

**MINUTES**  
**Regular Meeting**  
**Commission on Local Government**  
**10:00 a.m., May 18, 2015**  
**The Virginia Housing Center**  
**Henrico Room 3**  
**4224 Cox Road**  
**Glen Allen, Virginia**

**Members Present**

Bruce C. Goodson, Chairman  
Victoria L. Hull, Vice-Chairman  
John G. Kines, Jr.  
John T. Stirrup, Jr.  
Diane Linderman

**Members Absent**

**Staff Present**

Zack Robbins, Local Government Policy Manager  
Ed Lanza, Senior Public Finance Analyst  
J. David Conmy, Senior Policy Analyst

**Call to Order**

Commission Chairman Bruce Goodson called the meeting to order at 10:00 a.m. on May 18, 2015, in Henrico Room 3 at the Virginia Housing Center in Glen Allen, Virginia.

The Chair introduced the newest member of the Commission, Diane Linderman, and Elizabeth Rafferty, DHCD's new Policy and Legislative Director. Both provided brief introductory remarks.

**I. Administration**

**A. Approval of Minutes of the Regular Meeting on March 9, 2015**

Ms. Hull made a motion to approve the March 9, 2015 minutes, which was seconded by Mr. Stirrup, and the Commission unanimously approved the minutes.

**B. Public Comment Period**

The Chair announced that following the public comment period, the agenda would be rearranged so that Item V, the Consolidation Incentives Study would follow the public comment period, as there are individuals present to address the Commission on this matter.

The Chair opened the floor to receive comments from the public. No member of the public appeared to testify during the public comment period.

## **II. Consolidation Incentives Study**

Mr. Robbins reminded the Commission of the language included in Item 107 of the Appropriation Act, requiring this study be completed by December 1, 2015. He explained that in the past, the two primary financial incentives offered by the Commonwealth for local consolidations have been an adjustment to per-pupil school funding formula for a period of fifteen years, and hold-harmless funding for other state aid funding streams for a period of fifteen to twenty years.

Next, Mr. Robbins explained that staff has been researching incentive programs offered by other states, consolidation incentive programs that have been considered previously by the Commonwealth, and consolidation feasibility studies that have been completed for Virginia localities. He informed the Commission that on June 1, staff is meeting with a core group of stakeholders who have had experiences with consolidation and reversion proposals in several localities. Staff's objectives for this meeting are: to discuss the JLARC report on this matter; define what consists of the "cost of consolidation"; and to discuss the complexities that should be considered in determining the duration of the incentive. Those stakeholders include: C. Richard Cranwell, Carter Glass, and Dr. Richard Salmon, all of whom have worked directly in past reversion and consolidation cases, as well as a representative from the Virginia Association of Counties and the Virginia Municipal League. Mr. Robbins anticipates that this meeting will result in several alternatives for consideration.

Following the upcoming meeting, Mr. Robbins stated that staff will be reaching out to other local government stakeholders for input following this initial meeting, and that the Commission should select a preferred alternative at its September meeting, so that the final report can be presented and approved in November.

In response to a question from Mr. Stirrup, Mr. Robbins explained that this study is to encompass both school division and general government consolidations.

Mr. Goodson announced that Mr. John Rust and Ms. Jane Woods, representing the City of Fairfax, have requested to address the Commission regarding this matter. Mr. Rust and Ms. Woods distributed materials to the members, of which a copy is on file in the Commission's offices.

Mr. Rust came before the Commission and commented that he believes the JLARC Local Government Consolidation study and budget language directing the Commission's study were principally concerned with the cost of school division consolidation incentives following the reversion of the City of Bedford. He further believes that the Commonwealth's existing incentives did not encourage localities to consolidate or revert to town status, instead, the primary impetus for consolidation or reversion has been the poor fiscal condition of one of the involved localities.

Ms. Woods then offered background on the 1990 recommendation from the Board of Education on school division incentives (Refer to Senate Document 10 (1990)), stating that there was an impetus at that time to consolidate small school divisions so greater economies could be realized, but also to improve the breadth of educational program offerings. The Board at that time recognized the benefits of functional consolidations among school divisions by contractual arrangements in addition to the benefits of fully consolidating, and recommended incentives for those arrangements as well. Ms. Woods noted that such recommendation was not ever implemented.

Mr. Rust then remarked that the consolidation incentive offered to school divisions and abolished during the 2015 General Assembly session can result in expensive incentive payouts from the Commonwealth in certain circumstances, such as with the Bedford reversion, and suggested implementing parts of the Board of Education's 1990 recommendations. He suggested that incentives be provided also for contractual arrangements as recommended at that time; however, the incentive should be provided for the duration of the contract as opposed to the four years recommended in 1990. He noted this method allows for the identity of the existing divisions to be maintained, while improving economies of scale with the larger jurisdiction, and that if implemented, he believes several jurisdictions would consider entering into contracts with one another.

Mr. Robbins noted that Va. Code § 22.1-27 contains provisions that allow flexibility in representation on school boards for such contractual service arrangements.

Mr. Lanza noted that there is an expectation for savings in support and administrative areas when school divisions consolidate; however, when plans are executed, desires to maintain pre-consolidation student-teacher ratios or other standards of quality can reduce potential savings. Mr. Rust responded that the savings for the City of Fairfax are chiefly in administration, not in teaching positions. Ms. Woods added that Fairfax County has also realized savings in capital needs, because additional capacity existed in the city-owned schools.

