Moody's said.

Meanwhile, investors who owned general-obligation bonds issued by Central Falls, R.I., made it out of bankruptcy with a 100% recovery. In Vallejo, Calif., investors who owned debt tied to the city's general fund made a recovery of 60% to 75%. In Stockton, Calif., the city wants investment firm Franklin Advisers to accept a 1% recovery rate, while some other investors are getting 100%, Moody's said.

In Detroit, which filed the largest municipal bankruptcy ever last summer, officials are still negotiating with creditors. Still, the city's original proposal included a potential plan for water and sewer bondholders to take a cut. The end result for Detroit bondholders remains uncertain—and the previous cases are unlikely to offer much guidance.

"Recent outcomes in Chapter 9 bankruptcies are distinguished by the circumstances of the particular cases, and therefore do not set broadly applicable precedents," the Moody's analysts wrote.

The data could be skewed by the small number of municipal bankruptcies. From 1980 to 2010, there were just 239 municipal filings, according to the American Bankruptcy Institute. In contrast, there were nearly 44,000 commercial bankruptcy filings in 2013 alone, according to Epiq Systems.

But if you're a betting man, you still might want to wager on municipal bonds than other types of debt. Moody's has said that the ultimate recovery for defaulted municipal debt from 1970 to 2012 was about 60%, compared to 49% for senior unsecured corporate bonds from 1987 to 2012.

By Mike Cherney

Michigan's High Court Rules Localities Can't Ban Medical Marijuana.

Communities can't pass ordinances to preempt Michigan's 5-year-old medical marijuana law, according to a Michigan Supreme Court ruling Thursday — a far-reaching move that "ends a long, tortuous battle in the courts," one legal expert said.

The decision may invalidate marijuana measures at least three Metro Detroit cities that run contrary to the state law, legal experts say.

Wyoming, near Grand Rapids, in 2010 created a zoning ordinance that prohibited the use, cultivation or manufacture of marijuana. Wyoming resident John Ter Beek challenged the law because he said he was a qualified medical marijuana patient and argued that the 2008 state law preempted the local ordinance. The court agreed.

“It’s a good victory for medical marijuana patients,” said Matthew Abel, a senior partner at Cannabis Counsel PLC, a Detroit-based law firm that handles marijuana cases.

Abel said the ruling upholds the rights of residents who want to “avail themselves of the benefits of the medical marijuana law if it applies to them.”

Wyoming’s ordinance “directly conflicts” with the state’s medical marijuana law by allowing what the law “expressly prohibits: the imposition of any penalty, including a civil one, on a registered qualifying patient whose medical use of marijuana falls with … the immunity” granted under state law, Justice Bridget McCormack wrote in a unanimous opinion.

The court held that federal law criminalizing marijuana doesn’t invalidate the state’s medical marijuana law because the state law “doesn’t interfere with or undermine federal enforcement of that prohibition,” McCormack wrote. The state legally allows “a limited class of individuals to engage in certain uses in an effort to provide for the health and welfare of Michigan citizens,” the ruling said.

Governing.com

FEBRUARY 7, 2014

[Will the 2014 Muni Market Be Good for Issuers?]

Analysts see a better year ahead, but say there are factors that could cause a 2013 repeat.

When he looks back at last year, George Friedlander, chief municipal strategist at Citigroup, sees it as “one of the most challenging years” on record for the municipal bond market. It was tough on the issuer and on the underwriting side, he said, citing a $65 billion outflow of investor money from bond funds last year (that’s up from $20 billion in the disastrous year of 2008). “The headwinds in terms of demand were as bad as we’ve ever seen,” he said at a recent Council of Development Finance Agencies forum on muni bonds.

Blame the latest run on funds on state and local pension problems, the bankruptcies of cities in California and, of course, Detroit, and concerns about Puerto Rico’s fiscal state. There was also the active threat that Congress would do away with the tax exemption on muni bonds. But the real culprit was fear that a decision by the Federal Reserve to back away from quantitative easing would lead to a spike in interest rates, said Friedlander.

So what about this year? Despite a host of risk factors still lurking, Friedlander and other muni market analysts think it looks a lot better.

Positive Vibes

“It is almost inconceivable that, before the next presidential election, the two [political] parties could agree on a major tax bill that would incorporate anything like a reduction in the benefit from tax exemption,” Friedlander said. In other words, unlike 2013, few analysts see the issue affecting the market significantly this year. That said, Tom Weyl, director of municipal research at Barclays, noted that munis are not as attractive to investors as they could be and that they would get a boost if tax reform were "taken off the table and eliminated as an option."

The market also sees one of Judge Steven Rhodes' rulings in the Detroit bankruptcy case as a positive. The ruling stated that federal bankruptcy law trumps the state's constitutional protection of pensions, which means that pensions line up with other creditors for relief. "That pensions don't have primacy was essentially good news" for the market, said Amy Laskey, a managing director with Fitch Ratings. But the ruling is likely to be litigated all the way to the U.S. Supreme Court, so the decision is far from final.

"We dodged a bullet," Friedlander said, referring to the Volcker Rule. "If the rule came out in its original form, it would have disallowed proprietary trading in muni bonds and possibly put limitations on how banks market the muni bonds they own." Instead, muni bonds are exempt under the Volcker Rule, and that means banks are likely to continue to be solid muni market customers. Still, regulatory issues remain, Friedlander says, "giving the market some agita."

Finally, analysts are excited that direct retail investment started to come back last year. As Friedlander sees it, direct retail (as opposed to institutional investors) is a significant source of demand. If net supply of bonds will be negative, that means "investors are getting back as much in cash as issuance being generated or slightly more and that will create new demands going forward."

Causes for Concern

The fiscal problems of Puerto Rico — negative economic growth, large deficits and a vastly underfunded pension — could be a drag on the market this year. Three-quarters of all bond funds hold Puerto Rican debt, so if Puerto Rico is downgraded, it could cause sale pressure and cause liquidity problems where lenders pull in lines of credit. "It's not an imminent crisis," Weyl said, "but these issues are out there [and] can cause market volatility. Headline risk creates a negative situation for the bond market. That's why I'm concerned about an imminent Moody downgrade with large demands on Puerto Rico to stop the downgrade."

Another concern is interest rate changes, which are always a threat and remain so for 2014. According to the Friedlander, depending on how strong the economy is and how much the Federal Reserve feels it is getting close to the time to raise short-term rates, there could be a significant change in Treasury yields and, consequently, a 40 to 50 basis-point increase in muni yields. On the other hand, there is a real chance the economy will undershoot, that growth will stay in the 2 percent range and that the Federal Reserve won't accelerate its move out of quantitative easing. That means Treasury yields won't go up significantly and muni yields will stay roughly where they are. "It's definitely a bifurcated outlook," he said. He thinks there is a 50-50 chance that rates will move up significantly but not disastrously, and that bond refundings that are in the pipeline will have room to get done. "We don't see rates going hog wild on the upside," he added. "[But] the lower an issuer is in credit quality, the more likely it is that rising rates will take you out of a refundable stance."

Finishing On a Hopeful Note

As to the outflow of money from bond funds, Weyl noted that he and his fellow analysts at Barclays looked at a variety of factors in prior rate-rising environments and found that "this market looks and feels like 2004 and 2006. In those markets, after an initial rise in rates, fund flows returned. We're not sure if that's what we're seeing now. Certainly, negative flows have slowed down. We think flows will return at some point this year."

BY PENELOPE LEMOV | JANUARY 30, 2014

Reuters: U.S. Munis Rebound in January, But Rally Faces Tests Soon.

(Reuters) – U.S. municipal bonds have started the year strong, outperforming most other bonds and equities in a significant rebound from a dismal performance in 2013, when investors fled the sector.

After yanking a record $62.6 billion from muni bond funds in 2013, investors have redeployed cash to the sector in January, with more than $500 million over the past three weeks, Lipper data showed. Coupled with a limited flow of new issuance, that has helped boost the performance of munis across the board, especially in the high-yield sector, and could support more gains.

But hazards still lie ahead – a restructuring plan in the Detroit bankruptcy that appears to favor pensioners over bondholders and a threatened ratings downgrade on Puerto Rico, one of the $3.7 trillion market's biggest issuers, could throw a wrench into the rally. Ongoing regulatory reform could pinch liquidity in a market already known for low trading volume.

Overall, munis tracked by the Barclays Capital U.S. Municipal Bond Index have delivered a total return of 1.93 percent in January, outpacing the wider U.S. bond market, as measured by the Barclays U.S. Aggregate Index, by 56 basis points.

"Munis came out of the box very strong," said Philip Fischer, head of muni bond research at Bank of America Merrill Lynch, who sees the rally extending in coming weeks against a backdrop of limited near-term supply.

The outperformance has been especially pronounced among lower-quality bonds with longer maturities.

The Merrill Lynch Triple-B U.S. General Obligation Municipal Securities Index, dominated by bonds issued by cash-strapped Puerto Rico, has delivered a total return this year of more than 5.5 percent. The Puerto Rico bonds in the index have gained 5.7 percent on a total return basis, index data show.

It is clear that investors are being drawn by the high-yield sector's enticing yields – the average effective yield in the Merrill index is nearly 8.5 percent compared with a 10-year U.S. Treasury yield of 2.65 percent. High-yield muni funds accounted for 90 percent of the latest week's inflows.

Some muni rebound is typical for January, when investors traditionally reinvest the coupons and principal payments that come due, according to Dorian Jamison, municipal analyst at Wells Fargo Advisors.

Issuance of new paper is also often low coming out of the holidays, leaving investors with little supply to satisfy their appetites.

The level of new deals coming to market in January fell to the lowest level in two years, to $17.63 billion, as refinancing continued to dry up, according to preliminary Thomson Reuters data released on Friday.

Jamison was optimistic that munis could keep up the rally through the year, in part because their tax-free nature will continue to be a source of value in a time of higher federal taxes for wealthy investors.

RBC Capital Markets, for instance, projects that muni yields will tighten to Treasuries, an indication of outperformance.

The ratio of 10-year top-rated municipal bond yields to equivalent Treasuries could hit 90 percent by the end of the year from the current 95.5 percent, according to RBC. The 30-year ratio is forecast to reach 98 percent from about 107 percent now. A falling ratio signals muni outperformance.

But there are risks that could dampen the rally.

One big near-term threat is Puerto Rico. All three credit rating agencies have the island's bonds on watch for a possible downgrade into junk, depending in part on whether officials can successfully tap the muni market in coming weeks.

"The market is still fragile" with Puerto Rico and as headwinds, said Barry HoAire, a portfolio manager at Bel Air Investment Advisors in Los Angeles.

Federal regulation could also impede munis. Fitch Ratings has warned that a new rule governing high-quality liquid assets on bank balance sheets would hinder liquidity in the muni market if it were to be enacted as currently written.

U.S. banks, which hold about $404 billion of the $3.7 trillion of outstanding muni bonds, might reduce their muni holdings because the bonds would not be counted as high quality liquid assets under the new rule, Fitch said.

Furthermore, interest rates broadly are expected to rise, particularly as the Federal Reserve continues to reduce its massive bond buying stimulus that drove yields to record lows.

That said, the credit profile for issuers is brightening, with most states and cities seeing modest economic improvement and rebounding revenues from tax collections and fees.

"Yes, interest rates are going to go up. But there are improving credit fundamentals in all areas, even high yield," said Richard Larkin, credit analyst at HJ Sims in Boca Raton, Florida.

"Things are good – I am not expecting another major airline or auto manufacturer to go bankrupt. I think we have been seeing emotional and irrational reaction to municipal bonds."

BY HILARY RUSS

(Reporting by Hilary Russ; Additional reporting by Steven Johnson; Editing by Dan Burns and Grant McCool)

Forbes: 5 Reasons To Still Consider Munis In 2014.

No doubt, there were some "bumps" on the muni highway in 2013. QE tapering, rising rates and a liquidity crunch stemming from industry outflows dramatically impacted the market. But let me share with you, the five top reasons our MacKay Municipal Managers (MMM) team, led by John Loffredo and Bob DiMella, think munis are an attractive investment for 2014.

1. Municipal Market Supply and Demand Technical Features Provide Relative Price Support in 2014.

MMM anticipates issuance supply to continue to decline toward all-time lows – as a result, the amount of bonds outstanding in the muni market will recede for the third consecutive year.

But at the same time, demand should rise for two key reasons: baby boomers have begun transitioning towards retirement and are increasingly looking for tax-exempt income, and the reality is setting in that higher tax rates have arrived on both earned and unearned income, increasing the tax burden for individuals.

2. Local General Bond Obligations Look to Outperform.

Sure, Stockton, Harrisburg and Detroit tarnished munis' reputation. But these are local events and in MMM's opinion are not symptomatic of the market at large.

The credit profile of local governments is improving as property valuations rise, local sales and income taxes increase, and reform of public employee pension plans accelerates. Bob also mentioned that state governments – after resolving their own financial challenges – are better positioned to increase aid to local governments. Not all is bright, however as one major credit may regress financially: New York City.

3. The Municipal Market Refocuses on Monoline Insurance in Secondary Trading.

The market seeks to reassess the value of bond insurance as the volatility increases for some distressed credits, such as Puerto Rico. Wrapped muni bonds of such issuers aim to maintain more of their value, which is attributable to the insurance protection. The improved financial strength of many insurance providers should further drive the recovery in the price of insured bonds.

4. Lower Investment Grade & High Yield Municipal Credits Seek to Outperform.

Treasury rates are poised to continue to rise: Low investment grade and high yield munis have historically outperformed high quality intermediate bonds in this type of environment. The rebounding fundamentals of lower rated bonds should outpace the negative impact of higher Treasury rates. By contrast, high grade intermediate bonds should underperform as their price performance is more closely linked to the overall direction of interest rates.

5. Broker/Dealer Reduction in Capital Commitment to Municipal Bonds will continue to reduce market liquidity.

Broker-dealer intermediaries have reduced their commitment to secondary trading and providing liquidity to municipal bond market. In 2013, the year began with commitments to munis of more than $50 billion and ended the year down over 50% – a 10- year low. The driving force behind the retrenchment is bank regulation and internal bank risk profiles. The result: the cost of transacting has risen, and the differential between institutional and retail transactions has increased.

Less liquidity also means more price volatility, which can lead to opportunity for well informed active investment strategies.

While munis have certainly had their ups and downs over the last year, they still present a good opportunity for tax-advantaged returns – for investors who choose the right securities. In fact, we expect 2014 to be as tough a year as ever when it comes to getting good outcomes in the muni market through passive exposure or by working on your own. So our overarching advice to investors in 2014 is the same as it was in 2013: find an experienced manager you trust, backed by a solid team. Smart security selection, with the help of a professional, remains the key to putting munis to work for you.

Jeffrey Phlegar, Contributor

[Reuters: U.S. Municipal Bond Sales Hit Lowest Level in Two Years.]

(Reuters) – Sales of U.S. municipal bonds in January fell to the lowest level in two years, $17.63 billion, as refinancing continued to dry up, according to preliminary Thomson Reuters data released on Friday.

Total bond issuance for the month was the smallest since $17.11 billion sold in January 2012 and a third less than the $26.53 billion issued in January 2013.

Altogether, only 581 deals came to market during the month, the smallest number since February 2011.

Refinancing led the decline, with issuance of refunding bonds falling to $6.24 billion in 211 deals from $18.47 billion spread over 559 deals in January 2013.

New debt issuance, however, rose 41.2 percent from the same month last year, to $11.38 billion.

[Fitch: Michigan Governor's Detroit Proposal Troubling for Bondholders.]

Fitch Ratings believes that the Michigan governor's recent proposal to contribute $350 million towards Detroit's unfunded pension liabilities demonstrates continued weak support for bondholder security and repayment stemming from Detroit's bankruptcy. In Fitch's opinion, action that suggests pensions' claim on limited resources should be given priority to that of bondholders could establish a troubling precedent, at least in Michigan and perhaps beyond, given the paucity of significant municipal bankruptcy filings historically and the resulting focus on the Detroit case. Moreover, the governor's comment that state funds will not bail out bondholders or Wall Street but are going to Michiganders suggests an 'us versus them' orientation to debt repayment that undermines willingness to pay public debt in Michigan.

The governor's recent action follows Michigan's implicit support of the emergency manager's decision to treat Detroit's small amount of unlimited tax general obligation (GO) debt as a general unsecured obligation. Fitch has previously stated its concern for the lack of priority for GO debt. It stands in stark contrast to the decision made by Rhode Island in the Central Falls bankruptcy case to protect GO bondholders by applying a statutory lien to all such local government debt in the state.

The governor's plan, which requires legislative approval, would be funded by carving off a portion of the state's annual tobacco settlement revenue. The state funding would match a like amount of donations from private foundations seeking to protect the collection of the Detroit art museum. The state and private contributions reportedly are contingent upon the funds being used exclusively for Detroit's pensions, and the combined amount would essentially equal the total unfunded pension liability calculated using standard actuarial methodology for government pensions. In announcing the plan last week, the governor was quoted as highlighting the fact that none of the funds would go to bondholders.

Michigan has long been recognized for conservative management of its own finances and proactive involvement with its distressed local governments. Fitch views Michigan's Act 436 and its predecessor emergency manager laws as among the strongest state fiscal intervention programs in the nation. However, the state's actions related to numerous aspects of the Detroit bankruptcy have been contrary to Fitch's prior expectations of the benefits to local government bondholders that such a program provides.

Fitch recognizes the delicate political situation surrounding the Detroit bankruptcy and that there are still many decisions to be made before the proceedings come to a close. The Detroit emergency manager has proposed reducing pension liabilities, and in December 2013 a federal bankruptcy court judge ruled that pensions could be adjusted in bankruptcy, stating that 'nothing distinguishes pension debts from other debts.' As the state and city continue down what could be a long road, actions and rhetoric that suggest bondholder rights are not an important consideration will continue to damage market perception of the state and its local governments.

27 Jan 2014 12:17 PM (EST)

WSJ: Detroit Debt Proposal Favors Pension Funds.

Rate to Resolve Obligations Would Be Roughly Double That of Bondholders

DETROIT—This bankrupt city is proposing to favor pension funds at roughly double the rate of bondholders to resolve an estimated $18 billion in long-term obligations, according to a draft of a debt-cutting plan reviewed by The Wall Street Journal.

The plan's balance-sheet projections show the base scenario designed by the city calls for $4.2 billion to be divvied up among the city's unsecured creditors, including some bondholders and the city's pension funds. The pot of money would be divided to allow Detroit's two municipal pension funds to recover more than 40% of the money the city says they are owed. In contrast, less than 20% of the money owed to unsecured bondholders would be paid.

If the city completes a deal to lease its water and sewerage department to a new regional authority with its suburbs, the recovery for pension funds and bondholders would grow slightly. Leasing the water department would bring about $339 million to the city, according to the plan.

In its July municipal bankruptcy filing, the largest such case in the nation's history,, the city reported about $11 billion in unsecured debt, including $6 billion in health and other benefits for retirees; $3.5 billion for retiree pensions; and about $530 million in general-obligation bonds. City officials said at the time it would have about $2 billion to resolve those obligations.

It was unclear from the plan reviewed by the Journal whether the city is using all of the same estimates for the money owed to unsecured creditors in its draft plan. A person familiar with the draft plan said the recovery rate for the pension funds could end lower than the balance sheet shows.

Details of the plan sent to creditors on Wednesday have been kept under wraps as the city and its debtholders continue to talk in closed-door mediation. The city sent its working draft to creditors in the hopes that the plan with a richer payout might spur some of them to settle with the city individually or, in the least, offer their own suggestions toward modifying the overall proposal, according to another person familiar with the matter.

So far, the plan which is considered to be a rough draft,doesn't include any major settlements with the city's creditors. But it could be more welcome news for unions and pension funds if they agree to settle.

The proposal appears to bake in pledges from the state and private groups for more than $800 million to save Detroit's art collection and help pay off the city's pension obligations. The city, however, is still speaking with debtholders, unions and pension funds, seeking their agreement, which is required by the state and foundations. Detroit's suburbs are also balking over paying to move the city-owned water system into a regional authority they would help control.

The formal plan is expected to be filed in federal court in Detroit within two weeks, officials said. Creditors will vote on the plan, but the final decision rests with the court.

"The proposed plan provides the road map for all parties to resolve all outstanding issues and facilitate the city's efforts to achieve long-term financial health," Detroit Emergency Manager Kevyn Orr said in a statement Wednesday. Mr. Orr's spokesman declined Thursday to comment on the plan's details. Several creditors, who were opposed to the city's early plans to offer creditors, including bondholders and pension funds, less than 20 cents on the dollars owed to them, also declined to comment.

The plan could be key for more than 20,000 on city pensions after U.S. Bankruptcy Judge Steven Rhodes ruled pensions aren't entitled to special protection from potential cuts, despite a Michigan state constitutional provision aimed at shielding pensions. Unions and pension funds argued the pensions essentially were untouchable and have appealed the judge's ruling.

By MATTHEW DOLAN

NYT: Detroit Plan Is Said to Split Creditors Into 2 Groups.

Detroit is preparing to resolve its bankruptcy case by splitting its unsecured creditors into two groups and treating them differently, according to people briefed on the city's plan.

One group, composed of retired city workers, would get cash for their claims, while others, holders and insurers of certain city debts, would get a series of notes of uncertain but lesser value. One person, who asked not to be identified because of a confidentiality order, called the plan "massively discriminatory."

It is a fundamental principle of United States bankruptcy law that similarly situated creditors are treated equitably. In Detroit's bankruptcy case, both the pensioners and the general obligation bondholders are eager to avoid a court precedent where one group would be privileged above another.

Some creditors view the city's proposal, presented in sometimes tense meetings with a mediator, as a blunt negotiating tool meant to cudgel them into accepting unfavorable terms, one of the people briefed on it said.

The city is expected to file a plan with the bankruptcy court by Feb. 17. After that, creditors will file any objections. Detroit's bankruptcy judge, Steven Rhodes, must eventually decide whether the plan is fair and equitable.

Creditors slated to get smaller recoveries were said to be considering their legal options. The bankruptcy judge, mediators and other officials shepherding Detroit through its bankruptcy case have repeatedly urged the parties to reach out-of-court settlements and avoid litigation. The city has more than 100,000 creditors, and there are fears that the city might become hopelessly bogged down if a string of protracted lawsuits is started.

The people briefed on the plan said it contained a "base scenario" in which cash and notes worth $4.2 billion would be divided among the unsecured creditors. Retirees would get cash worth roughly 50 percent of their claims over time, while holders of debt issued in 2005 to shore up the pension system would get about 10 percent.

The city also described a second possible way in which additional money might be available through a lease of Detroit's water and sewer system. If that deal is completed, the city would propose giving all unsecured creditors an additional 3 percent of their claims, but some would still receive more than others.

Some of the money for the retirees' claims is proposed to come from an arrangement being struck with philanthropic organizations in Michigan, which would give roughly $350 million to the Detroit Institute of Art. Their donations are expected to be matched dollar for dollar by the State of Michigan.

The money would be used to keep valuable artworks in Detroit, but the donors have also agreed to stipulate that it be used to pay the retirees' pensions, to the extent possible.

The proposal included $3.1 billion in cash contributions that Detroit would make to its municipal pension system over the next 40 years, and $500 million to support the city retirees' health plan.

The art proceeds and state appropriations would be divided equally between the city's two pension funds, one for the police and firefighters, and another for all other municipal workers. The cash would be split a little differently, with the police and firefighters' pension fund getting $1.4 billion and the general pension fund getting $1.7 billion.

Recoveries for the financial creditors would come from several types of notes that the city would issue. Some of the notes would give creditors a 20 percent recovery rate, but some of them would also have their claims sharply reduced, leaving them with just 10 percent.

By MARY WILLIAMS WALSH and MICHAEL J. de la MERCED JAN. 30, 2014

Forbes: Wall Street's Vultures Are Circling Puerto Rico's Bond Market.

The vulture hedge funds are circling Puerto Rico's $70 billion municipal bond market and are about to swoop. This is another round of disturbing news for Mom and Pop investors who own UBS closed-end Puerto Rico bond funds as well as the tens of thousands of other investors who own Puerto Rico debt in Municipal bond funds that brokers sold to them as safe, steady and reliable investments.

A huge issue facing Puerto Rico is whether it can borrow money and issue more debt in an attempt to buy time to get its tremendous fiscal problems in order. Puerto Rico officials are desperate to prevent a downgrade to "junk" bond status, which could potentially whipsaw the $3.7 trillion US municipal bond market.

Puerto Rico's current debt levels, however, appear unsustainable. If you add in all government debts and unfunded pension obligations, Puerto Rico has a staggering $46,000 debt load per person.

That's where Wall Street's vultures come in.

The New York Times last week first reported that "Puerto Rico is under pressure to show investors and credit-rating agencies that it can still borrow money from the capital markets. A group of hedge funds and private equity firms may help it do just that, but at a high price," according to Michael Corkery.

"Bankers at Morgan Stanley have been reaching out to about a dozen hedge funds, private equity firms and other large investors to gauge their interest in providing up to $2 billion in financing to Puerto Rico," Corkery reported, citing Wall Street sources.

The cost of the vultures' so-called "investment" in the island's bonds is charging Puerto Rico interest of course. In this case, Morgan Stanley and its investors could take a 10% rate of return, or "vig" as the loan sharks call it.

What a sorry state of affairs that the Commonwealth needs to pay 10% just to borrow enough money to prevent default for what would likely be just days or weeks. The island commonwealth appears to be fighting the inevitable.

According to a CNBC report on Friday, Moody's and the other rating agencies are watching the terms that investors will require for the debt offerings, which UBS Puerto Rico will likely underwrite. "If the interest rate Puerto Rico has to pay is considered too high, that too could spark a downgrade" to junk bond status which itself would trigger a bloodbath for the island.

CNBC's Michelle Caruso-Cabrera compared Puerto Rico's needed debt refinancing to "refinancing a 15-year mortgage into a 30-year mortgage" which would have a higher interest rate and a lower monthly payment, "making it easier to manage cash flow," she reported.

All eyes are on a scheduled February debt offering, according to a Bloomberg report. Moody's threatened a downgrade by March if it doesn't like the deal.

A few months ago, this blog noted that Wall Street has made billions from Puerto Rico's debt market. Now, it's looking to make more. This is a blueprint of how Wall Street works. It gets fat on the fees and commission from underwriting and selling municipal bonds or hot stocks, and then, after the deals blow up, a bank like Morgan Stanley steps in to buy the bonds for pennies on the dollar or lend at usurious rates.

Puerto Rico's strategy is like a desperate consumer trying to stave off the debt collector by opening a new credit card account to pay interest on his other credit cards. In this case, I believe the cost will end up being passed on to the poor Mom and Pop "bonistas" – bondholders – when their supposedly safe bond funds turn to junk.

By Jake Zamansky

Michigan May Use Drones to Study Unpaved Roads.

Researchers at the Michigan Tech Research Institute (MTRI) are working to find out; engineers, computer scientists and transportation researchers are looking for cost-effective unmanned aerial vehicle (UAV) projects that could replace today's processes for mapping roads and roadside features, identifying potholes and understanding traffic.

One project funded through the U.S. Department of Transportation's Research and Innovation Technology Administration (USDOT/RITA), called Unpaved Roads, aims to help departments of transportation across the country assess and predict repairs needed on unpaved roads more quickly and cheaply.

"We're making data-gathering quicker, easier, safer and more detailed for rapidly understanding our transportation infrastructure," MTRI Senior Research Scientist Colin Brooks told Michigan Tech News. "[The UAVs] can show us how many potholes are in a road and how deep they are, the degree of crown in a roadway, identify rutting conditions in a roadway, wash-boarding, drainage, and evaluate density and severity of road and bridge problems."

Researchers are experimenting with UAVs of varying size and cost on the project, which is scheduled for completion this year. One hexacopter being used costs $5,000, weighs about 11 pounds, and can hold a full-sized digital SLR camera. A smaller drone being used cost $700 and can hold a smaller camera, like a GoPro. The collected imagery is used to create 3-D models, which are often accurate to within a centimeter, said Assistant Research Scientist Richard Dobson.

"We would like to see either local DOTs using this to assess their roads or help them with planning out when they need to go out and re-grade unpaved roads rather than relying on complaints from locals who live on the roads," Dobson said. "If they can figure out how quickly their unpaved roads degrade in certain areas or how quickly after major storm events, if they can better understand that, then they can be more on top of taking care of them before they become a problem."

Instead of governments taking control and managing fleets of UAVs themselves, Dobson predicted that companies will begin offering such UAV technology as a service to DOTs, once the Federal Aviation Administration (FAA) relaxes their policies in 2015, following research in six test UAV test sites. Current methods of assessing damage to roads by on-foot personnel can be time-consuming and expensive for agencies, and contracting a UAV service fits with the public-sector trend of purchasing technology as a service rather than managing it in-house.

This research will wrap up in the next few months, Dobson said, concluding a project that was started in late 2011.

Though strides they've made in their research could lead to new products and services, he noted that there is one shortcoming: an inability to create a piece of cohesive software that removes some of the manual processes required by the user. The team lacked both time and funding to make that happen.

"There's a fair amount of handholding right now," he said. "It's not a user-friendly, single piece of software that you can throw imagery at and get your characterization of the unpaved road at the other end."

All the software components, such as the 3-D model maker and stress detection, work separately, Dobson added, and the user has to really know what he's doing to work the software. In terms of raw performance, however, the software works great.

By Colin Wood

Muni Bond Contrarian Stands Firm.

Cites fiscal progress in Puerto Rico, favorable terms as positive signs; sees volatility easing

As we wrote in InvestmentNews last September (Puerto Rico muni bonds: A contrarian view), we continue to think that the government of Puerto Rico has the ability and willingness to honor its debt service obligations to bondholders, and at current prices, general-obligation and various agency debt offer extremely attractive long-term investment opportunities.

To be sure, the commonwealth continues to face fiscal challenges and needs strong sustained policy discipline and commitment from government leaders.

We recognize that further actions will be required to improve credit quality but note that much was accomplished on this front last year.

POSITIVE SIGNS

- Sweeping pension reform to the two largest public-pension systems was enacted. The Teacher's Retirement System, approved in December, was modeled after the changes imposed and upheld by the Puerto Rico Supreme Court on the main Public Retirement System in the spring and summer. Conversion to a defined-contribution model should eliminate the growth of future liabilities, alleviating some of the risk associated with poor funding levels and make "pay as you go" funding more manageable.
- Continued reduction of a chronic budget deficit, which had reached $3.3 billion in the fiscal year ended June 30, 2009, but is now targeted to be reduced to $820 million by June. Year-over-year general-fund revenue growth (driven by higher taxes and fees) and expenditure control are keeping deficit reduction on track. General-fund revenue for the first half of the fiscal year ending in June was $80 million above projections and 15% higher year over year. Expenses have declined and are under budget. Reaching its goal of a balanced budget by fiscal 2016 will require Puerto Rico to remain committed to its plan and execute it effectively.
- Significant rate increases for two of the island's public corporations. Effective July 1, Puerto Rico Aqueduct and Sewer Authority, a widely held bond issuer, raised water rates by 60%, and the Highway Transportation Authority increased revenue by 57% through increased taxes and fees. As with any loan, legal structure and borrower covenants are key elements in our credit analysis. And here, the various Puerto Rico issues demonstrate strength.
- The constitution of the Commonwealth of Puerto Rico, which was ratified in 1952, gives first priority to debt service on public debt, which is defined as general-obligation and commonwealth-guaranteed debt.
- Revenue bonds issued by the various agencies have pledged first claims on specific cash flows, such as sales tax bonds issued by the Puerto Rico Sales Tax Financing Corp. With a debt service coverage ratio of 1.9 and AA- ratings on senior debt from both Standard & Poor's and Fitch Ratings, I ask: On what basis does one predict a required and imminent restructuring? Is this a false assumption based on hyperbole and/or fear? I pose that same question about excise-ta- -backed rum bonds issued by the Infrastructure Finance Authority, with coverage ratios of 3.2 and Baa3/BBB+ ratings. Many other commonwealth revenue bond issuers have similarly favorable terms.

KEEPING PROMISES

Puerto Rico isn't a Latin American sovereign and, in my view, not likely to walk away from debts. It is a United States territory inhabited by U.S. citizens, and it has a long history of keeping the promises it has made to the capital markets.

We aren't alone in recognizing the value of investing in Puerto Rico. Municipal bonds issued by the commonwealth are found in many muni bond funds.

More than 70% of all muni bond funds hold bonds issued on the island, according to Morningstar Inc.

Additionally, Citigroup Inc. estimates that $25 billion to $30 billion in bonds are owned directly by individual investors.

Near-term risks include ratings agency downgrades, for which Moody's Investors Service Inc. is reviewing, and further price volatility.

The volatility of Puerto Rico bond pricing last year was no doubt unsettling but, in my view, temporary. When it comes to muni debt issued on the island, we take the long-term view, swayed by the facts and the attractive yields that carefully researched Puerto Rico muni bonds can offer.

And of course, the ability to earn double or triple tax-exempt income has for many years helped satisfy many long-term fixed-income investors.

Dan Loughran is a senior portfolio manager, senior vice president and team leader at OppenheimerFunds Inc. His team manages 20 municipal bond funds.

By Dan Loughran

Jan 19, 2014 @ 12:01 am (Updated 4:21 pm) EST

Decline of Insured US Municipal Bonds May be Over.

While the worth of insured municipal bonds in the US declined to the lowest level last year to $12.08 billion since the financial crisis, data from Thomson Reuters revealed that the dive may already have come to an end, Reuters reported.

Data revealed that last year's 9% drop in bond insurance was the smallest in ten years. An overall decline in debt sales in 2013 reaching 15.1% contributed to the fall. Insured bonds comprised a slightly bigger share of new debt sales last year. This represented 3.9% of the total dollars from municipal bond issuances, higher than the previous year's figure of 3.6%, the report said.

Insured bonds comprised around half of overall new debt issuance before the financial crisis of 2008. Purchasing insurance enables municipalities to use the top ratings of the guaranteeing firms to bring down their borrowing costs. The use of municipal bond insurance fell when the ratings of firms were reduced on exposure to mortgage-related debt which is considered risky. The amount of insured debt dropped 64% in 2008, the report said.

