DRAFT MINUTES

Regular Meeting
Commission on Local Government
10:00 a.m., March 9, 2009
First Floor Board Room
The Jackson Center
501 North Second Street
Richmond, Virginia

Members Present	**Members Absent**
Vola T. Lawson, Chairman	Frances M. Parsons
Elmer C. Hodge, Jr., Vice Chairman	
Harold H. Bannister, Jr.	
Kathleen K. Seefeldt	

Staff Present

Susan Williams, Local Government Policy Manager
Steve Ziony, Principal Economist
Matthew Bolster, Senior Policy Analyst
Barbara Johnson, Administrative Assistant

Call to Order

Commission Chairman Vola T. Lawson called the meeting to order at 10:15 a.m. on March 9, 2009 in the Board Room of the Department of Housing and Community Development (DHCD) at the Jackson Center in Richmond, Virginia.

I. Administration

A. Approval of Minutes of Regular Meeting of January 12, 2009

Mrs. Seefeldt made a motion that the minutes of the Commission's regular meeting of January 12, 2009 be approved, such motion was seconded by Mr. Bannister and the Commission unanimously approved the minutes without amendment.

B. <u>Public Comment Period</u>

The Chairman opened the floor to receive comments from the public. No person appeared to testify before the Commission during the public comment period.

C. <u>Presentation of Financial Statement for February 2009</u>

Referencing an internally produced financial statement that encompassed expenditures through the end of February 2009, Ms. Williams stated that the financial report covered two-thirds of Fiscal Year 2009 (FY09) and that Commission non-personnel expenditures for that eight-month period represented 44.95% of the total amount budgeted for that purpose for the fiscal year. Ms. Williams noted that a transfer of approximately $20,000 to the Commission's budgeted amount for personnel expenditures for FY09 is forthcoming. The members accepted the report for filing.

D. <u>Local Government Policy Manager's Report</u>

1. <u>County of Montgomery – Town of Christiansburg Proposed Revenue and Economic Growth-Sharing Agreement</u>

Ms. Williams asked members to again sign the last page of the final report on the County of Montgomery – Town of Christiansburg Proposed Revenue and Economic Growth-Sharing Agreement, which was approved at their January 12, 2009 meeting. She explained that this action was necessary as a result of the changes requested and approved by the members at their last meeting. Ms. Williams indicated that the final report was submitted in electronic format to the Montgomery County Attorney and the Christiansburg Town Manager immediately after the Commission meeting at which it was approved and that the final report was posted on the Commission's website. She explained that a signed hardcopy would now be provided to the parties.

2. Agency Move

Ms. Williams reported that, at present, the agency is expected to move in July to Main Street Centre, a building now owned by the state, which is located on Main Street between Sixth and Seventh Streets in downtown Richmond. Because the agency move may coincide with the Commission's scheduled July 13, 2009 regular meeting, Ms. Williams recommended an alternative meeting location such as the VHDA Housing Center in Innsbrook. The members asked Ms. Williams to make the necessary arrangements and provide directions to the location.

3. State Budget

Ms. Williams reminded the members that, in his amendments to the budget, which were released on December 17, the Governor suspended per diem payments by executive branch agencies to citizen members of boards and commissions effective July 1, 2009. Ms. Williams stated that the General Assembly did not restore these funds in the final Budget Bill. She explained that it is anticipated that the Department of Planning and Budget will transfer out an amount equal to the Commission's expenditures for such payments in FY 2008, which was approximately $3,000. The Commission requested that staff provide a list of the other boards and commissions that will be impacted by this provision.

Ms. Williams stated that the travel restrictions as well as the prohibition on the printing of documents by executive branch state agencies continue to be in effect.

4. <u>Staff Activities</u>

Ms. Williams updated members regarding the progress of the Subcommittee studying development and land use tools in Virginia, which is chaired by Delegate Athey. Ms. Williams indicated that the Subcommittee and its three Workgroups will resume their meeting schedules for 2009 now that the General Assembly Session is adjourned. Mr. Bannister asked about the timeframe for the study as well as when legislation can be anticipated. Ms. Williams responded that this will be the second year of the two-year study and that legislation is anticipated for the 2010 General Assembly Session. Mrs. Seefeldt requested that staff provide a list of all members of the Subcommittee.

