# TABLE OF CONTENTS

- Board of Directors
- From the President
- Enacting a Vision
- Legislative Accomplishments
- Legal Update
- More than Insurance
- League Events
- Communication Advances
- Here We Grow
- Grassroots Engagement
- Local Elected Leadership Academy
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
EXECUTIVE OFFICERS
2015-2016

1ST VICE PRESIDENT
Mayor Bob Matheny
Zebulon

PRESIDENT
Mayor Lestine Hutchens
Elkin

2ND VICE PRESIDENT
Mayor Pro Tem Michael Lazzara
Jacksonville

Board of Directors

League District 1  Mayor Roland Vaughan, Edenton
League District 2  Council Member William Pitt, Washington
League District 3  Council Member Earl Sheridan, Wilmington
League District 4  Mayor Jody McLeod, Clayton
League District 5  Council Member Lamont Wiggins, Rocky Mount
League District 6  Mayor Pro Tem Liz Johnson, Morrisville
League District 7  Mayor David McNeill, Southern Pines
League District 8  Council Member Patsy Kinsey, Charlotte
League District 9  Council Member Denise Adams, Winston-Salem
League District 10 Commissioner Gary Bell, Pilot Mountain
League District 11 Mayor Pro Tempore Dennis Bailey, Shelby
League District 12 Mayor Robert Scott, Franklin
   At Large  Council Member Jennifer Robinson, Cary
   At Large  Council Member Martha Sue Hall, Albemarle
   At Large  Mayor Terry Mann, Whiteville
   At Large  Mayor Allen Thomas, Greenville
   At Large  Council Member Jennifer Parsley, Concord
Piedmont Manager Hazen Blodgett, Town Manager, Matthews
Western Manager Alison Melnikova, Town Manager, Laurel Park
Eastern Manager Richard Olson, City Manager, Elizabeth City
   Clerk  Melissa Adams, Town Clerk, Hope Mills
   Attorney  Patrick Baker, Durham
Undesignated Affiliate Rep.  HR Director Eleanor Green, Apex
Undesignated Affiliate Rep.  Chief of Police Bence Hoyle, Cornelius
Dear League Members,

As we look back on the past year, it is truly impressive to remember all the successes and progress we have achieved on behalf of municipalities statewide. The North Carolina League of Municipalities is proud to present the 2015-2016 Annual Report, which serves as a review of the hard work put forth by League members, leadership and staff.

Building on the momentum gained in 2014-2015’s Strategic Visioning process, this year has focused on laying the groundwork for implementing Vision 2030 – the shared goals of where cities and towns in North Carolina want to be in the year 2030. To that end, the League has worked to incorporate the Vision 2030 Operating Principles into all services provided to our members:

- We achieved several legislative defensive wins, including preserving municipal authority over Municipal Service Districts; a $5.7 million appropriation for downtown revitalization; and continuation of Powell Bill funding; among others.

- The League participated by providing amicus briefs and technical assistance in several court cases that substantially affected municipal authority.

- The League’s Risk Management Services division continued providing innovative programming to members, including the launching of a new Law Enforcement Risk Management Review that helps law enforcement agencies identify potential liabilities and develop stronger procedures to promote best practices and reduce liability exposure.

- Members participated in several events, including CityVision 2015, Town Hall Day 2016, and a law enforcement forum that brought together State government agencies and elected officials, law enforcement agencies, and local government officials for an open discussion on the relationships and trust between law enforcement and their communities.

- The League launched several new communication efforts, including a promotional campaign that serves to highlight the value and economic contributions municipalities make to the state and a podcast that focuses on challenges and opportunities facing cities and towns.

- Outreach and training for League members continues to be a priority. Grassroots staff made more than 55 visits to organize and advance advocacy efforts and partnerships. Likewise, members had ample training opportunities at League events, including LELA courses – the Local Elected Leadership Academy.

Thank you to all of our League members for your contributions and hard work making 2015-2016 so successful.

Mayor Lestine Hutchens  
President

Paul Meyer  
Executive Director
VISION 2030 OPERATING PRINCIPLES

In 2014, the League’s Board of Directors, in partnership with the UNC School of Government, initiated a process to establish a vision of how cities and towns will operate in 2030. Vision 2030 was born of a desire to allow North Carolina cities and towns and their residents to chart a course that will enable all – regardless of size or make-up – to thrive, to meet the challenges of the 21st Century, and to continue to reflect their own diverse visions for themselves.

