



Glenn Youngkin
Governor

Caren Merrick
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Bryan W. Horn
Director

TO: Members of the Commission on Local Government
FROM: DHCD Staff
DATE: February 15, 2024
SUBJECT: Draft Agenda and Special Meeting Materials

Dear Commissioners:

We are looking forward to this special meeting to discuss the VSA between Loudoun and Leesburg. The meeting will be at 11:00 a.m. on February 16, 2024, in person with a virtual option at DHCD's offices at 600 E Main Street in Richmond. **Please note the location change.**

Please find enclosed the following:

1. Draft agenda for the Special Meeting of the Commission;
2. Updated review schedules for the Loudoun/Leesburg Voluntary Settlement Agreement;
3. Draft advertisement for the Loudoun/Leesburg public hearing;
4. Engrossed text and fiscal impact statement for SB645 (2024);
5. Loudoun County's resolution approving the Voluntary Settlement Agreement;
6. The current 2024 regular meeting calendar;
7. News articles of interest to the Commission.

When you arrive for the meeting, please call me and I will escort you to the third floor. If you have any questions or require additional information, please feel free to contact me at 804-310-7151 or legrand.northcutt@dhcd.virginia.gov

We look forward to seeing you on the 16th.





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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

AGENDA

Commission on Local Government
Special Meeting: February 16th, 2024, 11:00 a.m.
Virginia Department of Housing and Community Development
600 East Main Street
Conference Room 3-128
Richmond, VA 23219
Virtual via Microsoft Teams

FOR VIRTUAL ATTENDANCE

Microsoft Teams meeting
[Click here to join the meeting](#)
Meeting ID: 264 813 758 035
Passcode: iDkkr7

Or call in (audio only)

+1 434-230-0065,,985511942# United States, Lynchburg
Phone Conference ID: 985 511 942#

1. Occupancy for the meeting space is limited, so the Commission encourages members of the public to observe the meeting through the Microsoft Teams link provided above. Please contact LeGrand Northcutt (legrand.northcutt@dhcd.virginia.gov) for additional instructions on how to connect to the meeting using this method.
2. Members of the public viewing the meeting through the Microsoft Teams option are required to mute themselves during the meeting unless called upon by the Commission Chair to speak. The CLG reserves the right to remove from its virtual meetings anyone who does not abide by these rules.
3. Access to meeting materials for members of the public is available on the corresponding meeting page of the [Virginia Regulatory Town Hall website](#) and on [Commonwealth Calendar](#).

- I. **Call to order** (Chair)
- II. **Administration**
 - a. Approval of the draft agenda (Chair)
 - b. Public comment period (Chair)



- III. **Cases before the Commission**
 - a. Loudoun/Leesburg Annexation
 - i. Transition to Voluntary Settlement Agreement
 - 1. Presentation of agreement (Parties)
 - 2. Commission deliberation and action (Chair)
 - ii. Proposed review schedule
 - 1. Presentation (Parties)
 - 2. Commission deliberation and action (Chair)
 - iii. Approval of required advertisements
 - 1. Commission deliberation and action (Chair)
- IV. **2024 Schedule of regular meetings** (Staff)
- V. **Other business** (Chair)
- VI. **Adjournment** (Chair)



**Loudoun/Leesburg Proposed Hearing Schedule/Voluntary Settlement Agreement
Contingent upon Leesburg’s adoption of the VSA by February 20th**

Friday, February 16, 2024 – Special Meeting of the Commission to consider transition to VSA		
11:00 a.m. – 1:00 p.m.	Special Meeting	Commissioners, staff, and parties
Thursday, March 7, 2024 – Oral Arguments and Public Hearing		
9:00 a.m. – 11:30 a.m.	Arrival and site visit	Commissioners, staff and parties
11:30 a.m. – 12:00 noon	Opening Statements*	Parties
12:00 p.m. – 1:30 p.m.	Break (Lunch)	
1:30 p.m. – 3:30 p.m.	Presentation and Witnesses*	Parties
3:30 p.m. – 4:00 p.m.	Closing Statements*	Parties
Recess until Public Hearing		
7:00 p.m.	Public Hearing*	Commissioners, staff, and public
Friday, March 8, 2024 – Commission Meetings		
10:00 a.m. – 11:00 a.m.	Executive Session	Commissioners, staff
11:00 a.m. – 1:00 p.m.	Regular Meeting* (Proposed)	Commissioners, staff

*Meetings open to the public with virtual attendance option.

Dates to be established by the Commission:

- Date to close the record
- Commission report due date

**Loudoun/Leesburg Proposed Hearing Schedule/Voluntary Settlement Agreement
Contingent upon Leesburg’s adoption of the VSA at its next regular meeting**

Friday, February 16, 2024 – Special Meeting of the Commission to consider transition to VSA		
11:00 a.m. – 1:00 p.m.	Special Meeting	Commissioners, staff, and parties
Thursday, March 21, 2024 – Oral Arguments and Public Hearing		
9:00 a.m. – 11:30 a.m.	Arrival and site visit	Commissioners, staff and parties
11:30 a.m. – 12:00 noon	Opening Statements*	Parties
12:00 p.m. – 1:30 p.m.	Break (Lunch)	
1:30 p.m. – 3:30 p.m.	Presentation and Witnesses*	Parties
3:30 p.m. – 4:00 p.m.	Closing Statements*	Parties
Recess until Public Hearing		
7:00 p.m.	Public Hearing*	Commissioners, staff, and public
Friday, March 22, 2024 – Commission Meetings		
10:00 a.m. – 11:00 a.m.	Executive Session	Commissioners, staff
11:00 a.m. – 1:00 p.m.	Regular Meeting* (Proposed)	Commissioners, staff

*Meetings open to the public with virtual attendance option.