Finally, Ms. Williams provided a brief update on potential interlocal issues, highlighting two recent requests for technical assistance, one in connection with a potential annexation action and the other a potential voluntary settlement agreement. Ms. Williams called members' attention to a recent newspaper article that was distributed concerning Hillsville.

5. <u>Meeting Per Diem</u>

Ms. Williams stated that, in accordance with the Commission's policy on compensation and reimbursement, per diem will be paid to all members present for their service to the Commonwealth on March 9, 2009.

II. <u>Fiscal Stress Report for 2006/2007</u>

A. <u>Change in Revenue Capacity Per Capita, 2002/2003-2006/2007</u>

Mr. Ziony explained that, as documented in Table 2.1, the overall mean level of jurisdictional revenue capacity climbed from $1,283.55 per resident to $1,703.80 per capita across the 2002/2003-2006/2007 time span. He further stated that, during the interval under consideration, the typical Virginia locality experienced growth in its revenue-raising potential at a mean periodic rate of 7.08%; and, by the close of 2006/2007, counties and cities throughout the Commonwealth, on the average, were 31.58% stronger relative to their 2002/2003 fiscal ability thresholds.

Mr. Ziony reported that, over the time frame examined by the Commission, state and local governments nationwide faced an average rise of only 21.81% in the prices charged for goods and services falling within their inventory of purchases. He explained that, between 2002/2003 and 2006/2007, the revenue-generating potential of Virginia's counties and cities tended to expand at a pace distinctly faster than the rate of inflation confronting public-sector economies across the nation.

Mr. Ziony indicated that, according to Tables 2.3 and 2.4, over four-fifths of Virginia's localities (N=109) registered continuously increasing levels of revenue capacity in per capita terms from 2002/2003 through 2006/2007. With respect to that interval, 23 of the remaining jurisdictions recorded gains in fiscal ability across three of the four measurement periods. On a per capita basis, Mr. Ziony stated that 98.5% of the Commonwealth's localities manifested capacity expansion during most, if not all, of the time span under review.

He pointed out that the tabular evidence also indicates that 15 counties and 10 cities posted reductions in fiscal ability at one stage or another across the specified chronological range. Two of these jurisdictions (Greensville County and Covington City) witnessed the shrinkage of their revenue-generating potential in multiple periods following 2002/2003. As Tables 2.3 and 2.4 show, both localities experienced diminishing revenue capacity per capita over 2003/2004 and 2005/2006.

In sum, Mr. Ziony stated that, even though the fiscal ability of the average county or city increased throughout the time frame covered by the present report (see Table 2.1), the per capita magnitude of revenue-raising potential periodically declined for 18.7% of all localities during that measurement span.

Mr. Ziony reported that, between 2002/2003 and 2006/2007, five pace-setting jurisdictions (i.e., the counties of Northumberland, Nelson, Northampton, Westmoreland, and Accomack) realized, as Table 2.5 discloses, average capacity growth of 15.45%, 14.97%, 14.43%, 14.43%, and 13.33%, respectively. Over the same time span, the per capita level of fiscal ability rose at a mean periodic rate exceeding 10% in 15 other localities (12 counties and 3 cities). Along with the top-ranked jurisdictions, these entities stood in marked contrast to the 3 counties and 1 city which recorded, on the average, slight relative gains (i.e., increases below 2% each period) in their revenue-raising potential. According to Table 2.5, the localities in the bottom sector of the graduated data series were Patrick County (1.99%), Buena Vista City (1.63%), Bath County (0.90%), and Surry County (0.72%).

B. <u>Change in Revenue Effort, 2002/2003-2006/2007</u>

Mr. Ziony explained that, throughout the Commonwealth (see Table 4.1), the mean rate at which local governments tapped their revenue-raising potential increased continuously from .9623 to .9960 during the 2002/2003-2005/2006 interval. Yet, the statewide average, reflecting diminutions in fiscal effort among 56 counties and 27 cities, fell to .9801 across 2006/2007.