Assured Guaranty was the top municipal insurer last year after undertaking 466 deals which backed a total of $7.38 billion of debt. Its market share, however, went down 20.8% as 536 deals were undertaken by Build America Mutual insuring a total of $4.44 billion, the report said.

A newcomer in the field, Municipal Assurance Corp was able to insure $154.5 million bonds in 22 deals while Berkshire Hathaway Assurance was able to insure only one deal worth $106.9 million. Berkshire Hathaway Assurance was not a guarantor of any municipal debt the year before, the report said.

Meanwhile, the data revealed that the top bond lawyer last year was Orrick Herrington & Sutcliffe, which also held the Number 1 post in 2012. The law firm counseled 310 transactions worth $31.54 billion, the report said.

Minnesota Mayor Announces Competition to End Veteran Homelessness.

Chris Coleman, mayor of Saint Paul, Minn., announced Jan. 24 that the Twin Cities will enter a friendly competition with other cities in an effort to eliminate veteran homelessness by 2015.

The mayors of Des Moines, Iowa, and Columbus, Ohio, will engage in a race against their Minnesota counterparts to house all veterans who meet a federal definition of long-term homelessness. The collaboration follows a similar challenge between the mayors of Phoenix and Salt Lake City last year regarding veterans who are chronically homeless. In December, the U.S. Department of Housing and Urban Development (HUD) recognized Phoenix for having reached an effective level of zero veterans who were homeless for at least one year or had experienced four episodes of homelessness in the past year.

“I have to say I’m truly inspired by what Salt Lake City and Phoenix have done,” Coleman said at the U.S. Conference of Mayors winter meeting in Washington, D.C. The host city’s mayor, Vincent Gray, participated in a roundtable discussion with Coleman and other mayors from around the country to discuss hunger and homelessness in cities.

As Governing previously reported, the U.S. Conference of Mayors released survey findings in December 2013 that showed some of the largest cities in the country are seeing an increased demand for emergency food assistance and an uptick in overall homelessness. One silver lining in the report, however, was declining numbers of veteran homelessness, where many surveyed cities said they were receiving federal support and successfully housing veterans.

On any given night last year, Saint Paul, Minneapolis, and their respective counties reported 183 homeless veterans, according to official point-in-time count figures published by HUD. In Des Moines and its surrounding county, the number was 130. In Columbus and its surrounding county, the number was 148. The point-in-time counts take place in January, meaning those figures are about a year old. The total veteran counts include a mix of homeless individuals sleeping at emergency shelters and those who sleep elsewhere.

“Friendly competition is a very powerful tool,” said Mark Johnston, the acting assistant secretary for community planning and development at HUD. More mayors should consider following in the footsteps of Salt Lake City and Phoenix, he said. “Friendly competition motivated those mayors.”

BY J.B. WOGAN | JANUARY 24, 2014

Innovation Districts Create New Urban Spaces for Creativity and Growth.

Cities incubate creativity and serve as labs for innovative ideas and policies. One such idea arising more and more is the innovation district. These districts are creative, energy-laden ecosystems with a focus on building partnerships across sectors. Innovation districts attract entrepreneurs, established companies, and leaders in all walks of life, and provide them with the space to create unexpected relationships and find transformative solutions.

Innovation district growth in cities as far afield as Boston, Las Vegas, and Barcelona belies their success in reflecting our ever-more complex world, which demands increased collaboration to understand the latest trends, let alone address problems with solutions that are more and more frequently found at the boundaries between different fields. In short, Innovation Districts are places designed to bridge gaps between fields and make unusual collaboration more likely to happen.

Bruce Katz of the Brookings Metropolitan Center has been exploring the growth of these districts and the increasing impact they are having on wider metropolitan economies: “This new model — the Innovation District — clusters leading-edge anchor institutions and cutting-edge innovative firms, connecting them with supporting and spin-off companies, business incubators, mixed-use housing, office, retail and 21st century urban amenities.”

In the American Institute of Architects report I co-authored while with the AIA, Cities as a Lab: Designing the Innovation Economy, we examined the key role that innovation districts are beginning to play in cities. Design, ideas, and proximity are being used as significant assets in turning our cities into “innovation labs,” transforming spaces and fostering connections in imaginative new ways. These high performance districts can animate a brighter future and attract funding and investment, enterprises and entrepreneurs, all while serving as a platform for rapid change.

A key example of this can be seen in Boston. Boston’s Innovation District demonstrates what can happen with strong civic leadership, long-range planning, and pioneering designers collaborating toward a shared vision. The once derelict wharves along the Boston waterfront have been transformed into a multidisciplinary hub for innovation and manufacturing, attracting 200 companies and over 4,000 jobs.

Boston’s former Mayor Thomas Menino launched the Boston Innovation District (I/D) with his 2010 inaugural address, and captured the impetus for its creation when he said, “Our mandate to all will be to invent a 21st Century district that meets the needs of the innovators who live and work in Boston—to create a job magnet, an urban lab on our shore, and to harvest its lessons for the city.”

Now here we are in 2014, and his vision is transforming 1,000 acres of the South Boston waterfront into a unique live-work-play innovation community. Over ten million square feet of space has already been developed in the district, with 20 million more square feet planned.

Having first written about this project back in late 2012 it is astounding to see how it has taken off to the point where the ongoing success of the I/D is now leading to rapidly increasing rents that are pushing some of the early companies out. Rents have soaredto near parity with the Back Bay, the most expensive office district in Boston, rising 43 percent in just a few short years.

Within this district a new innovation infrastructure has been created, which includes numerous accelerators and co-working facilities, new types of housing, and America’s first public innovation center in a connected urban community, District Hall. This recently opened 12,000-square-foot, experimental community hub supports events, exhibitions, and meetings that have no niche elsewhere in the innovation market.

Among the companies that have located in the Innovation District, 40% share offices in co-working spaces and incubators, 25 percent have 10 employees or less, and 11 percent are in the education and non-profit sectors. Of the jobs created, 30 percent of the recent expansion comes from technology companies, 21 percent are in creative industries like advertising and design, and 16 percent come from green technology and life sciences.

Translating best practices from cities like Boston to other places throughout the country is imperative. The Michigan Municipal League is doing just this by examining the importance of innovation districts as targeted hyper-local placemaking. Looking at districts in Pittsburgh, Boston, Portland, Toronto, and Barcelona they have identified key best practices that successful districts consistently demonstrate.

There must be a catalyst, generally in the form of a mayor or other local champion, like former Mayor Menino in Boston. The inclusion of entrepreneurs as well as strong partnerships with universities and the philanthropic community are paramount. Infrastructure development, public investment, and distinct financing tools, as well as housing options and open space round out the key features that help define innovation district success.

Through incubating ideas, working collaboratively across sectors, and thinking beyond physical boundaries, innovation districts are thriving and creating ongoing opportunities for cities. By no means is it an easy process, but these districts help pave the way for future experimentation in cities across the country by creating the eco-systems that attract talent and help our cities thrive.

JANUARY 21, 2014

by Brooks Rainwater

Brooks Rainwater is the Director of City Solutions and Applied Research at the National League of Cities. Follow Brooks on Twitter at @BrooksRainwater.

WSJ: Detroit's Bankruptcy Retreat.

Failure to reform pensions defeats the purpose of Chapter 9.

The court “will not participate or perpetuate hasty and imprudent financial decision-making,” federal bankruptcy judge Steven Rhodes said last week in his decision to strike Detroit emergency manager Kevyn Orr’s proposed swaps settlement. The financing deal can be redone, but the judge should also keep his words in mind as the state and private foundations attempt a deus ex machina to save the public pension status quo.

Detroit’s bankruptcy has turned into a brawl, prolonging the pain and impairing Mr. Orr’s plans for a municipal revival. The city’s unsecured creditors, who could receive less than 10 cents on the dollar, and its unions are fighting to maximize their repayment and have demanded a fire-sale of the Detroit Institute of Arts’ collections to raise cash.

Enter chief district Judge Gerald Rosen, whom Judge Rhodes has appointed as a bankruptcy mediator. In November Judge Rosen floated the idea of raising donations from private foundations to preserve the art and using the cash to shore up pensions, which could also come under the scalpel in bankruptcy.

Nine foundations including Kresge, Ford and Knight have pledged $330 million to keep the art out of creditors' hands, and Republican Governor Rick Snyder is trying to persuade state legislators to match the philanthropy with funds from the 1998 tobacco settlement. Note: The tobacco payout was intended for public health, not pensions.

Meantime, Judge Rosen has impelled Mr. Orr to rescind his order last month freezing pension benefits, suspending retirees' cost-of-living adjustments and moving workers to 401(k)-style plans. These modest measures would reduce Detroit's $3.5 billion pension liability and help make them sustainable in the future. Most private businesses long ago shifted employees to 401(k)s, but public unions think of them as entitlements.

That's especially true in Detroit where one worker supports two retirees. Benefit formulas are also unaffordable. Firefighters retiring at 50 can earn 70% of their highest salary plus a 1.9% annual cost-of-living inflator in perpetuity. The average pension for public-safety workers is $30,000 and for other municipal employees $20,000, but many workers retire in their 30s and 40s and have second careers.

Fraud and abuse are rife. Detroit's union-controlled pension funds have paid annual bonus checks to retirees and mingled funds with workers' putative "defined-contribution" accounts. Nearly a quarter of retired public-safety officers receive a disability pension equaling two-thirds their pay. Twenty retirees under the age of 20 have also somehow managed to qualify for pensions averaging $27,000. None of this is surprising given that several trustees and money managers have been indicted in corruption probes.

The big risk is that Judge Rosen's plan will preclude the necessary pension reforms that Mr. Orr has proposed. Unions have ginned up fear that old and sick retirees will be thrown onto the streets, but cuts would probably be structured to spare older and lower-income pensioners. Those most affected would be current workers who would receive a reduced annuity but a new 401(k).

Michigan lawmakers appear open to assisting the pension bailout, which may be good politics in an election year. But GOP state senate majority leader Randy Richardville had a smart idea when he suggested that unions should have to contribute too. By our estimates public-safety unions collect more than $5 million every year in member dues that could go to the cause.

Judge Rhodes has indicated that he won't approve settlements, even those recommended by the court's mediator, that don't resolve the city's systemic problems. Let's hope he holds that line. The point of bankruptcy is to get legal protection to make the hard decisions that politicians have dodged. Preserving defined-benefit pensions would defeat the purpose of bankruptcy and undercut Detroit's inchoate recovery.

Updated Jan. 23, 2014 11:51 p.m. ET

Detroit Bond Sale Closer as Holders Offered Pennies: Bloomberg.

The Motor City in July filed a record U.S. municipal bankruptcy, with liabilities of… Read More

Detroit's plan to end backfiring interest-rate hedges taken on almost a decade ago is its first step back to the municipal bond market even as investors gird for a return of pennies on the dollar to current holders.

U.S. Bankruptcy Judge Steven Rhodes this week may approve a $285 million loan to the city from

Barclays Plc. That starts the countdown for a probable return to the $3.7 trillion municipal market to fund the city's exit from Chapter 9 bankruptcy, which Emergency Manager Kevyn Orr has said he wants to arrange by September.

The city would follow Jefferson County, Alabama, which in November issued long-term debt while in bankruptcy. The county paid more than 2.5 percentage points over top-rated munis on some of its sewer debt, data compiled by Bloomberg show.

"Somebody's going to give them credit," Lyle Fitterer, who helps manage $31 billion of state and local debt at Wells Capital Management in Menomonee Falls, Wisconsin, said of Detroit. "How much it is going to cost, it's too early to speculate."

The Motor City in July filed a record U.S. municipal bankruptcy, with liabilities of about $18 billion, after losing a quarter of its population since 2000. It would differ from Jefferson County in that the money it borrows would be for use while in bankruptcy. The move may set a precedent for any localities that follow it into Chapter 9, the category designed to let municipalities restructure.

Funding Source

Bill Nowling, spokesman for Orr, said the city will probably seek financing from the municipal market to fund the bankruptcy exit.

Rhodes asked the city to file a plan by March to adjust its debt. Details of any bonds designed to fund the bankruptcy exit would probably be included in that proposal. It must be approved by Rhodes, who will take into account a vote of creditors and give their lawyers a chance to object. He must find that the plan complies with federal and state law, that it treats similar debts the same and that any cuts are fair.

Orange County, California, which sought protection in 1994 after losses on derivatives, also borrowed while in bankruptcy. It used the money to pay some creditors early and reduce obligations. That strategy was designed by lawyer Bruce Bennett, who is among attorneys leading Detroit's case.

Tap Test

For Detroit, the test will be whether it can tap investors to turn the Barclays loan into long-term debt when it tries to emerge from Chapter 9, said Matt Fabian, an analyst with Municipal Market Advisors.

"It's a gamble that the city will have sufficient market access, or frankly, sufficient revenues," to roll the loan over into bonds, Fabian, whose firm is based in Concord, Massachusetts, said in an e-mail.

Bart Mosley, co-president of Trident Municipal Research, and Fitterer at Wells Capital Management said Jefferson County's experience shows investors will buy the debt even as Orr's proposal would pay some unsecured creditors about 20 cents on the dollar.

"At a price, they will have market access," New York-based Mosley said of Detroit.

35 Cents

Some uninsured Detroit bonds have traded in recent months for about one-third of their face value. General-obligation bonds maturing in April 2016 have traded for an average price of 35 cents on the dollar since July, Bloomberg data show.

Detroit skipped an October interest payment on the bonds. The city of 700,000 has struggled to provide basic services such as street lights. Orr said in June that the city would skip payments on general-obligations not backed by state aid as well as certificates of participation.

The city would be borrowing to free up cash that has been tied up in payments for interest-rate swaps it entered into as part of debt sales in 2005 and 2006 to fund pensions. Part of the proceeds would pay UBS AG (UBSN) and Bank of America Corp., providers of the hedges, and $120 million would go toward city services.

The swaps contracts are supposed to reduce borrowing costs on debt with variable rates and hedge against rising rates. In some cases, the agreements backfired after the financial crisis, leaving municipalities owing money to exit the instruments.

Issuers nationwide, including Detroit's utilities and Louisiana, have paid at least $4 billion to banks to end the agreements.

2009 Pledge

In 2009, Detroit officials pledged casino-tax revenue to secure the swaps and avert a termination payment of about $400 million. The city has since paid more than $200 million to the banks as part of the swaps, according to public city records.

Although the casino taxes will be collateral for the Barclays loan, there will be no restrictions on the cash unless Detroit defaults, Nowling said. Currently, the money is first held in an account by an administrator who must pay swaps investors before releasing leftover funds to the city, Nowling said.

Ending the bankruptcy by September means that, should Orr need to borrow to pay creditors, Detroit would probably return to the bond market before then.

Nowling, Orr's spokesman, didn't specify the kind of debt the city would sell to come out of bankruptcy.

"That decision has not been made, but we anticipate that we will," he said.

Meantime in the municipal market, localities have scheduled about $6.8 billion of borrowing in the next 30 days, about 25 percent below the one-year average.

The issuance slowdown has fueled a debt rally. Benchmark 10-year munis yield 2.8 percent, the lowest since Nov. 13, and compared with 2.86 percent for similar-maturity Treasuries. The muni interest rate fell 0.19 percentage point last week, the most since December 2011.

The bankruptcy case is In re City of Detroit, 13-bk-53846, U.S. Bankruptcy Court, Eastern District of Michigan (Detroit).

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By Darrell Preston and Steven Church Jan 12, 2014 5:01 PM PT

Argument Preview: Rights to Old Rights-of-Way.

At 11 a.m. Tuesday, in the second case of the day, the Supreme Court will hold one hour of oral argument on what happens to the land under railroad lines after the railroad abandons them. In the case of Marvin M. Brandt Revocable Trust v. United States, Steven L. Lechner of Lakewood, Colorado, an attorney with the Mountain States Legal Foundation, will be arguing for a private trust claiming ownership of such lands. Anthony A. Yang, an Assistant to the U.S. Solicitor General, will be arguing for the federal government. The government had urged the Court to hear the case to clear up a split among lower courts on the issue.

When the American West was being settled and developed, the laying of railroad lines had a major role in connecting the people and industry of the region to each other and to the rest of the nation. The federal government encouraged that process by giving rail companies a form of subsidy through a grant of rights-of-way on government-owned lands for railroad beds.

That program began in the 1850s, and ended in 1871. Four years later, in 1875, Congress passed the General Railroad Right-of-Way Act, giving railroads the right to use public lands up to one hundred feet on each side of the rail line. Congress explicitly reserved the right to alter the provisions of that law.

By that time, outright subsidies for the railroads had grown unpopular, and Congress had switched its policy preference to encourage homesteading on the public lands of the West. The 1875 Act was designed primarily to replace a case-by-case grant of rights-of-way to railroads.

In 1922, Congress passed the Railroad Right-of-Way Abandonment Act, to deal with forfeiture or abandonment by a railroad of the land beneath its rails and nearby. Railroads, upon ceasing operations on the lands, would give them up, once a court or Congress formally recognized that the railroad had left the lands.

That law also provided that the right to use the lands would then be transferred to the owner of the underlying land, unless it was occupied by a public highway or by a local municipal government. In Congress's most recent action on the lands issue, in 1988 it dropped the transfer requirement, and declared that — after October 4 of that year — all right, title, and interest in the former rights-0--way would remain with the federal government.

The dispute that has put the land ownership issue before the Supreme Court grows out of a land grant that the government had given in 1908 to the Laramie, Hahn's Peak, and Pacific Railroad, in southeastern Wyoming. The right-of-way crossed an eighty-three-acre parcel that in 1976 would be transferred by the U.S. Forest Service in a land swap with private landowners Melvin M. and Lula M. Brandt, who owned a sizeable tract within the Medicine Bow-Routt National Forest.

The 1976 swap resulted in a grant on about eighty acres to the Brandt family, a property located in Fox Park, Wyoming, and containing a sawmill where Mr. Brandt worked. The property later passed to their son Marvin through a trust.

The document on that grant (a land "patent") explicitly stated only one restriction: the railroad's right to use the right-of-way bisecting the land.

In November 1987, the railroad, then known as the Wyoming and Colorado Railroad, became the last occupier of the right-of-way. It abandoned its use of those lands in 2004.

Two years later, the federal government went to court to get a final ruling on title to a 28.08-mile section of the right-of-way lying within the National Forest, with the aim of extending an existing recreational trail across that property. Development of former railroad lands as recreational trails had been encouraged by Congress in 1988, allowing a state, county, city or a private group to take over abandoned rights-of-way for a trail, if they were willing to take on the cost and management of the property.

Claiming that this part of the Wyoming right-of-way had reverted to federal ownership, the government's lawsuit targeted fifty-two landowners, including the owner of the Fox Park tract, the Marvin M. Brandt Revocable Trust. Everyone except that trust either settled with the government or did not appear to contest the federal claim.

A district court judge ruled for the government, finding that its interest had been preserved by the 1875 law. The U.S. Court of Appeals for the Tenth Circuit, while conceding that there was a conflict among appeals courts on the issue, upheld the federal ownership claim.

Last April, the Brandt trust took the dispute to the Supreme Court, raising the sole question whether the federal government retained "an implied reversionary interest" in the right-of-way, under the 1875 Act, once the underlying lands had been granted to private ownership.

After the federal government in September agreed that the Court should take on the dispute, the Court granted review on October 1, presumably because of the split in lower courts that both sides had cited.

The two sides' briefs on the merits debate the actual wording of the 1875 Act, what the Brandt trust actually got in 1976, what federal policy on land ownership has been, and the Supreme Court's prior rulings on the 1875 law's meaning.

A central focus of both briefs is the Court's 1942 ecision in Great Northern Railway v. United States, involving that railroad's claim to mineral rights under the railroad bed. The Court rejected the claim, interpreting rights-of-way as an easement — a temporary right to use the lands. "Any ambiguity in a grant," the Court said, "is to be resolved in favor of the sovereign grantor." The ruling, however, did not discuss whether the federal government retained a right to reclaim ownership of abandoned rights-of-way.

The Brandt trust argued that the Great Northern decision should be understood as strengthening its legal hold on the disputed land, emphasizing the part of that ruling that treated the right-of-way grant as only an easement under the common law. Once the railroad abandoned that tract, the trust's brief contended, the controlling document was its "patent" in 1976; it emphasized that that document said nothing about returning the underlying land to the federal government, once it had moved into private ownership.

The federal government argued that the 1942 decision is not controlling, emphasizing that it did not discuss the reversionary interest question at all and that its comments about a right-of-way being only a common law easement are being exaggerated. That decision, the government added, should be read in connection with other Supreme Court rulings on federal land ownership rights and congressional policy.

Among amici, the private trust has the support of property rights advocacy groups, conservative legal organizations, and land policy advocates and professors of property law. The federal government has the backing of local government advocacy groups, planning organizations, supporters of recreational trails, historic preservationists, and three states — New Mexico, Oregon, and Washington.

The choices before the Court seem quite clear: how to interpret the 1875 Act, how to read the Great Northern precedent and other Supreme Court rulings on that Act, the language of the Brandt family's "patent" on the Fox Park property in 1976, and competing visions of federal land use and title principles.

The dispute, in fact, is a classic one of competing interests: the personal right to own property free of restrictions that the government may assert, perhaps belatedly, versus the government's obligation to manage the public lands to maximize policy goals to serve a supposedly larger community of interest.

A central point of legal conflict arises from the fact that the 1875 Act does not, explicitly, contain language to settle the dispute about a federal "reversionary interest." For some Justices, who refuse to rely on background history of legislation, that will pose a dilemma. For them, then, the emphasis probably will be on prior Supreme Court precedents. The federal government has made an unapologetic plea to interpret what Congress meant by examining the legislative process that led to the 1875 Act. Indeed, that history may be essential to the government's case, at least so far as the 1875 Act is the focus.

Lurking somewhat in the background of this case is the federal government's "rails to trails" program — very popular with outdoor enthusiasts, conservationists, and local governments. A ruling for the Brandt trust, depending on how far it went to confine the federal claim that ownership of rights-of-way reverts to it, could intensify ongoing legal battles over the lands lying in former railroad beds and nearby.

ScotusBlog

Lyle Denniston Reporter

Posted Mon, January 13th, 2014 12:06 am

[Largest Muni ETF at Highest Premium With Fund Outflows Slowing: Bloomberg.]

The biggest exchange-traded fund tracking the $3.7 trillion U.S. municipal-bond market is selling at the highest premium to the value of its assets since May.

The $3.1 billion iShares National AMT-Free Muni Bond ETF, known as MUB, sold at 0.28 percent more than the worth of its holdings as of Jan. 10, the highest since May, data compiled by Bloomberg show. For the first time since May, the fund sold at a premium for two straight days.

The ETF traded at $105.50 per share at about 11 a.m. in New York today, the highest since July, Bloomberg data show. Since May, it sold either at a discount or at the value of its holdings every day except for two trading sessions.

Investors are returning to the ETF and local bonds, driving yields down from a three-month high set in December, said Bart Mosley, co-president of Trident Municipal Research in New York. Benchmark 10-year munis yield 2.76 percent, down from 3.05 percent on Dec. 11, Bloomberg data show. The five-year average is about 2.6 percent.

“They’re looking at the municipal market with fresh eyes and realizing that these rates have adjusted,” Mosley said. “And they’re quite acceptable from a historical perspective.”

MUB, created in 2007, is an exchange-traded fund. ETFs are similar to mutual funds that track indexes of equities, bonds or commodities. Yet they can be bought and sold during the trading day and their prices may rise or fall more than the value of the assets they hold.

Investors pulled about $19 million from U.S. muni mutual funds last week, the least since withdrawals began in May, according to Lipper US Fund Flows data.

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By Michelle Kaske Jan 13, 2014 8:05 AM PT

NYT: Judge Disallows Plan by Detroit to Pay Off Banks.

A federal judge on Thursday rejected a deal that Detroit had negotiated to help it move forward in bankruptcy, but he did offer some hope, saying the city could borrow $120 million it says it urgently needs to provide services to its residents.

Judge Steven W. Rhodes of United States Bankruptcy Court, in a decision many viewed as a big surprise, said that Detroit had hurt itself with hasty and imprudent decisions in the past, and that the practice “must stop.”

He ruled that Detroit could not proceed with a plan to pay $165 million to two big banks to extricate itself from some long-term financial contracts that have been costing the bankrupt city tens of millions of dollars a year.

Steven W. Rhodes, a federal judge, ruled last year that Detroit could formally enter bankruptcy.

“It’s just too much money,” Judge Rhodes said. He urged the two sides to try to negotiate a new settlement but also did not rule out a lawsuit.

The rejected deal stemmed from a plan by Detroit’s emergency manager, Kevyn D. Orr, to obtain a special $285 million loan from Barclays to operate in bankruptcy. Without the loan, Detroit said, it would soon run out of cash and not be able to pay its workers.

But because Detroit is already in default on some of its bonds, it could not easily take on new debt without pledging collateral. It wanted to pledge the revenue it takes in by taxing local casinos — but that money was already pledged to the two banks, Bank of America and UBS, as collateral for the financial contracts, known as interest-rate swaps, that were used to help finance pensions.

Detroit planned to use $165 million from the Barclays loan to cancel the swaps contracts, which would free up the casino money. That would leave $120 million to help run the city.

But Judge Rhodes refused to sign off on the deal, saying it was “reasonably likely” that Detroit could succeed if it challenged the swap transaction head-on by suing the two banks.

Mr. Orr testified that he had in fact considered suing the two banks to get out of the swaps, and even had his staff draw up a complaint. But in the end, he decided that such a lawsuit had just a 50-50 chance of success and that it would take too long at a time when Detroit urgently needed the casino revenue to secure a fresh loan.

While the judge allowed the city to borrow $120 million, it was unclear on Thursday whether Barclays was still willing to make the loan without resolution of the swaps issue or what the terms of a smaller loan would be. Judge Rhodes also placed conditions on the borrowing, saying that the money could be used only for purposes approved by the Michigan Gaming and Revenue Control Act and that the city must file notice with the court when it wanted to use it, giving creditors 14 days to object.

In delivering his ruling orally on Thursday, Judge Rhodes said he had reviewed the arguments Detroit would have made had it pursued a lawsuit, and thought they had merit. He said $165 million was “higher than the highest reasonable number.”

“If it were close, the court would approve it,” he said. “But it’s not close.”

The ruling was seen as a vindication for Detroit’s residents and its other main creditors, which stood to take a back seat to the new Barclays loan. They were arguing that the swap contracts appeared to have been illegal to begin with and should be voided rather than paid by the bankrupt city. Some even called for Detroit to claw back the millions of dollars it has already paid the two banks on the swaps.

“It’s a recovery for the people of Detroit,” said Abayomi Azikiwe of the Moratorium Now Coalition, who was outside the courtroom when Judge Rhodes made his ruling. “It’s a major win that could have national implications as other cities undergo bankruptcy.”

In a statement, Mr. Orr said: “We are reviewing today’s decision and we are thankful the court has approved our ability to pursue quality-of-life financing for the benefit of the city’s 700,000 residents. As recommended, we will continue to work toward a resolution of the pension swaps.”

Interest-rate swaps have been widely used in municipal borrowing, and other cities and counties have learned to their dismay that the long-running contracts are almost impossible to get out of without paying the total market value. Even in bankruptcy, the law gives swap traders the ability to be paid in full. Congress exempted such contracts from the bankruptcy rules that normally keep creditors from hounding bankrupt debtors.

The so-called safe harbor for derivatives like swaps contracts has raised eyebrows in Chapter 11 corporate bankruptcies, but until now it had not surfaced in a Chapter 9 municipal bankruptcy.

Detroit entered into the swap contracts in 2005, when it tapped the municipal bond market for $1.4 billion to put into its workers’ pension funds. Much of the deal was structured with variable-rate debt, and the swaps were intended to work as a hedge, to protect Detroit if interest rates rose. But rates fell, and under those circumstances, the terms of the swaps called for Detroit to make regular payments to UBS and Bank of America. The swaps cost Detroit about $36 million a year.

The 2005 borrowing also required an unusual structure to avoid violating the city’s legal debt limit. In 2009, the debt was downgraded to junk, putting the city out of compliance with the terms of the swaps. So Detroit restructured the swap obligations, offering the two banks the tax revenue that it received from local casinos as a backstop.

When Detroit declared bankruptcy last summer, it estimated the cost of terminating its swaps at about $345 million. The amount changes according to fluctuations in interest rates.

Days before filing its bankruptcy petition, Detroit said Bank of America and UBS had given it a break, so that it would have to pay only about $250 million to cancel the contracts. In the months since then, the amount dwindled to about $220 million. But other creditors, facing bigger relative losses, complained that the two banks were still getting way too much. They argued, among other things, that the interest-rate swaps were invalid from the beginning because the use of casino taxes for financial hedges is not allowed under state law.

With complaints about the swap payment mounting last December, Judge Rhodes sent the parties back to renegotiate their deal with the help of another federal judge, Gerald E. Rosen, the chief justice for the Eastern District of Michigan. Judge Rosen is the lead mediator of the Detroit bankruptcy, trying to negotiate settlements among Detroit's more than 100,000 creditors to keep the huge bankruptcy from being mired in endless lawsuits.

It was Judge Rosen who persuaded Bank of America and UBS to agree to the $165 million figure just before Christmas. Creditors were by then so perturbed about the situation that they filed a complaint against him for misconduct when he announced the deal and said he would recommend that Judge Rhodes approve it.

By MARY WILLIAMS WALSH

California Has a New Way to Fund Public Schools.

The California Board of Education approved emergency rules Thursday for a historic overhaul of school spending designed to direct money to the state's neediest students.

The unanimous board vote followed a marathon Sacramento meeting in which more than 300 educators, civil rights advocates, parents, students and lawmakers made 11th-hour pitches for how districts should spend their money.

The funding formula proposed by Gov. Jerry Brown and approved by legislators last year gives districts additional dollars based on their share of low-income students, English-language learners and foster children. But the Democratic governor and lawmakers left it to the State Board of Education to establish the regulatory rules.

District administrators and civil rights advocates lobbied the board for months over how much leeway schools should have to spend money intended for disadvantaged children. School districts want flexibility to spend such money districtwide, but advocates fear that could dilute the intended impact and benefit more affluent children.

That would put the education system at risk of "doing a little bit for everybody and a whole lot for nobody," said Assemblywoman Shirley Weber, a San Diego Democrat representing the Legislative Black Caucus.

A coalition of 30 education and advocacy groups, including the American Civil Liberties Union, Public Advocates and the Children's Defense Fund in California, sought an amendment Thursday requiring that new funding be "principally directed toward serving students in need" and that the strategies for accomplishing that be proved effective, according to David Sapp, staff attorney for the ACLU. The board ultimately approved rules without that change.

"They are emergency regulations," Board President Michael Kirst said. "I believe we should explore the comments heard today … rather than make changes on the fly without time to truly consider their potential impact and involve all stakeholders.”

State Board of Education Member Sue Burr called the vote a “Goldilocks decision … It’s not too hot. It’s not too cold.”

Kevin Gordon, a longtime school district advocate, said the rules approved Thursday were already a compromise after months of discussion. He said districts can spend on schoolwide and districtwide programs, but they must demonstrate that it is the best way to help disadvantaged students.

Gordon said districts want the ability to “pursue solutions that will dramatically make a difference for the kids in these populations, but may also help other kids, too.”

He described a hypothetical program designed to reduce truancy. A district might determine that calling parents frequently can have a dramatic impact on reducing absences among low-income students, but it would not make sense to purposely ignore middle-class students who fail to show up.

The Education Trust-West, an Oakland-based group that advocates for low-income and minority students, suggests a variety of ways that school districts could spend the new money: Improve access to college counseling and academic planning at schools in need. Expand summer school, giving priority to disadvantaged students. Provide health, dental and vision care on a districtwide basis. Give incentives to teachers and principals willing to transfer to the highest-need schools.

Under the funding formula, all school districts receive a base amount of funding. Districts in which needy students exceed 40 percent of enrollment would receive supplemental funding. Districts with disadvantaged enrollments exceeding 55 percent would get even more money, known as concentration grants. The amounts would increase yearly until 2020-21.

The changes come as California’s K-12 schools have begun to see a funding surge thanks to a 2012 statewide tax initiative and a spike in capital gains tax revenue that has filled state coffers. Of the $6.3 billion in additional funds proposed for K-12 schools and community colleges next fiscal year, Brown wants to devote $4.5 billion toward his local control funding formula.

Brown, who last year said his school funding plan was “a matter of equity and civil rights,” made a surprise morning appearance at the board meeting. He told the crowd of hundreds that the most competent level of decision-making must include those on the front lines of education — teachers, neighborhoods, parents and students. Districts are required to solicit opinions through advisory committee meetings; Sacramento City Unified, for instance, has one scheduled Wednesday at its headquarters.

He assured critics that the regulations can improve over time. “We are not omnipotent,” he told the group. “A little humility is in order.”

After Brown left, a small group of students disrupted the meeting with the loud chant, “Education is life. We fight for our rights,” until they were ejected from the meeting.

The formula is expected to bring some of the biggest per-pupil funding increases in the Sacramento region to districts such as Robla Elementary and Woodland Joint Unified, which have high percentages of students eligible for free and reduced-price lunch.

The 2,200-student Robla School District with five elementary campuses in the north Sacramento area, has nearly 90 percent low-income enrollment, said Superintendent Ruben Reyes.

“For us, there is not a classroom in my school district that does not have a large number of poor children and English learners,” he said in an interview. What is good for the 90 percent needy students, he said, “is generally good” for the other 10 percent.

Jay Hansen, trustee for Sacramento City Unified, said Thursday the proposed regulations are “on target and allows districts like ours to do right by our students and by our families. He said the district “is excited if not daunted by the challenges” of the funding transformation.

BY MCCLATCHY NEWS | JANUARY 17, 2014

By Loretta Kalb and Diana Lambert

2013 a Ground-Breaking 12 Months for ILS: Aon Benfield.