Dates to be established by the Commission:

- Date to close the record
- Commission report due date

NOTICE OF PUBLIC HEARING

TOWN OF LEESBURG – COUNTY LOUDOUN VOLUNTARY SETTLEMENT AGREEMENT

Chapters 29 and 34 of Title 15.2 of the *Code of Virginia* requires the Commission on Local Government (CLG) to hold presentations and public hearings on proposed voluntary settlement agreements between localities. As part of its review of the proposed voluntary settlement agreement (proposed agreement) between the Town of Leesburg and Loudoun County, the CLG will hold an oral presentation and a public hearing on **March 7th, 2024**. This notice contains details on how to access the proceedings.

ORAL PRESENTATIONS by the Town and County will begin at 11:30 a.m. on **March 7th, 2024**. The presentations will be held at the Leesburg Town Council Chambers on the second floor of Town Hall, and are open to the public.

Town Hall
25 West Market Street
Leesburg, Virginia 20176

The presentations may be viewed electronically. Information for electronic attendance can be found on the Virginia Town Hall website, or at the following link:

[\[insert townhall link for presentations\]](#)

A PUBLIC HEARING to hear comments on the proposed agreement will be held at 7:00 p.m. on **March 7th, 2024**, at Ida Lee Recreation Center in the bottom floor conference room.

Ida Lee Recreation Center
60 Ida Lee Drive, NW
Leesburg, VA 20176

Any person wishing to testify before the CLG at the public hearing may register in advance at Town's offices, in person at the public hearing, or by contacting:

Carmen Smith, (703) 669-1420, csmith@leesburgva.gov; or
LeGrand Northcutt, (804) 310-7151, legrand.northcutt@dhcd.virginia.gov.

The public hearing may be attended electronically, and there will be an option to comment electronically. When registering to testify, please indicate if you will be present in person or electronically. Information for electronic attendance can be found on the Virginia Town Hall website, or at the following link:

[\[insert townhall link for public hearing\]](#)

Any person requiring special accommodations should contact LeGrand Northcutt at 804-310-7151 / Virginia Relay 7-1-1 by **March 4th, 2024**.

WRITTEN TESTIMONY concerning the proposed agreement will also be accepted by email to legrand.northcutt@dhcd.virginia.gov, or through mail postmarked by **March 21st**, 2024 to the CLG's offices at:

Commission on Local Government
600 East Main Street, Suite 300
Richmond, VA 23219

Copies of the proposed agreement and other material and data submitted to the CLG by the Town and County will be available to the public for examination at the County Administrator's Office, the Town Manager's Office, and on the CLG's website:

<https://www.dhcd.virginia.gov/commission-local-government-clg>

The CLG will report its findings and recommendations as to whether the proposed agreement is in the best interest of the Commonwealth on or before its May regular meeting.

This notice is intended to satisfy the provisions of Va. Code 15.2-2907(B) and 1VAC50-20-630.

24106727D

SENATE BILL NO. 645

AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the Senate Committee on Local Government)
(Patron Prior to Substitute—Senator Aird)
Senate Amendments in [] - February 9, 2024

A BILL to amend and reenact § 15.2-2903 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 15.2-2512.1, relating to local fiscal distress; state intervention.

Be it enacted by the General Assembly of Virginia:

1. That § 15.2-2903 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 15.2-2512.1as follows:

§ 15.2-2512.1. Local fiscal distress; determination by Auditor of Public Accounts; state intervention.

A. For purposes of this section:

"Auditor" means the Auditor of Public Accounts.

"Emergency fiscal manager" means an official appointed by the Commission on Local Government to implement a remediation plan approved by the Commission under subsection H to restore fiscal health for a locality in the Commonwealth. The "emergency fiscal manager" shall have broad powers to rectify the financial emergency and to assure the fiscal accountability of the locality and the locality's capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare.

"Fiscal distress" means a situation whereby the provision and sustainability of public services, or the ability to appropriately fund financial liabilities, is threatened by various administrative and financial shortcomings, including cash flow issues, inability to pay expenses, revenue shortfalls, deficit spending, structurally imbalanced budgets, billing and revenue collection inadequacies and discrepancies, debt overload, failure to meet obligations to authorities, school divisions, or political subdivisions of the Commonwealth, lack of trained and qualified staff to process administrative and financial transactions, or the inability to timely produce an audited financial report. "Fiscal distress" may be caused by factors internal to the locality or external to the locality, and in various degrees such conditions may or may not be controllable by management or the local governing body or its constitutional officers.

B. The Auditor shall use leading indicators based on financial data and relevant nonfinancial factors to develop criteria for a preliminary determination that a locality may be in fiscal distress. Such criteria shall be based upon information regularly collected by the Commonwealth or otherwise regularly made public by the locality and the locality's annual audited financial reporting required to be submitted to the Auditor. Information provided by the Virginia Retirement System, the Virginia Resources Authority, the Virginia Public Building Authority, and other state and regional authorities concerning late or missed payments shall be shared with the Auditor.