With respect to the growth profiles of Virginia's localities, Mr. Ziony indicated that Tables 4.3 and 4.4 disclose that only 5.2% of all jurisdictions (i.e., 6 counties and 1 city) recorded successively rising margins of capacity utilization over the time span covered by this report. As for the remaining jurisdictions, between 40.3% and 61.9% yielded declining effort scores in any given measurement period following 2002/2003.

Mr. Ziony further reported that the tabular evidence reveals that 65 counties and 27 cities, representing 68.7% of the Commonwealth's localities, posted diminished collections per dollar of revenue capacity during two or more of the accounting cycles under review. Among these entities, according to Tables 4.3 and 4.4, 9 jurisdictions mobilized indigenous capacity at consecutively decreasing rates from the end of 2002/2003 through the close of 2006/2007. Thus, while local fiscal effort rose on a statewide average basis across three of the four periods surveyed, 68.4% of all counties and 69.2% of the Commonwealth's cities experienced slippage in the ratio of actual receipts to potential revenue during multiple stages of the overall time frame.

Mr. Ziony reported that, to the degree that Virginia's local governments periodically expanded their capacity utilization margins, the strongest mean levels of relative growth (i.e., increases of at least 5%) were realized across the designated measurement interval--as shown in Table 4.5--by 10 counties and 1 city, ranging from Dickenson (8.31%) to Lunenburg (5.04%). More significantly, though, 51 counties and 21 cities (or 53.7% of the localities statewide) recorded mean rates of change in fiscal effort at magnitudes lower than 1% during the time span under review. According to Table 4.5, 56 of these jurisdictions manifested, on the average, negative "growth" in capacity utilization between 2002/2003 and 2006/2007.

With regard to the latter jurisdictions, Mr. Ziony indicated that the sharpest patterns of relative decline (as gauged by mean scores below -5%) emerged in 10 localities--all of them counties--ranging from Madison (-5.14%) to Nelson (-7.29%).

C. Fiscal Stress, 2006/2007

Mr. Ziony explained that, at the aggregate level of data analysis (see Table 6.1), the mean index value pertaining to cities (172.70), which registered above the jurisdictional average for the Commonwealth as a whole (165.00), markedly exceeded the equivalent county figure (161.84) during 2006/2007. He further stated that, when the investigative focus is shifted to a consideration of specific local scores, it can be discerned from Table 6.3 that the 134 numerically ordered stress computations covered a range of 56.16 points, with the Covington City and Goochland County statistics – 190.44 and 134.28, respectively – constituting the maximum and minimum values statewide. Over the 2006/2007 time span, then, the most fiscally distressed locality in Virginia surpassed the least financially strained jurisdiction by a margin of 41.8% on the composite index. Mr. Ziony stated that, whatever the significance of such disparity, Table 6.3 reveals that the county and city scores comprising the middle sector of the measurement continuum, as delineated by the first and third quartile values, occupied an interval representing 28.6% of the total index scale. The intermediate segment of the data series, accordingly, exhibited a moderate degree of statistical heterogeneity relative to the full scope of dispersion in local stress scores across Virginia.

Mr. Ziony stated that, during 2006/2007, the average magnitude of jurisdictional stress, as shown in Table 6.6, varied somewhat over the nine regions of the Commonwealth. Among the 95 counties and 39 cities, localities in Southwest Virginia, maintaining an overall index value of 174.85, recorded the highest mean level of fiscal hardship throughout the period under review. These jurisdictions shared the upper third of the geographic data continuum with their counterparts in Southside and the Southern Piedmont-Valley Industrial Zone, which yielded fiscal stress averages of 172.48 and 171.11, respectively.

Mr. Ziony reported that, within every other section of Virginia (except Tidewater), the local mean score lagged behind the statewide jurisdictional average (165.00) in 2006/2007. Over this period, the counties and cities of Northern Virginia experienced, on the average, the lowest degree of fiscal strain in the Commonwealth (148.21). Their mean level of duress, moreover, trailed that of localities in the top-ranked region, Southwest Virginia, by a margin of 15.2%.