By 2030:

1. Municipal governments exercise greater control over their revenues, structures, and functions.
2. Municipalities demonstrate the value they add to the community’s quality of life.
3. Technology is widely used for service delivery, citizen engagement, and economic development.
4. Municipalities widely practice productive partnerships with counties, other governments, and the private sector.
5. Urban and rural municipalities routinely work together for economic success.
6. Municipalities are able to quickly adapt to cultural and demographic changes in their communities.
ENACTING A VISION

After two years of work putting together a vision of where cities and towns should be by 2030, League staff began looking inward to see how it needed to change to help cities and towns achieve that vision. Vision 2030 focused on municipalities partnering with others to achieve economic success, better demonstrating the value they provide to a community’s quality of life, preparing for cultural and demographic changes, and exercising more control of functions and revenues.

To help reach that vision, the League created five “strategic pillars” calling for the League to become a transformative organization that, among other things, would empower citizens, bolster leadership development, and improve municipal positioning and influence. In response, the League formed a staff committee of 20, or “pillar team,” to look at ways the organization could develop tactics and strategies to become more effective. Among those already under way: a communications campaign to help cities and towns to promote their investments that grow jobs and the economy, developing podcasts on issues of interest to cities, and the development of a more comprehensive League directory to allow members to more easily find staff members based on their areas of expertise.

Still to come: More strategic partnerships including those with local chambers of commerce and others with whom municipalities share common interests, the development of mentorship and political leadership development programs for elected officials, and bolstering the role of field staff.

Five Strategic Pillars

- Reaching and Empowering North Carolina Citizens
- Improving NCLM Political Positioning and Influence
- Expanding Effectiveness and Value of Membership Services
- Bolstering Leadership Development of City Officials
- Building the League into a great place to work that is cohesive and highly efficient.

NCLM Pillar Team

The 2016 legislative session came one year after the League has seen one of its most productive sessions in years, with transportation and investment-related legislation in 2015 leading the way among measures that accomplished key League goals. The even-numbered year “short session” promised to be brief, and much of the Public and Governmental Affairs staff efforts would be aimed at defense, attempting to block any legislation harmful.

The tone of the session, though, would be set by a one-day March special session in which legislators responded to a City of Charlotte-approved anti-discrimination ordinance by passing HB2, the Public Facilities Privacy & Security Act. The bill, in part, pre-empted local nondiscrimination ordinances like Charlotte’s, but also imposed other restrictions on local government including those affecting contractor requirements. The League was one of the first organizations to oppose the bill, issuing a statement that the restrictions amounted to a limit on the political power of local residents. The ensuing controversy that followed saw businesses, entertainment acts and sporting events pull out of the state in protest over the bill. Several lawsuits also challenged the law, while the state filed lawsuits challenging U.S. Justice Department authority in the case.

Against that backdrop, the League and its advocacy team entered the session well aware of the potential for all cities and towns to face recriminations due to the ongoing controversy. That being the case, the League focused on clear communication with lawmakers to help their understanding of how state legislation can affect, positively or negatively, the ability of a municipality to do the best for its citizenry, promote economic growth and meet local demands. Those efforts – strengthened by League member groundwork laid at meetings of the Legislative Action Committees, Regulatory Action Committee and in other gatherings – helped dramatically to improve legislative proposals as they moved through the channels. After an Action Alert to members, the League was able to eliminate several harmful provisions in a complex land-use regulatory bill. In its previous form, HB 483 included language that would have incentivized litigation at local taxpayer expense, and weakened protections for property.

Other short-session successes for League members – many of them defensive wins as legislation harmful to municipalities was altered or died – include:

- The preservation of cities’ authority regarding Municipal Service Districts, through the approval of transparency, good-government provisions and the elimination of proposals that could have led to MSD’s being eliminated by a small minority of property owners.

“"The appropriation of $5.7 million for downtown revitalization projects.""
• The appropriation of $5.7 million for downtown revitalization projects.

• The continuance of Powell Bill funding at last year’s level.

• The abandonment of problematic, immigration-related legislation that could have put Powell Bill funding at risk for individual towns and cities.

• The halting of legislation that would have de-annexed properties from the Town of Sunset Beach, a win that followed great teamwork among League staffers, members and legislators.

• The passage of legislation that gives local police much-needed clarification on the keeping of video records gathered by bodyworn or dashboard cameras, without mandating the cameras’ adoption.

• The passage of legislation with League-requested language to assure that a public water system’s solvency be taken into account when electricity providers are required to provide alternative drinking water supplies to property owners near coal ash impoundments.

• A one-year delay of legislation that would prohibit cities from charging utility companies fees for working in municipal rights-of-way, averting harm to approved municipal budgets.