C. Based upon the criteria established by the Auditor, the Auditor shall establish a prioritized early warning system. Under the prioritized early warning system, the Auditor shall establish a regular process whereby it reviews audited financial data and other relevant factors and qualitative information on at least an annual basis to make a preliminary determination that a locality may meet the criteria for fiscal distress. As part of the early warning system, the Auditor shall use leading financial indicators based on key data from the locality's audited financial reports to evaluate information related to a locality's financial position, financial reserves, debt, and operating revenues and expenditures, along with other relevant factors as applicable. The Auditor shall further evaluate localities that are identified as needing additional evaluation based on their initial financial indicators on the basis of additional leading indicators that may include retirement liabilities, revenue growth, economic and property market value data, reports prepared by the Commission on Local Government on revenue fiscal stress, and other relevant qualitative information.

If a locality has not submitted its audited annual financial report, pursuant to §§ 15.2-2510 and 15.2-2511, within 18 months of the required December 15 deadline or provided a plan to do so, the Auditor shall notify the Governor, the Secretary of Finance, and the Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the Senate Committees on Finance and Appropriations and Local Government that the Auditor is unable to review the locality's financial data as part of the early warning system or evaluate its financial condition due to the locality's delay with submitting its audited annual financial report. A locality's inability to timely produce its required audited financial report within 18 months of the required deadline as specified in this subsection or to provide a plan to do so shall automatically effectuate the provisions pursuant to subsection D whereby the Auditor shall make a preliminary determination that the locality may meet the criteria for fiscal distress.

ENGROSSED

SB645ES1

60 D. For a locality where the Auditor has made a preliminary determination of fiscal distress based
61 upon the early warning system criteria, the Auditor shall notify the local governing body of its
62 preliminary determination that it may meet the criteria for fiscal distress. In coordination with the local
63 governing body or chief executive officer, the Auditor may conduct a review and request documents and
64 data from the locality and the locality's published budget information. Such review shall consider factors
65 including budget processes, debt, borrowing, expenses and payables, revenues and receivables, and
66 other areas, including staffing and the identification of external variables contributing to a locality's
67 financial position. Any local governing body that receives requests for information from the Auditor
68 pursuant to such preliminary determination based on the above-described threshold levels shall
69 acknowledge receipt of such a request and shall ensure that a response is provided within the
70 timeframes specified by the Auditor. If the locality does not acknowledge the Auditor's notification of a
71 preliminary determination or does not provide a response to the Auditor's requests within reasonable
72 timeframes so specified, the Auditor shall notify the Governor, the Secretary of Finance, and the
73 Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the Senate
74 Committees on Finance and Appropriations and Local Government that the locality is not responsive.
75 After such review, if the local governing body or chief executive officer requests assistance or the
76 Auditor is of the opinion that state assistance, oversight, or targeted intervention is needed, either to
77 further assess, help stabilize, or remediate the situation, the Auditor shall notify the Governor and the
78 Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the Senate
79 Committees on Finance and Appropriations and Local Government and the governing body of the
80 locality in writing, outlining specific issues or actions that need to be addressed by state assistance,
81 oversight, or intervention.

82 E. 1. Once the Governor has received a notification from the Auditor indicating fiscal distress in a
83 specific locality, the Governor shall consult with the Chairmen of the House Committee on
84 Appropriations and the Senate Committee on Finance and Appropriations about a plan for state
85 assistance, oversight, or intervention prior to any expenditure of funds from the cash reserve. Any plan
86 approved by the Governor for state assistance, oversight, or intervention shall, at a minimum, specify
87 the purpose of such state assistance, oversight, or intervention efforts, the estimated duration of such
88 efforts, and the anticipated resources, dollar amounts, and personnel directed toward such efforts. The
89 staffing necessary to carry out the assistance, oversight, or intervention plan may be assembled from
90 either public agencies or private entities or both and, notwithstanding any other provisions of law, the
91 Governor may use an expedited method of procurement to secure such staffing when, in his judgment,
92 the need for state assistance, oversight, or intervention is of an emergency nature such that action must
93 be taken in a timely manner to avoid or address unacceptable financial risks to the Commonwealth.

94 2. The Director of the Department of Planning and Budget shall identify any amounts remaining
95 unexpended from general fund appropriations in the state budget as of June 30 of each year, which
96 constitute state aid to local governments. The Director shall provide a listing of such amounts
97 designated by item number and by program on or before August 15 of each year to the Governor and
98 the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and
99 Appropriations.

100 3. From such unexpended balances identified by the Director of the Department of Planning and
101 Budget, the Governor may reappropriate up to \$750,000 from amounts that would otherwise revert to
102 the balance of the general fund and transfer such amounts as necessary to establish a component of
103 fund balance, which may be used for the purpose of providing state assistance, oversight, and
104 intervention actions for localities deemed to be fiscally distressed and in need of state assistance,
105 oversight, or intervention to address such distress. Any such reappropriation approved by the Governor
106 shall be separately identified in the commitments specified on the balance sheet and financial statements
107 of the State Comptroller for the close of each fiscal year, to the extent that such reserve is not used or
108 added to by future appropriation actions.

109 4. Prior to any expenditure of the reappropriated reserve, the Governor and the Chairmen of the
110 House Committees on Appropriations and Counties, Cities and Towns and the Senate Committees on
111 Finance and Appropriations and Local Government shall receive a notification from the Auditor that a
112 specific locality is in need of state assistance, oversight, or intervention because of a worsening
113 financial situation. The Auditor may issue such a notification upon receipt of an audited financial
114 statement or other information that indicates the existence of fiscal distress. However, no such
115 notification shall be made until appropriate follow up and correspondence ascertains that, in the
116 opinion of the Auditor, such fiscal distress exists. Such notification may also be issued by the Auditor if
117 written concerns raised about fiscal distress are not adequately addressed by the locality in question.
118 The notification issued by the Auditor indicating fiscal distress in a specific locality pursuant to
119 subsection D shall satisfy the notification requirement of this subdivision.

