

DRAFT MINUTES
Commission on Local Government
Oral Presentations
City of Bedford – Bedford County
Voluntary Settlement Agreement
2:00 p.m., May 14, 2012
Gibson Memorial Auditorium
Bedford Science & Technology Center
600 Edmund Street
Bedford, Virginia 24523

Members Present

Cole Hendrix, Chairman
John G. Kines, Jr., Vice-Chairman
Harold H. Bannister, Jr.
Wanda C. Wingo
John T. Stirrup, Jr.

Members Absent

Staff Present

Susan Williams, Local Government Policy Manager
Zachary Robbins, Senior Policy Analyst
Edward Lanza, Senior Public Finance Analyst

I. Call to Order

A. Welcome

Commission Chairman Cole Hendrix called the meeting to order at 2:04 p.m. on May 14, 2012 in the Gibson Memorial Auditorium at Bedford Science & Technology Center in Bedford, Virginia. Mr. Hendrix explained that the Commission is present to review a proposed voluntary settlement agreement between the City of Bedford and Bedford County. He further explained that the proposed agreement provides for the transition of the City of Bedford to town status within Bedford County; for the immediate incorporation of certain territory into the new Town of Bedford's boundaries; for a simplified process for the potential incorporation of additional areas into the Town in the future; for a framework for a potential merger of the water and

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sewer operations of the City and the Bedford County Public Service Authority; for a waiver of certain annexation rights; and for other matters.

B. Advertisement

Mr. Hendrix indicated that the public hearing was advertised by notice published in the *Roanoke Times* and the *Lynchburg News & Advance* on April 24, 2012 and again on May 1 and in the *Bedford Bulletin* on April 25 and May 2. In addition, he stated that notice of the public hearing was mailed to the local governments contiguous to, or sharing functions, revenue, or tax sources with, the Town and County.

C. Introduction of Commission Members and Staff

Next, Mr. Hendrix introduced the members of the Commission and provided biographical information on each member. He also introduced the Commission staff.

II. Commission's Review

Mr. Hendrix explained that the Commission on Local Government is directed by law to review proposed transitions from city to town status, annexations and other local boundary change and transition issues – as well as negotiated agreements settling such matters – prior to their presentation to the courts for ultimate disposition. He further stated that, upon receipt of notice of such proposed action or agreement, the Commission is directed to “hold hearings, make investigations, analyze local needs and make findings of facts and recommendations” regarding the issue to the affected local governments. With respect to a proposed agreement that is negotiated under the authority of Section 15.2-3400 of the *Code of Virginia* – such as the one proposed here – Mr. Hendrix said that the Commission is required to report, in writing, its findings and recommendations as to whether the proposed settlement is in the best interest of the Commonwealth.

Mr. Hendrix explained that, to date, the Commission had received the following documents, which were reviewed by the members and staff: joint Notice by the City of Bedford and Bedford County of a voluntary settlement agreement, which was filed on March 13, 2012; a copy of the proposed agreement as well as data and exhibits

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supporting the agreement; resolutions adopted by the Bedford City Council and the Bedford County Board of Supervisors requesting the Commission to review the agreement; and indication that copies of the Notice, the proposed agreement and an index of data and exhibits were mailed to each of the local governments contiguous to or sharing functions, revenue or tax sources with the City of Bedford and the County of Bedford. Mr. Hendrix also stated that, in accordance with the review schedule adopted at their March 19th meeting, the Commission made separate requests for additional information to the Town and the County on April 11, and the City and County responded to those requests on May 3 and 4 respective and Staff has conducted a preliminary review of the supplemental submissions.

Mr. Hendrix indicated that earlier today, the Commission toured the affected areas and, this evening, the Commission will hold a public hearing at 7:00. He explained that the purpose of the current meeting was to hear oral presentations from City and County representatives.

III. Oral Presentations by the Town and County

Mr. Carter Glass, Special Counsel for the City of Bedford, provided opening remarks in which he described the negotiations that have occurred between the City and County in order to craft the proposed agreement. After an overview of the terms of the agreement, Mr. Glass announced that he would be calling two witnesses: Mr. Charles Kolakowski, Bedford City Manager and Mr. Skip Tharp, Mayor of the City of Bedford.

Mr. Carl Boggess, Bedford County Attorney, waived the opportunity to make opening remarks at this time.

Mr. Glass then called Mr. Kolakowski as the City's first witness.

In response to questioning by Mr. Glass, Mr. Kolakowski reviewed the background of the development of the agreement between the two localities, beginning with the City considering reversion in 2006, then initiating discussions and negotiation with the County regarding the issue in 2008. He stated that Dr. John Peterson was retained by the City to study the financial impact of the proposed agreement on both

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parties. Mr. Glass advised the Commission that Dr. Peterson was originally intended to be a witness before the Commission, but he had unexpectedly passed away during April, and, therefore, Mr. Kolakowski would be addressing the agreement's financial impact.

Mr. Kolakowski then discussed the City's economic trends and inability to grow that resulted in the consideration of reverting to town status. He cited flat population growth, job loss, declining sales tax revenues, old housing stock, and economic development concerns as the major impetus.