Aon Benfield Securities, the capital market, catastrophe bond and insurance-linked securities (ILS) arm of reinsurance broker Aon saw 2013 as a ground-breaking year for the ILS market, as demand from investors helped the market grow to record size.

Aon Benfield Securities has published its latest ILS market report today. The report looks back at the fourth-quarter 2013 trends in the ILS and catastrophe bond market and provides an opinion on the full-year market activity in 2013.

The fourth-quarter saw eight catastrophe bonds close, with a total value of $1.9 billion, contributing to second-half issuance of $3.5 billion and a full-year 2013 issuance total of $7.5 billion, according to the report. As ever, note that Aon’s figures do not include every ILS and cat bond recorded by the Artemis Deal Directory, which recorded $7.64 billion of issuance in 2013.

The strong issuance seen in 2013, the second strongest single year on record after 2007, helped the total amount of catastrophe bond limit outstanding jump to $20.3 billion, according to Aon Benfield Securities, the highest level in the markets history.

The fourth-quarter saw a broad range of deals coming to market, containing a mix of U.S. perils as well as some diversification opportunities for investors, including Australian earthquake, Australian cyclone and European windstorm.

The second-half of 2013 saw 16 transactions close, according to ABS’ figures, with several new sponsors and new perils coming to market. The transactions through the second-half also demonstrated the ILS markets ability to adapt and expand coverages to better serve the needs of primary insurer sponsors.

The continuing strong demand from capital market investors for access to reinsurance-linked returns in catastrophe bond and ILS form has helped the market to achieve outright growth as well as helping to push market pricing for ILS products to record lows in 2013. The fourth-quarter saw ILS pricing remain in line with these record pricing lows as the strong demand from investors continued.

Paul Schultz, Chief Executive Officer of Aon Benfield Securities, commented; “The fourth quarter of 2013 saw the maintaining of robust ILS issuance volumes and ever increasing interest from both sponsors and investors. When we look back at the year as a whole, we see that the ILS sector has recorded a ground-breaking 12 months, where ILS pricing decreased to levels that are highly competitive with traditional reinsurance."

Pricing of catastrophe bonds has declined so significantly over the last twelve months that it is now often the most cost-effective option available to those seeking risk transfer of some perils in some regions. This has now reached the point where the efficiency of ILS capital is now enabling ILS sponsors to lower their cost of risk capital at the same time as diversifying their capital sources, a very desirable outcome.

Paul Schultz explained; "In certain peak zone areas, we have seen catastrophe bonds become a more cost effective risk transfer mechanism than solutions available in the traditional market. We expect 2014 to see continued inflows of capital and the ILS sector to make further progression."

In the absence of severe catastrophe events, Aon Benfield Securities expects that 2014 will be another positive year for the ILS and cat bond market. ABS explained that 2014 may be characterized by both a broader spectrum of available risks and perils as well as expanded coverage into the lower layers of reinsurance cover are features that we will see more of. As a result ABS expects sponsors to increasingly use the catastrophe bond market as a core component of their risk transfer programs.

If the ILS market can continue to adapt structures and cover afforded to better serve the risk transfer needs of insurers and reinsurers in this way it should ensure further outright growth of the ILS market and that it may gain a greater foothold in these layers of the reinsurance market, at the cost of traditional reinsurers.

Despite the greater flexibility and reduced pricing of ILS and catastrophe bonds, Aon Benfield Securities expects the traditional reinsurance market will continue to strongly compete on these reinsurance layers. A competitive environment between the two forms of capital is expected to continue into 2014, said the broker.

At the same time, new capital continues to be allocated to the ILS asset class by investors, which Aon Benfield Securities said points to a positive outlook for increasing the breadth of the ILS market.

You can access the full report from Aon Benfield Securities in PDF format here:

[http://thoughtleadership.aonbenfield.com/Documents/201307_ab_securities_ils_quarterly_update_q4 2013.pdf](http://thoughtleadership.aonbenfield.com/Documents/201307_ab_securities_ils_quarterly_update_q42013.pdf)

by ARTEMIS on JANUARY 13, 2014

Cities and Counties Can Ban Marijuana Use that is Legal Under State Law, AG Says.

Cities and counties can ban marijuana use that is legal under state law, AG says

Adding more complexity to a new Washington law legalizing the possession and sale of recreational marijuana, the state attorney general is supporting the rights of cities and counties to ban pot within their precincts.

In a Thursday opinion (PDF), Attorney General Bob Ferguson says the voter initiative authorizing recreational use of the drug does not pre-empt local entities from adopting stricter laws, according to the Associated Press and the Seattle PI's Pot Blog.

"Under Washington law, there is a strong presumption against finding that state law pre-empts local ordinances," writes Ferguson in the opinion. "Although Initiative 502 establishes a licensing and regulatory system for marijuana producers, processors, and retailers in Washington state, it includes no clear indication that it was intended to preempt local authority to regulate such businesses. We therefore conclude that I-502 left in place the normal powers of local governments to regulate within their jurisdictions."

Those who drafted the ballot measure "could have in a single sentence addressed this issue" but didn't, the AG said in a conference call with the media.

Dozens of localities within the state restrict the use of marijuana, often by imposing a moratorium of up to one year on allowing marijuana businesses or, indirectly, by requiring businesses to comply with federal law.

Under federal law, marijuana is illegal, but the feds have said they will take a laissez-faire approach to enforcement in states that permit pot.

Read the opinion at:

http://atg.wa.gov/uploadedFiles/FosterAGO2014No02.pdf

Posted Jan 16, 2014 3:25 PM CST

By Martha Neil

Cities and counties can ban marijuana use that is legal under state law, AG says

Adding more complexity to a new Washington law legalizing the possession and sale of recreational marijuana, the state attorney general is supporting the rights of cities and counties to ban pot within their precincts.

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Posted Jan 16, 2014 3:25 PM CST

By Martha Neil

Bloomberg: Muni Variable-Rate Index Sets Record-Low Yield as Issuance Drops.

A measure of U.S. municipalities' variable-rate borrowing costs is at its lowest level in more than two decades as issuance of such debt is down 87 percent since 2007.

The Sifma Municipal Swap Index, which tracks 7-day, variable-rate demand notes, fell to 0.03 percent on Jan. 8, Katrina Cavalli, a spokeswoman for the Securities Industry and Financial Markets Association, said in an e-mail. That's the lowest since the measure began in July 1989, data compiled by Bloomberg show. Sifma, which calculates the index, is a New York-based trading group representing banks and investors.

The yield is falling as localities avoid adjustable-rate securities, said Michael Decker, co-head of Sifma's municipal securities division. They're favoring fixed-rate debt to lock in long-term financing as interest rates remain below historical averages. Twenty-year general obligations yielded 4.68 percent on Jan. 2, compared with the five-decade average of 5.87 percent, according to a Bond Buyer Index.

"It's a supply-demand issue," Decker said. "There really is a shortage of variable-rate securities and that's driving rates down."

The Federal Reserve's policy of keeping its benchmark for overnight interest rates near zero is also pushing down the index, Decker said.

Local governments from California to New York issued $25 billion of variable-rate securities and derivatives in 2013, Bloomberg data show. That's down from $195 billion in 2007. The Sifma index has averaged 2.81 percent since it began in 1989.

Smaller Payments

The dropping index means smaller payments to investors. Bondholders receive 0.46 percent on Massachusetts general obligations that mature in January 2018 and adjust according to the Sifma index. That's down from 0.56 percent when the bonds were issued in December 2012.

The floating-rate index will probably rise in the next few weeks as issuance picks up across the municipal market from a January lull, said Lyle Fitterer, who helps manage $31 billion of munis, including the Sifma-based Massachusetts general obligations, at Wells Capital Management in Menomonee Falls, Wisconsin.

The Sifma may climb to about 0.1 percent in that period, he said.

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By Michelle Kaske Jan 10, 2014 6:24 AM PT

Catastrophe Bond Markets Total Return 11% in 2013.

The total return of the outstanding catastrophe bond market in 2013 has beaten the long-term average for the second year running, with the 2013 total return reaching a very healthy 10.9%, as measured by the Swiss Re Global Cat Bond Performance Total Return index.

The 2013 total return of the catastrophe bond market of 10.9% beats last years figure of 10.3% and is 2.5% above the long-term average from 2002 to the end of 2012 of 8.4%. 2013 saw cat bond total returns on an almost consistent upward trajectory, resulting in strong investment performance for catastrophe bond focused ILS funds and qualified investors directly buying cat bonds in 2013.

The performance of the cat bond market total return index once again underscores the attractiveness of an investment in a diversified portfolio of catastrophe bonds and helps to explain the continued interest in the asset class from new institutional investors such as pension funds.

The attractive potential returns offered by an investment in catastrophe bonds is just part of the attraction though. The diversifying nature of investments in catastrophe risk, the fact that as assets they are largely uncorrelated with broader financial markets and because, as an asset class, cat bonds exhibit extremely low volatility compared to other assets, further explains the attraction for investors.

More broadly, ILS funds look set to average returns of approximately 7.5% in 2013, judging from the returns reported by the Eurekahedge ILS Advisers Index to date. This is just below the average returns of the wider hedge fund market, which Eurekahedge reported as 8.02% for 2013.

This shows that ILS, as an alternative asset class, is keeping up with other alternative assets, even during a year where pricing of new issues has decreased. Catastrophe bonds, insurance-linked securities (ILS) and other reinsurance-linked investments look set to maintain their attraction for investors in 2014, with the range of options available to invest in this asset class getting broader all the time.

So, let’s have a look at the Swiss Re Global Cat Bond Indices and how they ended 2013. We start with the Swiss Re Global Cat Bond Performance Price Return index, tracking the price return for all outstanding USD denominated cat bonds. Over the course of 2013 the price return index gained 2.2%, finishing the year at an index value of 96.77.

The chart below shows the last year for the price return index and you can clearly see the seasonal movements as well as the effect that high levels of issuance have on this index. In particular the way the index declined from mid-April, due to high levels of capital interest in the asset class, through to when spread tightening from the U.S. hurricane season took effect, is particularly evident. As is the tailing off of prices in October as the market realised that the U.S. hurricane season was looking particularly benign in 2013.

This second chart provides a longer term view of the price return index over three years.

Particularly evident in this chart are the declines caused by the Tohoku earthquake and tsunami and hurricane Sandy, demonstrating how catastrophe events impact price returns across the secondary catastrophe bond market.

Now let's look at the Swiss Re Global Cat Bond Performance Total Return index, which tracks the total return of a basket of natural catastrophe bonds. This index saw almost constant gains in 2013, with only a couple of weeks of very small declines possibly caused by calculation adjustments rather than any potential impact to the market.

The solid growth of near 11%, ending the year at an index value of 267.01, experienced by the total return index in 2013, as well as the consistent upwards trajectory, shows that 2013 saw little in the way of threats to catastrophe bonds from loss events.

Also evident from this longer term view of the total return of the catastrophe bond market is the fact that excellent returns are available from a long-term, diversified portfolio of cat bonds (or indeed catastrophe reinsurance risk). Since 2002 when Swiss Re began tracking the total return of the cat bond market, up to the end of 2013 its index has seen an average annual return of approximately 8.6%.

The Swiss Re Global Cat Bond Total Return index launched at 100.00, at the end of 2013 it stood at 267.01. That is a gain of 167.01% which is extremely impressive growth.

This data shows why catastrophe bonds, insurance-linked securities (ILS) and catastrophe reinsurance-linked investments have grown in popularity and become a widely appreciated alternative asset class. The attractive returns, low volatility, low correlation and portfolio diversification features continue to attract new investors and increasing levels of capital to the asset class.

This trend is expected to continue through 2014, investor appetite seems as strong as ever even taking into account recent declines in pricing. The asset class continues to prove its worth to institutional investors globally and while losses remain scarce the returns on offer from an investment in catastrophe bonds and ILS will remain an attractive prospect.

Click here for charts & graphs:

http://www.artemis.bm/blog/2014/01/03/catastrophe-bond-markets-total-return-11-in-2013/

by ARTEMIS on JANUARY 3, 2014

How Communities Can Make the Most of Their Anchor Institutions.

Universities, hospitals and other place-based enterprises wield enormous economic power. The trick is harnessing that to build local economies.

At a time when so many communities are financially strapped, their "anchor institutions" — their universities, hospitals, cultural institutions and other place-based enterprises — represent a potent potential force for local economic development. The challenge for governments is to make the most of these important institutions to build resilient, living economies.

Anchor institutions are enterprises, typically nonprofits, that are firmly rooted in their locales.

Because they are “sticky capital” (unlike for-profit companies that may relocate for a variety of reasons), anchors have, at least in principle, an economic self-interest in helping ensure that the communities in which they are based are safe, vibrant, and healthy.

Universities, hospitals and other anchor institutions wield considerable economic power. Combined, hospitals and universities are responsible for more than $1 trillion of our nation’s $15 trillion economy, or more than 6 percent of GDP, and employ roughly 8 percent of the national workforce. In addition, these “eds and meds” control well over $500 billion in endowment investments.

Some cities have tried to tap directly into non-taxpaying nonprofits as a source of revenue. In some communities, such as Boston and New Haven, municipal governments have negotiated payments in lieu of taxes (PILOTs). But PILOT programs represent a relatively limited strategy to leverage anchor-institution resources for local community benefit. A far great opportunity is presented by emerging institutional “buy-local” strategies that drive anchor procurement and investment locally, creating a potent multiplier effect for a municipality.

In Cleveland, for example, University Hospitals “Vision 2010” initiative drove 92 percent of a $1.2 billion construction and procurement effort into the local and regional economy (at the height of the 2008-09 recession), with important and enduring benefits for more than 100 local minority- and female-owned businesses. In Philadelphia, the University of Pennsylvania has systematically shifted nearly $100 million of procurement annually into the distressed West Philadelphia neighborhoods adjacent to its campus. The University of Cincinnati has allocated more than 10 percent of its $1 billion endowment to local investments intended to stabilize and revitalize the city’s Uptown District. In Boston, Northeastern University has seeded an economic development fund with $2.5 million to enable local businesses to expand and hire more employees.

As these and similar anchor-led economic-development efforts have spread across the country, the issue of gentrification has become a growing concern. How can cities ensure that all residents, including the most disadvantaged, benefit through equitable and inclusive development? Increasingly, attention has focused on what is called “the anchor mission”: the conscious and strategic application of the long-term, place-based economic power of the institution to better the community, and in particular low- and moderate-income neighborhoods.

As these efforts unfold, it’s particularly important that they be based on measurable outcomes and results. Last September, the University of Maryland’s Democracy Collaborative (of which I am executive director), launched the “Anchor Dashboard,” a product of more than a year of research, interviews and discussion with leaders of anchor institutions and community-based organizations.

The Dashboard identifies 12 priority outcome areas with accompanying indicators to help institutions measure their performance, in particular in terms of their impact on low-income neighborhoods. Among the outcomes to be tracked are local and minority hiring; local and minority business procurement; business incubation; housing affordability; community investment; and family asset building. Efforts are now underway among a number of hospitals and universities to pilot the use of the Dashboard as a new tool to guide their strategies.

The goal of the Dashboard is to create greater accountability and transparency among institutions and to enable anchors to better partner with local government and neighborhood residents to build resilient, living, local economies. As these measures and indicators are refined and integrated into the daily business practices of our nation’s anchor institutions, local governments may find powerful new opportunities and sources of financing for economic and community development.

View the Dashboard at:

http://community-wealth.org/indicators

BY TED HOWARD | JANUARY 10, 2014

NYT: Eminent Domain: a Long Shot Against Blight.

The mayor's plan would buy and refinance underwater mortgages in an attempt to save the city from more boarded-up houses. Jim Wilson/The New York Times

You can't fight city hall, the saying goes. But Gayle McLaughlin, the mayor of Richmond, Calif., a city of 100,000 souls, would tell you that fighting Wall Street is harder. Even for city hall.

Ms. McLaughlin has a plan to help the many Richmond residents who owe more money on their houses than their houses are worth, but it's one that banks like Wells Fargo, large asset managers like Pimco and BlackRock, real estate interests and even Fannie Mae and Freddie Mac, the mortgage finance giants, have tried to quash. Her idea involves a novel use of the power of eminent domain to bail out homeowners by buying up and then forgiving mortgage debt.

But the financial institutions have warned that mortgage lending would halt in any city that tried eminent domain — and they have lobbied Congress to ensure that the threat is not an empty one. Opponents have filed federal lawsuits, while real estate interests have made robocalls to residents and sent mass mailers warning that the plan would allow "slick, politically connected" investors to "take houses on the cheap." (The idea is actually to buy mortgages, not houses.)

Gayle McLaughlin, mayor of Richmond, Calif., defends her plan to use eminent domain to help bail out homeowners. "The risk that is really confronting us," she said, "is waiting on the sidelines for the next wave of foreclosures." Jim Wilson/The New York Times

Under similar pressures, at least four other cities that considered the eminent domain strategy have backed away, deeming the risks too great. But advocates in Richmond say their city is different. They hope a unique alignment of anti-corporate political leadership, a concerted grass-roots campaign and union support will lead to a different outcome in this working-class, largely black and Hispanic community in the Bay Area. For a dozen or so other cities that have similar demographics and are also plagued by foreclosures, Richmond has become a national test case.

Those cities, scattered in states from New Jersey to Washington, have watched as the controversial proposal has threatened Richmond's access to capital: When the city tried to market a highly rated set of bonds in mid-August last year, there were no takers.

In September, the Richmond City Council was preparing to take one of a series of votes on the eminent domain proposal. Before the meeting, opponents amassed at a hot-dog stand near city hall. A local real estate association, backed by money from the National Association of Realtors, offered free dinners to those who showed up to don red "A Bad Deal for Richmond" T-shirts; the group included a huddle of fraternity brothers brought in from Berkeley. If eminent domain were used, a young man who declined to identify himself was telling them, a for-profit company would make big money, and teacher and firefighter pensions would be hurt.

The eminent-domain strategy is not a fabulous idea. Like virtually every other proposal to help homeowners hurt by the housing crash, it tries for simplicity but falters in the face of the enormity of the post-financial-crisis mess, and, as markets improve, it may come too late to make much difference. The plan’s legality and wisdom have been debated in editorials and blog posts, with questions ranging from the true value of the mortgages to whether the chosen homeowners deserve the help.

But to advocates, eminent domain offers perhaps the only chance to remedy the failure of the federal government and mortgage servicers to offer widespread, meaningful relief to the hardest-hit communities.

Housing markets around the country may be improving, but about 28 percent of all mortgages in Richmond are deeply underwater (meaning that the homeowners owe significantly more than their homes are worth), compared with 19 percent nationally, according to RealtyTrac.

The local foreclosure rate is declining, but it’s still much higher than the national one. In light of this, the mayor shows no sign of backing down. “The risk that is really confronting us,” she said, “is waiting on the sidelines for the next wave of foreclosures.”

When the council first voted on eminent domain, in April, members were unanimously in favor. But then the opposition campaign began. Ms. McLaughlin predicted that her motion that September night would pass with five of seven council votes, but it squeaked by with just four. Jeffrey Wright, a real estate broker who is leading the local opposition, was satisfied.

“This underwater mortgage bailout program,” he said later, “is on life support.”

The day after the vote, Ms. McLaughlin was in her office, working on an entirely different project: getting ready for a trip to Ecuador, at the invitation of that country’s president, to tour the damage that courts there have ruled was caused by oil drilling by Texaco, now owned by Chevron.

It is Chevron, not mortgage debt relief, that has defined much of Ms. McLaughlin’s tenure. The company, which has a large refinery in Richmond, is the city’s largest taxpayer and employer, and Ms. McLaughlin has led the fight — first as an activist, and then as mayor — to force Chevron to pay higher taxes and to pay more damages after a refinery explosion last year sent thousands of area residents to emergency rooms.

A longtime advocate of left-wing causes, Ms. McLaughlin, a Green Party member, is part of a Richmond political alliance that has vowed not to accept corporate campaign donations. In 2010, she was re-elected over a Chevron-backed challenger. She helped ease policies that criminalized homelessness and harried illegal immigrants, and brought a solar panel factory and a branch of the Lawrence Berkeley National Laboratory to town.

But Richmond was staggered by the recession. Homes in the city lost 66 percent of their value, on average, and are still worth less than half what they were at their peak, in January 2006. Some 16 percent of homeowners lost their homes in foreclosure, leaving so many scars on neighborhoods that the city began fining banks $1,000 a day if they failed to maintain their property; the city has collected $1.5 million so far.

Richmond held sessions where homeowners could meet with bank representatives and legal aid groups, but too often, the mayor says, the efforts came to naught. Last summer, underwater homeowners owed, on average, 45 percent more than the value of their homes, according to the city manager.

So the mayor was all ears when she heard about the eminent domain plan, from both Mortgage Resolution Partners, a company that hopes to make money by administering and financing the plan for many cities, and from her longtime ally, the Alliance of Californians for Community

Empowerment, an offshoot of Acorn.

The A.C.C.E. thought an earlier attempt to use eminent domain, in San Bernardino County, had failed because of a lack of grass-roots support. So in Richmond it held a door-knocking campaign. Its success was seen when more than 100 people, most in favor, signed up to speak at the September meeting. It lasted seven hours.

Using eminent domain to heal the wounds of the mortgage crisis has been called crazy, unconstitutional and even "one of the worst ideas ever." But it is not so far removed from mainstream thinking. In 2008, Senator John McCain of Arizona, then the Republican presidential candidate, suggested using $300 billion in federal bailout money to buy troubled mortgages and write them down.

The problem was that the mortgages had been bundled into pools and resold to thousands of investors all over the world. The rules governing many of the pools forbade the investors' representative, known as the trustee, from selling off mortgages or modifying them unless they were already in default, even though it might be in the investors' interest to do so.

Scholars suggested that eminent domain could give trustees the legal cover they needed to get rid of the bad loans. So far, though, the investors have not seen it that way. In Richmond, investors (including BlackRock and Pimco) asked their trustees, Wells Fargo and Deutsche Bank, to sue the city to stop the program.

Eminent domain allows governments to condemn property for a public purpose, like building a road or eliminating urban decay, and applies to intangible property like mortgages as well as to real estate. Richmond argues that its public purpose is to prevent foreclosures and the blight of vacant properties.

The idea is to buy those mortgages out of the bundles and restructure them, restoring equity to the homeowners and keep them from defaulting.

Opponents of the plan argue in legal briefs that the risk of default now, so long after the crash, is vastly overstated. More than half of the 624 homeowners initially identified for the program are current on their payments. Not only that, 91 of the loans have already received a modification that included debt forgiveness — though many early modifications were unsustainable. Then there is the question of whether homeowners who got cash by refinancing their homes during the bubble — taking out new, riskier mortgages, as many of these did — deserve help now. (Ms. McLaughlin says the homeowners fell prey to unscrupulous lenders.) Lastly, opponents calculate that with rising home values, almost a third of the homeowners aren't even underwater, a figure that Mortgage Resolution Partners disputes.

Opponents argue that the plan may help certain homeowners but hurt other working-class people whose pension funds invested in the loans. But pensioners and those stuck in underwater mortgages are often the same people, said Stephen Abrecht, an official of the Service Employees International Union, which supports the use of eminent domain. "We have members who are locked into these kinds of situations and can't get out of it," he said. "We think it's a drag on the economy and we're interested in seeing the economy take off again."

Mr. Wright, the real estate agent, said that what bothers him most about the plan is that it will help so few; no one with loans backed by Fannie Mae or Freddie Mac, which guarantee a majority of mortgages, is included. "They're bearing these placards saying, 'Save our homes' and they don't even realize that this program won't benefit them," he says. "There's a lot of false hope and that irritates me, that really irritates me."

Wall Street also objects to the plan on principle, portraying it not as a targeted response to an extraordinary event — the housing crash — but as a dangerous precedent that disrupts contracts and would all but end mortgage lending.

"Why would anybody think that private investors would provide additional capital to the mortgage finance market when somebody thinks it's O.K. to take it from them?" asked Tim Cameron, the head of the asset management group for the Securities Industry and Financial Markets Association, the Wall Street trade association that has been spearheading the campaign against eminent domain.

Sifma and its allies have lobbied Congress to obstruct lending in any area where mortgages are vulnerable to government condemnation and have urged support for a bill from Representative Jeb Hensarling, a Texas Republican who is chairman of the House Financial Services Committee, that would bar any federal guarantee for such loans.

After Richmond voted to pursue eminent domain, Sifma officials flew out to meet with city officials, providing them with a thick binder of analysis and research reports warning of potential negative consequences. Then these officials went a step further, said Bill Lindsay, the city manager, by placing a phone call to the city's bond underwriter and complaining that the disclosure language in a coming offering — to refinance some old economic development bonds — did not adequately disclose the legal risks of the mortgage plan.

Cheryl Crispen, a spokeswoman for Sifma, said the call was routine. "Sifma staff regularly inquire with underwriters to understand market trends, and did so to better understand the impact the threat of taking mortgages was having on the offering and consequently the municipal bond market more broadly," she said. The underwriter, RBC Capital Markets, concurred that Sifma did not try to interfere in the offering, which was halted when there was no interest from investors.

Opponents say the idea could harm pensioners. Jim Wilson/The New York Times

But Mr. Lindsay said all the attention was unusual. "I've handled 40 different bond issuances," he said. "I never even heard of Sifma before this."

In 2002, the Georgia Legislature passed the toughest predatory-lending law in the country. Hailed as a victory for consumers, it was intended to prevent abusive practices like steering customers to high-interest loans. Lenders immediately started trying to dismantle the law, warning that the "good guys" would no longer make loans to people with poor credit.

Some lenders did pull out of the state, and two of the three ratings agencies said they could no longer rate Georgia loans for resale to investors because they could be sued under the law. The state banking commissioner estimated that the mortgage market shrank by 15 percent. The following year, after a nasty fight, lawmakers gutted the statute.

Sifma officials point to this affair as proof that messing with housing finance can have ruinous effects. But it is an example that offers other lessons, too.

The loans that disappeared from the market after the law was passed were the same kinds of subprime loans that set off the foreclosure wave; conventional 30-year mortgages were not affected. The lenders whose departure was met with such alarm included Countrywide Financial, whose practices during the housing boom have cost billions in legal settlements.

In an article in The Atlanta Journal-Constitution, experts concluded that had the law stayed intact, the housing crisis would have been less dire in the state, which became one of the hardest-hit. The article even implied that the whole country might have fared better, because "the Georgia drama also stemmed a tide of similar laws that were being considered in other states."

Richmond has not yet tried to use eminent domain. The City Council must vote again before that happens. But the beating the city is taking from financial institutions makes the idea less likely to catch on in places like Irvington, N.J., and El Monte, Calif., which have expressed interest.

Richmond's mayor says she has always known it would be a slog. "I'm not trying to minimize what we're dealing with; it's just like, if you're willing to buck up against an unjust set of circumstances, you're going to have those attacks coming at you," Ms. McLaughlin said. "And in some sense that says you're doing your job."

By SHAILA DEWAN JAN. 11, 2014

MUNIS-Yields Fall as Much as 8 bps with Boost from Treasuries.

Jan 10 (Reuters) – U.S. municipal bond prices zoomed higher on Friday, dropping yields as much as 8 basis points, as the market's upward momentum this week got an additional push from stronger U.S. Treasuries.

A preliminary read by Municipal Market Data showed yields falling the most at the long end of its benchmark triple-A-rated scale.

"Treasuries are certainly helping us glide to higher levels here," said MMD analyst Randy Smolik.

Treasury yields fell after U.S. jobs data showed job growth slowing in December, raising doubts about the economic recovery.

Earlier in the week, munis got a lift as cash-heavy investors were faced with meager supplies of new debt so far in 2014.

"We had a little scramble to buy bonds that kept munis on a different path than Treasuries," Smolik said, noting that cash flowing back to investors this month from bond payments were estimated at $30 billion.

The Failure and the Promise of Public Participation.

Outdated laws and overly formal procedures for public meetings are eroding trust in government. There are better ways than three minutes at the microphone.

In a recent study entitled Making Public Participation Legal, Matt Leighninger cites a Knight Foundation report that found that attending a public meeting was more likely to reduce a person's sense of efficacy and attachment to the community than to increase it. That sad fact is no surprise to the government officials who have to run — and endure — public meetings.

Every public official who has served for any length of time has horror stories about these forums. The usual suspects show up — the self-appointed activists (who sometimes seem to be just a little nuts) and the lobbyists. Regular folks have made the calculation that only in extreme circumstance, when they are really scared or angry, is attending a public hearing worth their time. And who can blame them when it seems clear that the game is rigged, the decisions already have been made, and they'll probably have to sit through hours of blather before they get their three minutes at the microphone?

So much transparency and yet so little trust. Despite the fact that governments are pumping out more and more information to citizens, trust in government has edged lower and lower, pushed in part no doubt by the lingering economic hardships and government cutbacks resulting from the recession. Most public officials I talk to now take it as an article of faith that the public generally disrespects them and the governments they work for.

Clearly the relationship between citizens and their governments needs to be reframed. Fortunately, over the last couple of decades lots of techniques have been developed by advocates of deliberative democracy and citizen participation that provide both more meaningful engagement and better community outcomes. There are decision-making forums, "visioning" forums and facilitated group meetings, most of which feature some combination of large-group, small-group and online interactions.

But here's the rub: Our legal framework doesn't support these new methods of public participation. This fact is made clear in Making Public Participation Legal, which was compiled by a working group that included people from the National Civic League, the American Bar Association, the International City/County Management Association and a number of leading practitioners of public participation.

The requirements for public meetings in local governments are generally built into state statutes such as sunshine or open-meetings laws or other laws governing administrative procedures. These laws may require public hearings in certain circumstances and mandate that advance notice, along with an agenda, be posted for any meeting of an "official body" — from the state legislature to a subcommittee of the city council or an advisory board of some kind. And a "meeting" is one in which a quorum attends. So if three of a city council's nine members sit on the finance committee and two of the committee members happen to show up at a public meeting, they may risk having violated the open-meetings law.

Making Public Participation Legal not only makes the case for how outdated public participation laws actually work against meaningful citizen engagement but also lays out an excellent set of policy options for strengthening public participation. The study includes model municipal and state public participation legislation, along with model city charter language for citizen advisory boards.

It is with these citizen advisory boards that the authors see the best chance for beginning to reframe the relationship between citizens and their governments. Over the years, these boards have become increasingly reactive and more formalized, often following Robert's Rules of Order and using public-hearing procedures that Leighninger says "replicate the limitations and disadvantages of city councils."

That's a big problem. The whole purpose of these citizen advisory boards is to provide an entry point for citizens into government decisions, gathering information and providing a forum for citizen advice and opinion to be communicated to the governing body. With a little tweaking, the study says, they could be "ideal forums for deliberative democracy practices that can better mirror the organic processes of citizen-driven collective action."

In my experience, citizens are not apathetic but they are rational. Give them an opportunity for meaningful engagement with others in their community about issues that directly affect them and their neighbors instead of three minutes at the microphone, and they'll show up. And the legitimacy and sustainability of government will be strengthened.

http://www.allamericacityaward.com/wp-content/uploads/2013/10/Making-Public-Participation-Legal_Layout-1-8.pdf

BY MARK FUNKHOUSER | JANUARY 6, 2014

Wisconsin Issuer Fuels Businses for Municipal Bond Attorneys.

In 2011, WSJ reported on the Public Finance Authority's increasing but controversial toehold in the municipal-bond market.

For those unfamiliar with the entity, it's a Wisconsin government entity created by state lawmakers in 2010 that issues so-called tax-exempt conduit bonds. The authority functions as kind of a muni-matchmaker for developers and investors, arranging tax-exempt financing for private borrowers for housing developers, religious schools and other not-for-profit corporations across the country.

The Wisconsin State Journal has an interesting update on what the authority has been up to. In the last three years, it's arranged more than $1.3 billion in mostly tax-free loans for projects in 33 states, including a baptist seminary in North Carolina, Planned Parenthood's national headquarters in New York, a California-based chain of Christian radio stations, and a grocer in Mount Horeb, according to the paper.

Less than 25% of the projects involved investments in Wisconsin. The authority farms out most of its work to HB Capital Resources, a municipal-bond firm in Walnut Creek, Calif.

PFA issues bonds that government agencies in other states won't, a program manager for the firm told the paper. The projects have to have a public benefit and get approval from local authorities.

But Wisconsin State Journal, quoting Susannah Camic Tahk, a UW-Madison law professor who specializes in tax policy, raises the question about the scope of private development eligible for tax-exempt bonds:

The push to keep eligibility broad has come from industry groups, including the specialized attorneys who earn fees arranging bond sales, Tahk said. "There is an entire industry of municipal bond attorneys," Tahk said. "They become an interest group themselves."

By JACOB GERSHMAN

Tax-Free Bonds Go First-to-Worst on Risk Adjustment: Bloomberg Muni Credit.

Bets that interest rates would climb, coupled with Detroit's record bankruptcy and concern that Puerto Rico's shrinking economy would make it hard for the commonwealth to repay its debt, undermined the $3.7 trillion local-bond market. Photographer: Jeff Kowalsky/Bloomberg

U.S. municipal debt is set to trail stocks, commodities, Treasuries and corporate bonds in 2013 when adjusted for volatility, halting a two-year streak of outperforming those assets.

Bets that interest rates would climb, coupled with Detroit's record bankruptcy and concern that Puerto Rico's shrinking economy would make it hard for the commonwealth to repay its debt, undermined the $3.7 trillion local-bond market. Investors have pulled money from muni mutual funds since May, an unprecedented streak, Lipper US Fund Flows data show.

Though city and state debt joined a broader fixed-income selloff, the record outflows made munis more of a one-way bet. Benchmark yields have risen in nine of 12 months since setting generational lows in December 2012, data compiled by Bloomberg show. By comparison, Treasury interest rates have climbed in seven months this year.

"Yields pretty much went up most of the year," said Chris Ryon, who helps oversee $10 billion of munis at Thornburg Investment Management in Santa Fe, New Mexico. After a September rally, "you just started moving up higher again."