120 F. The governing body and the elected constitutional officers of a locality subject to a plan of state
121 assistance, oversight, or intervention approved by the Governor shall assist all state-appointed staff

122 conducting such efforts regardless of whether such staff are from public agencies or private entities. The
 123 state-appointed staff shall provide periodic reports in writing to the Governor and the Chairmen of the
 124 House Committees on Appropriations and Counties, Cities and Towns and the Senate Committees on
 125 Finance and Appropriations and Local Government outlining the scope of issues discovered and any
 126 recommendations made to address such issues, and the progress that is made on such recommendations
 127 or other state assistance, oversight, or intervention efforts. These periodic reports shall specifically
 128 address the degree of cooperation the state-appointed team is receiving from locally elected officials,
 129 including constitutional officers, city, county, or town managers, and other local personnel in regard to
 130 their intervention work.

131 G. The Commission on Local Government shall act in an oversight capacity for the purpose of
 132 determining whether a locality has taken appropriate action to address the issues specified in subsection
 133 D as requested by the intervention staff and whether the locality appears to be on track to resolve its
 134 fiscal distress. Technical assistance, based on the Auditor's existing oversight and support provided for
 135 local governments, shall be provided to the Commission on Local Government by the Auditor, and all
 136 agencies of the Commonwealth shall provide assistance to the Commission, upon request. The
 137 Commission on Local Government shall report its findings and conclusions to the Governor and the
 138 Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the Senate
 139 Committees on Finance and Appropriations and Local Government.

140 H. If the Commission on Local Government's report to the Governor concludes that a locality is
 141 either unwilling or unable to comply with the conditions necessary to address its fiscal distress, the
 142 Commission on Local Government shall appoint an emergency fiscal manager and implement a
 143 remediation plan to restore sustainable fiscal health to the locality. Following such appointment and
 144 during the duration of state remediation, the governing body and the chief executive officer of the
 145 locality shall not exercise any of the powers of those offices directly or indirectly relating to the
 146 locality's finances except as provided in this subsection and such governing body and chief executive
 147 officer shall be subject to any conditions required by the emergency fiscal manager. Notwithstanding
 148 any other provision of law, general or special, the emergency fiscal manager may shift certain
 149 responsibilities and duties from [~~any of a locality's constitutional officers~~ the treasurer of the locality]
 150 to the emergency fiscal manager if the emergency fiscal manager determines that it is necessary in
 151 order to implement the remediation plan. The emergency fiscal manager shall (i) implement an approved
 152 fiscal recovery plan; (ii) approve all professional services, suppliers, service provider contracts, and
 153 contractual labor agreements; (iii) approve all city employee payrolls; (iv) approve all long-term debt
 154 service and loan payments; (v) complete internal control and forensic audit assessments, as needed; and
 155 (vi) approve the annual operating and capital budget. The emergency fiscal manager may make
 156 recommendations to the governing body regarding the locality's personnel and staffing. The authority
 157 granted under this subsection may apply to any locality facing fiscal distress whether such fiscal
 158 conditions originated before or after the enactment of this authority. The emergency fiscal manager
 159 shall submit a remediation plan to resolve the locality's fiscal distress to the Commission on Local
 160 Government, which shall approve, reject, or revise the plan after timely notice of any proposed actions
 161 to be taken has been provided to the public and an opportunity for public input has been provided and
 162 such input has been considered by the Commission on Local Government. Such plan shall specify the
 163 purpose of remediation efforts, including the roles and responsibilities of the local governing body and
 164 the chief executive officer, directly or indirectly, relating to the locality's finances and the benchmarks
 165 that will allow a locality to exit the state remediation plan upon meeting such benchmarks. Following
 166 approval of the remediation plan by the Commission on Local Government, the emergency fiscal
 167 manager shall report regularly to the Commission on Local Government, the Governor, and the
 168 Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the Senate
 169 Committees on Finance and Appropriations and Local Government regarding progress in
 170 implementation of the remediation plan. The Commission on Local Government shall determine when
 171 the locality has met the benchmarks approved in the remediation plan and shall so notify the Governor
 172 and the Chairmen of the House Committees on Appropriations and Counties, Cities and Towns and the
 173 Senate Committees on Finance and Appropriations and Local Government.

174 I. The Department of General Services shall develop a master contract of qualified private sector
 175 turnaround specialists with expertise in local government intervention that the Governor can use to
 176 procure intervention services in an expeditious manner when he determines that state intervention is
 177 warranted in situations of local fiscal distress.