• The abandonment of legislation that would have changed how Asheville City Council elections are held (proposed against the wishes of the city).
LEGAL UPDATE

The League wrote amicus briefs in five court cases and provided technical assistance in four other cases, all nine substantially affecting municipal authority. The most highly-publicized of those cases has been the *City of Asheville v. State of North Carolina*, the city’s challenge of state legislation mandating the transfer of the city’s water system to a regional water and sewer district. In October of 2015, the Court of Appeals ruled against Asheville. The League filed a new amicus brief as the case moved to the state Supreme Court, which overturned that decision in December in a momentous verdict for cities and towns.

The League also wrote an amicus brief in the *State of Tenn. and State of North Carolina v. FCC* before the U.S. Court of Appeal for the Sixth Circuit. The amicus brief came in support of the Federal Communication Commission’s decision to preempt state laws restricting municipal broadband service. Although the court ruled that the FCC did not have the authority to preempt the state laws, it did acknowledge that they had the effect of limiting broadband service and competition in some areas. The case has helped to highlight the issues of broadband access in rural North Carolina and caused the N.C. General Assembly to begin re-examining the issue.

Other cases where the League filed amicus briefs were: *Duke Energy v. Gray*, in which the state Supreme Court ruled in favor of condemnors, including cities, in a case involving protection of utility easements from encroachment; *Wray v. City of Greensboro*, a case still pending before the state Supreme Court affecting governmental immunity and local government discretion to provide defense to employees; and *Wilkes v. City of Greenville*, a case affecting workers’ compensation and the presumption of compensability for mental health issue, that is also pending before the state Supreme Court.

Cases where NCLM provided technical assistance included *Nies v. Town of Emerald Isle*, a highly-publicized case involving public and municipal access to beaches that was decided in favor of the town in December after the state Supreme Court dismissed the case; *City of Charlotte v. University Financial Partners*, affecting eminent domain and commercial property rights, decided in favor of the city; and *Surgical Care Affiliates v. NC Industrial Commission*, a case also affecting workers’ compensation still pending before the state Court of Appeals.

Finally, the League continues to be involved on a number of fronts, including providing legal technical assistance, in the *Quality Built Homes v. Town of Carthage* case affecting the ability of cities and towns to charge water and sewer impact fees to plan and pay for future growth.
The innovations in the League’s Risk Management Services, dedicated to the proposition of being “more than insurance,” continued this past year. Those innovations included the rolling out of the Naturally Slim weight-loss program, designed to promote the health of HBT risk pool members by allowing those enrolling in the program to model their habits after others who have avoided weight gain.

On the Property and Liability side, the launch of a new Law Enforcement Risk Management Review is proving popular among members against a backdrop of headline-grabbing police shootings. The Law Enforcement Risk Review Process is designed to assess an agency’s adherence to best practices, court decisions, and policies and procedures related to high liability activities in law enforcement. The goal of the review is to enhance public safety by reducing liability exposure, enhancing officer safety, and validating that policies, training, and operating procedures are meeting industry standards. The NCLM initiative is supported by the North Carolina Association of Chiefs of Police.

The Workers’ Compensation Trust also this year increased the amount available for its police body armor grant program to $100,000. More plans are in the works to vet and bring more programs to risk pool members.

The League continued our focus on encouraging members to take advantage of the risk management tools and programming our staff provide. Field staff provided more than 900 risk consulting services for 394 members, including law enforcement risk reviews, police driver training, advanced law enforcement use of force training, risk management training for senior fire officials, police and fire driving simulator training, 81 hazard assessments, 160 human resources consults, 124 insurance visits, 174 loss control visits, and various underwriting visits, safety training, accident investigations, and claims reviews. In addition, our members participated in more than 10,000 online training classes.
CITYVISION 2015

CityVision 2015, the League’s annual conference held October 10-13, 2015 in Winston-Salem, became an energized and enthusiastic kick-off of cities’ vision for themselves for 2030.

The conference focused on that vision with NCLM Board members Jennifer Robinson, a Cary Town Council member, and Jody McLeod, mayor of Clayton, discussing the findings from the year-long League and UNC School of Government-led effort to examine how cities and towns can adapt to meet the demographic, financial and technological challenges ahead of them for the next 15 years. Councilwoman Robinson and Mayor McLeod – in a sharp presentation that focused on defined dilemmas and how cities and the League as an organization can meet them – noted the challenges include both the political, like declining public trust in government, and the financial, such as increasing infrastructure needs.

Members also approved substantial updates to the League’s bylaws that will make the organization and its leadership more representative of North Carolina’s 540 cities and towns.
TOWN HALL DAY

Donning League-green ties and scarves, more than 500 municipal officials from across North Carolina converged in Raleigh for one of the most successful Town Hall Days in the books – one that brought out Gov. Pat McCrory, House Speaker Tim Moore and other powerful guests who heard the League’s message directly from its membership.

