

MINUTES
Regular Meeting
Commission on Local Government
2:00 p.m., September 13, 2016
Central Shenandoah Planning District Commission
Board Room
112 MacTanly Place
Staunton, Virginia

Members Present

Victoria L. Hull, Chair
Diane M. Linderman, Vice-Chair
Bruce C. Goodson
Kimble Reynolds, Jr.
John T. Stirrup, Jr.

Members Absent

Staff Present

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

Call to Order

Commission Chair, Victoria L. Hull, called the meeting to order at 2:00 pm on September 13, 2016, in the Board Room at the Central Shenandoah Planning District Commission (CSPDC) office in Staunton, Virginia. Ms. Hull thanked Bonnie Riedesel, the Executive Director for the CSPDC, for hosting the Commission in Staunton to hold the second public hearing as part of the Annexation Study. Ms. Riedesel gave the Commission a brief overview about the CSPDC and thanked the Commission for choosing their location.

I. Public Hearing: Commission on Local Government Annexation Study

Ms. Hull introduced herself and Diane M. Linderman as the co-chairs of the Annexation Study. Per Chapters 158 and 364 of the 2016 Acts of Assembly, the existing annexation moratorium for city-initiated annexation and county declarations of immunity from annexation was extended until 2024. The Commission on Local Government was directed to work on a study that addresses (1) evaluating the

structure of cities and counties in the Commonwealth, (2) evaluating the impact of annexation upon localities, (3) considering alternatives to the current moratorium on annexation by cities, (4) and directs the Commission to consult with and seek input from the Virginia Municipal League (VML), Virginia Association of Counties (VACo), and localities directly affected by moratorium.

A public hearing notice for public comment on the study was advertised as a legal notice in the Roanoke Times, Daily Progress, and the Daily News Record on August 30, 2016. Additional physical notices of the public hearing were posted in multiple publicly-accessible locations. An annexation study webpage was also created and is accessible on DHCD's website. The website contains information about the study including information about the current public hearing and contact information. A press release was also distributed to various news media outlets regarding the study.

The Chair opened the floor to receive initial comments from the public on the Annexation Study. The Honorable Bill Robertson, Chair of the Prince George County Board of Supervisors, pre-registered to speak regarding the Annexation Study. Mr. Robertson described Prince George County as an area that covers 282 square miles, with over 23.65 square miles taken by the incorporation of the City of Hopewell and numerous annexations by both the City of Petersburg and Hopewell. Mr. Robertson shared that the county provides most services that you would expect to see in cities and has recently received upgrades to their bond rating which currently stands as an AA+ locality.

Mr. Robertson stated that city annexation of Prince George County provides a case study as to why the process is outdated and can actually harm both the city and the county. He went on to assert that this harm can pass on to the state as well because it destabilizes citizens' expectations and complicates long-term investment decisions by businesses. In the last successful annexation of Prince George County by Petersburg in 1971, Petersburg obtained over nine square miles of the county. The city argued that it was better prepared to provide municipal-type services than Prince George and that the city needed more land for expected new development. He later added that this land was still undeveloped to this day. Mr. Robertson indicated that the annexation also gave Petersburg much of Prince George's commercial tax base. Again in 1985, both Petersburg and Hopewell were seeking additional land from Prince George but after five years of costly litigation the Virginia courts, including the Supreme Court, unanimously ruled that the cities had not shown that annexation would benefit their cities or were necessary to provide effective governmental services to Prince George residents.

Mr. Robertson went on to express the negative impacts of annexation that results in poor regional relationships which have slowed regional progress and eroded business confidence in the region. The voters of Prince George voted in favor of treating Prince George as a city for the purpose of issuing debt thereby eliminating the referendum requirement for debt issuance. Mr. Robertson also stated the emphasis the General Assembly has put on incentivizing regional cooperation and joint provisions of services, of which Prince George participates in numerous regional services. However, Mr. Robertson added that localities can only participate in these positive relationships when they are not threatened by annexation.

Mr. Robertson concluded by asking the Commission to recommend the continuation of the current moratorium on city-initiated annexations. He added that the Tri-Cities area has suffered years of poor governmental relations due to annexation and that it is an antiquated system that has no relevance today and would not make sense for Virginia's future.