Ms. Hull expressed concerns about incentives involving the local composite index because of the potential that other jurisdictions could lose state funding. Mr. Rust stated that there would be a minute impact to the other jurisdictions until rebenchmarking occurs.

There was a brief discussion about the Alleghany County-Clifton Forge school division consolidation and subsequent reversion. Mr. Robbins advised the Commission that there were two steps to the school division consolidation: in the early 1980's, the two school divisions entered into a contract so the larger division would provide educational services, which addressed economies of scale issues for Clifton Forge; however, by the 1990's, Clifton Forge's continued to struggle with revenue capacity, necessitated the reversion.

Mr. Rust remarked that if an incentive is provided to localities for consolidation, it must be an absolute formula instead of other methods where the funding would be less certain to the negotiating parties, such as a grant-type process. Ms. Woods added that this should be mentioned in the recommendation so that the intent is clear to the General Assembly.

Mr. Kines noted that contractual arrangements for school services are more likely to occur than full consolidation, and there was general consensus that providing incentives for these is worthy of consideration in this study.

Ms. Linderman inquired if there were activities other than educational services that were worthy of incentives for contracting. There was brief discussion of whether to approach other services this way, and the general consensus was to concentrate on school funding. Mr. Robbins reminded members that JLARC published another study in 2012, *Encouraging Local Collaboration Through State Incentives*, which concentrated on collaboration for very specific service delivery areas.

The Chair then returned to the order of the agenda.

**I. Administration (continued)**

**C. Presentation of Financial Statement for February 2015**

Referencing an internally produced financial statement that encompassed expenditures through the end of April 2015, or 83.3% of the year, Mr. Robbins stated that fiscal year-to-date expenditures were 77% of the total allocated amount.

**D. Policy Manager's Report**

Mr. Robbins reviewed several items of interest with the Commission, including:

- A memo that was sent to VACo and VML recognizing 14 volunteer localities who significantly contributed to the Commission's fiscal impact statement process during the 2015 General Assembly session;
- Special courts have approved two voluntary settlements agreements that were reviewed by the Commission in 2014 – The City of Bristol and Washington County; and the Town of Marion and Smyth County;
- At a special election held in the Town of Columbia, residents voted 18-1 to annul the town's charter;
- At the general election, a referendum will be held in Augusta County for voters to consider moving the county seat out of Staunton to nearby Verona;
- Dillwyn in Buckingham County is considering a boundary line adjustment;
- Augusta County's courthouse and Staunton's efforts to keep it located downtown; and
- Front Royal and Warren County continue to negotiate a revenue sharing plan along a commercial corridor in the unincorporated part of the county.

Mr. Robbins also reported on recent staff activities:

- Mr. Conmy has completed the first half of the Virginia Certified Planning Commissioner program;
- Mr. Conmy also has served on a DHCD staff committee that successfully held an agency-wide retreat that was held last week at Richmond International Raceway; and
- Mr. Robbins attended the Local Government Attorneys of Virginia conference in Reston in April.

**III. 2015 General Assembly – Reconvened Session**

Mr. Robbins reported that the General Assembly's reconvened session was on April 15, and none of the Governor's vetoes were overridden; however, several bills were amended. Also, the Appropriation Act has been signed, with no recommendations for amendments to the version passed by the General Assembly. He reported that this budget action eliminates the \$30 million return of local aid to the Commonwealth; however, the amended budget also includes language that expands the number of localities required to pay excessive enforcement fine and fee revenues to the Commonwealth.

**IV. Conflict of Interest Act & Executive Order 2 (2014) Update**

Mr. Robbins advised the Commission that on February 13, 2015, Governor McAuliffe reauthorized Executive Order 2 (2014), which governs the solicitation and receipt of certain gifts by executive branch employees and officers. He also stated that amendments to H.B 2070 and S.B. 1424, which amend the Conflict of Interest Act, were approved at the reconvened session, and a copy and a summary of the legislation is included in the member's packets. He advised the Commission that the amendments to the Act impacting commissioners will not become effective until January 1, 2016.

**V. Survey of Cash Proffers – Survey Instrument**

Mr. Conmy stated that the survey instrument before the Commission is sent annually to localities that are eligible to collect cash proffers. He indicated that this year staff intends to initiate an online version of the survey, in addition to the copy that is mailed to localities. He noted that prior to its distribution the survey instrument must be adopted by the Commission. Mr. Stirrup made a motion to approve the survey instrument, which was seconded by Ms. Linderman, and such motion was unanimously approved.

**VI. Governor's Task Force for Local Government Mandate Review**

Mr. Robbins announced that the next meeting of the Task Force for Local Government Mandate Review would be held on June 3 at 10:00 AM in Richmond, and that the Department of Planning and Budget will be providing a presentation on the regulatory review process, and how impacts of regulations on local governments are evaluated. In addition, the Department of Environmental Quality will be presenting information on water quality programs and their impacts on localities.

**VII. Schedule of Regular Meetings**

The Commission reviewed its regular meeting schedule for the remainder of 2015, and without objection moved the meeting scheduled for July 13<sup>th</sup> to July 20<sup>th</sup>.

**VIII. Adjournment**

There being no further business, Mr. Goodson adjourned the meeting at 11:51 a.m.

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Bruce C. Goodson  
Chair

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Zachary Robbins  
Local Government Policy Manager