178 **§ 15.2-2903. General powers and duties of Commission.**

179 The Commission shall have the following general powers and duties:

- 180 1. To make regulations, including rules of procedure for the conducting of hearings;
- 181 2. To keep a record of its proceedings and to be responsible for the custody and preservation of its
- 182 papers and documents;

- 183 3. To serve as a mediator between localities;
184 4. To investigate, analyze, and make findings of fact, as directed by law, as to the probable effect on
185 the people residing in any area of the Commonwealth of any proposed action in that area:
186 a. To annex territory,
187 b. To have an area declared immune from annexation,
188 c. To establish a town or independent city,
189 d. To settle or adjust boundaries between localities,
190 e. To make a transition from city status to town status,
191 f. To make a transition from a county to a city,
192 g. To consolidate two or more localities, at least one of which is a county, into a city, or
193 h. To enter into economic growth-sharing agreements among localities;
194 5. To conduct investigations, analyses and determinations, in the sole discretion of the Commission,
195 for the guidance of localities in the conduct of their affairs upon the request of such localities;
196 6. To receive from all agencies, as defined in § 2.2-128, assessments of all mandates imposed on
197 localities administered by such agencies. The assessments shall be conducted on a schedule to be set by
198 the Commission, with the approval of the Governor and the Secretary of Commerce and Trade, provided
199 that the assessments shall not be required to be performed more than once every four years. The purpose
200 of the assessments shall be to determine which mandates, if any, may be altered or eliminated. If an
201 assessment reveals that such mandates may be altered or eliminated without interruption of local service
202 delivery and without undue threat to the health, safety and welfare of the residents of the
203 Commonwealth, the Commission shall so advise the Governor and the General Assembly;
204 7. To prepare and annually update a catalog of state and federal mandates imposed on localities
205 including, where available, a summary of the fiscal impact on localities of all new mandates. All
206 departments, agencies of government, and localities are directed to make available such information and
207 assistance as the Commission may request in maintaining the catalog;
208 8. [Expired];
209 9. *To act in an oversight capacity and coordinate with the Auditor of Public Accounts for the*
210 *purpose of determining whether a locality in fiscal distress has taken appropriate action as provided in*
211 *§ 15.2-2512.1; and*
212 10. To perform such other duties as may be imposed upon it, from time to time, by law.

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB645

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Lashrecse Aird

3. Committee: Finance and Appropriations

4. Title: Local fiscal distress; determination by Auditor of Public Accounts; state intervention.

5. Summary: Sets out a procedure for determining when localities are in fiscal distress, as defined in the bill, and when state intervention may be necessary. The bill requires the Auditor of Public Accounts to develop criteria for a preliminary determination that a locality may be in fiscal distress. The bill also requires the Director of the Department of Planning and Budget to identify any amounts remaining unexpended from general fund appropriations in the state budget as of June 30 of each year, which constitute state aid to local governments. From such unexpended balances, the Governor may reappropriate up to \$750,000 from amounts that would otherwise revert to the balance of the general fund and transfer such amounts as necessary to establish a component of fund balance that may be used for the purpose of providing state assistance, oversight and intervention actions for localities deemed to be fiscally distressed and in need of state assistance, oversight, or intervention to address such distress. The bill provides that if a report by the Commission on Local Government to the Governor concludes that a locality is either unwilling or unable to comply with the conditions necessary to address its fiscal distress, the Commission on Local Government shall appoint an emergency fiscal manager and implement a remediation plan to restore sustainable fiscal health to the locality. The bill further grants the emergency fiscal manager to shift certain responsibilities and duties from the locality's treasurer to the emergency fiscal manager if the emergency fiscal manager determines that it is necessary in order to implement the remediation plan. The emergency fiscal officer shall give timely notice of any proposed actions to be taken and an opportunity for public input prior to such action and shall establish benchmarks that will allow a locality to exit the state intervention plan upon meeting such benchmarks.

6. Budget Amendment Necessary: Preliminary – Item 106.

7. Fiscal Impact Estimates: Preliminary – Indeterminate, see Item 8.

8. Fiscal Implications: This bill requires the Auditor of Public Accounts (APA) to use leading indicators based on financial data and relevant nonfinancial factors to develop criteria for making a preliminary determination of fiscal distress. Based on criteria established, the APA shall establish an early warning system, and establish a regular process where they review audited financial data and other relevant factors on at least an annual basis to make a

preliminary determination if a locality meets the criteria for fiscal distress. The APA indicates that the impact of this bill can be absorbed with current resources.

The impact of this bill on the Commission on Local Government (CLG) is indeterminate, as it is not possible to predict how many cases of fiscal distress will be identified by the APA. However, the CLG does not currently have the expertise or capacity required to carry out the required tasks. Additional resources will be needed for the CLG to perform the oversight required in the bill if any such fiscal distress cases are identified.

The CLG is required to oversee the remediation of issues as identified in the bill, and report findings to the Governor and Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations. The Commission is additionally required to appoint an emergency fiscal manager, implement a remediation plan, and determine when the locality has met the benchmarks in the approved remediation plan. The CLG currently has three part-time positions on staff. None of the Commission's staff has the required public finance expertise or the capacity to perform the required tasks.

According to the CLG, if an estimated three fiscal distress cases are identified based on the APA's early warning system, two general-fund-supported positions would be required for the CLG to meet the requirements of the bill. The positions include one Auditor I and one General Administration Coordinator, for an ongoing total of \$300,000. Additionally, an estimated two additional public meetings would require \$2,020 per year. Funding for CLG is allocated under Item 106 in HB30/SB30.

The Department of Planning and Budget and the Department of General Services indicate any requirements of this bill can be absorbed with current resources.