No other public comments were submitted ahead of time for the Commission's review. A motion was made by Mr. Goodson and seconded by Ms. Linderman to close the public hearing; the Commission unanimously approved.

II. Administration

A. Approval of Minutes of the Regular Meeting on July 12, 2016

Mr. Reynolds made a motion to approve the minutes. Such motion was seconded by Ms. Linderman, and the Commission unanimously approved the minutes.

B. Public Comment Period

The Chair opened the floor to receive comments from the public; however, no one from the public had any comments at this time.

C. Presentation of Financial Statement for June 2016

Mr. Conmy presented the financial report for the Commission which contained numbers from August which represents 16.67% of FY 2017. Due to the migration to the new accounting system, the report

does not reflect the current budgeted amounts; however, those amounts were the same as the previous year. Currently, the commission has spent 8.9% of the total budget for FY 2017.

D. Policy Administrator's report

Mr. Conmy stated that due to the state's revenue shortfall, the Governor mandated that agency heads look at 5% reduction in agency budgets. It is unclear at this point what will be the outcome for the Department of Housing and Community Development (DHCD). Todd Haymore was appointed as the new Secretary of Commerce and Trade due to the resignation of Secretary Maurice Jones. Secretary Jones left the administration to serve as President and CEO of The Local Initiatives Support Corporation (LISC), a not-for-profit organization. Secretary Haymore, who was the former Secretary of Agriculture and Forestry, comes from the Danville/Pittsylvania area.

Mr. Conmy indicated that due to the fiscal situation of Petersburg, Senate Finance staff reached out to DHCD about the fiscal stress report that the CLG produces and other duties of the Commission. Mr. Conmy and Mr. Bill Shelton, Director of DHCD, will be presenting to the Senate Finance Committee on September 22, 2016, on these matters.

Mr. Ali Akbor has been invited by Dr. Eric Scorsone from Michigan State University to travel to Michigan for a 50 state meeting of state and local financial analysts. Staff also received approval for an IT project request for the mandates catalog which will become an online interactive resource. Several staff members are participating on the first ever GIS team, which will be taking requests for projects from agency staff. Staff is continuing to work on obtaining signed Planning District Commission (PDC) contract's for issuance of payments as part of the Regional Cooperation Act.

Mr. Conmy reviewed several news articles of interest with the Commission, including:

- The cooperative working relationship between the City of Galax and Carroll and Grayson Counties, and the speculation that the annexation moratorium would not be lifted
- County of Albemarle Planning Commission denies a proffer amendment request to a developer
- The history of Colonial Heights and how it started as a subdivision and was almost annexed by Petersburg

- Augusta County Board of Supervisors vote on whether or not to move the courthouse from Staunton to Verona
- A project by the Hampton Roads Sanitation District to inject treated wastewater back into the region's aquifer to reduce subsidence
- Potential school division consolidation in Albemarle and Charlottesville
- Former Commissioner, John Kines, appointed to the Virginia Board of Social Services
- Potential boundary line adjustment between the Town of Front Royal and Warren County.
- History of Petersburg's financial crisis since 2009 and downgrade in debt rating to BB with a negative outlook

Additional discussion ensued after the presentation of Mr. Conmy's report.

E. Senior Public Finance Analyst's Economic Report

Mr. Akbor gave a presentation on Virginia's gross domestic product (GDP) and real per capita personal income (RPCPI) in comparison to the United States (U.S.). Some metropolitan statistical area (MSA) GDP data was not available for all categories reported in the presentation and the data is only available until 2014. Overall, Virginia trails the U.S. over the last 10 years in GDP. However, in the last year Virginia was slightly higher than the national average. For GDP in regards to private industry (everything except government), Charlottesville MSA had the highest growth over the last ten years at 28.2% compared to the national average of 16.7% and Staunton MSA at 1.2%. In relation to construction, over the last ten years Virginia and the U.S. have seen a decline in growth. Conversely, in the last year and last quarter both the U.S. and Virginia have seen a minor improvement. Manufacturing is a slow growth area for Virginia across the board. Over the last 10 years, Harrisonburg MSA had the highest growth of 17.1% compared to the Lynchburg MSA at -10.7% and the U.S. at 11.7%. In the past ten years for retail trade the Winchester MSA had the highest growth of 8.7% compared to the national average at 4.3% and the decline in Bristol of -2.5%. Real Estate and Rental Leasing is a sector in which Virginia exceeds the U.S. across the board. Over the past ten years Blacksburg MSA had the highest growth of 107.3% compared to 25% increase in the U.S. and the decline in the Staunton MSA of -45%. Education Service is another category in which Virginia slightly trails the U.S. across the board in the past 10 years, the last year, and the last quarter. Government is another sector where Virginia leads the national average over the last 10 years and in the last year. Over the past 10 years the Winchester MSA had the highest growth of