The annual day of municipal advocacy at the Legislative Building – under some of the prettiest weather all season – saw local leaders make positive connections with their House and Senate delegates in discussions over issues important to great hometowns of all sizes. While individual cities and towns had the chance to talk about specific local concerns or projects with their representatives, the overarching theme was “what municipal government brings to the state of North Carolina, how they help the state economically and are just a vital asset to the state,” said League First Vice President Bob Matheny, Mayor of Zebulon.

LAW ENFORCEMENT MEETING

Law enforcement leaders, members of the N.C. Legislative Black Caucus, and representatives of the N.C. League of Municipalities came together for a forum to discuss best practices in law enforcement training and examine potential solutions that might strengthen trust between police and the communities they serve.

More than 100 law enforcement officials from across North Carolina – including police chiefs, sheriffs, leadership from the State Highway Patrol and state Department of Public Safety, and the state Department of Justice – attended the forum. Speakers and audience members also included a number of officials involved in law enforcement training and policy standards. Similar meetings on the local level, organized by the National League of Cities and the U.S. Conference of Mayors, are occurring in cities across the country in the wake of tragic encounters that have led to the deaths of residents and police officers. Participants said they hoped the forum and candidate dialogue that resulted would lead to tangible proposals that would result in better trained and prepared officers.
COMMUNICATION ADVANCES

Southern City

The League’s bi-monthly magazine continued to beef up its content with more issue-focused articles while improving on the already stellar design and photos. Since its redesign in 2014, Southern City has become a showcase municipal association publication and one that draws people’s attention in town halls and other places all over the state.

Municipal Equation Podcast

In late June, the League launched Municipal Equation, a podcast examining municipal challenges and how innovation and technology are helping to solve those challenges. It was not long before each podcast, produced every other week, was receiving hundreds of listens and was being promoted by the National League of Cities and cited by other municipal and technologically-focused organizations around the country.

Early episodes included a look at the extraordinary life of NCLM Board of Directors member Denise Adams and an examination of ways that municipalities are bridging the infrastructure deficit gap. The podcast is available on all major podcast players, including iTunes where it has a 5-star rating.

Ben Brown, the podcast’s creator and NCLM Advocacy Communication Associate sums it up, “The bottom line is idea-sharing and storytelling – an important part of Vision 2030 and the League’s Here We Grow campaign. With the production value of a nationally-produced radio show, this podcast reflects a modern approach to messaging, reach, education and personal touch.”
Several months in the making, the League launched its Here We Grow promotional campaign to promote the investments that cities and towns are making which bolster the state’s economy and create job growth.

The campaign is rooted in the idea that North Carolina’s economic strength lies in the diversity of its cities and towns – a diversity that’s the direct result of allowing residents to pursue their own unique visions and allowing municipalities to make investments that improve residents’ quality of life. To preserve the local decision-making authority that has allowed cities and towns to prosper, it is crucial that we tell that story. A major part of the effort is the Here We Grow website, www.herewegrow.org, launched in early October, to help provide tools to each municipality, individually, tell about its economic successes, and to help tell the collective story of how cities and towns are working hand-in-hand with the private sector to build our state’s economic foundation.

Created as a crowdsourcing website, League members are able to post their economic success stories there and then share them through their social media accounts. The fall launch was only the beginning, with more plans underway to promote these efforts.
The League’s continuing emphasis on grassroots organizing and advancing strategic partnerships paid dividends shown in increased League involvement by the membership and the effectiveness of mobilizing members and partners to take action on policy issues. In total, the League’s two grassroots staff members made more than 55 visits across the state, from Spruce Pine to Southport. These visits emphasized how vital connections to legislators and other civic leaders are in advancing municipal interests and that of their residents. The below map illustrates each visit from the League’s grassroots team and other members of the Public and Government Affairs staff.

Local Elected Leadership Academy

The Local Elected Leadership Academy continued this year to advance the education of county and municipal officials. The program – a partnership between the League, the UNC School of Government, and the N.C. Association of County Commissioners – is designed to help officials develop skills to help them more effectively govern.