9. Specific Agency or Political Subdivisions Affected: Auditor of Public Accounts, Commission on Local Government, Department of Planning and Budget, Department of General Services

10. Technical Amendment Necessary: No.

11. Other Comments: Identical to HB655-H1.

Date: 2/12/2024

RESOLUTION OF THE BOARD OF SUPERVISORS OF LOUDOUN COUNTY
APPROVING THE COUNTY OF LOUDOUN ENTERING INTO A VOLUNTARY
SETTLEMENT AGREEMENT OF ANNEXATION AND RELATED ISSUES WITH THE
TOWN OF LEESBURG

WHEREAS, on September 28, 2022, the Town of Leesburg (the “Town” or “Leesburg”) notified the Commission on Local Government (the “Commission”), pursuant to Virginia Code Ann. § 15.2-2907(A), of its intention to petition the Circuit Court of Loudoun County for an order annexing to the Town approximately 402.8317 acres located in the Loudoun County (the “County” or “Loudoun”), commonly referred to as “Compass Creek;”

WHEREAS, on July 7, 2023, the County filed with the Commission a Responsive Pleading opposing the Town’s annexation of Compass Creek;

WHEREAS, on October 13, 2023, the Town filed a Reply in support of annexation;

WHEREAS, the Commission set the matter for hearing on March 5-8, 2024;

WHEREAS, on December 21, 2023, the County notified the Commission of its desire to attempt to negotiate an agreement through a mediation process with the Town on the Compass Creek annexation issues;

WHEREAS, on January 5, 2024, the Commission approved the participation of Leesburg and Loudoun in a mediation process;

WHEREAS, on January 10, 2024, the Town and the County participated in a mediation process and reached an agreement in principle on the annexation issues;

WHEREAS, the Town and the County have agreed on the terms of a Voluntary Settlement Agreement pursuant to Virginia Code § 15.2-3400, a copy of which is attached to this Resolution as **Exhibit A** (the “Agreement”);

WHEREAS, the Agreement is the product of years of negotiation between Leesburg and Loudoun, addresses areas of concern to both parties, and reflects a cooperative resolution of issues in the best interests of the parties and the Commonwealth;

WHEREAS, this Resolution states the County's intention to present the Agreement to the Commission and to adopt the Agreement upon the completion of the Commission's review and issuance of a report.

THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Loudoun, Virginia that it adopts the following statement of its approval of, and intent to adopt, a Voluntary Settlement Agreement pursuant to Virginia Code § 15.2-3400 to resolve the Compass Creek annexation issues, a copy of which is attached to this Resolution as **Exhibit A** (the "Agreement"):

1. Loudoun County intends to pursue the approval of the Agreement by the Commission and the special court, pursuant to Virginia Code §§ 15.2-2907(A) and 15.2-3400.

2. The County Administrator is authorized and directed to make such changes to the Agreement as may be necessary, appropriate, consistent with the term sheet, and approved as to form by the County Attorney, and to sign the same on behalf of the Board.

3. Loudoun County will cooperate with Leesburg in providing all required notices, in converting the pending annexation matter to a review of the Agreement and will participate in the subsequent proceedings before the Commission, culminating in a written report prepared by the Commission stating its findings of fact and recommendations on the Agreement.

4. Loudoun County will provide additional information through its filings with the Commission, materials filed with the special court, and materials presented at public hearings and proceedings.

5. Subsequent to the Commission’s review and issuance of its report, the County intends to adopt the Agreement, or a modified version of the Agreement acceptable to the Town and the County, pursuant to the procedures in Virginia Code § 15.2-3400.

6. The County’s principal contact with the Commission is:

Andrew McRoberts, Esq.
Sands Anderson PC
P.O. Box 1998
Richmond, Virginia 23218-1998
Telephone: (804) 783-7211
Facsimile: (804) 783-7291
Email: amcroberts@sandsanderson.com
Counsel for the County of Loudoun, Virginia

7. Following the Commission’s report and adoption of ordinances approving the Agreement, the Board of Supervisors and Town Council will jointly petition the Circuit Court of Loudoun County for an order affirming the Agreement pursuant to Virginia Code § 15.2-3400.

8. The County believes the Agreement is in the best interest of the County, the Town, and the Commonwealth.

BE IT FURTHER RESOLVED, by the Board of Supervisors of the County of Loudoun, Virginia that it requests the Commission to review the Agreement in accordance with 1 Va. Admin. Code 50-20-230(A) and issue a report.

The undersigned Clerk of the Board of Supervisors of Loudoun County, Virginia, certifies that the foregoing Resolution was adopted by the Board of Supervisors on _____, 2024.

WITNESS my signature and the seal of the Board of Supervisors of Loudoun County, Virginia, this ___ day of _____ 2024.

(SEAL)

Clerk, Board of Supervisors of
Loudoun County, Virginia



Glenn Youngkin
Governor

Caren Merrick
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Bryan W. Horn
Director

TO: Members of the Commission on Local Government
FROM: DHCD Staff
DATE: October 20th, 2023
SUBJECT: Proposed Regular Meeting Schedule for 2023

As required by § 15.2-2904, the Commission on Local Government is required to hold a meeting at least once every two months. Keeping with past Commission procedure, staff is proposing the following dates:

- Friday, January 5th
- Friday, March 1st – virtual
- Friday, May 3rd
- Friday, July 12th
- Friday, September 6th
- Friday, November 1st - virtual

The meetings generally fall on the first Friday of odd months. Staff has designated two meetings – the March 1st and November 1st meeting - as potential “all virtual” meetings for Commission deliberation.

Please note that this list does NOT include any dates of special meetings, public hearings, or other meetings of the Commission. Those will be considered separately as needed.

However, the Commission is currently set to hear oral arguments and hold its public hearing for the Loudoun/Leesburg case from March 5th to March 8th. That time period does not include a regular meeting of the Commission.





