

MINUTES
Annexation Alternatives Study
Stakeholder Meeting
10:30 a.m., September 20, 2017
Thomas Jefferson Planning District Commission
Water Street Center
407 E. Water Street
Charlottesville, Virginia 22902

Stakeholders Present

Diane M. Linderman, Co-Chair
Kimble Reynolds, Co-Chair
David Blount, TJPDC
Michelle Gowdy, VML
Kelly Harris-Braxton, VA First Cities
Joe Lerch, VACo
John Moeser, University of Richmond
Kimball Payne, VML
Jim Regimbal, VA First Cities
Jeff Sharp, DLS
Brian Thrower, Emporia
Dave Whittington, Greensville County

Stakeholders Present via Conference Call

Mike Amyx, CLG
C. Richard Cranwell
Carter Glass
Stephen King, Rockingham County

Stakeholders Absent

Kurt Hodgen, Harrisonburg

DHCD Policy Office/CLG Staff Present

J. David Conmy, Local Government Policy Administrator
Ali Akbor, Senior Public Finance Analyst
Kristen Dahlman, Senior Policy Analyst
Lindsay Barker, Program Support Specialist

I. Call to Order

Commission on Local Government (CLG) Chairman, Diane Linderman, called the meeting to order at 10:37 a.m. The purpose of the meeting would be to continue discussion among the stakeholders assembled to assist the Commission in its study on alternatives to the existing annexation moratorium.

II. Administration

A. Approval of the Minutes

A motion was made by Ms. Harris-Braxton to approve the minutes for the June 7, 2017, meeting of the stakeholder group. The motion was seconded by Mr. Lerch and unanimously passed.

B. Recap of Most Recent Meeting

Mr. Conmy provided a summary of the most recent meeting of the Annexation Alternatives Study. He indicated that most of the meeting was spent on breaking out into two newly formed subcommittees: Fiscal and Structures. The Fiscal Subcommittee looked at the big-picture of local fiscal matters, changes to the k-12 education funding formulas, an adequacy study on k-12 funding, and issues related to local government fiscal stress. He then asked Ms. Dahlman to share a recap from the Structures Subcommittee. Ms. Dahlman summarized the most recent meeting as a discussion of different service areas, a potential survey of joint services among localities, and soliciting input from stakeholders on the various consolidation, reversion, and interlocal agreement statutes.

C. Staff Update on Study Progress

Mr. Conmy shared additional updates on the progress of the study relative to the study plan and timeline. He indicated that, based on the timeline, the stakeholders should be getting closer to defining and refining recommendations from each subcommittee. He suggested there is an opportunity for 2 to 3 more stakeholder meetings and asked if the stakeholders would like to meet one more time before the end of the year. A majority of the stakeholders supported this potential meeting, and Mr. Conmy responded that he would reach out to the group to identify the potential meeting date. Mr. Conmy also shared additional remarks on the future stakeholder meetings, future Commission meetings, and when a draft version of the study could be ready for adoption prior to the Commission's November 2018 meeting. There was additional discussion among the stakeholders of the possibility for the Commission to prepare an interim report of potential recommendations for consideration by the General Assembly during their 2018 long session.

D. Goals for 09/20/17 Meeting

Ms. Linderman stated that the goals for the meeting would be to facilitate additional discussion among the stakeholders in their various subcommittees. Ideally, each subcommittee would identify about 5 recommendations. She also added that the study can make additional more generalized recommendations or suggest other issues for additional examination, but that the study should be concise and targeted. Mr. Conmy also added that it will be important for the stakeholders to identify “champions” or spokespersons for each recommendation, especially if and when the General Assembly makes requests for presentations that summarize the study’s recommendations. Mr. Conmy also reminded the stakeholders that they are free to attend whichever subcommittee meeting they would like; the assigned stakeholder committee members were just suggestions that staff had assembled based upon each stakeholder’s background and interests.

III. Stakeholder Deliberation: Fiscal and Structures Subcommittees

At this time, the stakeholders broke out into their two subcommittees. Additional notes regarding the discussion from each subcommittee are attached to these minutes.

At 12:26 p.m. the stakeholders re-assembled for the full meeting and reported out a summary of their discussions. After summarizing their break-out sessions, there was discussion regarding the potential for the Commission to produce an interim report for the upcoming General Assembly Session. Mr. Conmy indicated he would look into the matter but that the study mandate did not require an interim report.

III. Next Meeting Interim Tasks

Ms. Linderman stated that staff would be in touch soon to identify a potential meeting date in early December or early January.

IV. Adjournment

Ms. Linderman called the meeting adjourned at 12:34 p.m.