Munis have declined 0.9 percent this year through Dec. 26 after factoring in trading swings, according to data compiled by Bloomberg and Bank of America Merrill Lynch. Treasuries have lost the second-most, at 0.8 percent, followed by company bonds at 0.3 percent and commodities at 0.1 percent. The Standard & Poor's 500 (SPX) index of stocks, which has surged almost 30 percent in 2013, has gained 2.9 percent on a risk-adjusted basis.

Swing Band

Last year, local debt earned 3.8 percent when adjusted for volatility, and 4.4 percent in 2011, the highest among the assets for both periods. In 2010, munis trailed all areas.

Price swings on local-government obligations are smaller than on other assets in part because the securities don't trade as often. Individuals own about 70 percent of municipal bonds either directly or through mutual funds, Federal Reserve data show. Those buyers typically hold to maturity. About a third of muni trades occur within a month of issuance, according to the Municipal Securities Rulemaking Board.

The relative stability penalizes munis' risk-adjusted returns during years of decline because investors have fewer opportunities to capitalize on price fluctuations. Only in April, September and October did benchmark 10-year muni yields post monthly declines, Bloomberg data show.

Selling Squeeze

An exodus from the municipal market helped trigger the yield increase. Individuals have pulled $60.7 billion from muni mutual funds this year, the most since at least 1992, when Lipper US Fund Flows data begin.

The current streak of 31 straight weekly outflows began in May as investors speculated that a stronger economy would lead the Fed to curb its bond buying, a decision it announced last week.

"For the first five months, the municipal market was operating by the playbook for an environment where rates were sideways," said David Dowden, who helps oversee $7.5 billion of local debt at MacKay Municipal Managers from Princeton, New Jersey. "In June that all changed, and what we saw was a liquidity squeeze that was specific to the muni market and led to its underperformance."

Yield Surge

The Fed bond buying helped push yields on 20-year general-obligation bonds to 3.27 percent a year ago, the lowest since the 1960s, according to a Bond Buyer index.

The interest rate has increased to 4.73 percent, eclipsing the 10-year average of 4.41 percent.

"I'm not saying we're cheap, but last year we were so overvalued that we saw the selloff this year," Ryon said. "Now we're more fairly valued."

Tom Weyl, director of muni research at Barclays Plc, and Michael Zezas, chief muni strategist at Morgan Stanley, predict another year of negative returns in 2014. The securities have dropped 2.9 percent this year without factoring in volatility, Bank of America data show.

Local-government debt hasn't declined in back-to-back years since the 1980s, according to Barclays data.

The risk-adjusted return is calculated by dividing total return by volatility, or the degree of daily price-swing variation, giving a measure of income per unit of risk. The returns aren't annualized. Higher volatility means an asset's price can fluctuate more in a short period, increasing the prospect for unexpected losses.

Supply Slowdown

Issuers from New York to Arizona are offering about $172 million in long-term debt this week, when the market shuts Jan. 1 for New Year's Day.

The interest rate on AAA 10-year munis is 2.93 percent, compared with 3 percent on similar-maturity Treasuries.

The ratio of the yields, a measure of relative value, is about 98 percent, the lowest since June. It compares with a five-year average of 102 percent. The smaller the number, the more expensive munis are compared with federal securities.

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By Brian Chappatta December 29, 2013

Morgan Stanley to Barclays See Second Yearly Muni Losses.

State and local bonds are set for their first back-to-back annual losses in more than three decades after the $3.7 trillion U.S. municipal market suffered its worst year since 2008.

Muni yields will rise as the Federal Reserve begins curbing its bond buying this month, say Michael Zezas, chief muni strategist at Morgan Stanley and Tom Weyl, director of muni research at Barclays Plc. (BARC) Zezas estimates munis will lose 1.7 percent to 4.1 percent this year, while Weyl predicts the bonds will lose 1.45 percent. The last time munis suffered two straight years of losses was 1980-1981, Barclays data show.

The forecasts contrast with 2011 and 2012, when munis gained 11 percent and 6.8 percent, respectively, according to Barclays data. A record wave of withdrawals from muni mutual funds has shown no signs of letting up, with individuals pulling $6.6 billion over the past four weeks, the most since September.

“If rates rise to the level we expect them to over the next couple of quarters, you’re still likely to take on negative returns,” said Zezas, who correctly predicted in 2012 that state and local debt would decline last year. “We wouldn’t add just yet” to municipal-bond allocations, he said by telephone yesterday.

Detroit Shock

The worst losses in five years for state and local debt in 2013 were fueled in part by a broader fixed-income selloff on bets that interest rates would increase. Munis trailed corporate bonds as Detroit filed the largest municipal bankruptcy and Puerto Rico’s credit rating fell to the brink of junk, stoking concerns that the commonwealth won’t be able to repay investors.

This year’s muni losses can be traced to an accelerating U.S. economy, Zezas said. If the growth of gross domestic product exceeds estimates, which Zezas gives a 20 percent chance of happening, munis could decline 6.2 percent to 7.8 percent as price drops overwhelm interest income.

Municipals gained 11 percent in 2011, the sixth-best return of the past 25 years, Bank of America Merrill Lynch data show. That followed a selloff spurred by banking analyst Meredith Whitney’s December 2010 prediction of “hundreds of billions of dollars” of local defaults within 12 months.

Four-Year Low

Widespread municipal failures never materialized, with defaults falling to the lowest since at least 2009 last year. State and local governments have rebounded from the 18-month recession that ended in June 2009, with tax revenue growing for 15 straight quarters through the three months ended June 30, Census Bureau data show.

Bolstered state and city budgets provide a cap on how high muni yields will increase this year, said David Dowden, who helps oversee $7.5 billion of local debt at Princeton, New Jersey-based MacKay Municipal Managers.

Weyl, too, predicts losses, though he expects declines won’t be spurred by concerns about creditworthiness.

“We do not foresee any major disruptions in the credit markets,” Weyl said in a report. “Credit quality remains high; we forecast another year of low default rates; and the major known sources of potential systemic risk have largely faded.”

Enough Interest

Other investors, such as Peter Hayes at BlackRock Inc. (BLK) and Chris Ryon at Thornburg Investment Management, are betting the interest earned on municipal debt will outweigh the bonds’ price declines through the year.

In 2013, state and local debt had a negative 7.2 percent price return, though just a 2.9 percent total loss because of interest payments to bondholders, Bank of America data show. Four times in the past decade — 2005, 2006, 2007 and 2010 — munis have declined in value yet posted gains overall for investors.

“You collect the income — price return is going to be plus or minus very little,” said Ryon, who helps oversee about $10 billion of munis from Santa Fe, New Mexico. “There’s not going to be a lot of capital appreciation or capital loss.”

Individuals pulled about $62.7 billion from muni mutual funds in 2013, the most since at least 1992, when Lipper US Fund Flows data begin. The current streak of 32 straight weekly outflows, also a record, began in May and will probably continue through the first quarter, said Dowden and Tom Metzold, co-director of munis at Eaton Vance Management in Boston.

The trend may reverse in April once individuals see the effects of increased federal tax rates for the highest earners, said Metzold, whose company oversees about $28 billion in munis.

‘Big Checks’

“No one has felt the pain yet because they haven’t done their taxes on the increased tax rate,” Metzold said. “People are going to be writing big checks because they weren’t invested in munis. That’s going to be the catalyst” for the outflows to subside, he said.

Zezas at Morgan Stanley (MS) said he expects the biggest losses to take place in the first quarter, when outflows will be a “key risk” for the market. Interest rates will rise 0.35 percentage point through March 31, and then just 0.4 percentage point for the rest of the year, according to his report.

That means the increase in yield will mostly outweigh the gains from interest payments in the first three months of 2014. After that, “the outlook brightens” as the cushion protects against future rate increases and individuals return to the market, he said.

Neutralizing Risk

“We need to go through a somewhat difficult transition to higher rates from where we are now,” Zezas said. “At some point later in the year, we’ll be able to focus on the more positive aspects of the market.”

Issuers from Washington to New Jersey are offering about $1.8 billion in long-term debt next week, data compiled by Bloomberg show. Few states and cities have sold bonds over the past two weeks because of the Christmas and New Year’s holidays.

The interest rate on AAA 10-year munis is 3 percent, Bloomberg data show. That compares with a 2.99 percent yield on similar-maturity U.S. Treasuries.

The ratio of the yields, a gauge of relative value, is about 100 percent, in line with its five-year average. The smaller the number, the more expensive munis are compared with federal securities.

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By Brian Chappatta Jan 2, 2014

Bloomberg: Water Bonds Shrivel as California Sees Driest Year.

The driest year on record for Los Angeles and San Francisco is threatening water supplies to the world’s most productive agricultural region and almost doubling borrowing costs on some bonds issued by California water agencies.

Los Angeles, which normally gets almost 15 inches (38 centimeters) of rain a year, got less than 4 inches in 2013, according to the National Weather Service. San Francisco, where 22 inches is typical, got 6. Severe or extreme drought grips 85 percent of California, a federal monitor reported Dec. 24.

The scarcity is depleting California’s reservoirs and jeopardizing the credit of at least 30 water agencies that had been considered safe bets because their debt is backed by user fees rather than general taxes. Concern grew in November when the California Water Resources Department, the state’s largest supplier, said it was filling just 5 percent of orders from local water agencies, the lowest in five years. Less supply means lower sales and revenue.

“Supply is always at the center of our analysis of California water agencies,” said Michael E. Johnson, managing director of Gurtin Fixed Income Management LLC in Solana Beach, California.

“If you don’t have water, you just don’t have water,” said Johnson, whose firm oversees $7.5 billion. “There’s not going to be much that mitigates not having water.”

Water Network

About two-thirds of Californians get at least part of their flow from northern mountain rains and snow through a network of reservoirs and aqueducts known as the State Water Project, according to a Dec. 16 report by the Water Resources Department. The water content of the snowpack is about 20 percent of normal for this time of year, the department said Dec. 30 in a statement.

The system supplies households and businesses from the San Francisco Bay area to Southern California and irrigates crops in the San Joaquin Valley near the center of the state — the world’s most productive agricultural region.

With reservoirs at 66 percent of average, and a third dry year predicted, revenue is likely to fall short for the Water Resources Department and the local agencies that depend on it, Moody’s Investors Service said in a Dec. 5 note. That may harm the credit of such authorities as the Metropolitan Water District of Southern California (MWDSCZ:US), rated Aa1, second-highest, the company said.

U.S.’s Largest

The district, based in Los Angeles, is the largest supplier of treated water in the U.S., serving 19 million people — half of California’s population — along the coast from Ventura to San Diego. It had $4.4 billion in long-term debt as of June 30, according to data compiled by Bloomberg.

Since July 10, investors have demanded an average of 2.85 percentage points of extra yield to own tax-exempt Metropolitan Water District bonds maturing in July 2037, up from an average of about 1.5 percentage points in the previous six months, Bloomberg data show.

Still, households in Los Angeles and other urban areas should be spared the effects of the shortage because the district has enough water and cash to cushion it against a few dry years, said General Manager Jeffrey Kightlinger.

The district connects to the State Water Project in northern Los Angeles County at Castaic Lake, which was at 89 percent of capacity as of Dec. 30. The MWD’s biggest reservoir, Diamond Valley

Lake, was 72 percent full.

“We build our whole system around three- or four-year drought cycles,” Kightlinger said by telephone. “We don’t see any downgrades from one or two dry years.”

Safest Bonds

California agencies are still among the safest for municipal investors, said Craig Brothers, a senior portfolio manager at Bel Air Investment Advisors LLC in Los Angeles, which manages $2.8 billion. Metropolitan Water District and the state Water Resources Department, which has $2.6 billion in long-term debt, are “two of the premier trading credits in the state,” Brothers said by telephone.

Agencies can raise fees to compensate for shortages and are thus more insulated from politics than cities and states, Brothers said.

“I don’t think there’s a reason for people to shy away from these really strong water credits,” Brothers said. “If the market prices in a penalty, I’d definitely be a buyer. These are safe.”

By James Nash January 02, 2014

FT: BlackRock Steps into Detroit Bonds Fight.

BlackRock, the world’s biggest fund manager by assets, is preparing to step in to the fight over the financial future of Detroit, where the treatment of bondholders could set a precedent for struggling towns and cities across the US.

The company lodged a court filing that could allow it to put its legal muscle behind an effort to ensure bondholders get paid ahead of retirees and other creditors.

Detroit’s bankruptcy has raised the issue of where general obligation bonds, which are secured against future tax revenues, rank when a US municipality goes under. Institutional investors fear an outcome that could undercut legal protections and therefore bond prices.

Ambac, the bond insurance company, has sued Detroit, claiming tax revenues should be ringfenced to pay general obligation bonds first.

BlackRock last week filed a notice with the court reserving its right to join the case in support.

The fund manager said no decision had been taken about whether to intervene formally, but a spokesman added: “BlackRock agrees with Ambac’s position that Detroit’s general obligation bonds are senior debt under Michigan law. As a fiduciary, the action we’re taking is on behalf of our clients.”

Kevyn Orr, Detroit’s financial manager, proposed last summer to pay GO bondholders less than 20 cents on the dollar, even though the bonds were backed by the full faith and credit of the city or specific tax-raising powers.

In another controversial move, he also proposed haircuts to city workers’ pensions and healthcare benefits, a move that was backed by the bankruptcy court last month.

Ambac guarantees $171m of Detroit’s $530m in general obligation bonds, a relatively small segment of the estimated $18bn in liabilities the city says it can no longer afford to pay. Two other insurers are also suing the city over a smaller portion of the GO debt.

BlackRock's holdings of GO bonds amount to just $25m across several of its funds, but its interest in the litigation stems from its potential wider implications. Peter Hayes, head of the firm's municipal bonds group, said when Detroit filed for bankruptcy in July that investors would have to reassess their view of the safety of GO bonds "in Detroit, in Michigan and beyond" – potentially raising borrowing costs for all US municipalities.

"BlackRock's intervention could be helpful in putting the ramifications into perspective," said Mark Palmer, analyst at BTIG Research.

"The danger is that Detroit becomes an encouragement to other municipalities seeking to address their own difficulties by essentially reneging on their debt, instead of raising taxes, selling assets, cutting spending or doing the other things they need to do."

Mr Orr has been attempting to reach settlements with specific groups of creditors individually, and has already won concessions from counterparties to interest rate swaps. He is due to publish his latest comprehensive financial restructuring proposals within the next few weeks.

By Stephen Foley in New York

BofA Merrill Lynch Still Top U.S. Municipal Underwriter.

(Reuters) – Bank of America Merrill Lynch remained the top underwriter in a shrinking U.S. municipal bond market in 2013, while California sold the most debt in the year, Thomson Reuters data released on Thursday showed.

Altogether debt sales fell 15.1 percent to $311.8 billion from the prior year, as rising interest rates brought the refunding trend to a grinding halt. Preliminary Thomson Reuters data released last week had estimated total issuance for the year at $311.7 billion.

BofA underwrote $45 billion of bonds sold by states, cities and authorities, representing 14 percent of the market. It was also top underwriter in 2012. J.P. Morgan Securities followed at $38.5 billion, or 12.4 percent of the market.

California issued the most municipal debt in 2013, $8.45 billion, followed by New York City at $5.4 billion. New York State Dormitory Authority had been the top issuer in 2012, but fell to eighth place last year.

Negotiated sales continued to dominate the market, totaling $242.41 billion last year. But they shrank 17.3 percent from 2012. Competitive sales also fell, by 6.4 percent, to $69.36 billion.

(Reporting by Lisa Lambert; Additional reporting by Jim Christie in San Francisco; Editing by Chizu Nomiyama and James Dalgleish)

NYT: U.S. Struggles to Keep Pace in Delivering Broadband Service.

WASHINGTON — San Antonio is the seventh-largest city in the United States, a progressive and economically vibrant metropolis of 1.4 million people sprawled across south-central Texas. But the speed of its Internet service is no match for the Latvian capital, Riga, a city of 700,000 on the Baltic Sea.

Riga's average Internet speed is at least two-and-a-half times that of San Antonio's, according to Ookla, a research firm that measures broadband speeds around the globe. In other words, downloading a two-hour high-definition movie takes, on average, 35 minutes in San Antonio — and 13 in Riga.

And the cost of Riga's service is about one-fourth that of San Antonio.

The United States, the country that invented the Internet, is falling dangerously behind in offering high-speed, affordable broadband service to businesses and consumers, according to technology experts and an array of recent studies.

In terms of Internet speed and cost, "ours seems completely out of whack with what we see in the rest of the world," said Susan Crawford, a law professor at Yeshiva University in Manhattan, a former Obama administration technology adviser and a leading critic of American broadband.

The Obama administration effectively agrees. "While this country has made tremendous progress investing in and delivering high-speed broadband to an unprecedented number of Americans, significant areas for improvement remain," said Tom Power, deputy chief technology officer for telecommunications at the White House.

The disagreement comes over how far behind the United States really is in what many people consider as basic a utility as water and electricity — and how much it will affect the nation's technological competitiveness over the next decade. "There aren't any countries ahead of us that have a comparable population distribution," said Richard Bennett, a visiting fellow at the American Enterprise Institute, who said that the United States was closing the gap.

But as the Obama administration warned in a report this year: "To create jobs and grow wages at home, and to compete in the global information economy, the delivery of fast, affordable and reliable broadband service to all corners of the United States must be a national imperative."

The World Economic Forum ranked the United States 35th out of 148 countries in Internet bandwidth, a measure of available capacity in a country. Other studies rank the United States anywhere from 14th to 31st in average connection speed.

Generally, fast broadband is considered anything above 10 megabits a second.

In Riga, speeds average 42 megabits a second, but many users had service of 100 to 500 megabits as of mid-December, according to Ookla. In San Antonio, broadband speeds average about 16 megabits a second. While higher speeds are available through cable television or phone companies, the expense is such that many households in the city cannot afford a connection.

Those faster speeds can mean the difference between thriving and surviving. For Kosmodroms Ltd., a web design and video production studio in Riga, that high-speed connection lets it transfer huge files of video or photos in minutes.

With broadband of only a few megabits a second, it would take so long to transmit the files that the company would be better off delivering them physically, on a disk or thumb-drive, said Agnese Krievkalne, a company director.

Nils Usakovs, the mayor of Riga, said that when private investors started to build Internet infrastructure in the city, no systems were in place, so the builders were able to install the latest, fastest communications technology. “We’re the capital of a European Union member country, bordering with Russia,” Mr. Usakovs said. “The technology makes this an even more attractive place to invest.”

Leticia Ozuna, a former San Antonio councilwoman who worked on the municipal broadband effort, said that in her former district in South San Antonio, some 70 percent of households had no Internet service. Often, she added, students gather at night in the parking lot of the Mission Branch Public Library to do homework using the library’s free Wi-Fi connection, long after the library itself has closed.

San Antonio’s power company has a largely unused fiber-optic network that local government offices have been using for high-speed Internet service for years, but a Texas law prevents the city from using the network to give low-cost service to consumers.

Fast broadband, said Ron Nirenberg, a San Antonio city councilman, “should be inherent in a 21st-century city.”

There is ample evidence that faster broadband spurs economic growth. The White House cites a study of 33 of the largest national economies worldwide, which found that from 2008 to 2010, doubling a country’s broadband speed increased gross domestic product by 0.3 percent. In its report, “Four Years of Broadband Growth,” the Obama administration says that since 2002, Internet access has contributed an average of $34 billion a year to the economy, or 0.26 percent of G.D.P. growth.

There is some doubt, however, about how much of that benefit flows to average citizens. The Public Policy Institute of California reported in 2010 that broadband expansion did not appear to affect average wages or the employment rate.

Ms. Crawford, who is also a co-director of the Berkman Center for Internet and Society at Harvard, said that American cities should take on some of the responsibility for building fiber-optic networks and providing broadband service. It is a necessity similar to electricity, she said, “something that no neighborhood or private company would have an incentive to provide on its own to everyone at reasonable prices.”

In the United States, speeds vary widely between cities and regions. The fastest speeds are in the Northeastern corridor between Boston and the Washington, D.C., metropolitan region. The three fastest areas — D.C., Massachusetts and Virginia — have average speeds greater than every country except Japan and South Korea.

Some American cities have such superfast broadband that if they were ranked against foreign countries, several, like Bristol, Va., Chattanooga, Tenn., and Lafayette, La., would rank in the top 10.

Those three cities built municipal fiber-optic networks, and those networks can operate just as fast as the swiftest connections in Hong Kong, Seoul and Tokyo. But those speeds can come at a very high price. In Chattanooga, Internet service of 1 gigabit a second costs a consumer $70. But in Lafayette, the same speed costs nearly $1,000 a month. In Seoul, it’s about $31 — a result of government subsidies to encourage Internet use.

Even if the United States is improving its worldwide standing, some analysts question the logic of focusing on what country ranks where. “Some people like to look at it as a horse race,” said Harold

Furchtgott-Roth, a senior fellow at the Hudson Institute, “but I’m not sure that’s the right way to look at it.” He added, “We’re not at the starting gate, we’re not at the finish line. We’re somewhere in the middle of the race.”

By EDWARD WYATT

Published: December 29, 2013

[KKR Buying Wood-Pellet Bonds Shows High-Yield Lure: Bloomberg Muni Credit.]

A Louisiana lumber town has become the crossroads for an unusual buyer and seller in the U.S. municipal market: private-equity firm KKR & Co. (KKR) and the world’s biggest manufacturer of wood pellets.

A Louisiana public authority last month issued $140 million of unrated bonds for German Pellets GmbH, which runs plants in Austria and Germany that make specialized wood pieces used for heating and power production. KKR’s asset-management group bought the sale’s $95 million taxable portion, said Kristi Huller, a spokeswoman. The securities were priced to yield 12.2 percent, data compiled by Bloomberg show.

The deal shows the municipal market’s growing reach beyond U.S. borders. In April, an Iowa agency sold a record amount of muni junk bonds for a fertilizer plant being built by Egypt’s biggest publicly traded company. KKR, run by billionaires Henry Kravis and George Roberts, joins non-traditional buyers such as hedge funds that entered the market this year after Detroit’s bankruptcy helped fuel the biggest losses since 2008.

“There’s much more of an international component in the high-yield project-finance municipal market, and you’re seeing different people come in,” said Bill Black, who runs Invesco Ltd. (IVZ)’s $5.7 billion high-yield muni fund from Downers Grove, Illinois. “Our business is becoming more broad and needs to be more sophisticated than perhaps it has been in the past.”

Tougher Scrutiny

Junk-debt investors are used to scrutinizing bonds for industrial development, particularly those without a rating, because they represent the most defaults in the $3.7 trillion municipal market. Local agencies issue the debt for companies, hospitals and nonprofits, which back the obligations.

The novelty of Louisiana’s pellet plant made it tougher to analyze and drove yields higher, said Black, John Miller at Nuveen Asset Management and Dan Solender at Lord Abbett & Co., who oversee high-yield funds. Wismar-based German Pellets, a privately owned company, borrowed $187 million in 2012 using bonds issued through a Texas agency for its first U.S. location, in Woodville, Texas.

The company’s 334-acre site near Urania, Louisiana, will initially produce 500,000 metric tons (551,000 tons) of pellets a year, with a second phase of financing boosting output to about 1 million metric tons, offering documents show. The pieces will be delivered to a storage and loading facility 210 miles (338 kilometers) away in Port Arthur, Texas.

E.ON Agreement

The wood will be shipped mostly to European companies, including the U.K. subsidiary of E.ON SE. (EOAN) The utility, Germany's biggest, has agreed to buy about 480,000 metric tons of pellets annually for five years starting in 2014, offering documents show.

The pellets are made from dried and densified sawdust, shavings or wood powder, according to the European Pellet Council, an industry group. Plant operators can burn the pieces, which are considered carbon-neutral, along with coal to comply with renewable-energy mandates.

In last month's bond sale, the $45 million of debt due in July 2039 that's tax-free for individuals not subject to the federal Alternative Minimum Tax was priced to yield 10.5 percent, Bloomberg data show. That interest rate is almost double the 5.52 percent yield on benchmark BBB revenue debt.

About $29 million of similar bonds were issued for the Louisiana plant in March, with a yield of 9.75 percent. The securities mature in August.

Experience Deficit

"It's definitely speculative and the yield reflects that, even more so than some of our traditional high-yield sectors," said Miller, co-head of fixed income at Nuveen, which oversees about $90 billion in local debt. "People don't have a lot of experience around this sector."

The variable-rate bonds acquired by KKR mature in January 2020 and have an 11.5 percent interest rate tied to the London Interbank Offered Rate, adjusting quarterly, offering documents show.

As part of the terms, KKR Asset Management entered into an "equity contribution agreement" with German Pellets that promises that some cash from the subsidiary running the Texas facility will go toward redeeming the taxable bonds, according to sale documents.

New York-based KKR formed KKR Asset Management in 2004 to invest in stocks, bonds and credit strategies.

Predictable Revenue

KKR and its peers, which manage illiquid investments like private equity and real estate, have diversified since the U.S. financial crisis to grow their assets and tap more predictable revenue streams.

Huller, the KKR spokeswoman, declined to comment on the deal beyond the company's purchase.

Investors were more comfortable with the Louisiana offering given the history of the Texas project, Claudia Roehr, a spokeswoman for German Pellets, said in an e-mail. The yield was "in line with the relevant market level," she said.

"Seeing the current market demand, German Pellets can imagine to develop further projects," she said.

George Longo, who worked on the transaction as a managing director at Raymond James & Associates in New York, said he credits the company's project-finance banking team for the deal.

The plant will produce 80 permanent jobs around Urania, a town of about 1,300 people that was founded in the 1890s about 245 miles northwest of New Orleans in LaSalle Parish, said Martin Walke, vice president of economic development at the Louisiana Public Facilities Authority.

‘Win-Win’

“Urania was established basically as a lumber town,” he said in an interview. “This project fits right into the core history of LaSalle Parish: It’s lumber, it’s a renewable resource and it helps the environment. We consider it a win-win.”

Some borrowings for wood-pellet facilities have failed. The Colorado Housing and Finance Authority issued $7 million of unrated debt in 2007 for Confluence Energy LLC, a manufacturer that planned to use wood from trees destroyed by beetles.

Confluence defaulted on the securities in 2009, and in 2011 the Internal Revenue Service examined the bonds for compliance with tax requirements, according to company filings. The debt maturing in April 2027 priced to yield 6.75 percent, Bloomberg data show.

The European Union has stepped up its goals for renewable energy. It wants to get 20 percent of its energy from renewable sources by 2020, the European Commission’s website says. Those include wind, solar, hydro-electric and tidal power, as well as biomass, which is what the pellets are considered.

Drax Group Plc (DRX), operator of the U.K.’s largest coal-fired power station, said this year it is accelerating a plan to convert half of the plant to biomass.

Mandated Demand

Burning pellets releases carbon the trees would produce anyway when they decompose, preserving the carbon-neutral status. Offering documents for the Louisiana deal acknowledge demand is largely driven by government-imposed policies and incentives, and if those are taken away or a cheaper source of energy is found, the buyer base for pellets could “decrease significantly.”

The Louisiana sale was worth buying for AllianceBernstein LP because of German Pellets’ market share, said Dean Lewallen, a senior high-yield municipal credit analyst at the company, which oversees about $31 billion in local debt.

“We’ll definitely see more of these — the demand in Europe is increasing,” he said. “And the U.S. has a lot of wood.”

By Brian Chappatta Dec 19, 2013 6:28 AM PT

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WSJ: Citi To Sell New Muni Bonds Through UBS Brokers.

Citigroup Inc., which no longer owns a retail brokerage through which it can sell new issues of municipal bonds, is opening a new sales channel through Swiss banking giant UBS AG.

The two banks plan to announce Tuesday that muni bonds underwritten by Citi will be offered to clients of the roughly 7,000 advisers in the UBS Wealth Management Americas brokerage, which is ending a similar arrangement it had with J.P. Morgan Chase & Co.

The deal provides Citi's municipal underwriting business with the liquidity it lost following the sale of its Smith Barney brokerage business to Morgan Stanley. The sale was completed earlier this year.

Citi and UBS already have an agreement for bond trades in the secondary market. The new deal will take effect on Jan. 16.

UBS itself stopped underwriting U.S. municipal bond issues years ago. Brokers for firms that don't underwrite bonds need exclusive arrangements with underwriters to gain access to primary offerings. UBS has a distribution agreement with Loop Capital Holdings LLC of Chicago and with J.P. Morgan Chase.

J.P. Morgan and Citi are the second- and third-largest U.S. municipal bond underwriters, respectively, with about 12% market share each, according to Thomson Reuters. Bank of America Corp. (BAC) is the largest, with about 14%, and Morgan Stanley ranks fourth, with a market share of nearly 7%.

UBS didn't say why it decided to switch to Citi from J.P. Morgan. A spokesman for J.P. Morgan declined to comment.

Tom Troy, head of capital markets and sales for UBS Wealth Management Americas, said in a statement that expanding the strategic partnership with Citi "further differentiates our municipal bond offering and enhances our capabilities as a leading provider of municipal securities products to our private clients." The firm declined to discuss the matter further.

Citi has a distribution agreement with TMC Bonds LLC, an electronic trading platform, and won't look for more distributors. Citi wants to make sure UBS brokers get sufficient access to the bonds they need to fulfill client orders, the bank said.

"The UBS system provides us with the market access we need to make sure we can get significant retail access," said David Brownstein, co-head of Citi's public-finance business.

The market for municipal bonds has been roiled in recent years by fiscal troubles in some cities, counties and states, including the bankruptcy of Detroit and Jefferson County, Ala., as well as by Puerto Rico's struggle to shrink a big deficit.

Mr. Brownstein said Citi believes bonds remain a good investment, particularly given the recent decline in prices. "What we are seeing in the market is demand from retail [investors] that we hadn't seen for some time," he said.

"The defaults and bankruptcies we have seen are very unique in nature. When you look at the municipal market overall, the historical default rates have been low compared to corporates," Mr. Brownstein said.

By Matthias Reiker

Write to Matthias Rieker at matthias.rieker@wsj.com

Cities Increasingly Recruiting Outside Help.

A growing number of local governments are turning to private fellowship programs to import talent when they need it.

Promoting innovation in government is important but it's difficult to bring in fresh perspectives and talent to complement the expertise and institutional knowledge of existing staff. Complicating the situation is the fact that "workers in the public sector [have] almost double the median tenure of private sector employees," according to the Bureau of Labor Statistics, while job growth in state and local government remains among the weakest of any industry.

With low turnover and few new workers, cities are in a quandary when it comes to stoking the innovation process. To address this challenge, cities are increasingly using fellowships to import talent from outside the public sector to support particular projects and initiatives. We're beginning to see the results.

Fuse Corps is a leading example of this approach. In the program, cities identify an urgent, significant need and, if selected, are matched with an individual from the private sector who will bring fresh energy and new skills in a one-year placement. Fuse Corps executive fellows have on average 15 years of experience in the private sector or as entrepreneurs, as well as particular expertise in the city's priority area. The organization recently placed its second group of fellows in cities around the country.

Fuse Corps CEO and co-founder Jennifer Anastasoff says the program is "responding to a real desire in cities to modernize leadership and create transformative change in cities." For example, current fellow Rahul Mewawallah, formerly global vice president and general manager at Nokia, is serving in San Francisco Mayor Edwin M. Lee's office and is working with the city's Office of Innovation on a campaign to make San Francisco the "innovation capital of the world."

He has also played a pivotal role in developing and cultivating the Entrepreneur In Residence program, which has attracted over 200 applications from teams of entrepreneurs around the country and the world — from Detroit to London and Johannesburg — and is currently in the final stages of selecting 3-5 teams to work in San Francisco to solve some of the city's problems through innovation and technology.

The infusion of outside talent into a city provides an important addition to under-resourced teams and initiatives. Local governments are eager for these opportunities. But as Anastasoff notes, fellowships like Fuse Corps are not just simply expanding capacity; they seek to interrupt the existing modes of work and provide the energy and ideas needed to redirect projects for better outcomes. "This isn't just a question of more hands — the champions within city government who are working with our fellows recognize and value that they are here to help change culture," she says.

But city governments wouldn't be signing up in significant numbers for opportunities like this if the results were limited to intangible culture shifts; public sector culture can be resistant to change, and without seeing real tangible impact, the "interruption" provided by a fellow would likely remain just that.

In cities like San Jose and Washington, D.C., fellows are achieving the kind of outcomes needed to contribute to concrete change. In Washington, D.C., Fuse Corps fellow Lisa Gans developed the DC Promise Neighborhood Initiative's five-year strategic plan, and helped procure a $28 million grant for the work. In San Jose Mayor Chuck Reed's office, Fuse Corps fellow Jeremy Goldberg led the implementation of the Silicon Valley (SV) Talent Partnership, which brings partners from the private sector to help solve problems in the public sector.

“Innovation and collaboration are the hallmark of Silicon Valley, and the SV Talent Partnership is another example of how talented private sector and public sector employees are making an impact in our region. One partnership in particular, the Fuse Corps Fellowship, served a key role in the coordination and management of its launch,” says Reed. “Over the past year we benefited from over 1,000 pro-bono hours on projects including: an innovative design lab at the Stanford d.school [of Design], a strategic marketing project for our Parks Recreation and Neighborhood Services department, and enhancing our city’s online permitting process.”

The work in San Jose, similar to the Entrepreneur in Residence model in San Francisco, mirrors the Fuse Corps model on a local level. This is early evidence of the rapid adaptation and replication of innovative models for impact.

Fuse Corps is not the only national fellowship working to increase innovation in American cities. Code for America’s fellowship, which brings a team of designers and app developers to a city to collaborate with city government on technology-based solutions to some of that city’s challenges, is entering its fourth year. The Detroit Revitalization Fellows (DRF) program, a philanthropic initiative run out of Wayne State University, is attracting national talent for local impact, and in doing so, brings a dynamic set of perspectives and ideas to Detroit. Modeled after the CUREx fellowship in post-Katrina New Orleans, Detroit ’s DRF initiative has fostered creative solutions to local problems, and has a high proportion of fellows who continue their work and commitment to Detroit well beyond their one year fellowship.