Compass Creek annexation may be finalized soon, Leesburg officials say

By ELIZABETH STINETTE Special to the Times-Mirror and COY FERRELL cferrell@loudountimes.com 11 hrs ago 0

A years-long standoff between the town of Leesburg and Loudoun County could be resolved soon. The Leesburg Town Council and Loudoun County Board of Supervisors are set to vote on a "voluntary settlement" on the town's efforts to incorporate the 403-acre Compass Creek area into town limits, according to Leesburg officials.

"We've been working in good faith on this for the last four years. We had lots of variations and lots of different views, so to get to the point where we are close to being on the same page is very exciting," Leesburg Mayor Kelly Burk told the Times-Mirror on Jan. 30. Still, she cautioned, "It has some components that have to be worked out."

No details had been released about the terms of the draft settlement as of Jan. 31.

The Board of Supervisors voted in December to enter mediation with the town after nearly a year and a half of litigation. After discussing the draft settlement in a closed session on Jan. 16, the board voted to schedule the item for its Feb. 6 meeting.

The Town Council will also vote on the settlement in February, according to Town Attorney Chris Spera. But the settlement would still be subject to review by the Virginia Commission on Local Government, he said. Assuming the commission recommends approval, a three-judge panel appointed by the Supreme Court of Virginia would then need to approve the agreement before it goes into effect, he added.

The Town Council held a closed session on the issue on Jan. 18.

County spokesman Glen Barbour declined to comment because item was going to be discussed at an upcoming meeting. Leesburg District Supervisor Kristen Umstaddt did not respond to a request for comment. Catoctin District Supervisor Caleb Kershner declined to comment.

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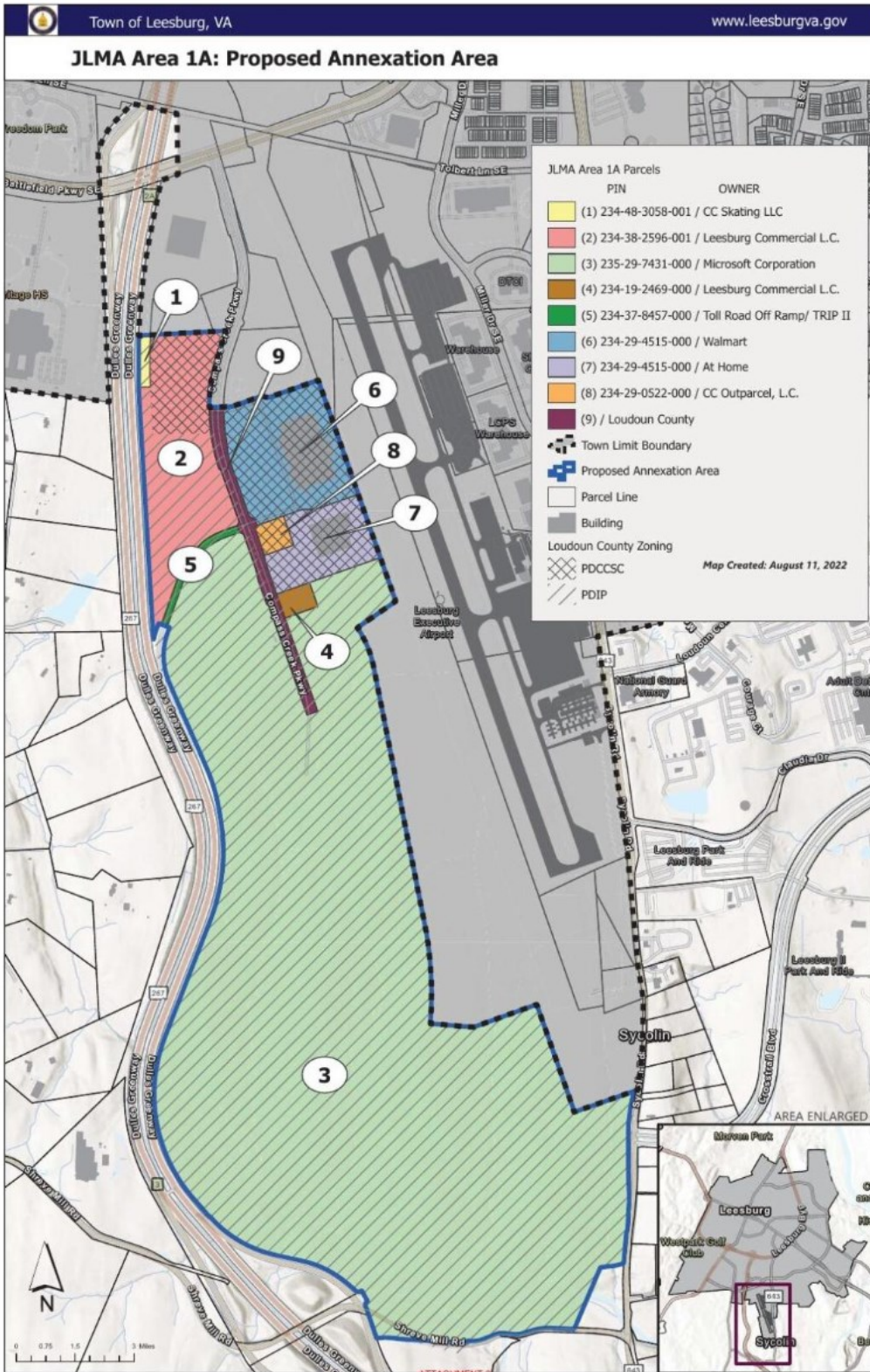
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The Compass Creek area, which is already served by town-owned water and sewer infrastructure, is wedged between the Dulles Greenway and the town-owned Leesburg Executive Airport. It includes retail and fast food businesses along with several hundred thousand square feet of existing and planned data

and fast-track businesses along with several hundred thousand square feet of existing and planned data center development, including a 323-acre campus owned by Microsoft. There are no existing or planned homes in the area.