Next, he explained the City's contractual arrangement with the Bedford County School Board for the provision of educational services. He stated that the arrangement did not consider future capital needs and resulted in disagreements between the City and County. He added that the business community had been concerned about the quality of education and that the contract was identified as one of the hindrances to improving the school system.

Mr. Kolakowski discussed the current revenue sharing agreement between the City and County, which has benefitted the City. He explained, however, that half of the funds the City receives from the agreement are currently restricted to paying off the utility extensions that the City was obligated to provide through the agreement.

He then reviewed the proposed agreement's effect on school facilities, tourism services, solid waste, emergency dispatch, building enforcement, zoning, fire protection, and economic development authorities.

In response to a question from Mr. Bannister, he stated that the current City-County Joint Economic Development Authority is scheduled to pay off its existing debt by 2019, which will be followed by dissolution of the authority and transfer of its assets to the existing County Economic Development Authority.

Next, Mr. Kolakowski described the proposal's provisions for parks and recreation, libraries, jails, juvenile detention, and animal shelters.

He then described the current provision of public water and sewer services by the City, which includes the revenue sharing areas as well as other areas within the County, adding that the County also provides water in other areas via the Bedford

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County Public Service Authority. He said that the City and County, through the proposed agreement, have agreed in principle to the merger of the City and County PSA utility systems. In addition, he indicated that the County PSA board unanimously supports the merger of the system. He then cited efficiency, additional water sources, and economic development as justification for the City's interest in merging the systems.

In response to a question from Mr. Stirrup, Mr. Kolakowski described the proposal to interconnect the City and County systems.

In response to a question from Mr. Bannister, he said that the City was proactively pursuing reversion before it was in dire financial condition, unlike the circumstances surrounding Virginia's other two reversions.

At 3:24, Mr. Hendrix called a ten minute recess.

Upon reconvening, Mr. Glass continued his questioning of Mr. Kolakowski, who addressed the 15-year "hold harmless" state funding for education. He indicated that, while Dr. Peterson's report stated Bedford County Public Schools would receive \$5.8 million of such funding annually, as of last week, the Virginia Department of Education estimated that the payment would be \$6.15 million. Of that amount, \$750,000 would be transferred from the County to the City, which is close to the amount the City receives under the current revenue sharing agreement.

Next, Mr. Kolakowski addressed the County's intent to concentrate growth around the City, the lack of vacant developable land in the City and the effect on economic development. He then described why each of the proposed annexation areas was selected for inclusion in the new town.

Next, Mr. Kolakowski reviewed Dr. Peterson's report, focusing on the impact of the Phase I annexation specifically as well as the overall impact of the agreement after reversion. He then discussed the agreement's waiver of annexation rights for fifteen years.

In response to questions from Mr. Hendrix, Mr. Kolakowski indicated that the additional revenues resulting from reversion would likely be used for tax relief and

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capital needs. He also stated that the City's electric utility has been used to supplement the general fund, though the City is attempting to reduce this.

In response to a question from Mr. Lanza, Mr. Kolakowski explained the theoretical tax rates used in Dr. Peterson's report.

Next, Mr. Glass called on Mr. Willard D. "Skip" Tharp, Mayor of Bedford.

In response to questions from Mr. Glass, Mayor Tharp explained the negotiation process between the County Board of Supervisors and City Council. He further provided several reasons why he believed the agreement was in the best interest of the City.

Mr. Stirrup asked what will happen to the existing mayor and council members upon reversion. Mayor Tharp explained that an election would be conducted to choose a new mayor and town council.

Mr. Thorpe responded to several questions regarding informing the public about the agreement, challenges in implementing the agreement, and restoration of previously-eliminated services.

Mr. Glass stated that the City's presentation was complete.

Mr. Boggess came forward and called Mr. Frank Rogers, Bedford County Administrator as the County's witness.

Mr. Rogers discussed the proposal to share some of the state's "incentive payment" or "hold harmless funds" with the City for 15 years and explained that the state funds were subject to General Assembly allocation.

Mr. Rogers also discussed the proposed new middle school, the annulment of existing contracts, and the proposal to merge utility systems.

Mr. Rogers then responded to questions from Commission members and staff regarding the County's satisfaction with the proposed agreement, debts, the middle school lease, capital improvements planning, comprehensive planning and public opinion on the agreement.

Mr. Boggess then called on Mr. Chuck Neudorfer, chairman of the Board of Supervisors for Bedford County.

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Mr. Neudorfer explained the overall development of the agreement and redistricting for the Board of Supervisors following reversion.

IV. Closing Remarks

Mr. Hendrix expressed appreciation for all in attendance and reminded participants that the Commission's record will remain open for receipt of additional comment until May 29, 2012. He also noted that the Commission's staff may request additional data from the parties and affected local governments after the record closes. Finally, he stated that the Commission anticipates completion of its report by the end of July 2012.

V. Adjournment

There being no further business to come before the Commission, the meeting was adjourned at 4:55 p.m.

Cole Hendrix
Vice-Chairman

Susan B. Williams
Local Government Policy Manager