This year, 66 municipal officials attained the Practitioner level, 29 the Masters level and 51 the Mentor level. Another 12 members completed the Advanced Leadership Corps, the capstone course for LELA.
# Statement of Net Position
## June 30, 2016

## Current assets
**Operating assets:**
- Unrestricted cash and cash equivalents: $6,494,188
- Restricted cash and cash equivalents: 65,195
- Accounts receivable: 289,110
- RMS receivable: 15,674
- Accrued interest receivable: 40,206
- Prepaid expenses and other: 142,511

**Total operating assets:** 7,046,884

**Investments:**
- Bonds, at fair value: 6,160,302
- Common and preferred stocks, at fair value: 5,708,763
- Other investments, at fair value: 312,588

**Total investments:** 12,181,653

**Total current assets:** 19,228,537

## Non-current assets
- Pension asset, net: –
- Capital assets, net: 6,500,551

**Total non-current assets:** 6,500,551

**Total assets:** 25,729,088

## Deferred outflows of resources:
- Contributions to pension current fiscal year: 519,623

**Total assets and deferred outflows of resources:** $26,248,711

## Liabilities and net position
**Current liabilities:**
- Accounts payable: $399,148
- Accrued vacation expense: 889,805
- Service fees received in advance: 238,175
- Convention fees received in advance: 64,510
- Cafeteria plan received in advance: 46,552
- RMS payable: 801,178
- Accrued salaries: 10,567

**Total current liabilities:** 2,449,935
## Statement of Net Position
### June 30, 2016
(continued)

<table>
<thead>
<tr>
<th>Non-current liabilities:</th>
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<tbody>
<tr>
<td>Other postemployment benefit liabilities</td>
<td>762,566</td>
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<tr>
<td>Other non-current liabilities</td>
<td>8,340</td>
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<td><strong>Total non-current liabilities</strong></td>
<td><strong>770,906</strong></td>
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| Total liabilities                                      | **3,220,841** |

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<th>Deferred inflows of resources &amp; pension liability:</th>
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<td>Contributions subsequent to the measurement date</td>
<td>$283,843</td>
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<td>Pension liability</td>
<td>420,071</td>
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<td><strong>Total deferred inflows of resources &amp; pension liability</strong></td>
<td><strong>703,914</strong></td>
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<th>Net position:</th>
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<td>Unrestricted</td>
<td>15,823,405</td>
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<td>Net investment in capital assets</td>
<td>6,500,551</td>
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<td><strong>Total net position</strong></td>
<td><strong>22,323,956</strong></td>
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| Total liabilities, deferred inflows, and net position  | **$26,248,711** |
Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Operating revenues</th>
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<tbody>
<tr>
<td>Service fees</td>
<td>$3,497,894</td>
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<tr>
<td>Contract services</td>
<td>26,791</td>
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<tr>
<td>Administrative fees from insurance funds</td>
<td>2,902,520</td>
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<td>Rent and other reimbursements</td>
<td>106,487</td>
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<td>Convention and conferences</td>
<td>448,865</td>
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<td>Advertising and publication sales</td>
<td>78,742</td>
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<tr>
<td>Risk management services</td>
<td>6,011,307</td>
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<tr>
<td>Other – miscellaneous revenue</td>
<td>514,258</td>
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<tr>
<td>Total operating revenues</td>
<td>13,586,864</td>
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</table>

<table>
<thead>
<tr>
<th>Operating expenses</th>
<th></th>
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<tbody>
<tr>
<td>Personnel services</td>
<td>4,132,460</td>
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<tr>
<td>Travel and training</td>
<td>87,176</td>
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<td>Office operations</td>
<td>339,025</td>
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<tr>
<td>Professional services</td>
<td>679,069</td>
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<tr>
<td>Quorum Center operations</td>
<td>19,981</td>
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<tr>
<td>Center operations</td>
<td>56,698</td>
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<tr>
<td>Wilson Building operations</td>
<td>11,614</td>
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<tr>
<td>Reynolds Building operations</td>
<td>145,020</td>
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<tr>
<td>Conferences and other meetings</td>
<td>411,309</td>
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<tr>
<td>Southern City and League Letter</td>
<td>83,598</td>
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<tr>
<td>Risk management services</td>
<td>6,011,307</td>
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<td>Dues and publications</td>
<td>64,016</td>
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<tr>
<td>Miscellaneous expenses</td>
<td>17,696</td>
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<tr>
<td>Total operating expenses</td>
<td>12,058,969</td>
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</table>

Operating income: 1,527,895

Non-operating (loss) income (expenses)

| Investment income            | 396,286 |
| Net gain on sale of capital assets | 17,100 |
| Net unrealized and realized gains on investments | (638,222) |
| Investment expense           | (46,719) |
| Depreciation expense         | (396,511) |
| Total non-operating (loss) income, net | (668,066) |

Change in net position: 859,828

Net position, beginning of year: 21,445,676
GASB No. 72 adjustment: 18,452
Restated net position, beginning of year: 21,464,128
Net position, end of year: $22,323,956