These programs are improving in real time with input from fellows and hosts. Updates to the selection process, funding model and program structure are aimed at maximizing value and impact. The result is that cities are now in competition for fellows, and in the Fuse Corps program, many cities are prepared to take on the funding burden (previously carried jointly with Fuse Corps and often a corporate employer who allowed its fellow to go “on loan” to a placement) in order to receive new talent.

The agility to learn and adapt is part of what is making Fuse Corps and similar models a success. But it doesn’t hurt that there is a hunger for this kind of innovation, and that connections between sectors are becoming increasingly important as leaders from across the spectrum recognize the potential of collaboration and partnership.

BY ARTHUR BURRIS | DECEMBER 19, 2013

[Deadbeat Governments: New Yorker.]

’Tis the season for taking retirement benefits away from public workers. In Detroit, an emergency manager has steered the city into bankruptcy, in part to avoid its pension obligations. In Illinois, the legislature just passed a bill cutting pensions and raising the retirement age for state workers, in the hope of saving a hundred and sixty billion dollars in pension costs over the next thirty years. And these moves are only the most dramatic instances of a broader trend: between 2009 and 2012, forty-five states passed some kind of pension reform. Pensions are supposed to be dull and reliable. But they’re now the locus of bruising political battles.

The reason is simple: though plenty of states and cities have managed to maintain healthy pension funds, in many places pension costs are eating up huge chunks of the budget. New Jersey’s and California’s pension funds are both in deep holes. San Diego now spends more than twenty per cent of its operating budget on pensions; San Jose spends a quarter of its budget on them. Illinois needs to come up with nearly a hundred billion dollars just to pay off obligations it is already committed to.

How did states and cities get into this jam? By following Mark Twain's famous dictum: Never put off till tomorrow what you can do the day after tomorrow. In principle, providing for pensions isn't difficult: governments set aside money every year to fund them, just as workers contribute a percentage of their salary every year. But that means raising taxes or spending less on things that voters like, so politicians often just let pension contributions slide, passing the bill on to future taxpayers. Politicians are adept at rationalizing such irresponsible behavior. When markets are up and pension funds are flush, they say that there's no need to add money. When times are bad and tax revenue drops, they say that they can't afford contributions. Illinois, for instance, has been shortchanging its pension fund forever. "The politicians in Illinois are deadbeats," Alicia Munnell, the director of the Center for Retirement Research, at Boston College, told me. "They just did not pay their bills, and, lo and behold, they're finding that they can't make up for all those years of not doing what they were supposed to do."

Governments also got in the habit of promising workers higher pensions in the future so that they would accept lower wages in the present. To make matters worse, whenever pension funds looked especially robust public employees lobbied for higher pensions, and politicians were all too willing to grant them. In 1999, at the height of the tech bubble, California retroactively increased benefits for every government employee by twenty-five to fifty per cent. This was terrible policy. As Munnell says, "You have to put aside the excess return you earn in good times to cover your costs when the bad times hit." But lots of states did similar things. Even more egregious, Detroit's pension fund routinely sent bonus payments to retirees whenever it had a good year. This weakened the fund and increased the burden on taxpayers, but, since pension accounting is eye-glazingly dull, few complained.

Everyone pushed off the day of reckoning, with no real thought for the taxpayers who would eventually have to foot the bill. Now that that day has arrived, you can see why governments want to claw back some of the benefits that were handed out. But this would be unjust: state and city employees worked for those benefits—teaching kids, policing the streets, and so on—and they often did so for lower wages than they would have accepted with no promise of a pension. Governments should live up to their obligations, but we can't let them make irresponsible promises again. The temptation to defer expenditure is intrinsically hard for politicians to resist. We need reforms to control costs and to insure that governments actually pay their bills.

That doesn't mean, as many have argued, that we should scrap pensions and replace them with something like 401(k)s. As Munnell's work shows, the system works if it's funded properly, and 401(k)s force workers to bear too much market risk, leaving many with inadequate savings for retirement. Instead, as has already happened in many states, retirement ages should be raised, cost-of-living adjustments lowered, and employee contributions increased. It would also be a good idea to bring all state and municipal employees into Social Security. Trimming retirement benefits will mean paying higher wages, it's true. But this is a good thing, since it will force politicians to be honest about how much they're spending.

Finally, governments should be legally required to make pension contributions every year. Right now, an independent body called the Government Accounting Standards Board tells each state what its "annual required contribution" is. But there's no legal force behind that, so it's more like a "suggested contribution." In 1974, Congress passed a law requiring corporations with pension plans to fund them adequately. It should do the same for states and cities. The effects could be interesting: healthier pension funds will make it less likely that retirees will suddenly find themselves out in the cold, but, once states have to be truthful about the cost of public services, they may cut back. Either way, it's time to end the game of "Enjoy now, pay later."

BY JAMES SUROWIECKI

DECEMBER 23, 2013

Goldman Wins Record Deposits Into Bond Fund Defying Higher Rates: SF Chronicle.

Dec. 17 (Bloomberg) — Goldman Sachs Group Inc. is drawing record deposits into a bond mutual fund that's making money even as interest rates rise, giving the bank a boost in one of the few Wall Street businesses it hasn't dominated.

The Goldman Sachs Strategic Income Fund attracted $9.8 billion in the first 11 months of 2013, more than three times the net new cash taken in by the New York-based company's previous best-selling mutual fund in a calendar year, according to Morningstar Inc. data going back to 1993. The $12.5 billion fund returned 5.3 percent in 2013 through Dec. 13, beating 96 percent of rivals, according to data compiled by Bloomberg. The fund has quintupled in size this year.

Strategic Income is raising the bank's profile in the $14.6 trillion U.S. mutual-fund industry by standing out among a breed of bond products whose managers can invest across the fixed- income spectrum, including bets that pay off when interest rates rise. The unconstrained funds have caught on as investors flee conventional fixed-income funds in anticipation of rates climbing further and spurring losses in bonds when the Federal Reserve scales back its asset-buying program.

"This portfolio has a shot at making money in any rate environment," co-manager Michael Swell said in a telephone interview from New York. "You will see money flowing out of traditional fixed income into products like this one."

Slowing stimulus may lead to higher interest rates, which reduces the value of interest-paying securities with fixed rates.

Shifting Deposits

Non-traditional bond funds pulled in a record $51.5 billion this year through last month, according to Chicago-based Morningstar, while intermediate-term bond funds, the core fixed- income product for many investors, had $73.2 billion in redemptions.

The $28 billion Pimco Unconstrained Bond Fund won $9.6 billion, while Bill Gross's $244 billion Pimco Total Return Fund had $36.9 billion in withdrawals, Morningstar estimates. Pimco Total Return, which lost its title as the world's largest mutual fund in October, fell 1.5 percent through Dec. 13, compared with a decline of 1.8 percent for the Barclays U.S. Aggregate Index.

Gross, 69, took over Pimco's unconstrained fund Dec. 5 when manager Chris Dialynas went on sabbatical at Newport Beach, California-based Pacific Investment Management Co.

Investors may not appreciate that the flexible funds, whose assets grew 20-fold after the 2008 financial crisis to $119 billion, carry their own risks even with limited exposure to rising interest rates, said Eric Jacobson, Morningstar's director of fixed-income research.

High Yield

Many of the funds, including Goldman Sachs's, own high- yield and emerging-market bonds, which can lose value if economies falter or stock markets slump, Jacobson said. Goldman Sachs Strategic Income fell 2.5 percent in 2011, trailing 95 percent of its peers, as large positions in mortgages not guaranteed by the U.S. government declined amid a selloff of riskier assets, Swell said.

For Goldman Sachs, the popularity of its go-anywhere fund has given the bank success in an area where it has historically trailed better-known competitors. Previously, the bank's top- selling mutual fund in a full calendar year was the Goldman Sachs High Quality Floating Rate Fund, which took in $2.8 billion in 2002, according to Morningstar.

"They've never been much of a player in mutual funds," Geoff Bobroff, a fund industry consultant based in East Greenwich, Rhode Island, said in a telephone interview.

'Uphill Climb'

Goldman Sachs had $81 billion in U.S. long-term mutual fund assets as of Nov. 30, ranking 23rd with less than 1 percent market share, Morningstar data show. The totals don't include money-market funds. In the past five years, the bank's U.S. bond funds outperformed 57 percent of their peers and its stock funds beat 49 percent, according to Denver-based Lipper.

Charles Stein,

Goldman Sachs Wins Bond Investors to Flexible Mutual Fund: Bloomberg.

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'Uphill Climb'

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One hot fund such as Strategic Income can boost a firm's visibility, Bobroff said. "It is still an uphill climb to become much bigger given all the competition," he said.

Goldman Sachs attracted more stock and bond mutual-fund money, $12.8 billion, than all but six U.S. firms this year through November, Morningstar's data show.

"This business is a focus for us and we are pleased with what we are seeing," James McNamara, president of the bank's mutual-funds business, said in a telephone interview.

Goldman Sachs has added salespeople who deal with brokers and advisers in the U.S., Europe and Asia in a bid to increase market share, McNamara said.

Global Network

Goldman Sachs Asset Management, the unit overseeing more than $900 billion, last month raised

$826 million for its first closed-end fund, which will invest in energy partnerships. Closed-end funds have a fixed number of shares outstanding and usually trade on a stock exchange.

Investment management accounted for 18 percent of the bank’s revenue in the third quarter, compared with 14 percent a year earlier.

Strategic Income managers Swell and Jonathan Beinner, both 47, get input at weekly meetings and via e-mail from 250 Goldman Sachs employees around the world with expertise in areas such as interest-rate risk, emerging markets and currencies. The fund is put together based on a series of independent judgments, rather than one top-down view of the global economy, Swell said.

Swell joined Goldman Sachs in 2007. He has a bachelor’s degree and a master’s in international economics and finance from Brandeis University in Waltham, Massachusetts.

‘Constructive Path’

The fund has bet on rising U.S. interest rates for most of 2013, Swell said. Yields on long-term Treasury securities have surged since May, when Fed Chairman Ben S. Bernanke indicated that the central bank might begin to reduce its $85 billion monthly bond purchases. The yield on the 10-year U.S. Treasury note climbed to 2.88 as of yesterday from 1.93 percent May 21, the day before Bernanke first spoke of tapering.

“With the U.S. economy on a constructive path, we are short across the yield curve,” said Swell, who predicted that the Fed might start raising short-term interest rates as soon as 2015.

The stronger economy has lifted high-yield bonds and non-agency mortgages, asset classes that together made up 15 percent of Swell’s portfolio at the end of October.

High-yield bonds, or corporate debt rated below investment grade, returned 6.8 percent in 2013, according to the Bank of America Merrill Lynch U.S. High Yield Index. Non-agency bonds gained 9.6 percent through November, according to Amherst Securities LP.

Municipal Selloff

The portion of Strategic Income’s assets in municipal bonds rose to 6 percent as of Oct. 31 from zero in June, according to Goldman Sachs. Municipal bonds declined 2.5 percent this year through Dec. 13, Bank of America Merrill Lynch indexes show, as investors spooked by the bankruptcy of Detroit and the fiscal woes of Puerto Rico pulled money from the funds.

“This market is retail driven, so when a selloff begins sometimes it takes a life of its own,” Rafael Costas, co-head of municipals at Franklin Advisers Inc. in San Mateo, California, told Bloomberg News in an interview this month.

The selling has created bargains, especially among higher-quality municipals, Swell said. The fund owns the securities while hedging the interest-rate risk, a bet that will pay off if the difference in yield between municipal and Treasury securities narrows. Spreads tighten when investors perceive less risk, demanding smaller premiums.

One wager that hasn’t worked is an investment in emerging-market debt, which lost 5.6 percent in 2013 through Dec. 13, based on the JPMorgan Emerging Markets Bonds Index. The bonds have been hurt by the perception that the Chinese economy is slowing and by concerns that a reduction in Fed stimulus will prompt yield-seeking investors to pull their money from emerging-market economies.

China, Brazil

“The stories about the collapse of China are exaggerated,” said Swell, who had 12 percent of his fund in emerging-market bonds as of Oct. 31. Interest rates in countries such as Mexico and Brazil are too high, he said. In Brazil, Goldman Sachs is betting that as rates fall, bonds will appreciate and the currency will decline.

The fact that the fund has such varied investments at the same time is a plus, not a concern, Swell said.

“The only free lunch in investing is diversification,” he said.

By Charles Stein Dec 16, 2013 9:00 PM PT

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To contact the editor responsible for this story: Christian Baumgaertel.

Corporate Entrepreneurs Are at the Heart of Downtown Revitalizations.

Private-sector actors are reshaping the center of some cities in ways local governments no longer have the ability to do themselves.

Leah Eichhorn is thrilled to be back in her hometown of Dubuque. Like a lot of educated young people, Eichhorn packed up and left once she became an adult, lighting out for Phoenix back in 2000 because there was so little opportunity where she’d grown up. The Iowa town, which sits alongside the Mississippi River across from Illinois and Wisconsin, had lost most of its manufacturing and agricultural sector employment during the 1980s, leaving it at one point with the worst unemployment rate in the nation.

But something surprising happened five years ago. The city convinced IBM that it should move a large IT operations center into an old department store downtown. The company brought with it more than a thousand jobs—a big deal for a community of 60,000—and has helped spark a revival that has quadrupled employment in the city’s historic downtown core. “IBM really catapulted it forward,” says Eichhorn, who works as a manager for the company, enjoying the type of professional career she once thought impossible to achieve in Dubuque. “We have great potential to keep people here, rather than running to Phoenix.”

Creating opportunities and retaining the local best and brightest has long been the dream of many struggling communities. These days, many cities are getting a lot of help on that front from companies that see great potential in downtowns. In some cases, private-sector actors are reshaping central cities in ways local governments no longer have the ability to do themselves.

The examples getting the most attention just now are Las Vegas and Detroit, where Tony Hsieh of Zappos and Dan Gilbert of Quicken Loans, respectively, have invested hundreds of millions of dollars in downtown projects that are not only boosting employment but also reshaping the entire landscape. The reality is that they are creating the urban infrastructure that they want around them—parks, transit, better sidewalks—in ways that builders of one-off projects rarely have to worry about. “Most real estate developers are about ‘give me a permit,’” says Otis White, a civic consultant in Atlanta (and a onetime Governing contributor). “These guys are about building a community where there hasn’t been one.”

Quicken CEO Dan Gilbert wants to use his company’s downtown Detroit headquarters as a catalyst for redeveloping the city’s core with streetcars, wider sidewalks and pedestrian-friendly plazas. Rock Ventures

Other companies are pursuing similar visions, from Amazon building itself a whole new neighborhood in downtown Seattle to Facebook’s blueprints for a $120 million housing complex for its workers in Menlo Park, Calif. “Every city that’s struggling, that’s trying to get back on its feet, that’s trying to make its downtown matter again … needs a private benefactor,” Deadspin editor Will Leitch wrote in an online column last fall, lamenting that Cleveland’s main benefactor—Quicken Loans’ Gilbert—was distracted by putting so much of his time and money into Detroit.

But it’s not just billionaires and big tech and financial firms that are reshaping downtowns. Think of the growth that’s taken place around the University of Pennsylvania in Philadelphia, Georgia Tech in Atlanta or the Texas Medical Center in Houston. In Salt Lake City, the Mormon Church opened the 20-acre City Creek Center two years ago, perhaps the largest mixed-use development to emerge since the recession. In all these places, anchor institutions are not just reshaping their immediate surroundings, but also acting as catalysts that generate further development and job growth. “In Salt Lake City, in everything I do, I’m working arm in arm with the private sector, both profit and nonprofit, to allow us to do the things we want to achieve for our city,” says Mayor Ralph Becker. “I find it an encouraging and probably even more necessary piece of what we do going forward.”

In a sense, there’s nothing new about any of this. Cities have always depended on private actors to create jobs and put up buildings. But the big story over the next several years will be the amount of growth that will be clustered around these centers, says Bruce Katz, director of the Brookings Institution’s Metropolitan Policy Program. It’s not just hipsters who want to be in downtowns, he notes, but also innovative companies that see the value in locating near similar companies. Once a major institutional initiative changes the story about a downtown, it can trigger a wave of investment and capital coming into a city. “What it also reveals is that cities are networks, not governments,” Katz says. “At any given time, a different set of leaders can step up and fill a vacuum. They have the discretionary resources to apply that in many places government doesn’t have anymore.”

Dubuque was a city on a downward spiral. With the collapse of the farm economy in the 1980s, the city watched as the Dubuque Packing Co. closed up shop, and then as John Deere—still the city’s largest single employer—sliced its workforce by about three-quarters from its peak. Everyone in town, it seemed, either lost his job or had a relative who had. All told, Dubuque lost 10 percent of its population.

Then IBM moved into an empty Depression-era department store. The shoppers who had once filled its nine stories had long since taken their business elsewhere. The morbid joke locals tell about downtown was that it was so dead, you could shoot a cannon down Main Street and not risk hitting anybody.

Landing IBM for its downtown was a huge coup. “When you see the list of places competing for that IBM IT center, you would have never thought Dubuque had a chance,” concedes Mayor Roy Buol. But the lesson Dubuque learned from its hard times was never to depend too much on any single large employer. Rather than a pair of companies with several thousand employees each, Dubuque now boasts a number of employers—in publishing, medical services and manufacturing, as well as long-standing insurance and banking businesses—with several hundred workers each. IBM’s building is just one of four former downtown department stores that are filled with white-collar workers.

Dubuque’s current success arrived incrementally. It tried every economic development trick in the book—casinos, a pedestrian mall, a riverfront convention center. What ended up working could almost seem like an accident, if it weren’t the result of years of hard work and planning. City and civic leaders could either pack up and close down the town or maybe struggle mightily to hold onto what employers they still had left, as so many communities do.

But there was a third option as well. The city could try to create a vision that everybody bought into and was willing to work together to bring about. “It wasn’t foresight, it was pure pain,” says Dan McDonald, vice president of the Greater Dubuque Development Corp., an economic development agency. “We had one out of four of our citizens out of work.”

The idea sounds kind of kumbaya, but Dubuque has been able to foster a culture of collaboration that includes every conceivable actor in the area on major projects. People don’t always agree, but everyone gets to have their input as the process moves forward.

Greater Dubuque acts as an ongoing convener, holding nearly 500 standing weekly and monthly meetings a year with city agencies, utility companies, community colleges and other players—private companies and nonprofits alike. It also goes out and interviews the owners of more than 200 local companies on an annual basis. “Zoning issues mentioned in passing can be handled before they’re on the front page or a business leaves because of them,” says Cori Burbach, sustainability coordinator for the city.

It’s more than just a collaborative style of customer service. When the IBM project surfaced, Dubuque was able to convince the company that its culture of working together to identify and rectify problems wasn’t just happy talk, but something the company could rely on. When IBM expressed concern about the local talent pool, Greater Dubuque downloaded and printed off 600 relevant resumes aspirants had put in its job-search database. During an early conference call, the city gathered nearly two dozen individuals from both its own agencies and the private sector to answer any questions the company might have. One of its competitors in the South, by contrast, had the mayor handle the call by himself on a cellphone with spotty service.

Dubuque’s civic culture may have drawn IBM, but now it can call on IBM itself to help out. As Mayor Buol says, IBM’s presence means the city is essentially “preapproved” when other companies are considering relocation. Representatives from IBM just made a trip with Gov. Terry Branstad to New York in hopes of drumming up more business for the town. “It is a good selling point,” says Tom Coffas, who heads IBM’s local office. “They don’t have to say, ‘This is stuff we can do; we think we can support you.’ Instead it’s, ‘We have IBM, and we’ve shown we can accommodate you.’”

No matter how big the employer, there are always concerns about turning into a heavily reliant company town, or letting the downtown become a corporate campus. There will always be bloggers and local residents who complain that tax breaks and other policies are too generous to big business. But city officials today know their downtowns need anchor tenants, the big firms whose importance lies partly in convincing other companies that the area is attractive. Now, rather than everyone in a family having to rely on one or two local employers, as was the case for Dubuque in the past, when individuals come to Dubuque for a job with IBM, their spouses can hope to find jobs with any of several other companies. And they’ll find more amenities in town available as a result: With the corporations come the coffee shops. “There’s actually a pretty vibrant nightlife, and there are a lot of young professionals moving in,” says Derek Elgin, who relocated from South Carolina two years ago for a job in publishing.

Since IBM opened up shop in Dubuque nearly five years ago, 250 residential units have opened up downtown. The most striking examples are in the Millwork District, a 17-square-block conglomeration of massive old industrial sites that had long sat empty but are now starting to be occupied by airy condos, law firms and art galleries. To lay the groundwork, the city used federal grant money to replace century-old utilities and spruce up the streetscape. “We see ourselves as a partner for the developer,” says David Johnson, an assistant city planner. “We want to be a resource, rather than an obstacle.”

Dubuque’s downtown went bust at the right time. The city has been able to preserve many handsome old brick and masonry buildings that are now being repurposed. You can still buy feed and seed in downtown Dubuque, but you’re much more likely to encounter boutique shops and restaurants selling high-end chocolates or dishes like lobster mac and cheese. There’s so much construction and renovation going on that Emily McCready was able to convince the architecture firm she works for in Tulsa that it ought to open up a local office to take advantage of the business prospects. When she was growing up in Dubuque, there simply weren’t enough jobs to convince aspiring professionals that they should stick around. “You went away for college and there was no pressure to come back,” she says. “We always wanted to come back here, but we didn’t think it was possible.”

McCready moved away 15 years ago, but on recent visits back she could see that the city was changing fast. IBM’s presence was bringing in a more educated and diverse workforce. People still joke that Italians help diversify a town that’s historically been mostly Irish and German. But now Dubuque boasts two cricket leagues to accommodate the many South Asians and other new residents who are addicted to the game. Not only is Dubuque drawing types of people it had never welcomed before, it’s seeing the return of native daughters. It seems impossible to strike up conversations with individuals in their 20s and 30s and not find some who had moved away to Colorado and California, but are now glad to be back. Allison Mitchell, for instance, recently returned after three years in Los Angeles, where she worked as a “celebrity swim coach and nanny” for the children of film stars.

Admittedly, jobs like that still can’t be found in Dubuque. But there’s plenty of work. Since hitting a trough with the recession in 2009, the Dubuque area has gained 4,600 jobs—an increase of nearly 9 percent. Last fall, the U.S. Department of Commerce dubbed Dubuque the fastest-growing area in the state and the 27th-fastest growing metro area in the country. When McCready was growing up, more than half the storefronts on Main Street were vacant, but when she opened her firm’s satellite office in November, she was unable to find a vacancy and had to settle for an address just off Main Street. “I think there’s always going to be work here,” McCready says. “IBM coming into the city was a huge confidence boost for people.”

Thirty years ago, there was actually a billboard in Dubuque asking the last person to leave to turn off the lights. Today, there are stickers above the light switches in city conference rooms requesting the same thing. It’s a small part of the city’s sustainability program, a top priority for Buol that has become the city’s main ongoing collaborative effort with IBM.

The company is using Dubuque as a test kitchen for its “smarter city” products and services, running several pilot projects on water, electricity, mobility, health and waste. Rather than monthly water meter readings, for example, hundreds of people were able to track their water use online with updates available every 15 minutes. By seeing what they were consuming in real time, people could get a sense of what might be driving excessive usage. In one case, parents were able to find out their kids had held a party because of a spike at 2 a.m. one night when the grownups weren’t home. More fundamentally, says Chris Kohlmann, Dubuque’s information services manager, the city was able to point out likely leaks in the sewer system and even gather enough data to learn to anticipate situations where pipes should be replaced before leaks start.

The result was a significant reduction in average household use of water and other services. IBM and Dubuque have received a plethora of awards for the pilot projects, and work done in Iowa has become the templates for projects from Australia to Turkey. “What happens in Dubuque doesn’t stay in Dubuque,” jokes Milind Naphade, IBM’s Smarter City Services director.

As with any pilot project, taking the ideas up to scale can be challenging. IBM’s ideas might still be expensive for the small and medium-sized cities that are nimble enough to put new public works strategies into place. “A challenge for IBM is making these tools affordable when they go to market with cities of our size,” Kohlmann says of her small city.

But what may really be difficult to replicate elsewhere is not the gee-whiz environmental changes but the basics behind Dubuque’s comeback. There isn’t always 100 percent agreement about what approach to take, but various stakeholders in Dubuque feel like they’ve at least had some input and can understand the strategy that ultimately prevails. Just as meters keeping close track of water use can help cut down on use, so can ongoing collaboration smooth out problems for any project along the way. It ends up that people don’t care so much about getting credit as getting it done. “It’s not rocket science, it’s communication—it’s dealing with problems in real time,” says McDonald of Greater Dubuque.

It may seem like no big deal that people from different entities and sectors try to pull together, but it’s surprisingly rare. In many parts of the country, people from separate agencies or jurisdictions can’t even name their counterparts, let alone maintain ongoing working relationships with them. “I’ve heard the stories about the days when these groups didn’t know each other or have many connections to each other,” says Kurt Strand, head of McGraw-Hill’s Dubuque office, who moved to the city eight years ago. “But they all saw the need to find ways to create jobs and bring people here.”

When IBM expressed interest in working on a research project with the city, Dubuque was able to draw not only on its own existing sustainability efforts, but its practice of collaborating on large-scale projects. Naphade and his colleagues were surprised when they came to town for an early brainstorming session and found that the event had been booked in a hotel ballroom. It turned out the city had convinced 83 individuals it would be worth attending. “It’s hard getting two people together in a city, but that has been the hallmark in Dubuque,” says Naphade. “I would say that when Dubuque talks about partnerships, it’s really not hollow talking. They’re very good at it.”

BY ALAN GREENBLATT | JANUARY 2014

Wall Street Landlord Loses Round One in Ohio School Tax Fight: Bloomberg.

It was a good day for Mike Yane, a history teacher in Huber Heights, Ohio. A December storm covered the modest Dayton suburb in snow, and Wayne High School opened two hours late. His students who walk to class could use the extra time.

Funding shortages last year forced the district to stop providing most buses for the high school, so about 1,600 teenagers have to find their own way and several are frequently late. A 14-year-old told Yane she has to leave her house in the dark and walk an hour to get to class before the bell rings at 7:50 a.m. When students arrive, they share decade-old textbooks that are falling apart and microscopes considered antiques.

“There’s no money for new books,” said Yane, 49, who’s been at the school for eight years, since leaving his job at the nearby Wright-Patterson Air Force base.

After $14.6 million in state and local cuts since 2009, the Huber Heights City School system is bracing for another hit. This time it’s from Yane’s landlord, a $9 billion Evanston, Illinois-based hedge fund called Magnetar Capital LLC, which in January quietly bought a third of all rental homes in Huber Heights, including his and those of at least 16 of his students.

In April, Magnetar’s management company applied for the largest reduction in residential property taxes in the county’s history on more than 1,200 residences. The move threatened to strip as much as $800,000 from the already stretched seven public schools and reduce funds for local colleges, police, fire, libraries and services to the disabled.

Neighborhood Takeover

The 38,000 residents of Huber Heights are in the crosshairs of a Wall Street takeover of neighborhoods across the U.S. After the housing crash sent home prices tumbling 35 percent, multibillion dollar money managers went on a buying spree. In less than two years, firms including Blackstone Group LP and Colony Capital LLC have become some of the largest landlords in the country by acquiring rental homes, purchasing hundreds of thousands of foreclosed houses to lease and constructing new properties to fill with tenants.

The Big Rent: Wall Street Is My Landlord

They are capitalizing on demand for rentals from families who lost their homes and buyers unable to get mortgages as banks limit credit after the last bust. The U.S. homeownership rate has dropped to 65.3 percent from a record 69.2 percent in 2004 and is almost back where it was two decades ago after the real-estate collapse took more than 7 million properties from their owners in a wave of foreclosures.

“There’s a lot of room for this to grow,” said Susan Wachter, a professor of real estate and finance at the University of Pennsylvania’s Wharton School.

Huber Family

The influence investment firms with Wall Street backing and prowess can have on a community is already apparent in Huber Heights. Named for builder Charles H. Huber, who developed the town in the 1950s, the area expanded after World War II along with Dayton, a crossroads for goods made in America’s industrial heartland. When Huber started to build the town, midway between Cincinnati and Columbus, he constructed affordable homes selling for $13,995 with a $995 down payment, according to the Ohio Historical Society.

His family also had a rental business that was the biggest in town until this year when his widow, Teresa J. Huber, sold it to Magnetar.

Magnetar picked Huber Heights because it found a ready-made single-family home rental company that could deliver the kind of steady returns its investors expect, spokesman Tony Fratto said in October. The town had 15,875 housing units as of 2010 Census data, with about 28 percent of them rentals. Monthly rents for Huber homes range from about $500 to $1,500, according to Amy Logan, head of leasing, who also worked for the prior management company.

Residential Investment

Few in the town knew the homes had been sold or that Magnetar requested to cut property taxes in the area by as much as $1.39 million, until Bloomberg News reported it in October.

Daniel Bathon, head of Vinebrook Partners LLC, which manages the properties for Magnetar, said at the time that the tax cut would help them to invest more in the residences, which would increase their attractiveness and value over time. He told officials in a meeting at City Hall that Vinebrook planned to make at least $1 million in improvements to its units in 2013 and 2014. The firm also donated $25,000 to help staff a police officer at one of the city schools.

Upgrading Properties

"The Huber Heights investment will succeed only if we invest to upgrade and maintain our properties and provide great service to our tenants," Magnetar said in an e-mailed statement. "Over time, and through our actions, the community will see that our investment objectives and the community's interests are aligned."

The Huber Heights school board didn't see it that way and this year sought to block the tax reassessments. The district gets about half of its $58.4 million operating budget from property taxes. Budget cuts since 2009 already forced the town's schools to reduce staff by 30 percent, including at least 100 teachers. Art, choir, Advanced Placement and physical education classes have been reduced or canceled while janitors, bus drivers and teachers' aides were laid off. Math scores fell last year, a product of the cuts and new state standards that teachers with limited resources were ordered to adopt, according to Superintendent Susan Gunnell.

Gunnell said she understands from a business perspective what the hedge fund is trying to do.

"We just have to protect what we have," she said. "We've made so many reductions, it's already starting to affect our student achievement and progress."

Cuts Rejected

In a series of hearings since early October, the county auditor's Board of Revision rejected most of the tax cuts requested by Magnetar's property manager. Still, the board granted enough to save Magnetar $183,736 next year and cost the schools $114,676. Even though that's just a fraction of the initial reductions sought, Gunnell isn't celebrating.

"We're not in the clear yet," she said. Next year, values for all the homes will be reappraised in Montgomery County, which encompasses Huber Heights, as part of a regular countywide process.

Less than 300 miles from Huber Heights, Magnetar's executives are focusing on providing opportunities to high school students. They started the Magnetar Youth Investment Academy two years ago to increase financial literacy in the Chicago area.

"Our children are graduating high school and entering a world where it's far too easy to accumulate debt," Alec Litowitz, Magnetar founder and CEO, said in a March statement. "They must be equipped with the information they need to make smart financial decisions."

College Scholarships

Students receive 40 hours of instruction on topics including financial planning, decision-making and money management. At the end of the course, they can compete in a year-long competition, which awards college scholarships to the person or team with the highest-performing stock portfolio at each school. The program doesn't extend to Huber Heights.

Magnetar said in an e-mailed statement that the academy, which is philanthropic and separate from its investments, is “proving to be an excellent way to help students learn about the financial system.”

The hedge fund’s investments include bonds backed by home loans and financing for energy companies. In 2006 and 2007, Magnetar helped banks create complex securities backed by risky mortgages. At the same time the hedge fund made bets that would profit if the homeowners defaulted. The U.S. Securities and Exchange Commission investigated the deals after housing imploded and has fined some of the banks involved. The government hasn’t filed a complaint against Magnetar.

The Dayton area lost 9 percent of its jobs after the housing crash led to the longest recession since the Great Depression. Huber Heights was hard hit, with 50 percent of the public school students now on free or reduced-price lunch, up from 30 percent in 2007.

By Heather Perlberg and John Gittelsohn Dec 22, 2013 9:00 PM PT

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NYT: In Shepherding Detroit Bankruptcy, Lawyer Tackles a Job He Didn’t Ask For.

DETROIT — Kevyn D. Orr, the man who must now revive Detroit, commutes each week from Maryland to a cavernous old office building here that seems to dare him to succeed: the former headquarters of a company, itself recently in bankruptcy, that once sold more than half of America’s cars — General Motors.

His office, on the 14th floor, is sparsely furnished, but in the stack of papers on his desk he keeps a few photographs — of New York City at its financial low in the 1970s. Gritty streets that look, he says, like some of Detroit’s unlit, forgotten neighborhoods today.

“Anytime somebody says it can’t happen, I whip those pictures out and say, ‘Oh, don’t you bet against it,’ ” Mr. Orr said the other day, not long after a federal judge allowed Detroit to become the nation’s largest city ever to enter bankruptcy. “Let me show you what can happen.”

Mr. Orr, 55, who has never run for political office, finds himself in an extraordinary role. He holds power even more concentrated than that of the emergency control board that intervened when New York City was teetering near bankruptcy, an unelected lawyer chiefly responsible for the reinvention of a major American city in decay. And there’s a deadline — 10 months.

The assignment is enormous, a peculiar mix of duties, some stated and others not, for a man who by all accounts had been leading a comfortable life as a bankruptcy lawyer. His new job? Urban planner, numbers cruncher, city spokesman, negotiator, politician, good cop, bad cop.

The job could not be more politically fraught. Mr. Orr’s harshest critics call him a “dictator” (his authority trumps that of the city’s elected leaders), an “Uncle Tom” (he is black and was sent to run this mostly black city by a white governor) and a “pension killer” (he has said the city can no longer afford the pensions it promised retirees). But Mr. Orr, who was a partner at the law firm Jones Day until his wife and a mentor helped talk him into taking the Detroit job, seems unfazed by the storm around him. He is full of smiles and quips, coolly pressing on.