52.3% compared to Lynchburg MSA at -4.6% and the U.S. only growing at 3.7%. From 2008 RPCPI grows for all MSA's except for Northern Virginia and Staunton. Charlottesville had the highest growth at 8.8% and Northern Virginia had a decline of 2.8%. Due to the negative growth in Northern Virginia, Virginia's growth was almost half compared to the national growth.

For the overall outlook of GDP for 2016, countries have been selling their holdings in the U.S. Treasury. These selloffs are a sign of weakness in the global economy. Low oil prices, the economic slowdown in China, and weak currencies are all weighing down global growth. Although GDP is slowly increasing, consumer spending is robust and increasing. Nonetheless, the possibility of a stronger U.S. dollar is growing but with uncertainty surrounding the upcoming presidential election, other risks could dampen business investment and make consumers more cautious.

III. 2016 Catalog of State and Federal Mandates of Local Governments (Draft)

A. Staff Presentation

Ms. Kristen Dahlman presented changes from the 2015 to 2016 editions of the Catalog of State and Federal Mandates of Local Governments. This duty of the Commission stems from the 1993 enacted legislation of the General Assembly. This year, twenty new catalog entries were added which brings the total to 693 mandates. Nine mandates were expanded, two were eliminated, and five were removed. Mandates are broken down into four classifications: (1) compulsory order, (2) non-discretionary condition of aid, (3) regulation of optional activity, and (4) state fiscal preemption. Ms. Dahlman went over several of the new, expanded, eliminated, and removed mandates of interest to the Commission.

B. Commission Deliberation and Action

Ms. Hull thanked Ms. Dahlman for the presentation and the work that the staff had done on the catalog. With no further discussion, Ms. Hull entertained a motion to approve the 2016 Catalog of State and Federal Mandates which was motioned by Mr. Goodson, seconded by Ms. Linderman, and unanimously approved.

IV. 2016 Cash Proffer Survey and Report

Ms. Dahlman presented an update to the Commission on the report, stating that this report is required by code and this year will be the 15th version of the report by the Commission. As of Friday of the previous week the office had a 70% response rate. Ms. Dahlman sent out a follow up email to the remaining localities and has received additional responses with the deadline for the report being September 30th. Of the localities participating, 53% were submitted online and 39% submitted by paper. Mr. Conmy proposed to survey the localities at the end of the report to see if they would be likely to do an electronic version only for the following year. By going electronic, this could eliminate any human error. Also, the City of Fredericksburg will be giving an amendment from last year's report that was omitted due to an error on their part.

V. Local Salaries Study

Ms. Dahlman and Mr. Akbor gave an update on the salary study. Based on a conference call that was held with Delegate Poindexter, CLG staff proceeded to research the salaries of elected officials of cities and not counties, specifically, looking at the top three population brackets as listed in §15.2-1414.6 of the Code of Virginia which are 75,000 to 174,999, 175,000 to 259,000, and 260,000 and over. Mr. Akbor and Ms. Dahlman presented the compiled data to the Commissioners. There was a 100% response rate for the study.

Ms. Linderman made note that Richmond and Virginia Beach are cases where the mayor is not part of the council and suggested that staff add a footnote stating as such. Another difference staff presented between the localities is the difference of council members being classified as full-time or part-time, which carry a variance of benefits across localities. A discussion followed that concluded with the need of mentioning that this report came as a result due to House Bill 460, which requested a \$10,000 increase in city council salaries for cities in the top two salary brackets; and reference the study that Richmond conducted which compared cities to counties. The report is due November 30th and staff will be presenting the draft report at the November meeting.