Mr. Ziony stated that, across the State, as indicated above, the fiscal pressures engendering local distress registered with unequal force upon cities and counties in 2006/2007. According to Table 6.1, the mean stress score relative to Virginia's municipalities surpassed the corresponding value for the Commonwealth's counties by 10.86 index points, a relative difference of 6.7%, during this measurement period. Mr. Ziony explained that the tabular evidence also discloses (see Tables 6.6 through 6.9) that the average city endured greater fiscal strain than the typical county regardless of its geographic location, population level, or demographic growth rate.

Turning to Table 6.3, Mr. Ziony observed that 79.5% (N=31) of all municipalities generated stress scores exceeding the statewide local average over the 2006/2007 interval. In contrast, 56.8% (N=54) of the 95 counties sustained fiscal duress at levels below the mean value for the Commonwealth at large. He noted that the top and bottom ranges of the stress index continuum manifested sharp compositional differences along jurisdictional class lines throughout the period under examination.

Mr. Ziony reported that, with respect to the 22 localities at the “high” end of the data series, 77.3% (N=17) were cities. Among the 23 “low stress” jurisdictions, counties represented 82.6% (N=19) of the total.

Mr. Ziony next turned to the subject of jurisdictional class disparity. He indicated that Tables 6.4 and 6.5 yield notable supplementary evidence covering 52 pairs of adjoining localities. He explained that, across 2006/2007, as these exhibits show, municipalities outpaced their contiguous counties on the summary measure of fiscal strain in 94.2% (N=49) of the cases analyzed. Mr. Ziony further stated that a review of the matched jurisdictions establishes that city index scores were at least one-tenth higher than the corresponding county values in 16 instances. According to Table 6.5, the degree of inter-local disparity varied between 15% and 19% for 6 of the latter pairings.

Mr. Ziony explained that, significantly, cleavage of equivalent strength (or, indeed, a variance margin as large as 10%) did not materialize with respect to any situation in which the stress level of a county exceeded that of its neighboring municipality. In summary, he indicated that, from the data surveyed by the Commission, it is clear that the demands of fiscal management typically burdened cities to a greater extent than counties over the course of 2006/2007.

A lengthy discussion ensued during which Mr. Ziony responded to numerous questions from members and after which Mr. Bannister made a motion that the report be approved without amendment. Mr. Hodge seconded the motion, which passed unanimously.

Ms. Williams indicated that the draft Report was posted on the Commission's website last week in response to inquiries from localities that were in the process of completing Virginia Clean Water Revolving Loan Fund (VCWRLF) Special Federal Stimulus Applications, which were due today.

Finally, Mr. Ziony noted that four jurisdictions failed to meet the Auditor of Public Accounts' November 30, 2008 deadline for the submission of their data. Mrs. Lawson asked staff, in time for the May meeting, to prepare letters for the Commission members' signatures similar to those sent to delinquent jurisdictions last year.

III. Assessment of State and Federal Mandates on Local Government

Mr. Bolster reminded the members that one of the Commission's statutory responsibilities is to manage the process whereby state agencies periodically assess their mandates on local governments. The original practice was to assess every mandate with state oversight contained in the Catalog of State and Federal Mandates on Local Governments at least once every five years. Last year, a new executive order changed the assessment process. With a few exceptions, only new mandates or those that have never been previously assessed are subject to the assessment process. Once a mandate has been assessed, it is no longer subject to periodic reassessment. This change has greatly reduced the Commission's assessment workload.

Mr. Bolster noted that there are 27 mandates on the assessment schedule for the current fiscal year. Twenty-three of the assessments have been completed, one of the mandates was eliminated from the Catalog because agency and Commission staff determined that it actually imposed no requirements on local governments, and three remain to be completed. The eliminated mandate was STO.VDOT034, Prohibition on Local Removal of Outdoor Advertising. All assessments are due to be completed by the end of April, and so far all the assessments have determined that the mandates in question should be retained.