“If we don’t do something to address the unfunded liability that we have, the 700,000 residents — some of them schoolchildren, some of them sort of skinny, dorky kids like I was, who got beaten up every day at the bus stop by the toughs, who have to walk home in the dark — don’t they deserve better services?” said Mr. Orr, who grew up in Florida and visited Detroit as a youth. “There has to be some balance here. This is our chance.”

This year, with Detroit’s financial troubles becoming desperately apparent, Gov. Rick Snyder, a Republican, called on Mr. Orr, who had worked on Chrysler’s bankruptcy and at the Resolution Trust Corporation, to be sent as an emergency manager with sweeping powers.

At first, Mr. Orr said, he resisted. The salary, $275,000 a year, from the state, would be a pay cut. His wife, who is a physician, would be caring for their two children, 6 and 7, at home in Chevy Chase, Md., when he was in Detroit. And the circumstances were certain to be volatile in a city that was hardly asking for an outsider to step in. Ultimately, Mr. Orr said, he became convinced that it was a call to action.

In the nearly nine months since, Mr. Orr has been continually on the move, meeting with community groups, issuing reports, filing for bankruptcy, firing and hiring people at City Hall.

His supporters say he is astute and charming, but also direct. “The thing is, his stock is as high today as it was when he walked in the door,” said Sandy K. Baruah, the president of the Detroit Regional Chamber.

But he has also been a target during protests. Detroiters groaned at the attitude they perceived in a comment he made to The Wall Street Journal: “For a long time the city was dumb, lazy, happy and rich.” Mr. Orr has said it was in no way meant as an insult against contemporary Detroiters, but an observation about circumstances 100 years ago.

And Detroit’s mayor, Dave Bing, who is leaving office at the end of the year, has said Mr. Orr arrived in the municipal building (where Mr. Orr has a second office, not far from Mr. Bing’s) with a slew of outside consultants and personnel changes, but precious little expertise in running a city.

“Kevyn has tried to take on way too much,” Mr. Bing said in an interview, adding that he doubted speculation that the incoming mayor, Mike Duggan, might get some larger role. “Whoever the mayor is and the City Council are, they won’t have a say in how to run the city.”

Some critics bristle at the suggestion that Mr. Orr — rather than Governor Snyder and the Republican majority in the state capital, Lansing — is running this city, where tensions over race and class have long simmered. Mr. Orr and Governor Snyder both attended law school, in overlapping years, at the University of Michigan, where Mr. Orr had also gotten his undergraduate degree. The two meet and talk regularly, the governor’s spokeswoman said. Mr. Orr stays in a condominium at the Westin Book Cadillac that has been paid for by a tax-exempt fund the governor created.

“They pull the levers, and he reads the script at the press conferences,” said the Rev. Charles Williams II of the National Action Network. “In our community, we call that window dressing.”

Mr. Orr has heard it all before; mainly he dismisses it. He says that he is a Democrat and has never voted for a Republican and that Governor Snyder was a “fleeting acquaintance” in law school.

And however his life may appear to others — the classic suits and the state police security detail — Mr. Orr says simply that he sees himself as a part of Detroit. In the city’s churches, he says, he smells the Florida church his grandfather led, the old Bibles and the organs. Both his grandmothers had studied to the eighth grade and worked as maids.

“When I say, ‘I’m them,’ ” Mr. Orr said of Detroiters, “I want people to understand, don’t look at who I am now. I have by no means forgotten.”

On the most contentious issues, Mr. Orr has held hard lines. He refuses to promise that works at the Detroit Institute of Arts will go untouched in bankruptcy. He says city pensions for retirees are unaffordable as they are now, despite state constitutional protections.

Not long ago, Mr. Orr’s mother, a retired school administrator from Florida who receives a pension, met a Detroit retiree at a conference. “They were crying together,” Mr. Orr said. “She said, ‘Kevyn, do you have to do this?’ ”

“If we don’t do something in the next 10 or 12 years,” Mr. Orr said, “there won’t be pensions for the 30-, 40- and 50-year olds. Is that fair?”

Mr. Orr has cleared one of his biggest hurdles: getting approval for bankruptcy. Though he is more accustomed to asking questions in courtrooms, he spent days testifying about Detroit’s dismal conditions, providing a pivotal basis for the judge’s determination.

But the trial also shed light on his tactics in filing for bankruptcy. Judge Steven W. Rhodes found that Mr. Orr and his team had not bargained in good faith before heading to court (though the judge also found that bargaining would have been impracticable given the some 100,000 creditors). In one testy exchange, the judge asked Mr. Orr about a statement he had made at a town-hall-style meeting in June that pensions were “sacrosanct.”

“What would you say to that retiree now?” the judge asked.

“I would say his rights are subject to the supremacy clause in the U.S. Constitution,” Mr. Orr said.

“That’s a little bit different than sacrosanct, isn’t it?”

By next October — when, under state law, Detroit’s elected leaders can remove Mr. Orr — he hopes the city will have emerged from court with eased debts and reinvestment in services, from streetlights to garbage pickup.

It is a tall order. He expects a new agency to put thousands of streetlights on key roads and near bus stops. He wants a remade police department — he has already hired a new chief — to drive down crime. He wants a “supercharged” effort to remove tens of thousands of abandoned buildings.

“In three years, hopefully the blight is gone,” Mr. Orr said. “That would be my dream.”

By MONICA DAVEY and BILL VLASIC

NYC Council Passes Plastic Foam, e-cigarette Bills.

NEW YORK — New York City lawmakers paved the way Thursday for an eventual ban on plastic foam containers, added electronic cigarettes to the city’s already stringent smoking bans and approved the creation of a website that will help the public track federal dollars budgeted for Superstorm Sandy-related damages.

The flurry of activity — more than two dozen introductions and resolutions were passed — came on its last legislative session of the year. Twenty outgoing council members cast their final votes on high profile bills only after spending hours making tearful farewell addresses in what one councilwoman likened to the last day of high school.

Mayor Michael Bloomberg, who leaves office Dec. 31, is likely to sign both the e-cigarette bill and the polystyrene foam bill, environmental and health achievements he has pushed throughout his 12 years in office. The laws will take effect four months after his signature.

“Foam pollutes the waste stream, making it harder to recycle food waste as well as metal glass and plastic,” the mayor said in a statement after the vote.

The foam bill allows lawmakers to ban the product if after a yearlong study the commissioner of the Sanitation Department finds the material can’t be recycled effectively. If banned, it could add the nation’s largest city to a list of localities that prohibit the foam, which the food-service industry has long valued for keeping food warm or cool but environmentalists see as a landfill-clogging, litter-generating scourge.

“Once the ban takes effect, it will be much easier and more economical to collect and separate recyclables,” Bloomberg said.

At a news conference before the vote, City Council Speaker Christine Quinn warned against the environmental hazards of the material, particularly its presence in landfills, saying the only things that last longer than the foam containers are cockroaches and the performer Cher.

“If you could recycle it for real, that would be great. But we’re not going to wait forever to get the answer to that,” said Quinn. “If within a year a conclusion is not affirmative that foam can be recycled, it will be banned.”

New Yorkers toss out about 23,000 tons of plastic foam per year, accounting for a fraction of the 3 million tons of trash the city spends $310 million annually to bury, but city officials say the foam also muddies efforts to compost food waste.

San Francisco and dozens of other U.S. cities already have nixed takeout containers made from what’s technically called expanded polystyrene foam (the Styrofoam brand isn’t used in food packaging). It takes a long time to break down in landfills, and there’s debate over how readily it can be recycled once it’s soiled by food. City plastics recycling contractor Sims Municipal Recycling has said it can’t currently process and market plastic foam.

Also Thursday the council moved, by a vote of 43 to 8, to prohibit the use of e-cigarettes in locations like restaurants, bars and city parks where smoking is already outlawed.

E-cigarettes heat a nicotine solution and emit a puff of vapor that manufacturers say is harmless. But there’s sharp disagreement within public health circles about how to treat the devices.

Most scientists agree that e-cigarettes are substantially less dangerous than tobacco but they are still highly addictive, and some anti-smoking activists say it isn’t clear whether they are truly safe.

Several states, including New Jersey, Arkansas, Utah and North Dakota, have already expanded their indoor smoking bans to include e-cigarettes.

Quinn said before the vote that allowing the devices into places where cigarettes are now banned also could “renormalize” smoking and undermine the public perception that the habit is now acceptable only in the privacy of one’s own home.

“We don’t want a step backward with that,” she said.

An online database to track the use of Sandy funds already exists and is operated by the Bloomberg Administration. Thursday’s bill will update the website, creating a searchable, interactive online tool that allows users to look-up by zip code information about how federal Sandy dollars are being spent.

The council also approved a bill that would create an online registry for people convicted of abusing animals, the creation of a commercial composting program at large restaurants and grocery stores and a requirement that the mayor’s office provide annual reports on poverty.

The Irrational Fear of Muni Bond Defaults.

All the negative news has created a massive buying opportunity

This year has been full of an exhausting parade of headlines related to defaults and potential defaults in the municipal market. While some of these headlines are warranted because of the size of the default, very few municipal bond managers were surprised by Detroit or the problems Puerto Rico is having.

The bigger surprise came as credit spreads widened to levels typically associated with defaulted bonds for an issuer that is still investment grade. Add a few smaller issuers that defaulted to the headlines and it may seem that Meredith Whitney’s prediction has come to fruition. While her prediction is far from accurate, in our opinion, the fear mongering has played an important part in creating an environment of irrational fear among investors.

A deeper look into the history of defaults reveals some very surprising facts that are overlooked when investors are worried about which one of their holdings is going to default next out of the thousands of issuers in the municipal market. According to the most recent study of defaults done by Bank of America, year-to-date defaults through Nov. 26 are at $2.47 billion versus $3.81 billion for all of 2012.

According to those numbers, the municipal market would need a 54% increase in its current total in the last month of the year just to match last year’s defaults. Add on top of that fact that $2.47 billion is only 0.08% of the $3 trillion municipal market. Break the numbers down a little and only include investment grade securities, according to a study done by BNY Mellon, the worst default rate they could for find is 0.30% and that is for BBB bonds after 10 years. Compare this default rate to similarly rated corporate bonds over the same timeframe at 4.74% and the fear seems unjustified.

This irrational fear has had investors running to the exits for most of the year as the market is witnessing historic outflows. The outflows have caused forced liquidations by managers at levels they might not have sold bonds at, which has led to municipal bonds trading at significantly cheaper levels relative to all other taxable fixed income asset classes. Municipal bonds have historically traded at 85% of U.S. Treasuries, due to the fear generated by the overabundance of headlines they have fluctuated at 100% of Treasuries.

When the numbers are looked at rationally and investors realize the risk associated with the municipal market, they will realize that all this negative news has created a massive buying opportunity, whether they believe rates are headed higher or not. The relative cheapness of municipals and the steepness of the yield curve can provide a cushion if rates do rise in the future.

One thing to keep in mind is that the municipal market is not an easy place to navigate and a professional money manager is imperative in structuring a portfolio that will take full advantage of the cheapness of the market, and to monitor the credit of the portfolio in order to avoid the risks that do exist.

Roberto Roffo is senior vice president/portfolio manager at Advisors Asset Management.

By Roberto Roffo

Dec 24, 2013 @ 12:01 am (Updated 3:30 pm) EST

The Harrisburg Debt Deal: Who Gets What.

It's easy to label the series of agreements, contracts and bonds executed Monday as "the deal" — but it's actually a myriad of smaller, interlocking agreements among the various stakeholders involved in Harrisburg's financial crisis.

The following is a series of capsules for each stakeholder, what they get out of the deal and how it changes their relationship to Harrisburg.

Dauphin County and AGM:

Harrisburg has agreed that city attorneys won't pursue claims against Dauphin County and Assured Guaranty Municipal Corp. related to the incinerator financings responsible for $362.5 million of Harrisburg's debt.

That's significant, given the clamor for accountability for those involved — and they included county officials and AGM representatives.

Quantifying the value of something like that is close to impossible, though, so it's illustrates why gains and losses realized by parties to Harrisburg's debt plan cannot completely explain the up-front cash settlements covered by a $424 million bond deals closing Monday.

Some of the nuances didn't come up until the very end of negotiations.

The new items deal mainly with AGM and Dauphin County, and are detailed in their joint settlement with the city and the authority.

They included:

Indemnification from claims related to the incinerator financings. In exchange, AGM and the county had to grant the same to the city and the Harrisburg Authority.

Abandonment of pursuit of legal fee reimbursements and other remedies from the city and the Harrisburg Authority estimated at $18 million.

Up to $15 million in shares of related civil claims against other parties that Harrisburg's receiver has pledged to pursue.

Up to $6.7 million to the two parties during the next five years through an agreement with the state Department of Transportation that replaces the unrealized fuel tax scheme mentioned in the city's debt plan filed in August. Annual amount up to $1.3 million per year or a percentage that corresponds to the up to $2 million annual value of state's investment in Harrisburg's roads, bridges and other infrastructure.

All of that is in addition to the $233 million up front to settle their combined claims of $302 million, and AGM's $3.2 million bond insurance contract.

The pair's other potential benefits and liabilities include:

$97 million through a revenue-sharing agreement that begins 15 years from now if parking system cash flow projections bear out.

Parking bond guaranty making the company and county taxpayers responsible for debt repayments if the parking system doesn't generate enough money. Long-term obligations total $337.3 million for the bonds the county is backing alone; they're $241.5 million for the bonds backed in conjunction with AGM.

Referred to jointly in the city's debt plan, the pair have a settlement detailing how they'll split everything, but it's not yet been released to the public.

Dauphin County:

Dauphin County did take an independent role in the incinerator sale, however, the county has committed:

To generate, at minimum, the same amount of trash it does now at increasing rates during the next 20 years as per its agreement with the facility's new owner, Lancaster County Solid Waste Management Authority.

To cover just under $1 million of annual interest payments — or $24 million — on a note that's part of the transaction's financing.

Suburban sewer customers:

Bond insurer Ambac Insurance Corporation and the suburban sewer customers — municipalities — agreed to settlements. Early consensus in both matters helped legitimize the bankruptcy threat used during negotiations with other creditors.

Here's what the deal means for them:

Bond proceeds cover their first installments due before year's end.

City revenue will fund future payments.

Ambac will get $30 million more in interest than it would have previously.

Suburban sewer customers will get $11.2 million of the $25 million they claim to have been overcharged during a years-long duration

Many of those communities ceased paying for sewer service, some as long as 18 months ago. They won't be responsible for the full amounts that would, or should, have been paid. How, exactly, that's going to be handled is still being worked out.

The unions:

International Association of Firefighters Local 428 won't agree to changes that would save the city between $1.5 million and $1.8 million annually. Most other city employees took pay cuts:

No raises next year for Capital City Lodge No. 12 Fraternal Order of Police and 150 non-uniform workers represented by the Association of Federal, State County and Municipal Employees LOCAL. They'll also pay more for benefits. The changes will save about $2.2 million next year. Raises return in 2015 and 2016 — but no more than 1 percent.

Just 12 of 50 AFSCME's workers at the Harrisburg Parking Authority accepted positions with new operator Standard Parking. The company gave employees first crack, but most opted for buyouts over the jobs paying 90 percent of wages. That's guaranteed for more senior parking authority workers, but others could make less if they're reassigned to a subordinate position.

The employee residency requirement was removed from contracts — another intangible component of the deal.

The state:

As part of a series of commonwealth worker parking contracts provides for the following:

$10.6 million: expected savings through a 20-year contract to power 15 Harrisburg-area properties and one in Scranton with the Lancaster authority taking over the city's incinerator.

$15 million: estimated reduction in costs for state worker parking in Harrisburg during the next 30 years.

CIT Capital Management:

In 2006, as the project to retrofit Harrisburg's incinerator was in danger of running off the rails, Harrisburg officials and the project's designer, Barlow Construction borrowed $25 million from CIT Capital to finance the remaining work.

In return, CIT gained the rights to the technology using the plant. Lawsuits ensued and a federal judge later ruled that the Harrisburg Authority owed CIT $19.3 million — and that it must be paid before any other creditor.

As part of the settlement:

CIT will be paid $21.5 million for its claims, and Dauphin County, the Harrisburg Authority and the receiver will withdraw all claims against it. The agreement also preserves CIT's right to be the first creditor paid.

In return, CIT will release the authority, county and city from any and all claims or litigation, now and in the future, while the various Harrisburg entities provide CIT with the same assurance.

Covanta:

As the retrofit of the Harrisburg incinerator failed, the authority turned to Covanta Energy to finish the project and manage the incinerator once it was complete. To finish the job, Covanta loaned the authority $21.7 million.

Under the terms of its settlement, Covanta will receive:

$9,500,000 in cash, as well as an agreement with the Lancaster Solid Waste Management Authority to operate the incinerator once Lancaster takes ownership.

Lancaster will pay Covanta about $1 million a month to operate the plant, as well as an additional 49 installment payments of $41,500.

In return, Covanta will drop all of its claims against the city and Harrisburg Authority.

Click for version with charts/graphs:

http://www.pennlive.com/midstate/index.ssf/2013/12/the_harrisburg_debt_deal_who_g.html

By Emily Previti and Nick Malawskey, of PennLive.com

WJS: Municipal Bonds Wrap Up Tough Year.

Municipal bonds are on track to post their worst annual performance in nearly two decades as 2013 ushered in more financial woes for U.S. cities.

Municipal debt is down 2.58% so far this year after handing investors a 6.78% return in 2012 and a 10.70% return in 2011, according to Barclays's municipal-bond index.

"We've had these high-profile credit problems that have caught the attention of investors," said Jim Grabovac, senior portfolio manager at McDonnell Investment Management, which oversees about $8 billion in municipal debt.

Bonds from states, cities and counties are having their worst year since 1994, when interest rates spiked. Bond markets have sold off broadly this year as investors braced for the Federal Reserve to start dialing back easy-money policies that had supported credit markets since the financial crisis. The Fed last week said it would begin paring its bond purchases in January.

The yields on the benchmark 10-year Treasury note hit a three-month high of 2.985% on Tuesday, up from 1.78% at the end of 2012. Bond yields move in the opposite direction as prices.

But municipal bonds, long coveted by mom-and-pop investors for their relative safety and tax benefits, took a bigger hit than many other bond markets after a number of negative headlines out of places such as Detroit, Chicago and Puerto Rico.

Munis were "the one fixed-income class that didn't stabilize," said Tom Weyl, municipal strategist at Barclays. Mr. Weyl cited Detroit's filing for bankruptcy protection, concerns about Chicago and Illinois pension costs and economic worries in Puerto Rico. Highly rated U.S. corporate debt is down just 1.57% in comparison, according to Barclays data.

Some investors say 2014 is likely to be brighter for munis. Barclays still projects losses, but not as severe: a negative return of 1.45%. It also expects municipal bonds to post better returns next year than U.S. Treasury debt. New bond sales are forecast to decline 16%, to about $270 billion, which could help prop up prices.

And some tax revenues are recovering from the economic downturn. States have reported growth in tax collections for 15 consecutive quarters, according to the Rockefeller Institute of Government.

Detroit's bankruptcy filing contributed to the negative headlines in 2013 that helped push down municipal bonds for the year. European Pressphoto Agency

The municipal-bond market was last roiled in late 2010, when analyst Meredith Whitney predicted widespread municipal defaults.

There hasn't been a wave of defaults, although a smattering of cities have stumbled. Stockton, Calif., and Jefferson County, Ala., sought protection from creditors in recent years. Detroit's filing is the largest municipal bankruptcy in U.S. history.

"All these defaults you see in the muni market are demographic problems or just bad deals," said Gene Gard, a portfolio manager at Dupree Mutual Funds, which oversees $1.3 billion and invests in highly rated municipal bonds. "We don't think there's a big day of reckoning happening in the muni market."

By MIKE CHERNEY

Dec. 25, 2013 5:04 p.m. ET

Dirt Bonds Lead Market in 2013 as Housing Rebounds: Muni Credit.

Builders in November started construction on the most homes in more than five years and housing prices are at their highest in more than seven years. Photographer: Craig Warga/Bloomberg

Municipal debt tied to real-estate development is set to be the best-performing part of the $3.7 trillion state and local-bond market this year as an improving housing market boosts the securities' earnings.

Land-backed debt, called dirt bonds, earned 1.1 percent through Dec. 23, more than any other area of the market, while all munis lost 2.6 percent, according to Standard & Poor's data. The obligations are the riskiest part of the muni market, accounting for almost half of non-payment defaults, according to Concord, Massachusetts-based Municipal Market Advisors. The segment also beat the market in 2012.

The securities have benefited from the housing market rebounding from the longest recession since the Great Depression, said John Miller, co-head of fixed-income at Nuveen Asset Management LLC in Chicago. Builders in November started construction on the most homes in more than five years and housing prices are at their highest in more than seven years.

"These things all help the performance of the underlying credit fundamentals of land-secured bonds," said Miller, who helps manage $90 billion of munis, including about $4.5 billion of dirt bonds. "This year, the economic recovery, to a great extent, is being driven by a better housing market."

Financing Construction

Tax-exempt debt tied to housing is gaining as the broader muni market is set for its first losing year since 2008. Benchmark 10-year muni yields in September reached their highest level in more than two years after Detroit's July bankruptcy filing, speculation that the Federal Reserve would end its bond-buying program and unease over Puerto Rico's economic struggles.

Land-backed munis are sold to help finance construction of residential developments and are repaid with assessment fees charged to homeowners. Much of the debt has been sold for home construction in Florida and California, Miller said.

When the housing market collapsed in 2006 some of the projects supported by muni bonds fell into payment default as demand for new homes slowed. As of Dec. 18, there were 441 active municipal defaults, 217 of them for land-secured debt, in which issuers hadn't made full payments, according to Municipal Market Advisors.

One example of the use of muni dirt bonds is a mixed-use development called Harbor Point in Stamford, Connecticut, which includes housing, retail and office space.

Florida 'Taint'

The project sold $145 million of debt in 2010, a portion of which Nuveen holds. Tax-exempt bonds maturing in April 2039 and not graded by any of the three major credit-rating companies last traded Dec. 9 with yields as low as 6.18 percent, compared with 7.87 percent when the debt priced in January 2010, data compiled by Bloomberg show.

Investors demanded an average of about 4.22 percentage points of extra yield over benchmark munis to own the debt Dec. 9, compared with about 3.6 percentage points at the bonds' original pricing.

The "taint" from the Florida housing market still affects dirt bonds, Miller said. Florida has had the most new foreclosure filings among all U.S. states in 11 of the last 13 months, according to RealtyTrack, which calculates housing defaults.

Nationwide, starts of single-family houses climbed 20.8 percent to a 727,000 rate in November, the most since March 2008, U.S. Census data show. Housing prices rose 13.3 percent in September from a year earlier, the biggest gain since February 2006, according to the S&P/Case-Shiller Composite-20 City Home Price Index.

Needing Housing

Michael Walls, who helps manage $1.8 billion of high-yield munis at Waddell & Reed Financial Inc., based in Overland Park, Kansas, looks for developments in areas with a need for new housing and a growing local economy.

"It's knowing demand for the commercial project or the residential project," Walls said. "You've got to go out and kick the tires."

Dirt bonds don't trade as often or in blocks as large as other types of munis, said Miller and Lyle Fitterer, who helps manage $31 billion of state and local debt at Wells Capital Management in Menomonee Falls, Wisconsin. That helped dirt bonds as portfolio managers sold more liquid tax-exempts this year, rather than land-backed debt, as investors pulled record cash from U.S. muni mutual funds.

"To a certain degree, the sector's like the housing market — if your house doesn't trade, there's not a lot of price volatility," Fitterer said.

Narrowing Spread

Land-secured debt may extend its gains in 2014 as the housing market benefits from projected economic growth, Miller said. The U.S. economy will expand 2.6 percent next year, according to the results of a Bloomberg News survey of 74 economists conducted from Dec. 6 to Dec. 11.

"If new issue supply is moderate and the existing credit quality of what you have out there in the secondary market is improving, both of those factors help to narrow the credit spread,'" Miller said.

In the municipal market this week, states and cities plan to sell about $12 million of long-term debt, Bloomberg data show. With a shortened week because of the Christmas holiday, it's the slowest week of borrowing since at least 2002, according to Bloomberg data.

Benchmark 10-year munis yield 2.94 percent, down from a three-month high of 3.05 percent on Dec. 11 and compares with 2.98 percent on similar-maturity Treasuries.

The ratio of the interest rates, a gauge of relative value, is about 99 percent, compared with a five-year average of 101 percent. The lower the figure, the more expensive munis are compared with federal securities. It's the first time the ratio has been below 100 percent since November.

By Michelle Kaske December 26, 2013

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California Topples New York to Reclaim Sales Crown: Muni Credit.

California is poised to reclaim its spot as the biggest borrower in the municipal market after an improving budget outlook propelled the state's debt in a year when taxes rose for its wealthiest residents.

California and its localities have sold $46.2 billion of long-term bonds in 2013 through Dec. 20, up about 13 percent from last year's pace, data compiled by Bloomberg show. That puts the Golden State atop New York for the first time since 2010. New York bond sales have dropped 18 percent this year to $36.4 billion.

The world's 10th-largest economy, California has seen its fiscal health recover with an infusion of higher income and sales levies approved last year by voters, capital-gains tax revenue generated by profits in stocks and spending restraint by Governor Jerry Brown and lawmakers in Sacramento. The state, which paid its bills in 2009 with IOUs, expects to end this fiscal year with a $2.2 billion surplus.

"They've really gotten their fiscal house in order," said Peter Hayes, head of municipal bonds at New York-based BlackRock Inc., which oversees about $108 billion in local debt. "Now that the economy is stronger, they feel more confident that strength is sustainable, and that gives them the confidence to borrow."

No Hindrance

With the brighter financial outlook and the strongest economy since at least 1979, the state's debt costs tumbled this year even with the issuance increase. Standard & Poor's raised California's rating to A, its sixth-highest level, in January. It was the first time S&P lifted the state since 2006.

Investors demanded as little as 0.3 percentage point of extra yield to buy California debt instead of benchmark munis in October, the least since 2008, Bloomberg data show. The state's bonds are on pace to beat the $3.7 trillion local-debt market for a fourth straight year, the longest streak since 1999, S&P data show. While the whole market has lost 2.6 percent this year, California debt is down 1.9 percent.

"No one wants to be the last one into this trade when it starts happening," said Eric Friedland, head of municipal credit research in New York at Schroder Investment Management North America. The company oversees about $4 billion in local debt. "You're at this point now where even though the state isn't perfect, there's really little more for it to come in."

No. 1

The state of 38 million people had $103 billion of gross tax-supported debt in 2012, the most among U.S. states, according to Moody's Investors Service.

California sold $8.4 billion of general-obligation bonds in 2013, up from $5.6 billion in 2012 and $5 billion in 2011, Bloomberg data show. The state sold $10.5 billion in 2010, the last year of the Build America Bonds program created under President Barack Obama's 2009 economic stimulus plan.

The state may offer $3 billion or more of general obligations by the June 30 end of its fiscal year, according to estimates from Treasurer Bill Lockyer in September. He also said he expects the state will issue about $5 billion of general obligations and $2 billion of lease-revenue securities in the following fiscal period.

"We don't imagine the market will have trouble absorbing the volume," Tom Dresslar, Lockyer's spokesman, said in an e-mail. "As long as California keeps strengthening its fiscal condition, we're confident our bonds will continue to perform well."

Tollway Financing

This year's largest muni sale from a California local government was by the Foothill/Eastern Transportation Corridor Agency, which operates toll roads in Orange County. The issuer borrowed $2.3 billion this month to extend maturities and reduce debt costs as revenue trails projections.

In the market for new debt, issuers nationwide have scheduled about $3.9 billion of sales in the next 30 days, less than half the average for 2013. The largest California sale on the calendar is a $75 million tax-exempt offer next month from a utility authority in Santa Paula, northwest of Los Angeles, Bloomberg data show.

Localities are borrowing as yields on AAA 10-year munis are close to a three-month high, at 2.94 percent, Bloomberg data show. That compares with 2.99 percent on similar-maturity Treasuries.

The ratio of the yields, a measure of relative value, is about 98 percent, the lowest since June. The smaller the number, the more expensive munis are compared with federal securities.

By Michael B. Marois and Brian Chappatta Dec 26, 2013 5:00 PM PT

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NYT: Police Salaries and Pensions Push California City to Brink.

DESERT HOT SPRINGS, Calif. — Emerging from Los Angeles's vast eastern sprawl, the freeway glides over a narrow pass and slips gently into the scrubby, palm-flecked Coachella Valley.

Turn south, and you head into Palm Springs with its megaresorts, golf courses and bustling shops. Turn north, and you make your way up an arid stretch of road to a battered city where empty storefronts outnumber shops, the Fire Department has been closed, City Hall is on a four-day week and the dwindling coffers may be empty by spring.

The city, Desert Hot Springs, population 27,000, is slowly edging toward bankruptcy, largely because of police salaries and skyrocketing pension costs, but also because of years of spending and unrealistic revenue estimates. It is mostly the police, though, who have found themselves in the cross hairs recently.

"I would not venture to say they are overpaid," said Robert Adams, the acting city manager since August. "What I would say is that we can't pay them."

Though few elected officials in America want to say it, police officers and other public-safety workers keep turning up at the center of the municipal bankruptcies and budget dramas plaguing many American cities — largely because their pensions tend to be significantly more costly than those of other city workers.

Central Falls, R.I., went bankrupt in 2011 because its police and firefighters' pension fund ran out of money. Vallejo, Calif., went bankrupt after more than 20 police officers suddenly retired from its force of 145, fearing that if they waited they would lose their contractual right to cash out their unused sick leave and vacation time; the payouts totaled several million dollars, and Vallejo did not have the money. Miami weathered such a run in September 2010, when 154 police and firefighters retired en masse after city commissioners voted to make it harder to retire before age 50, use intensive overtime to raise pensions, and earn cash payouts.

Here, under the budget enacted last spring, about $7 million of the city's $10.6 million annual payroll went to the 39-member police force. The situation was so dire that an audit, compiled weeks before municipal elections in November but not made public until later, showed that Desert Hot Springs was $4 million short for the year and would run out of money as early as April 2014.

So at a tense meeting last week, the new City Council voted unanimously to slash all city salaries, including those of the police, by at least 22 percent, as well as to cap incentive pay and reduce paid holidays and vacation days. For some officers who took advantage of overtime and the other extra payments, the cut could be as much as 40 percent, the union says. Management had already taken a hit: the former police chief and one of two top commanders retired this month, not to be replaced.

Wendell Phillips, a lawyer for the Desert Hot Springs Police Officers Association, quickly filed a fact-finding request with the state's Public Employment Relations Board, calling the cuts illegal and vowing to go to court if they were not overturned.

"All they are going to end up doing is driving away their best, experienced officers and creating a police force made up of people who couldn't get a job on another force," Mr. Phillips said.

Even those trims, draconian as they were, will not be enough to close the budget gap, Mr. Adams said. More than $2 million more needs to be found before the end of the fiscal year in June, promising months more of bitter wrangling and cuts.

“My idea is that we put up a thermometer outside City Hall, showing how much progress we are making as we close the budget gap,” said Russell Betts, a city councilman and a supporter of the newly elected mayor, Adam Sanchez, who came into office promising to deal with the chronic budget problems once and for all.

“I think we’re going to turn this crisis into a positive,” Mayor Sanchez said. “We are not going to go into bankruptcy. That is not an option. We stumbled, but we’re going to get back up again.”

Cities have run into fiscal difficulties for many reasons, and few are as all-encompassing as the decades of economic decline and official mismanagement that made Detroit the nation’s largest city ever to enter bankruptcy. California cities have had particular trouble with public-safety pensions, which are among the richest in the nation.

Calpers, the huge and politically powerful state-run pension system that covers Desert Hot Springs’ workers, has steadfastly maintained during California’s recent spate of municipal bankruptcies — Vallejo in 2008, San Bernardino and Stockton in 2012 — that under state law, cities cannot reduce the pensions of public employees. San Jose, the state’s third-largest city, passed a ballot initiative in 2012 that authorized it to lower city workers’ pensions, but a state judge ruled on Monday that this path, too, is illegal.

Police officers here, as in many California cities, can retire as young as 50 with 30 years of service and receive 90 percent of their final salary every year — drawing those pensions for decades. Police unions say the fault lies with state and local politicians who failed to adequately fund the pension system over the years, and inflated benefits during boom years. Others wonder whether such salaries and pensions were ever affordable, particularly in cities as small and struggling as this. In Desert Hot Springs, for example, for every dollar that the city pays its police officers, another 36 cents must be sent to Calpers to fund their pensions.

The average pay and benefits package for a police officer here had been worth $177,203 per year, in a city where the median household income was $31,356 in 2011, according to the Census Bureau. All of this had gone largely unnoticed until becoming the center of debate during the recent municipal election.

“I was in shock, like everybody else was,” said Regina Robinson of the day she learned how much some city workers were earning. She owns Just Gina’s hair salon, one of the few businesses on the downtown stretch of Palm Drive, the main street.

Mr. Adams said that California’s rich police pensions were first offered to prison guards by former Gov. Gray Davis more than a decade ago. The move set off a chain reaction, with the California Highway Patrol soon clamoring for the deal, and then city police officers all over the state.

This is not Desert Hot Springs’ first experience with fiscal problems. In 2001, it went bankrupt after losing a $10 million lawsuit brought by a developer who complained that the city was thwarting his efforts to build affordable housing. The city had to borrow to pay the judgment and is still paying off that debt — a struggle for a working-class town.

A sharp increase in gang and drug crimes in the 1980s led the city to disband its police force and contract with the Riverside County sheriff for law enforcement, but that proved highly unpopular and, in 1997, the city re-established its force.

A sweep by the local police and the county sheriff in 2009 led to dozens of arrests and was credited with easing what had been a growing gang crime problem. This was followed by the hiring of a dozen more officers onto the small force and the overwhelming passage of a new utilities use tax and a public safety tax, both dedicated to the police and other public safety departments.

Now residents are wondering whether the city will be forced to disband its police force a second time.