VI. Annexation Study

Mr. Conmy noted that the approved minutes from the first stakeholder meeting were included in the packet but the minutes from the second meeting were not yet approved and therefore not included. The second meeting was held on August 2, 2016, at the Virginia Housing Center in Glen Allen, Virginia. Two additional stakeholders have been added, Dr. John Moeser from the University of Richmond and Jim Regimbal from Virginia First Cities. There are several ongoing items that staff are looking in to, including looking at the cost of state mandated services to localities and comparing that to fiscal stress and other indicators. The stakeholder group is in consensus that the moratorium is politically unfeasible to lift but that the question does need to be answered. The stakeholder group wishes to focus on ways to provide additional aid to fiscally stressed cities and counties. Staff will begin working on an outline of the report due to this consensus. The next meeting will be October 20th, in Charlottesville, Virginia, at the Thomas Jefferson Planning District Commission office.

Ms. Linderman mentioned the idea of changing the name of the study since it seemed that the focus of the study was providing alternatives to annexation.

VII. Schedule of Regular Meetings

Due to Mr. Reynolds need to leave, Ms. Hull jumped to looking at the schedule for the next meeting and pointed out that the Monday, November 14th meeting interfered with VACo's annual conference. The consensus was to switch it back to November 15th with location pending. Mr. Reynolds left the meeting at 4:14 pm.

VIII. 2016 Fiscal Impact Statement Process: Participation Improvement Strategies

Mr. Conmy discussed that at the March meeting staff presented the fiscal impact statement (FIS) responses, which had a very poor response rate. Ms. Hull recommended discussing how staff could increase response rates from localities. Mr. Conmy and Mr. Akbor discussed that the PDC's would be great resources to utilize to help explain the FIS process and the benefits of FIS. Staff will be reaching out to the PDC's and several other professional organizations, especially reaching out to VACo and VML. There is a consensus that cities are more responsive than counties. Mr. Stirrup made note that when he spoke with staff from the counties they were apologetic and believed there was miscommunication on

their end between their fiscal staff and legislative staff and would work internally to address that problem. Consensus was made to reach out to legislative liaisons in addition to fiscal staff.

IX. Governor's Task Force for Local Government Mandate Review

The next meeting will be held September 28th, at the Main Street Center in Richmond, Virginia. Both the Virginia Department of Education (VDOE) and Virginia Department of Transportation (VDOT) will be in attendance. VDOE will be presenting on the mandate to produce a new profile of a high school graduate. VDOT is tentatively scheduled to discuss smart scale and the state of good repair programs. Staff will provide a legislative update on pre-filed bills for the upcoming General Assembly session. On September 29th, Wyatt Shields the chair of the Task Force, and Mr. Conmy will attend the Governor's Local Government Policy Council meeting to present information on the progress of the Task Force.

X. Other

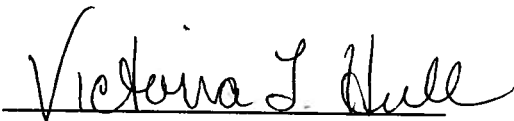
Ms. Hull asked if there was any other business for the Commission to discuss. No one brought up any additional business items.

XI. Upcoming Events of Interest

Ms. Hull reviewed upcoming dates and events of interest for the Commission, including VML's 111th Annual Conference in Virginia Beach, VACo's 82nd Annual Conference in Bath County, and the Governor's Housing Conference in Roanoke.

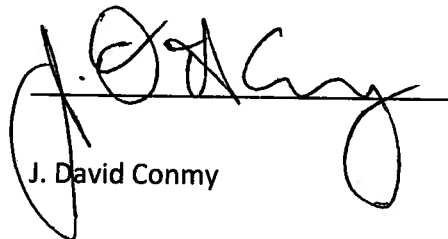
XII. Adjournment

By consensus of the Commission, Ms. Hull called the meeting adjourned at 4:30 p.m.



Victoria L. Hull

Chair



J. David Conmy

Local Government Policy Administrator