Diane Linderman
Co-Chair

J. David Conmy
Local Government Policy Administrator

DRAFT

**Structures Subcommittee
September 20, 2017
Thomas Jefferson Planning District Commission
Water Street Center
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10:30-12:30pm**

- 28 localities responded to the CLG survey on administering joint services and offices
 - There was a representation from all regions of the Commonwealth that responded to the survey.
 - 6 cities and 22 counties responded
 - Majority of the localities surveyed that they operate jail authorities, criminal justice training academies, joint aid agreements, mental health services, planning district commissions, and regional juvenile detention commissions
- Survey results also indicated that localities operate services jointly or collaborate jointly on uncodified initiatives
 - Some localities indicated it was easier to work together without codified provisions to follow
- Regional jails successful regional initiative: the state provided incentives initially. As of 2017, the state does not provide incentives anymore.
- Incentives from state need to save both localities and the state money in order to make it more politically feasible
- Mr. Payne and Mr. Blount recommended reviewing two previous studies from the McDonald administration
- Regional Magnet Schools could be alternative to consolidating schools, mixed income schools
 - Suburban localities have a big influence in voting, etc.
 - Highly unlikely that surrounding localities to cities will want to partner on initiatives such as school consolidation, poverty, etc.
- Top Recommendations
 - Striking the language for voter referendum for consolidation and adjusting code to make it easier for localities to consolidate
 - Give counties tax incentives of a city if the city in question reverts to town status that resides in the county
 - Determine what is a state responsibility and then determine which avenue that service should be administered (i.e. regionally, locally, state level).
 - Consider ways to make consolidation cost effective for the localities and the state
 - Look at communication sales tax and other funding mechanisms set to expire to incentivize localities to work jointly together or look at tax structure to help localities; especially cities
 - Look at ways to incentivize joint collaboration between localities without a codified act or loosen provisions under codified acts to make it easier to jointly collaborate

Annexation Alternatives Study
Fiscal Subcommittee Breakout Session
Notes
9/20/2017

- Poverty by locality/census tract chronological analysis
 - Higher poverty originally in most rural areas
 - Shifted to cities over time, but based on census tract level appears to be moving out of some cities and into inner ring suburbs
 - Annexation as an option to grow tax base, which is listed as one of the criteria in the annexation statutes
 - By freezing local boundaries, poverty has remained concentrated in some cases and local tax bases have remained stagnant
 - Connection to difficulty for some localities (primarily cities) in complying with costs of state mandates
 - Connection to staff's analysis of costs of mandates and state/local share in costs related to other indicators such as poverty, fiscal stress, etc.
- Discussion of Community Wealth Building Program through DSS (TANF Grant)
 - Successfully funded program for \$7.5 million in FY2018
 - Grant used for community employment and training programs
 - Requires local 25% match, including in-kind
- Discussion on adequacy study from O'Quinn legislation
- Discussion of staff analysis of equal taxing authority
 - Need to consider the Northern VA factors
- Discussion of 4-point set of fiscal subcommittee recommendations
 - Improve revenues/financing options at the state level to ensure improved aid to localities
 - e.g. Transit Capital Project Revenue Advisory Board bond levels
 - e.g. floor for the gas tax
 - Incentivize local collaboration and consolidation
 - Dependent cities
 - Aid/additional power to participating counties
 - Modernize the tax code and protect local taxing authority
 - e.g. streaming services, personal services and the service-based economy
 - Create programs to reduce local fiscal stress
 - Critically stressed localities fund
 - Community wealth-building programs
 - Addressing challenged schools
 - Economic development programs
 - Consensus of group appears to be around these 4 recommendations

Annexation Alternatives Study
Fiscal Subcommittee Breakout Session
Notes
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- Staff will compile and share with additional information at next stakeholder meeting
- Discussion of previous recommendations from CLG Consolidation Incentives Study
 - Avoid creating additional barriers to the reversion or consolidation process.
 - Provide matching funds for localities to study the feasibility of consolidation or reversion.
 - Reduce the duration of hold harmless and special funding for school divisions to five years.
 - Redesign the school division consolidation incentive formula.
 - Provide incentives for joint contracting of school services as a first step toward full consolidation.
- Discussion of history of PDC funding
 - State funding for PDCs has fluctuated over the years and is not at its all-time high in FY 2003 and FY 2004
 - Chart provided as a hand-out
 - Should the stakeholders consider additional funding to PDCs?
 - Funding could be for performance audits, efficiency grants, planning grants, etc. to identify areas for interlocal cooperation, efficiencies, economies of scale, etc.
- Discussion of Efficiency Grants, Performance Audits, and Planning Grants to study interlocal agreement/collaboration options
 - Most examples from other states