“Nobody wants to get rid of the police force,” Mr. Betts said. “People just don’t think the county would do as good a job.”

Mr. Phillips, the police union lawyer, said the current crisis had been driven by the new majority on the City Council — including Mayor Sanchez and Mr. Betts — that was philosophically opposed to tax increases. The union’s own proposal to address the budget shortfall — by cutting the size of the force and filling in with overtime work for which the officers would defer payment for 17 months, as well as raising the local sales tax — was rejected by city officials, who said it would only delay the reckoning.

What makes Desert Hot Springs’ troubles so heartbreaking is that a potential solution lies beneath the hard-baked ground. The resort sits atop one of the world’s finest sources of mineral water: piping hot, unusually clear and free of the sulfurous odor that many springs produce.

Small spas have been a part of the landscape here for decades, and there are still 22 of them, though many are struggling and in poor repair.

One of them, however, Two Bunch Palms, became a hot destination for Hollywood celebrities and global wellness tourists until it went into foreclosure in 2010 and briefly closed. Now, a new team of Southern California investors has bought the property with hopes to revive and expand it.

Mayor Sanchez hopes that the revitalized Two Bunch Palms will help spur the growth of other businesses in the city.

“We must get back to marketing and promotion,” he said. “We’ve got to return a sense of pride to Desert Hot Springs.”

By RICK LYMAN and MARY WILLIAMS WALSH

Published: December 27, 2013

Washington: Judge Bars Raise for Some in SeaTac.

A King County judge on Friday struck down the voter-approved $15-an-hour minimum wage for the vast majority of workers the measure aimed to help. Judge Andrea Darvas’s ruling said the recently approved measure applies to about 1,600 hotel and parking lot workers in the city of SeaTac, but that the city initiative does not have authority over 4,700 employees and contractors working within Seattle-Tacoma International Airport, which is operated by the Port of Seattle. The judge said the State Legislature had given jurisdictions like the Port of Seattle exclusive sway over their operations. Proponents of the measure, which was narrowly approved by SeaTac voters in November, say they will file an expedited appeal to the State Supreme Court. The challenge to the measure is led by Alaska Airlines Group and other businesses. Washington has the nation’s highest state minimum wage at $9.19 an hour. The federal minimum wage is $7.25 an hour.

By THE ASSOCIATED PRESS

Published: December 28, 2013

Detroit Puts $1.1 Trillion of G.O.'s Under Scrutiny: Bloomberg Muni Credit.

Detroit's bankruptcy has some investors fretting that the case will set a precedent for $1.1 trillion of U.S. general obligations. That hasn't kept the debt from beating revenue bonds for the first time since 2010.

A federal judge last week approved the city's record $18 billion Chapter 9 filing and said its pensions can be cut in bankruptcy. Detroit's emergency manager has sought concessions from creditors, including retirees and holders of $369 million of general obligations that the city had promised to repay using its unlimited taxing power.

The potential for losses on Detroit G.O.s means investors may now demand extra yield on obligations of localities struggling to balance budgets, said portfolio managers at T. Rowe Price Group Inc. and UBS Global Asset Management. Even with the prospect of added scrutiny, general obligations are outperforming revenue-backed munis in 2013, Bank of America Merrill Lynch data show. The bonds, the safest part of the municipal universe, are benefiting as investors favor their shorter maturities amid mounting bets that a growing economy will drive interest rates higher.

"The market will have to adjust how they price the risk, including how they judge general obligations versus revenue bonds," said Hugh McGuirk, Baltimore-based head of T. Rowe Price's muni group, which manages $20 billion. At the same time, "G.O. debt is typically shorter" in maturity, shielding it this year, he said.

Tax Backing

The borrowings account for about 30 percent of the $3.7 trillion municipal market, McGuirk said. Cities and states use the debt to finance projects such as bridges and schools, and repay investors with property-tax receipts or other local levies.

Detroit, which lost a quarter of its population in the decade through 2010, is an example of a shrinking tax base that can't support certain levels of debt, said Ebby Gerry, who helps manage $15 billion of munis at UBS Global Asset Management in New York.

General obligations "will need to be looked at with greater scrutiny," Gerry said. "The impression was that they'd just keep raising taxes and I'll always get my money on coupon payments and maturities. That's not necessarily the case if you have a horrible tax base."

Orr's Plan

In bankruptcy, general-obligation bonds are considered unsecured when they are backed only by a government's promise to repay, rather than any identifiable collateral or a revenue stream like water or sewer fees.

Before the city filed for bankruptcy in July, Kevyn Orr, its emergency manager, tried to get holders of unlimited general obligations to take less than 20 cents on the dollar. The proposal treated the securities on par with Detroit's other liabilities, including those to retirees.

Detroit may take “an aggressive posture” toward creditors, Jeffery Yorg, a Moody’s Investors Service analyst, said in a Dec. 3 report.

General obligations of stressed municipalities may merit more scrutiny, Robert Kurtter, a managing director at Moody’s, said Dec. 5 at a National Association of State Treasurers conference in New York.

A general-obligation pledge “simply may not mean anything,” Kurtter said. “It will affect our view of credits that are under stress with high debt and pension burdens, particularly those that are in the speculative-grade space.”

Better Year

Even as bondholders may be forced to take losses on Detroit general obligations, such debt has had a better year than revenue bonds.

The extra yield buyers demand to own revenue bonds instead of general obligations averaged about 0.97 percentage point for the past three months, the most since March 2012, Bank of America data show.

The bank’s index of general obligations has lost 2.2 percent this year, beating the 3.3 percent drop for revenue bonds. It would be the first time for general obligations to fare better than revenue bonds since 2010.

Investor bets on Federal Reserve policy provide the backdrop for the reversal. As speculation has grown this year that an expanding economy will lead the central bank to curb its bond-buying program, shorter-maturity bonds have held their value the best, as have higher-rated securities.

The Bank of America general-obligation index has an average maturity of 12 years and a credit grade two steps below benchmark debt. For revenue debt, the average maturity is five years longer, and the rating one level weaker.

Revenue Effect

“As long-term returns have been hurt, then that would have a bigger effect on revenue bonds,” McGuirk said.

General obligations have another appeal to investors: They are less prone to default than revenue debt, signaling that any Detroit precedent may have limited influence.

Of 443 issuers in default on payments as of Dec. 3, two — Detroit and Brighton, Alabama — are general obligations, Matt Fabian, a managing director at Concord, Massachusetts-based Municipal Market Advisors, said in an e-mail. The rest are backed by revenue such as from real estate developments and senior-living facilities.

California Treasurer Bill Lockyer said “big states and issuers” won’t see any backlash from Detroit.

“Some investors will be nervous,” Lockyer said after a panel at the treasurers’ conference. “So OK, they don’t buy Detroit. They don’t buy some tiny hospital district issue that comes out every 12 years.”

Market Week

In the municipal market this week, issuers plan to sell $11 billion of long-term debt with yields at a three-month high.

Top-rated 10-year munis yield 2.99 percent, compared with 2.86 percent on similar-maturity Treasuries.

The ratio of the interest rates, a measure of relative value, is about 105 percent, compared with a five-year average of 102 percent. The higher the figure, the cheaper munis are compared with federal securities.

Following is a pending sale:

New York state's Utility Debt Securitization Authority plans to sell $2.1 billion of revenue bonds this week, data compiled by Bloomberg show. Proceeds will refund a portion of the Long Island Power Authority's $7 billion of debt.

By Michelle Kaske and Romy Varghese Dec 8, 2013

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Analysis: Little Respite Seen for U.S. Municipal Bonds in 2014 – Reuters.

(Reuters) – The withering U.S. municipal bond market will shrink even more well into 2014, with interest rate and credit risks keeping both investors and borrowers away.

Barring an unforeseen turnaround in the final weeks of 2013, municipal bonds will post their first negative annual performance since the financial crisis, with investors fleeing municipal funds at a record pace and the market's overall size, now less than $3.7 trillion, contracting for a third straight year.

Analysts, portfolio managers and traders say concerns about the Federal Reserve scaling back its massive stimulus, and about the financial soundness of state and local governments, will keep hitting the market at least through the first half of next year. They expect debt issuance to fall further and investors to continue exiting bond funds.

"There are two themes that occurred this year and they're going to carry on to next year," said Chris Alwine, head of municipal bonds at The Vanguard Group, which has $100 billion in assets. "The big news in the muni market was the back-up in rates and the underperformance of the long end of the curve."

Municipal bond yields shot up this year on the Federal Reserve's talk about tapering its monthly purchases of Treasuries and mortgage-backed securities, news of Detroit's bankruptcy filing and Puerto Rico's budget woes. Demand plummeted as investors moved into more promising equities. Supply followed, with outstanding municipal debt hitting its lowest level in nearly four years.

As for performance, the Bank of America Merrill Lynch master municipal index has fallen 2.84 percent this year, putting the market on track for its first negative total return since 2008. Its index of bonds with maturities 22 years or more is down nearly 6 percent.

“Altogether, 2014 will likely be another down year for munis,” wrote Thomas Weyl, credit analyst for Barclays Capital in a note. “As we contemplate the taper and rising interest rates, as well as continued municipal mutual fund outflows … it is hard to see the light at the end of the tunnel.”

BOND SALES SEEN DECLINING, FUND OUTFLOWS PERSISTING

Total municipal issuance will likely tumble to $349.5 billion in 2014 from the $366.1 billion it projects for this year, according to the Securities Industry and Financial Markets Association’s (SIFMA) recent survey of 11 underwriters and dealers, one of several forecasts for a drop in bond sales.

“Although the overall systemic credit quality of the municipal market is strong, state and local issuers remain pressured by a moderate recovery, and the refunding wave has waned,” said Michael Decker, head of SIFMA’s Municipal Securities Group.

Rising yields have ended the savings issuers could reap through refinancing existing bonds. Sales of refunding bonds are running 30 percent lower than last year and depressing total issuance, according to Thomson Reuters data.

In fact, sales may not even meet SIFMA’s projections for 2013. As of Friday, total issuance for the year was $303.66 billion and sales are only expected to reach $2.5 billion next week.

“In the growth years, 2000 to 2010, you had debt for new infrastructure growing significantly and you had refunding,” said Chris Mier, managing director of analytical services at Loop Capital, which forecasts 2014 issuance only at $300 billion. “Now you’re seeing … new money volume for these infrastructure projects flat because of the political environment and the aversion for taking out new debt.”

On the demand side, net outflows from muni funds – which have already hit a record $52.76 billion this year – could persist for three to six months, said Vanguard’s Alwine.

Outflows during the third quarter alone, $32 billion, exceeded total net outflows of any entire year going back to 1992, according to Lipper, a Thomson Reuters company.

Many funds hold Puerto Rico bonds because they are exempt from state and federal taxes, and some outflows were driven by the territory’s budget woes. Detroit’s bankruptcy filing – the largest municipal one in U.S. history – also led to outflows.

Still, “maybe 80 percent was driven by fears of interest rates going higher,” said BlackRock Managing Director Peter Hayes, who heads the firm’s municipal bonds group.

There will likely be a modest uptick to start the year, as coupon payments and maturing bonds often give investors cash to put back into funds or individual bonds each January, Hayes said, “but I’m not sure how large or sustained they’ll be.”

CLARITY FROM THE FED

The Fed’s discussion of tapering, which will ultimately lead to rising borrowing costs, is also pushing investors into shorter-term funds, said Michael Rawson, fund analyst for Morningstar Inc. Only two of the 16 municipal bond fund categories the investment research group tracks had inflows this year, with the larger inflow in the short-term category.

“The reaction to the prospect of tapering among retail investors has been pretty violent,” said David Santschi, CEO of TrimTabs Investment Research, adding $164.5 billion has left the funds since the start of June. “What will happen when the Fed actually takes action?”

Most on Wall Street expect the Fed to hold off reducing its bond purchases until the first quarter, but there is some risk the central bank could move as early as its meeting next week. Either way, the meeting is expected to bring some clarity to the Fed’s timeline.

In the past, municipal bonds outperformed Treasuries when the Fed tightened the money supply, and several analysts look for that scenario to play out again, with some market players eyeing opportunity among the municipal market’s fat yields, especially relative to other corners of the bond market.

Currently, highly rated 30-year bonds are yielding 4.16 percent on the benchmark scale set by Municipal Market Data, a Thomson Reuters company, compared with a 30-year Treasury yield of just 3.87 percent. Add in their tax-exempt qualities, and they look even cheaper by comparison.

“Some of the hysteria from 2013 has and will continue to yield good buying opportunities that will benefit from spread compression, even if rates continue to drift higher,” said Michelle Knight, chief economist and managing director of fixed income for Banyan Partners, LLC.

BY LISA LAMBERT

WASHINGTON Sun Dec 15, 2013 7:03am EST

NYT: $15 Hourly Minimum Wage in Northwest City Faces Court Challenge.

SEATTLE — The highest municipal minimum wage in the nation, approved by voters last month in the small city of SeaTac, Wash., at $15 an hour, survived a narrow election and a recount. Now, just weeks before its scheduled Jan. 1 start date – raising the pay of thousands of SeaTac residents and workers at Seattle-Tacoma International Airport, which is within the city limits — opponents are sending in the lawyers.

At a hearing scheduled for Friday in King County Superior Court in Seattle, Judge Andrea Darvas is expected to rule on whether to affirm the statute, strike it down or perhaps hold it in abeyance. Supporters of the measure said they were braced for a loss, and were preparing an emergency appeal to the state’s highest court.

The statute, which is being closely watched around the nation by labor and business groups as a barometer of the nation’s working wage debate, specifically exempts airlines and small businesses, including restaurants with fewer than 10 employees, but could raise pay for about 6,500 workers on and off airport property and give paid sick days to many of those workers for the first time.

Alaska Airlines and the Washington Restaurant Association are leading the legal challenge, contending that the measure, known as Proposition 1, was too broadly and vaguely written, and that the city has no authority to regulate economic activity at the airport, which is operated by the Port of Seattle.

Although Alaska Airlines employees would not be covered by the law, the company said that higher costs borne by its contractors would be passed on to the airlines and travelers.

The director of government affairs for the Restaurant Association, Bruce Beckett, said he thought that no matter what happens on Friday, the statute could have a long legal road ahead because of the complexity of the issues raised. “I don’t know how this can all be resolved by Jan. 1,” he said.

Labor leaders, in pushing the wage measure before the election, said that higher wages for airport workers would benefit the entire region, since most of those workers live outside the city of SeaTac.

In responding to the legal challenge, Heather Weiner, a spokeswoman for a group that worked for Proposition 1’s passage, derided the lawsuit as containing “everything but the legal kitchen sink.”

Washington already has the highest state minimum in the nation, at $9.19, but stands to be surpassed by California, which recently approved a $10 minimum, phased in over two years. The federal minimum is $7.25. The SeaTac statute passed by just 77 votes out of about 6,000 cast – a number affirmed in the recount results that were announced this week.

Friday’s hearing will not be the first time Proposition 1 has come before Judge Darvas. In August, she threw the measure off the ballot, agreeing with opponents that the signature process had been flawed. Her order was later reversed by an appeals court in time for the election.

But she also stressed in her ruling at the time that she was taking no position on the underlying question about minimum wage levels — only on the technical aspects of the law.

“The court wishes to emphasize that its decision in this matter has nothing whatsoever to do with the substance of the initiative itself,” she wrote.

By KIRK JOHNSON

Published: December 12, 2013

Munis Face Challenges In ‘Choppy’ 2014 – Barclays.

After a lousy 2013 for muni bonds, Barclays sees better times ahead next year – perhaps. From Barclays muni strategists Thomas Weyl, Sarah Xue and Ming Zhang:

While we expect munis to outperform Treasuries, a lot of challenges remain, and the municipal market could be choppy in the next year. A lot will depend on fund flows and the supply/redemptions dynamic. The latter should be supportive, but a strong rally is not likely without a stabilization of fund flows. We think that it will be difficult for fund flows to stabilize until the Fed starts to taper. The muni market could react adversely in the early stages, but we think that outflows will reverse – similar to the 2005 experience – as valuations likely become attractive and the benefit of tax exemptions increases with rising rates.

Similar to 2013, Barclays sees headline risk in 2014 that could come from Puerto Rico and Illinois, as well as from underfunded pension and benefit plans across the muni market. Otherwise Barclays says “overall municipal credit quality is actually improving due to modestly increasing revenues” while “the largest issue regarding municipal credit quality will be the increasing payments required to meet retiree obligations: pensions and health care.”

Among tax-exempt bonds, Barclays sees value in long bonds, given the underperformance of longer-duration municipal bonds and a steep muni curve. From Barclays:

We expect the muni curve to flatten next year, in line with expectations in the Treasuries market. We also think that the A-rated portion of the index looks attractive at current levels given its underperformance this year, as well as improving municipal credit quality. On a sector basis, we believe the following sectors offer relative value: hospital, IDR/PCR, transportation, and water and sewer. Finally, muni HY looks attractive versus US HY, with the ratio of the former to the latter at 119%, an all-time high.

On the taxable side, Barclays says it sees value in intermediate taxable munis and the power sector within long taxables.

Muni-Bond Market Shrinks at Record Pace.

The U.S. municipal bond market shrank at a record pace in the third quarter, and the amount of bonds held by households, the market's biggest investors, fell to the lowest level in nearly seven years, according to Federal Reserve data released on Monday.

According to figures that raise red flags for the strength of the market heading into next year, the amount of outstanding municipal debt fell to $3.69 trillion, the lowest since the end of 2009, from $3.72 trillion in the second quarter. The $35.3 billion quarterly contraction was the largest going back to 1950 when the Fed started tracking the data on a quarterly basis.

Of the total amount, U.S. household ownership of muni bonds fell by $32.7 billion to $1.64 trillion, the least since the fourth quarter of 2006, according to the Fed's quarterly tally of U.S. financial accounts on everything from stocks to corporate bonds. It was the eighth outflow in the past 10 quarters, and marked a resumption of heavy selling of municipal bonds by households after two quarters of small inflows at the start the year.

"The municipal bond market has been sensitive to both shifts in supply and demand," said J.R. Rieger, vice president of fixed-income indexes at S&P Dow Jones Indices. "Since households are a primary driver of demand for municipal bonds, flagging holdings illustrates a possible headwind for the market in 2014."

Individual investors rushed for the municipal market's exits in the middle of the year on fears about the end of the Federal Reserve's stimulus program. The Fed has been buying $85 billion a month in Treasurys and mortgage-backed securities, a program that has stoked demand for other assets, such as municipal bonds, as investors seek higher returns, and the threat of an end to bond purchases has rattled investors for months.

Detroit's filing in July of the largest municipal bankruptcy in U.S. history, a case that threatens to change some of the long-standing presumptions about the safety of muni debt, has also weighed on the market. Adding to the anxious mood, concerns grew about the financial soundness of Puerto Rico, one of the biggest municipal issuers, with some $70 billion outstanding.

"The third quarter was just a very significant quarter," said Natalie Cohen, senior analyst at Wells Fargo Securities.

Mutual funds, which hold a large amount of Puerto Rico debt, began selling off bonds.

"Once retail opened their statements and saw how much they lost in their funds that perpetuated the selloff," said Cohen. "That makes the issuers more skittish."

Municipal mutual funds dropped $81.9 billion worth of bonds in the quarter, the largest amount shed on records going back to 1976, the Federal Reserve data shows.

The yield on highly rated 30-year munis was 3.83 percent on July 1, the start of the third quarter, on Municipal Market Data's benchmark scale. By the end of the quarter on Sept. 30 it was 4.12 percent, according to MMD, a Thomson Reuters company.

Bond yields and prices move in opposite directions.

The rising yields brought a halt to the refinancing surge and curtailed state and local governments' appetite to take on more debt. In the third quarter, state and local government debt declined at an annual rate of 3.9 percent, after rising about 1 percent in the second quarter, according to the Federal Reserve.

Over the last three years, the level of outstanding debt has fallen in seven of 12 quarters. Before 2013, the largest contraction on record was in the second quarter of 2011, a $29.7 billion drop.

This week municipal bond sales are expected to total $12.6 billion, the largest weekly total this year. The rush comes in the week before the final Federal Reserve policy meeting of the 2013, when top central bank officials are expected to debate when to start winding down bond purchases.

Despite this week's surge in issuance, few expect the level of outstanding debt to rise quickly in 2014. Higher interest rates will likely keep the refunding low, said Cohen.

"I think volume is going to return to lower levels than before the housing boom, lower than before 2001," she said. "It will probably be in the high 200s (billion), not in the 300 to 400 range that we were."

Tips for Mitigating Muni Losses.

Bond investors are not exactly the gunslingers of Wall Street. In general (high yield investors being one exception), they are looking for safe, predictable income. This is especially true of higher-income investors who favor municipal bonds because their interest has the added advantage of not being subject to federal income tax.

Unfortunately, the muni market has been anything but boring this year thanks to the one-two punch of an uptick in interest rates coupled with a series of events that have shaken investors to the core. The recent bankruptcy court ruling allowing Detroit to potentially walk away from billions of dollars in debt is the latest blow as concerns mount that other broke states and municipalities will follow suit. Puerto Rico's financial problems are on everyone's radar screen. Investors are also anxiously awaiting a decision on Stockton's proposed plan to extract itself from bankruptcy; a California judge is expected to rule in March.

In short, there has been a lot more "excitement" in this corner of the bond market than muni investors like. However, while cases like Detroit make the evening news, defaults among municipal bond issuers remain rare. On average, the municipal bond default rate is less than 1%–far lower than the rate for corporate bonds.

Nonetheless, nervous muni bond investors exited the market in droves this year, driving prices down. This, coupled with a small uptick in U.S. Treasury rates (higher interest rates tend to push bond prices lower), has handed municipal bondholders a loss of nearly 4% over the past 12 months, according to Barclays. The fact that this is less than half the size of the loss recorded by 20-year Treasuries or mortgage-back securities, is small comfort to those who consider municipal bonds the sleepy corner of the bond market.

If you happen to be a muni investor, there's a way to turn your muni bond "lemon" into lemonade, according to George Rusnak, director of fixed income for Well Fargo. But you've got to act fast.

The below-average interest rates we've been experiencing ever since 2008 are not going to last forever. For one thing, despite the small uptick in rates this year, we are still significantly below the 50-year average. "The Fed has made it clear they are going to stop artificially keeping rates low," says Rusnak. "Therefore, you have to plan for the inevitable rise in rates. Our view is they will probably continue to creep up."

If this is the case, all bonds- not just munis- would to see a corresponding decline in value.

If you agree with Rusnak, he suggests the following:

1. Consider selling some of your municipal bonds and replacing them with others that have the same credit quality, but lower "duration" (essentially, shorter maturity). A bond with a shorter duration is less sensitive to an increase in interest rates. Translation: it will hold its value better.

2. Look for a bond that pays a higher interest rate than the one you currently own. For instance–even if it means paying a premium–switching from a bond with a 4% coupon to one with a 5¼% coupon "is more desirable if rates rise," according to Rusnak. A higher coupon makes a bond's price less sensitive to an increase in interest rates, with the added bonus of being more liquid in case you need to sell.

3. Your tax-free income will go up because your new, bond pays a higher interest rate.

4. The loss on your old bond offsets the gains you probably had this year on the stocks you own.

Along with numerous other fixed-income experts, Rusnak feels that "the risk in the muni market is not as significant as people are making it out to be." In Morgan Stanley's latest Municipal Bond Monthly Report, John Dillon, the firm's chief municipal bond strategist writes that, "While a few additional muni defaults may surface in the coming year(s), we view these as important, but rather isolated, events in a broadly improving landscape."

The message from Dillon and Rusnak and others is that while making adjustments within your municipal bond portfolio makes sense, getting out entirely could be a big mistake. According to Dillon, an increase in state tax collections along with a slowly improving economy will result in reduced risk in the muni arena next year. In fact, if you've got the patience and the stomach for it, You might want to use today's lower prices to add to your municipal bond holdings. Rusnak warns that panicked muni investors who have been shifting into other sectors of the bond market- such as corporates and high yield- because they're perceived to be safer, may be in for a rude awakening. "There's no free lunch in the bond market. Make sure you understand the risks you are taking."

In other words, a handful of high-profile cases does not justify abandoning municipal bonds, especially if you are in one of the higher tax brackets. As Morgan Stanley points out, "the top federal tax rate reverted back to 39.6%, many states have increased tax rates in recent years and municipal bonds are not subject to the 3.8% Medicare Surtax."

"Tax-exempt income definitely has it benefits, Says Rusnak. "Set yourself up for success going forward….one of the biggest risks is complacency risk. The risk of doing nothing."

If you are not comfortable adjusting your municipal bond portfolio yourself, find a financial advisor experienced in this arena. Or invest via a mutual fund where you've got a team of experts cherry-picking the bonds that go into the portfolio, monitoring the issuers and adjusting duration in the best interest of all shareholders.

Ms. Buckner is a Retirement and Financial Planning Specialist and an instructor in Franklin Templeton Investments' global Academy. The views expressed in this article are only those of Ms. Buckner or the individual commentator identified therein, and are not necessarily the views of Franklin Templeton Investments, which has not reviewed, and is not responsible for, the content.

By Gail Buckner

Your Money Matters

Published December 09, 2013

FOXBusiness

Public Safety Buffer Zone at Issue in Supreme Court Case.

How local governments can provide for the public's safety may be decided in a U.S. Supreme Court case limiting how close protesters can get to abortion clinics in Massachusetts.

The Supreme Court will decide in McCullen v. Coakley whether a Massachusetts statute prohibiting speech within 35-feet of a reproductive health care facility violates the First Amendment. The State and Local Legal Center (SLLC) has filed an amicus brief in the case.

While only two other states regulate speech within a specific distance of reproductive health care facilities — Colorado and Montana — many local governments use buffer zones in numerous contexts. The SLLC's brief points out that how the court rules in this case could affect state and local government's ability to regulate speech to protect public safety in many situations.

For example, a Kansas City, Mo. ordinance prohibits panhandling within 20 feet of an ATM, and a law in Nashua, N.H. provides specific, limited location restrictions on handbill distribution, based on the "unique layout" and heavy public use of City Hall.

Lower courts have upheld buffer zones to prevent congestion at special events (like circuses), places that regularly draw crowds (like the Washington D.C. metro), and in the face of large-scale protests (like the World Trade Organization conference). Lower courts have also upheld restrictions on protests near funerals to protect vulnerable mourners, who are similarly situated to those seeking a variety of medical care at reproductive health care facilities. These buffer zones and many others may be in jeopardy if the court rules against Massachusetts.

Massachusetts had a long history of protesters outside reproductive health care facilities, including, in the 1980s, people chaining themselves to clinic doors and property. In 2000, the Massachusetts Legislature adopted a law allowing protesters to come within six feet of those entering a clinic within an 18-foot buffer zone around the clinic. Massachusetts' law was modeled around a similar law that the Supreme Court approved in Hill v. Colorado.

The 2000 law did not work very well in Massachusetts. Protesters would crowd six feet from a clinic door making entry into the clinic difficult. So in 2007, Massachusetts adopted a 35-foot fixed buffer zone around clinics.

The 1st U.S. Circuit Court held that the Massachusetts statute is a constitutional regulation of speech because numerous communication channels remain available to protesters.

The Supreme Court will decide in this case whether Massachusetts' fixed buffer zone violates the First Amendment. It has also accepted the question of whether it should overturn Hill v. Colorado.

The SLLC's brief was joined by NACo, the National League of Cities, the International City/County Management Association, the U.S. Conference of Mayors and the International Municipal Lawyers Association.

Oral argument has been scheduled for Jan. 15, 2014. The Supreme Court will issue an opinion in this case by June 30, 2014.

By Lisa Soronen

MAC Offers Bond Insurance Over TMC Electronic Trading Platform.

Real-Time Quotes and Execution Available for Over 9,500 Approved Municipal Credits

HAMILTON, Bermuda, Dec 09, 2013 (BUSINESS WIRE) — Municipal Assurance Corp. (MAC), a bond insurer within the Assured Guaranty group of companies (Assured Guaranty), today began providing real-time bond insurance quotes, as well as the ability to request the purchase of MAC insurance, on secondary market trades placed through the electronic trading platform of TMC Bonds LLC (TMC). In providing this service, MAC joins its affiliate Assured Guaranty Municipal Corp. (AGM), which introduced secondary market municipal bond insurance to TMC in 2011.

"We are pleased to offer TMC users the ability to attach MAC bond insurance to eligible trades with just a mouse-click," said William B. O'Keefe, Senior Managing Director for Municipal Marketing. "While MAC only began writing direct bond insurance earlier this year, it has the characteristics of a well-established financial guaranty company, with built-in earnings and all the experience and human capital of Assured Guaranty, the leading provider of muni bond insurance."

MAC was launched in July 2013 to guarantee only U.S. municipal bonds in the most well-understood bond sectors, such as general obligations, tax-backed issues and public electric, water, sewer and transportation revenue bonds. At September 30, 2013, MAC had $1.5 billion in claims-paying resources and a $108 billion direct and assumed insured portfolio, which generates predictable revenue from its $688 million of unearned premiums.

Rated AA+ (stable outlook) by Kroll Bond Rating Agency and AA- (stable outlook) by Standard & Poor's Ratings Services, MAC may insure primary offerings in 42 states and the District of Columbia under its current licenses. Through TMC, registered TMC users may obtain secondary market MAC insurance on approved municipal bonds issued in all 50 states.

MAC currently has secondary market insurance capacity available for over 9,500 municipal credits. Registered users of TMC's electronic trading platform can obtain MAC or AGM bond insurance quotes on approved issues by entering the CUSIP number of bonds they want to insure.

“TMC’s broad market reach makes MAC insurance highly accessible,” said Mr. O’Keefe. “It is particularly efficient for executing smaller size trades, with MAC and AGM insuring par amounts of $100,000 or more.”

MAC is owned jointly by its affiliates AGM and Assured Guaranty Corp. (AGC), the only two companies that have continued to write municipal bond insurance before, during and since the global financial crisis of 2008. MAC shares their management, underwriting discipline, experience in surveillance and remediation, and established accounting, legal and information technology infrastructure.

Assured Guaranty Ltd., the ultimate holding company for the Assured Guaranty group, including MAC, AGM and AGC, is a publicly traded Bermuda-based holding company. Its operating subsidiaries provide credit enhancement products to the U.S. and international public finance, infrastructure and structured finance markets. More information on Assured Guaranty Ltd. and its subsidiaries can be found at AssuredGuaranty.com and MACmunibonds.com.

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PRESS RELEASE

Dec. 9, 2013, 12:01 p.m. EST

Are Municipal Bonds Cheap Relative To Taxable Counterparts?

Municipals bonds have underperformed in 2013

Municipal bonds have underperformed this year after outperformance last year left absolute market yields at record lows on the Municipal Market Data (MMD) yield curve. The generic “AAA” General Obligation bond with a 30 year term was yielding 2.47% as of 11/30/12 and a year later is yielding 4.10%. Given that bond prices decline when yields increase, the municipal market is down 2.87% year to date as of November 30, 2013 after growing 6.4% in 2012 as measured by the S&P National AMT Free Municipal Bond Index. Persistent redemptions from municipal bond funds may work against municipals’ future positive performance. According to Lipper FMI, as of November 27, there were 27 consecutive weeks of net outflows from U.S. municipal bond funds, totaling $34.8 billion or about $1.3 billion per week.

Municipals present relative value compared to taxable bonds

According to Dorian Jamison, municipal analyst at Wells Fargo Advisors, municipal market yields continue to be historically cheap compared with taxable alternatives. Yield ratios between municipal bonds and their taxable counterparts continue to exceed historical averages, which indicates that municipals are still attractively priced, historically speaking.

The current MMD 10 year triple A muni to Treasury yield ratio of 96.7% remains higher than its 10 year average of 91.7%, which indicates attractive value in the municipal market. Such value tends to attract demand from non-traditional municipal bond buyers and can support municipal bond prices. When yield ratios between municipals and Treasuries fall below historical averages, they indicate that the municipal market is expensive relative to the taxable market.

Municipal to corporate bond yield ratios are even more attractive, particularly at higher tax brackets that have increased this year. For example, for an individual in the 39.6% marginal federal tax bracket, the taxable equivalent yield of a 30 year A+ rated general obligation bond is 8.9% (Source: Bloomberg), which results in a muni to corporate yield ratio of 182%. Investors that expect higher tax brackets next year should consider swapping taxable bonds with municipal bonds to get to keep more of the interest paid.

Intermediate maturities and healthcare municipal bonds

According to both Dorian Jamison from Wells Fargo & Co (NYSE:WFC) and George Friedlander from Citi, the intermediate area of the yield curve provides both value and potential for price stability in the next 12 months. Friedlander and his team highlight that the 5-7 year sector remains the most attractive. Jamison notes that interest rates could continue to rise given potential for the Federal Reserve to scale back bond purchases next year and increasing uncertainty over tax reform impact on municipals' tax exemption.

Within the high quality municipal market, Friedlander thinks that not for profit hospitals face significant headwinds due to the ongoing implementation of the Affordable Care Act (ACA). There is still uncertainty over how the costs of care for the uninsured will be covered, particularly if states choose not to expand Medicaid. Also, not-for-profit hospitals are facing uncertainty over their tax exempt status as their community benefit, which consists of devoting at least 3% of operating revenue to care for patients unable to pay, may decline as more people get insured with the ACA.

In turn, some hospitals' tax exempt status may be threatened if not-for-profit hospitals' community benefit is not high enough. Despite these circumstances, Friedlander notes that prices of hospital municipal bonds rated A and above are attractive relative to similarly rated General Obligation and Essential Service Revenue bonds. Citi Research analysts recommend considering high quality multi state healthcare system bonds for portfolio diversification and higher risk adjusted yields. Multi state healthcare bonds are better positioned to weather challenges as their revenue base is larger and more diverse.

by Ann Marie

December 9, 2013

NLC: How Salt Lake City Solved Chronic Veteran Homelessness.