The data centers make the annexation particularly significant, since it could provide the town a significant source of commercial property tax revenue. Property owners in incorporated towns pay county property taxes along with additional taxes that may be levied by the town. There are currently no data centers within town limits, but the Town Council passed design standards for the facilities last year — in part to anticipate the incorporation of Compass Creek.

Talks began in 2019 to incorporate the area via the boundary line adjustment process, but those negotiations eventually stalled. That led the Town Council in 2022 to initiate annexation proceedings, an adversarial legal process whereby the town petitions a court to order an expansion of the town's boundaries.

"The population of the Town has grown significantly in recent years, but the Town's tax resources have not grown comparably," a 2022 [filing](#) from the town said. The town then had a population of 49,000, according to the U.S. Census Bureau.

The 2022 document estimated that incorporating Compass Creek would add about \$9.4 million in annual net tax revenue for the town. The town's current budget is \$158 million, including the general fund, capital projects and utilities.

"The Town has managed its existing financial resources well, but the Town needs to expand its tax resources to continue to provide high quality services to its citizens," the town's filing said at another point.

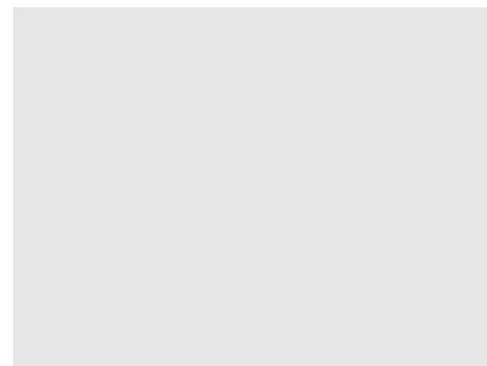
Attorneys for the county disputed the town's need to incorporate the area.

"Leesburg seeks to annex unincorporated land that is already under development for the simple purpose of exacting unneeded revenue in the form of additional taxation. The data demonstrate that the desired annexation is completely unnecessary for Leesburg's ongoing strength and viability as a town," a 2023 [filing](#) from the county said.

Attorneys for the county also said that the annexation may be part of a plan for Leesburg to become an independent city. "In fact, during pre-Notice conversations held between the parties related to the County's planning for the industrial portions of [Compass Creek], Town Manager Kaj Dentier exclaimed that the revenue the Town might realize from [Compass Creek] being located within the Town's jurisdiction would pay for city status," the 2023 document said, citing County Attorney Leo Rogers.

The Commission on Local Government had scheduled four days of hearings for March. If the legislative

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bodies for the county and town each vote to approve the terms of the settlement, the commission will instead hold a one-day hearing to review the agreement, Spera said.

Jess Kirby contributed to this report.

The Loudoun Times-Mirror has been Loudoun County's community newspaper for nearly a century. Our print edition is published each Friday. Follow us on [Facebook](#), [Instagram](#) and [Threads](#). More contact information is available [here](#).

Coy Ferrell
Editor



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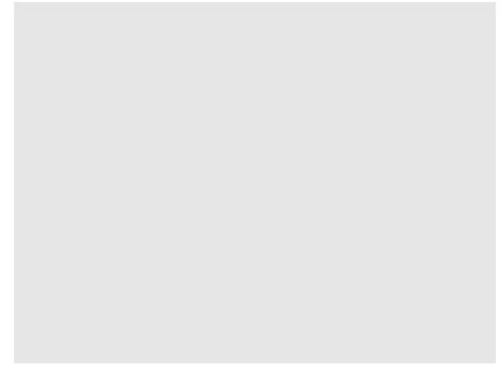
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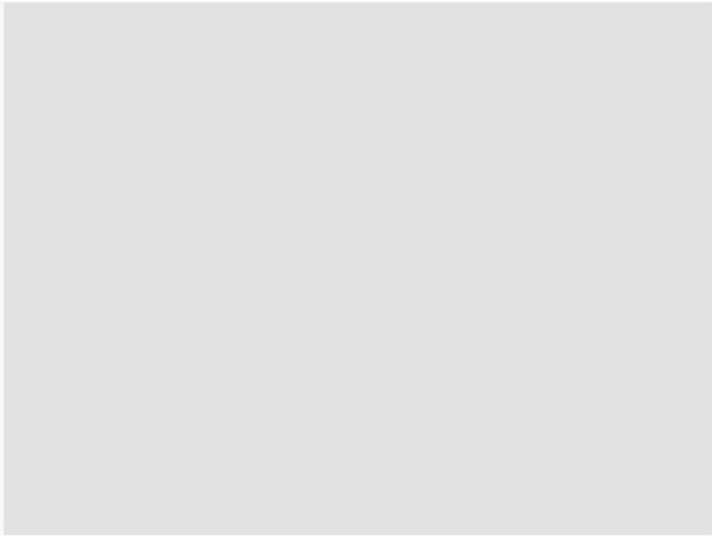
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