The National League of Cities (NLC) has partnered with Mayor Ralph Becker and local stakeholders in Salt Lake City on the campaign to end chronic veteran homelessness, and has promoted the city's efforts in order to enable other cities to learn from their success. Previous posts on NLC's blog CitiesSpeak.org have discussed Salt Lake City's remarkable progress towards the historic milestone of ending chronic veteran homelessness. For more information about how NLC can support efforts in your city to end chronic veteran homelessness, contact Elisha Harig-Blaine at harig-blaine@nlc.org.

Some time in the next few weeks Elizabeth Buehler expects to say these words: Salt Lake City has ended chronic veteran homelessness.

Buehler, the homeless services coordinator for the city, estimated that only 37 chronically homeless veterans — as identified by local shelters and other nonprofits — remained unhoused. That's down from 100, the number at the start of November. "We're going through this like gangbusters right now," Buehler says.

Overall homelessness among veterans in the United States declined by about 24 percent between 2010 and 2013, according to a November report released by the U.S. Department of Housing and Urban Development. Counts conducted in communities across the country last January found that 57,849 American veterans were homeless in 2013. About 291 of those homeless veterans resided in Utah, which marked a 13 percent decrease from the year before. (About three quarters of the state's veteran homeless population lives in Salt Lake City and the surrounding county.) "We're a part of a nationwide trend," Buehler says. "Other cities are going to follow quickly behind us."

Salt Lake City is specifically focusing on chronically homeless veterans — those who are most in need of shelter. The U.S. Department of Housing and Urban Development (HUD) defines people as chronically homeless if they meet two criteria:

- They have a disabling condition.
- They have been continuously homeless for at least a year or experienced four episodes of homelessness within the past three years.

The fact that public officials have zeroed in a sub-population of the homeless is part of the reason for Salt Lake City's success, says Michelle Flynn, associate executive director of The Road Home, a Utah nonprofit that serves the homeless. "It feels doable," Flynn says. "You can get your arms around it."

In an effort to raise awareness about veteran homelessness and to solicit help from landlords, Salt Lake City Mayor Ralph Becker proclaimed November "Housing Veterans Month." In response, roughly 40 landlords contacted the city to say they had units available for veterans. Becker has also engaged Phoenix Mayor Greg Stanton in a friendly competition to see whose city can end chronic veteran homelessness first.

"That's where your mayors make a big difference," says Tamara Kohler, director of Utah's community services office. As the city leader, Becker could highlight veteran homelessness and convene important stakeholders, such as the city's public housing authority and landlords.

Salt Lake City also benefits from an especially proactive VA staff, Flynn says. In a 2012 boot camp, where public and private organizations met to discuss ways to reduce homelessness, shelter providers noted that some homeless veterans would always be reluctant to show up at the local VA hospital. In response, some VA staff decided to move their operations to a homeless shelter a couple days a week where they stood a better chance of interacting with the people who needed their help.

At least part of the explanation behind the success in ending homelessness — both in Utah and across the country — appears to be federal policy. As Governing reported earlier this year, President Barack Obama and Eric Shinseki, the VA secretary, pledged in 2009 to end veteran homelessness by 2015. That resulted in a major expansion of a joint HUD-VA program that provides rental-assistance vouchers for permanent housing, linked with counseling, case management and medical services through VA hospitals and community centers. Since 2008, the program has awarded 58,140 of these joint HUD-VA vouchers. Other grant programs, such as the VA's Supportive Services for Veteran Families, target veterans who are at risk of becoming homeless or who recently became homeless, providing short-term financial assistance for temporary needs, such as paying a security deposit or covering moving costs.

DECEMBER 9, 2013

Byb J.B. Wogan

Morgan Stanley's Outlook for Munis in 2014 isn't Pretty.

In most likely scenario, bonds expected to lose as much as 4.1%

This year has been tough for municipal bonds, and unfortunately for investors, it's going to get worse before it gets better, according to Morgan Stanley Research.

Morgan Stanley forecasts an 80% chance that municipal bonds will lose money again next year, primarily because of rising interest rates. Year-to-date through Tuesday, the average national intermediate-term bond fund is down 2.16%.

Morgan Stanley's base-case scenario, detailed in its "Municipal Bond Outlook for 2014" research note, calls for municipal bonds to lose between 1.7% and 4.1% next year as interest rates rise due to a strengthening economy and the beginning of the Federal Reserve's move to cut back on its asset purchasing program, known as quantitative easing.

The forecasters believe there is a 60% chance that the base case will play out.

Bond prices move in the opposite direction of interest rates, and Morgan Stanley's base case calls for the yield on the 10-year Treasury to rise to 3.45% next year. It was trading at 2.83% Wednesday following a strong November jobs report from payroll processor ADP Inc.

The U.S. private sector added 215,000 new jobs in November, according to ADP, better than the 173,000 expected by economists.

The worst-case scenario for municipal bonds, which Morgan Stanley says has a 20% probability, would see U.S. economic growth continuing to surprise on the up side and the 10-year Treasury yield topping 4%. In that case, munis could lose between 6.2% and 7.8% next year.

Muni bonds have developed an "outsized vulnerability" to interest rates relative to other fixed-income assets, according to Michael Zezas, a municipal bond strategist at Morgan Stanley.

"In recent years, muni performance hinged on lower rates moves, an improving credit story and investor thirst for yield," he wrote in the research note. "This resulted in valuations that amplified munis' vulnerability to higher rates."

At muni bonds' current yields, it would only take an interest rate move of 34 to 44 basis points to cause returns to go negative. That's better than it was at this time in 2012, when muni bonds only had a cushion of about 18 basis points.

The good news is that as rates rise, the cushion will continue to grow and eventually the falling price of municipal bond funds will translate into yields that are enticing enough to even out the reduced interest rate risk, Morgan Stanley predicts.

Enticing yields might be the only thing that can get investors back into muni bonds. Right now, they're in the midst of their worst selloff ever. November was the ninth straight month in which municipal bond funds suffered net outflows, according to the Investment Company Institute. Over that time, more than $57 billion was pulled out.

There is still a chance municipal bond performance will be good next year, Morgan Stanley said, but it would require the U.S. economy to continue its sluggish growth without any improvement.

By Jason Kephart

Detroit Bankruptcy Decision May Mean Big Trouble for Muni Holders.

The U.S. Bankruptcy Court decision Tuesday that Detroit can proceed with its bankruptcy filing was a warning shot for municipal bond investors around the country.

Detroit's bankruptcy, unlike past municipal bankruptcies, treats general obligation (GO) muni bondholders as unsecured creditors. The city already has defaulted on some GO bonds.

"If they allow Detroit bondholders to be impaired significantly, this could cause in Michigan and maybe also municipalities across the country their GO bondholders to have the perception that this could happen anywhere," Patrick Stoffel, municipal bond analyst at Wells Fargo Advisors, told CNBC.

"That could increase borrowing costs for municipalities and issuers. It could cause prices of GO bonds to be affected in the market."

But Richard Larkin, director of credit analysis at HJ Sims, said Detroit won't necessarily start a trend.

"If this is the future for Detroit, it doesn't necessarily set the tone for the future for other state and local governments," he said in a commentary obtained by CNBC.

"Detroit has yet to feel the fiscal pain of being treated as a pariah by the municipal bond market over the long term."

Judge Steven Rhodes ruled that Detroit can use bankruptcy to cut employee pensions and relieve itself of other debts, handing a defeat to the city's unions and retirees.

The judge ruled pensions can be altered just like any contract because the Michigan Constitution does not offer ironclad protection for employee benefits.

"This once proud and prosperous city can't pay its debts. It's insolvent," Rhodes said in formally granting Detroit the largest public bankruptcy in U.S. history. "At the same time, it also has an opportunity for a fresh start."

The court ruling throws into question whether retired public workers' pensions can be reduced.

"It does send a message to retirees that you can't assume that because there's a state constitutional protection that your pension can't be cut," Peter Henning, a professor of constitutional law at Wayne State University in Detroit, told Bloomberg.

Elsewhere, analyst Mark Palmer of BTIG Research told Forbes.com that the Detroit ruling is actually good news for municipal bondholders and the companies that insure them.

“The fact the judge in the Detroit bankruptcy case ruled that pensions are not sacrosanct, and they can be cut, translates into potentially higher recoveries for bondholders in future bankruptcies,” Palmer told Forbes. “The assumption was pensions were super-senior, and bondholders would get any residual value beyond the pensions.”

By Dan Weil

UBS Puerto Rico Faces 'Whopper' of a Problem Over Muni Bond Funds.

Individual claims on BrokerCheck show one big-name rep has $50.9 million in investor complaints

The woes stemming from UBS AG’s unit in Puerto Rico over the sale of local, closed-end municipal bond funds have landed squarely in the lap of UBS brokers and financial advisers in the island commonwealth.

The market for Puerto Rico’s $70 billion muni debt bottomed out over the summer after Detroit filed for bankruptcy in July. UBS Financial Services Inc. of Puerto Rico is a significant player in the muni-debt market in Puerto Rico, having packaged and sold $10 billion in proprietary closed-end bond funds through the end of last year.

Investor complaints filed with the arbitration unit of the Financial Industry Regulatory Authority Inc. have now begun to surface on individual broker profiles on BrokerCheck.

And at least one broker is facing a staggering amount of damages stemming from the investor claims.

Jose Gabriel Ramirez Jr., who is nicknamed “The Whopper,” according to plaintiff’s attorneys, in October and November had seven investor complaints totaling $50.9 million, according to his BrokerCheck report.

The seven complaints range from $1 million to $26 million in alleged damages, with investors’ allegations the same in each case: “Client alleges overconcentration and misrepresentations concerning closed-end funds. Time frame: 2004/2008-present.”

UBS spokeswoman Karina Byrne said that Mr. Ramirez is on administrative leave and that the firm will defend itself vigorously in these arbitration claims.

He was a prominent UBS broker in Puerto Rico, said one plaintiff’s attorney.

“There’s no question that [Mr. Ramirez] had a big book of business,” said Scott Silver, a plaintiff’s attorney with three claims against various UBS advisers over its Puerto Rico closed-end funds. “We have several cases involving the issue of UBS bank loans from other advisers.”

Since the bond funds began to lose their value, several plaintiff’s lawyers have said that clients were encouraged by UBS brokers to take out non-purpose loans to buy closed-end funds.

As the value of the closed-end bond funds plummeted by 50% to 60% over the second half of the year, clients with margin accounts have been required to sell their muni bond funds or individual bonds to pay interest on those loans.

By Bruce Kelly

NYT: Detroit Is Ruled Eligible for Bankruptcy.

DETROIT — The struggling metropolis of Detroit, overwhelmed by debt and groping for a path forward, on Tuesday became the largest American city ever to qualify for bankruptcy protection.

Judge Steven W. Rhodes of the United States Bankruptcy Court, found that Detroit was insolvent and that the pension checks of retirees could be cut during a bankruptcy proceeding, a crucial part of his decision.

Under the ruling, the vastly diminished city, once the nation's fourth largest and the cradle of the American auto industry, will now be allowed to search for a way to pay off some portion of its debts and restore essential services to tolerable levels under court supervision. The goal, according to an emergency manager appointed by the state of Michigan, is to emerge next year from court protection with a formal plan for starting over.

"This once proud and prosperous city cannot pay its debts. It is insolvent. It's eligible for bankruptcy," Judge Rhodes said Tuesday. "But it also has an opportunity for a fresh start."

The decision was an essential step in municipal bankruptcy proceedings, which are extremely rare. Lawyers for the city's public sector unions and retirees, who contend that Detroit's request for bankruptcy protection earlier this year came before city officials truly tried to negotiate deals with city workers and creditors, have said they intend to appeal.

The city needs help, he said. As the proceedings unfolded, protesters with signs gathered outside and the police blocked the street to traffic in front of federal courthouse.

Detroit filed for municipal bankruptcy protection in July, with approval from Gov. Rick Snyder, , making it the largest city in the nation's history to take such a rare step. The filing was also the largest ever in terms of municipal debt; the emergency manager, Kevyn Orr, says the city carries about $18 billion in debt, including $3.5 billion in unfunded pension obligations.

Most agreed the situation was dire: annual operating deficits since 2008, a pattern of new borrowing to pay for old borrowing, a shrunken population and tax base, and miserably diminished city services. But under federal bankruptcy provisions for municipalities, known as Chapter 9, a city must first prove its eligibility for protection before it can proceed with a plan to pay diminished sums to creditors.

Under the law, a city must not only be deemed insolvent, but also must negotiate in "good faith" with its creditors, who expect to be offered far less than they are owed, or be unable to negotiate with them because such talks are unworkable. For months, municipal bankruptcy experts have said it might be difficult to prove that city and state officials had failed to meet such a standard. "There isn't a bright-line definition of 'good faith' in this context," Douglas C. Bernstein, a Michigan lawyer and bankruptcy expert, said.

Detroit's public workers and retirees had hoped to keep the city out of federal bankruptcy court, for fear that the proceedings there would allow for cuts in their benefits, especially pensions. Other than in bankruptcy, the state constitution prohibits reducing pensions that public workers have already earned. But there appears to be too little money set aside in Detroit's pension fund to cover the full cost of those accruals.

Judge Rhodes ruled Tuesday that Michigan's protections for public pensions "do not apply to the federal bankruptcy court," adding that pensions are not entitled to "any extraordinary attention" compared with other debts.

Labor agreements, including pensions, are subject to changes during a bankruptcy proceeding, the judge said, but the court "will not lightly or casually exercise the power to impair pensions."

Those objecting to the city's pursuit of bankruptcy protection, including Detroit's employee unions and representatives of its retirees, say Mr. Orr, who was appointed by Governor Snyder, failed to negotiate with them in good faith. During nine days of heated and sometimes emotional testimony in recent weeks, the opponents had suggested that Mr. Snyder and Mr. Orr had forced the city into bankruptcy without truly searching for some other solution. They said that the officials were seeking a way around the state's constitutional protection of pensions without giving workers and retirees a chance to negotiate concessions.

Lawyers for the state and for Detroit, in turn, said that the city's slide into insolvency had been years in the making, and that state officials had tried for more than a year to find some alternative approach to solving the financial crisis, — through efforts by elected leaders at Detroit's city hall and later a consent agreement with the city. They said that the city could no longer afford its current pension plan and must replace it with a less costly one. Representatives for city workers and retirees had never suggested some way to solve the problem without cutting pensions, the lawyers said. In a deposition, Mr. Snyder, a Republican whose first term as governor has been defined by the bankruptcy filing by the state's most populous city, said good faith negotiations over the issue had broken down, and that officials found themselves "at that last resort point."

Regardless of the court's eligibility decision, some experts said the task ahead for Detroit remained largely the same — whether in or out of the courts. "Ultimately the creditors have to come together with the debtor and realize that they need to work together to come up with a solution," said James E. Spiotto, a Chicago lawyer and an expert on municipal bankruptcy. "No matter what, at some point, that reality needs to sink in."

Detroit Lighting Decision Put Off Due to Possible Attorney Conflict.

DETROIT (Reuters) – The judge overseeing Detroit's bankruptcy case on Wednesday postponed deciding whether the city can redirect utility tax revenue to help fix its broken street lights, citing a potential conflict of interest among attorneys representing the city's Public Lighting Authority.

Law firm Miller Canfield represents the lighting authority, but also represents Detroit in other matters in the city's bankruptcy proceedings.

U.S. Bankruptcy Judge Steven Rhodes asked attorneys from all parties involved to submit briefs by December 4 to address the potential conflict of interest and whether Miller Canfield should be disqualified from representing the Public Lighting Authority. He said he will subsequently issue a written ruling.

The potential conflict came to light when attorney Jonathan Green, a lawyer for Miller Canfield who represented the lighting authority in proceedings before Judge Rhodes on Wednesday morning, introduced himself in court.

"It was most unfortunate that this issue came to the court's attention in the way that it did because it's going to result in an unnecessary delay," Rhodes said.

Green said Miller Canfield was not representing the city in this particular transaction.

Detroit wants to use $12.5 million in utility tax revenue to back $153 million in bonds to be issued by the Detroit Public Lighting Authority to finance upgrades to the public lighting system in the city. The Public Lighting Authority also proposes a short-term $60 million loan to precede the sale of the bonds, which would be issued through a state agency.

About 40 percent of all the street lights in Detroit do not work, and Detroit Emergency Manager Kevyn Orr has said one of his priorities is to improve public services in the city.

Attorneys for the bond insurers and banks objecting to the transaction asked Rhodes to allow them to collect more information on the potential transaction before he made a decision. William Arnault, who represents bond insurer Syncora Guarantee Inc., asked for a two-week discovery period, noting that the objectors were "in the dark" about the details of the proposed deal.

"Of course the dark you're in does not compare to the dark that the citizens of Detroit are in day in and day out," Rhodes responded.

Vincent Marriott, representing Detroit creditors Hypothekenbank Frankfurt AG, Hypothekenbank Frankfurt International S.A. and Erste Europäische Pfandbrief-und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A, asked Rhodes to put off the lighting financing issue until the city submits a plan to the court to readjust its debt.

He said the city should not spend money in bits and pieces and should instead address its infrastructure improvements at once in its plan of adjustment.

"It's a mistake, and it will not be in the long-term interests of the city," Marriott said.

But Rhodes responded by asking what will become of the "hundreds of thousands of people who are going to be victims of crime as we wait?"

NYC Foam Food Container Ban Plan Gets Hearing.

A potential ban on plastic foam food containers in a city that thrives on takeout proved a piping-hot topic among lawmakers Monday, as they debated the material's pros, cons and prospects for recycling.

An environmental bane to some, a food-service staple to others, the familiar foam to-go cups, plates and cartons already are prohibited in San Francisco and dozens of other U.S. cities and could be on their way out in New York.

The City Council is weighing competing proposals, including a measure that would outlaw the containers after a year's inquiry to see whether the tons of containers could be effectively recycled instead — a possibility ban backers and opponents vehemently dispute. The city's plastics recycler says it's not workable right now.

"This is actually a rush into the future — for the protection of the Earth, for our environment, for people who work in this industry," Lewis Fidler told fellow members of the City Council's sanitation committee during an often pointed hearing that spanned more than six hours.

But Councilwoman Diana Reyna said the measure would “unduly burden small businesses by increasing inventory costs,” and customers ultimately could pay the price.

There’s no date yet for a council vote, but the hearing marked an effort to move the issue forward before the year ends. Environmentally minded Mayor Michael Bloomberg, who proposed banning the containers in February and backs the council proposal, leaves office at the end of the year. Mayor-elect Bill de Blasio said Monday he also supports it.

Street vendors and some eateries prize lightweight, heat-keeping containers made from expanded polystyrene foam. While people often call it Styrofoam, that brand isn’t used in food packaging, manufacturer Dow Chemical Co. says.

But the containers take a long time to break down in landfills, and stray pieces of foam complicate the city’s efforts to recycle food waste, Deputy Mayor Caswell Holloway said Monday. About 23,000 tons of plastic foam are thrown out per year in New York, where the city annually spends about $310 million burying more than 3 million tons of trash, he said.

City plastics recycling contractor Sims Municipal Recycling can’t currently process and market plastic foam, according to general manager Thomas Outerbridge. But Michigan-based manufacturer Dart Container Corp. has been floating a plan to buy the material from Sims and ship it to Indiana to be washed and recycled into a form that can be used to make photo frames.

“If it can be recycled, sure, let’s recycle it,” but city officials believe that’s unlikely, Holloway said, calling a ban “the most cost-effective and rational way to deal with this.”

Holloway said officials found replacements would average only 2 cents more per cup or carton.

But the change would make a big difference to Louis Maldonado, who owns two restaurants called Tacos Morelos in Queens.

He spends about $1,600 every two weeks to order a total of 2,500 foam cups and plates. He said his inquiries found plastic replacements would cost more than twice as much.

“It’s going to hurt my business really badly,” likely requiring cutting workers’ hours or laying one off, he said.

Many New York restaurateurs already eschew the foam. Holloway said the city’s biggest plastic-foam cup users, McDonald’s and Dunkin’ Donuts, have told officials they’re working toward an alternative.

Dunkin’ Brands spokeswoman Michelle King said in a statement that the company hoped to have a replacement within three years. McDonald’s representatives didn’t immediately respond to an inquiry about the matter.

Bloomberg’s 12-year tenure has featured environmental initiatives ranging from planting 1 million trees to expanding recycling this spring to include all rigid plastics.

Detroit Judge Delays Lighting Proposal Over Law Firm.

Detroit’s bankruptcy judge put off ruling on a proposal to spend as much as $12.5 million annually on street lighting until a law firm explains why it represents both the city and a public lighting district the city created.

U.S. Bankruptcy Court Judge Steven Rhodes initially appeared set to overrule objections to the proposal, telling creditors at a hearing today “the dark you’re in doesn’t compare to the dark” faced by residents.

When he learned that law firm Miller, Canfield, Paddock & Stone PLC represented both Detroit and the Public Lighting Authority, a separate legal entity, Rhodes put the proposal on hold. He said that having one firm on both sides of the transaction gave the appearance of a conflict of interest, even though Detroit set up the lighting authority and would be funding it with city taxes.

“It is most unfortunate that this issue came to the court in the way that it did,” Rhodes said. He asked the city and objectors to file briefs about the law firm’s work by Dec. 4.

Thousands of streetlights in Detroit don’t work, creating a public safety hazard, officials have said. The city is seeking court permission to divert $12.5 million in taxes to the Public Lighting Authority, which would use the money to repay what it intends to borrow so it can add streetlights, according to court papers.

The authority would borrow about $60 million in the form of a bridge loan and issue as much as $153 million in bonds with the help of the state of Michigan.

Creditor Opposition

Creditors including Syncora Guarantee Inc. opposed the lighting proposal, saying they didn’t have enough information.

Marc N. Swanson, a Miller Canfield lawyer, didn’t immediately return a call seeking comment on today’s hearing.

Detroit filed for bankruptcy in July saying decades of economic decline had left it without enough money to pay creditors owed $18 billion and still provide basic services to about 685,000 residents. Rhodes set a hearing for Dec. 3 to announce whether Detroit is eligible to remain under bankruptcy court protection.

The case is City of Detroit, 13-bk-53846, U.S. Bankruptcy Court, Eastern District of Michigan (Detroit).

By Steven Church & Steven Raphael – Nov 27, 2013 11:29 AM PT

Solar Data Trove Cutting Power Use in Threat to Utilities.

Andrew Greenfield checks his home’s solar power output against consumption through his computer and mobile phone dozens of times each day. The International Business Machines Corp. storage engineer enjoys trying to match the power he consumes to heat his pool in Arizona with what he produces during the day from the panels on his roof.

Greenfield has paid nothing for power from his local utility since the system was installed by SolarCity Corp. (SCTY) a year ago. At parties and family gatherings he proudly shares his savings data with anyone who's interested.

He's your utility's worst nightmare, and there are now hundreds of thousands of homeowners and small businesses like him as Silicon Valley entrepreneurs transform monthly ratepayers into smart consumers.

"I travel a lot, and don't always remember to turn off my AC or the pool heater," Greenfield said. "Now I can just do it on my cellphone."

The same rooftop solar providers that are threatening utility revenues are more than just occupying customer roofs. They're inside the home, monitoring usage trends and adapting the systems to meet both homeowners' needs and their own bottom lines.

Data Collectors

SolarCity, Sunrun Inc., SunPower Corp. (SPWR) and Locus Energy LLC are amassing billions of points of data in smart home systems that consumers love and that baffle utilities, many of which have no incentive to help consumers manage their power usage more efficiently.

A Nov. 21 Harris Interactive (HPOL) poll of 2,022 U.S. adults commissioned by Sunrun found that 74 percent have an interest in using technology in their home to track personal data and use energy more efficiently.

"I've had solar on my roof for five years, but my utility still doesn't even know when my power goes out," said Julia Hamm, president of the Solar Electric Power Association, a Washington-based industry group of utility members. "The information is there, but they aren't using it. This is something that utilities need to adapt to."

Government Prod

The lack of visibility into homes shows how utilities have consigned themselves to one-way relationships with ratepayers in their monopoly service areas. Their efforts to develop smart grids have largely failed to energize consumers despite a $4.5 billion government stimulus package in 2009.

While utilities have installed millions of smart meters in homes, they haven't made use of the data to engage consumers the same way solar providers have, said Neil Strother, a smart-grid analyst at Navigant Consulting Inc. (NCI)

"Utilities are more focused on cutting their own costs than in helping consumers become more efficient," he said. "They aren't motivated to reduce demand."

The U.S. Department of Energy is more confident that its cash will start to shift the way utilities work with data, said Patricia Hoffman, assistant secretary of electricity delivery and energy reliability. The money went to help fund 15.7 million smart meters as well as more than 1,000 sensors on the electric grid.

'Will Learn'

"Utilities will learn to use this information," Hoffman said in a Nov. 27 interview. "It enables demand management, better integrates clean energy and optimizes the grid."

The solar systems, meanwhile, collect real-time data on hundreds of thousands of homes and businesses across the country that utilities could use to more efficiently and reliably manage their power grids.

“We have an algorithm that tracks the clouds designed by a Ph.D. from Stanford,” said Adrian De Luca, vice president in charge of sales at Hoboken, New Jersey-based Locus Energy, which monitors more than 25,000 solar systems in the U.S. and Canada.

Desirable Data

“We can tell from across the country whether performance isn’t up to specifications for whatever reasons,” De Luca said. “The utilities should want this data.”

SolarCity, which monitors about 50,000 solar systems, is working to share its data with California’s grid operator and utilities, said Chief Operating Officer Peter Rive.

“We’re deploying smart meters from day one of installation and run simulations to determine the most efficient ways to reduce the customer’s bill,” Rive said. “We’re eager to share this information.”

Nat Kreamer, chief executive officer of Clean Power Finance Inc., said some utilities don’t see the potential benefits of using smart meters to engage with consumers to improve their service or reduce their utility bills.

“I asked an executive at one top 10 utility what he was hoping to get from smart meters, and he basically said just to eliminate the meter readers,” Kraemer said. “They left a bunch of value on the table.”

By Christopher Martin – Nov 28, 2013 4:00 PM PT

CNBC: Is the Muni Bond Market About to Blow Up?

When there is turmoil in the $3.7 trillion municipal bond market, as there has been this year, America’s mayors get very nervous. Scott Smith, mayor of Mesa, Ariz., and president of the United States Conference of Mayors, said, “The vast majority of infrastructure in this country is financed by tax-exempt financing; most of the schools, most of the streets, most of the sewer lines and the highways.” According to the Conference of Mayors, between 2003 and 2012 90 percent of the munis issued (worth about $1.65 trillion) went to build infrastructure.

Normally that pipeline of money is pretty steady, but this year has not been normal. Drawing parallels to the 2008 financial crisis, the sell-off in June was the biggest in 20 years, amounting to about 2.2 percent of the $680.7 billion managed by municipal bond mutual funds.

Add to that Detroit’s bankruptcy filing, the likelihood that Puerto Rico’s debt may be downgraded to junk status, SEC accusations that the city of Miami misled bondholders about the city’s financial condition, and a proposed overhaul to the U.S. tax code, which might include eliminating the federal tax exemption for muni interest, and you have confluent forces stirring up a volatile market.

Bond fund managers and strategists keep insisting that the great majority of issuers are in decent financial shape. They also say the problems in Detroit and Puerto Rico have been well known for years and should have no ripple effect on healthy bonds. Nonetheless, the fear that unfunded pensions and health-care liabilities are waiting like time bombs elsewhere has persisted.

Market volatility

Since March, according to Morningstar, about $50 billion has fled the market. As of September, the S&P Municipal Bond Index was down roughly 3 percent for the year. According to BlackRock, as of September new issuance for 2013 was down 13 percent from last year.

The immediate danger for Puerto Rican bonds—which are widely held by U.S. bond funds—is that ratings agencies may downgrade the territory's debt to below-investment grade status. According to Morningstar, about 180 mutual funds with $100 billion in combined assets had at least 5 percent of their portfolios in Puerto Rico bonds as of their latest disclosures.

That would cause cash strapped Puerto Rico's borrowing costs to skyrocket. During an early October conference call with investors, Governor Alejandro Garcia Padilla denied that the territory was near bankruptcy or would need a federal bailout. "We will do everything, and I repeat, everything that is necessary for Puerto Rico to honor all its commitments," he said. "It's not only a constitutional, but also a moral obligation."

If history is a guide, a bond downgrade could foreshadow the state's fiscal downfall. Detroit's debt was downgraded to junk in 2009. That was the prelude to city's bankruptcy filing this July. A federal judge is hearing arguments about whether the city is actually bankrupt now. Some of the city's largest creditors including its municipal worker's unions insist that it is not.

If the bankruptcy goes forward, a big question for the judge to settle will be who has first dibs on Detroit's assets: its bondholders or its retirees? Any eventual ruling on the subject could influence the potential bankruptcy plans of other troubled municipalities and spook muni bondholders.

"This is a big deal," said George Friedlander, chief municipal strategist with Citicorp Investment Research and Analysis. Mayor Smith of the Conference of Mayors added, "If all of the sudden a retiree's medical benefits are on an equal stage or even take precedence over bondholders, you can well imagine that would certainly have a chilling effect on the municipal market."

Interest costs with and without tax exemption

$ in mil

current law with 28% cap with full repeal

Estimated interest cost with tax exemption Estimated total interest cost cost increase Estimated total interest cost cost increase

2003 114,128.55 130,876.97 16,748.42 161,981.19 47,852.64

2004 96,239.27 110,820.97 14,581.71 137,901.29 41,662.02

2005 121,966.14 141,458.44 19,492.31 177,658.44 55,692.30

2006 118,248.09 137,017.62 18,769.54 171,875.34 53,627.25

2007 125,282.78 145,214.14 19,931.35 182,229.50 56,46.72

2008 140,294.09 161,012.63 20,718.54 199,489.91 59,195.82

2009 110,288.35 126,890.90 16,602.55 157,724.20 47,435.85

2010 91,207.92 105,952.85 14,744.93 133,336.29 42,128.37

2011 83,022.35 95,965.70 12,943.35 120,003.35 36,981.00

2012 100,111.45 118,949.63 18,838.18 153,934.81 53,823.36

TOTAL   173,370.87 495,345.33

Source: SIFMA estimates based on Thomson Reuters data

Bracing for a tax overhaul

Another worry looming over the entire municipal bond market is the possibility that munis might be stripped of their federal tax exemption. The exemption has been part of the tax code since 1913. The Obama administration has proposed eliminating, or reducing that exemption, as part of a planned rewrite of the tax code. Any final tax reform plan would somehow have to satisfy Democrats who are looking to raise revenues and Republicans who have declared they will not tolerate any tax increases.

That has focused attention on eliminating loopholes, deductions and exemptions, like the one on munis. Muni issuers have argued that tampering with the exemption would be ruinous for their efforts to fund needed infrastructure and have launched an intense lobbying campaign against it.

In February, the National Association of Counties, the National League of Cities, and the U.S. Conference of Mayors released a report claiming that had the tax exemption on munis been eliminated in 2003, issuers would have had to make an additional $495 billion in interest payments between then and 2012. This summer 137 members of Congress signed a letter opposing the idea of altering the exemption.

The fallout effect

The Conference of Mayor’s Mayor Smith says reducing or eliminating the tax exemption would dramatically increase borrowing costs for cities and make needed infrastructure building prohibitively expensive. “We think that tinkering with it brings some uncertainty that is just untenable for cities.” He adds: “Two things would happen: either we’d have to redirect money from other programs, or we’d have to build less.”

Tax writers—Democratic Sen. Max Baucus, chairman of the Senate Finance Committee, and Republican Rep. Dave Camp, head of the House Ways and Means Committee—have so far kept all of their cards close to the vest. Scott Hodge, president of the Tax Foundation, a conservative leaning think tank, testified in favor of the idea before the Ways and Means Committee this March and says he met with a stony reception. “Most of the members were aghast,” he says, “It would have easier to suggest eliminating the charitable deduction.”

Congressional discussions about the budget this year have already proven rancorously partisan and a deal on the budget or on tax reform are not expected before next year.

The Conference of Mayor’s Mayor Smith, however, says the Conference will continue to visit members of Congress and the White House in an intense effort to kill any alteration of the muni tax exemption. Unless the Administration withdraws the proposal, he says, it is possible that a reduction or elimination of the exemption could find its way into law as part of “some last minute deal-making or horse trading. I don’t know what the likelihood is but as long as it’s still on the table you have to take it very seriously.”

—By Peter Carbonara, Special to CNBC.com

What Gets You 6.5% Yield: 40-Yr Munis From A Bankrupt Issuer.

If you’re looking to check off both interest-rate risk and credit risk from your holiday shopping list, look no further than Jefferson County’s new municipal bonds. To recap: the county collapsed into bankruptcy in 2011 under the weight of $3.1 billion in debt related to its sewer system. This week it’s attempting the extremely rare maneuver of selling new bonds, both short-term and long-term, while still under Chapter 9 bankruptcy protection, with the proceeds paying off holders of the county’s old debt at well below face value.

Among the $1.8 billion in new bonds the county plans to sell this week is a tranche of subordinated debt that matures in 2053 and is expected to yield 6.5%. This is an uncommonly potent blend of interest-rate risk and credit risk. The long duration of the 40-year munis makes them particularly vulnerable to rising longer-term interest rates, while the bonds, being sold by an issuer that’s still in bankruptcy, managed a BBB- rating from Standard & Poor’s and a junk rating from Fitch.

At least that 6.5% yield is tax-free, but such is the state of the bond market these days that you have to load up on multiple risks to achieve anything approaching a double-digit after-tax yield. Hence hedge funds, not your average muni buyer, are among the investors being targeted by the underwriters of the new bonds.

For those looking for a little less credit risk, there’s another tranche of 40-year bonds within the deal that’s being insured by Assured Guaranty, which carries investment-grade ratings thanks to the insurance. That cuts the yield to around 5.75%. Even that arrangement, of course, isn’t risk-free: Assured is one of the few remaining monoline insurance companies after most of its onetime competitors were felled by the credit crisis because they strayed from their core muni business and started wrapping riskier types of bonds. And you still get all the interest-rate risk of a 40-year muni bond.

By Michael Aneiro