Mr. Bolster then presented the proposed assessment schedule for the ten mandates that must be assessed during the next fiscal year. All the assessment periods in the schedule were selected by the various agencies involved, except for the Department of Emergency Management's assessment period, which staff selected because the agency has not yet responded to the request to specify a period. After the Commission approves the schedule, it will go to the Secretary of Commerce and Trade and the Governor for their approval, and finally it will be published in the Virginia Register. Mrs. Lawson asked what two of the mandates concerned. Mr. Bolster responded that SAF.VDACS009, Control of Dangerous and Vicious Dogs, relates to the dangerous and vicious dogs registry maintained by the Dept. of Agriculture and Consumer Services. This was a response to a fatal dog attack in Spotsylvania County a few years ago. Local authorities are required to report certain information about any dogs determined to be dangerous or vicious to VDACS, which is charged with maintaining an online registry. The other mandate, SPS.VDEM013, Disaster Pet Planning/Animal Protection, grew out of federal legislation passed after Hurricane Katrina. In the wake of that disaster, it became clear that authorities were ill-equipped to make accommodations for evacuees who brought their household pets with them. In fact, some people refused to leave their homes without their pets. The federal legislation required states and localities to plan appropriate accommodations for evacuees with pets in return for federal aid, and this is reflected in state legislation. The Department of Emergency Management is responsible for managing this mandate on localities.

On a motion by Mrs. Seefeldt seconded by Mr. Hodge, and passed unanimously, the members approved the FY 2009-10 Schedule of Assessment Periods for Executive Agency Assessments of Cataloged Mandates without amendment. Mrs. Lawson asked staff to provide the members with a summary of each of the mandates on the schedule.

IV. <u>2009 General Assembly Session</u>

A. <u>Local Fiscal Impact Estimates</u>

Ms. Williams reported that only three bills were assigned to the Commission for fiscal impact analysis this Session, whereas about a dozen were assigned last year. HB 2084 and SB 982 were assigned by the Division of Legislative Services, and VACo requested HB 2263. Ms. Williams called members' attention to their agenda packages, which included the Fiscal Impact Statement (FIS) prepared by staff for each of the bills reviewed as well as the bill texts and summaries. She noted that their agenda packages also included this year's "Scorecard" on the performance of each of the 32 localities (21 counties and 11 cities) that VACo and VML recruited to participate in the local fiscal impact analysis process this year.

Across all the participating counties and cities, Ms. Williams reported a 62.5% response rate for HB 2084; a 40.6% response rate for HB 2263; and a 59.4% response rate for SB 982. She indicated that expressions of appreciation to the participating jurisdictions are forthcoming.

B. <u>Bills of Interest</u>

Ms. Williams reported that 2,576 bills and resolutions were introduced this Session, and 1,495 passed. She indicated that, in addition to the three Fiscal Impact Statements, Commission staff completed a total of 68 legislative action summaries (LASs) and 50 Enrolled Bill Reports (EBRs) this year.

Ms. Williams referenced two documents that were distributed to the members as handouts. She described the first as a "Preliminary Legislative Update" and explained that it contains information on about 106 House Bills and 93 Senate Bills of interest that passed this Session. She remarked that the document is marked "Preliminary" because some of the bill summaries contained therein may not be in final form, and the document will be updated subsequent to the Veto Session, which will take place on April 8. Ms. Williams stated that the second handout is a selection of bills of interest that failed, and it features information on about 30 House Bills and 22 Senate Bills.

Ms. Williams highlighted a number of bills of interest to the Commission and to local governments generally. She began with bills that are or, had they passed, would have been most pertinent to the work of the Commission.

Ms. Williams first described Senator Watkins' SB 1175, which concerned the taxation of property owned by a locality but was amended in the Senate Finance Committee to add a second enactment clause: "That the Commission on Local Government shall, on or before November 1, 2009, submit to the Governor and the General Assembly a written report on the statewide fiscal impact to local property taxes from counties, cities, and towns owning, directly or indirectly, recreational facilities within the geographical boundaries of another locality." Ms. Williams explained that the bill was subsequently stricken from the Senate calendar at the patron's request.

Next, Ms. Williams mentioned Delegate Landes' HB 2354, which, as introduced, would have required the Governor to temporarily suspend certain mandates on a locality upon a finding that it faces fiscal stress and the suspension of the mandate would help alleviate the fiscal hardship. Ms. Williams explained that, while the Commission does not currently have a role in this process – which, under current law, is discretionary on the part of the Governor – the introduction of the bill sparked an internal discussion about a possible role for the Commission. Ms. Williams indicated that the bill was subsequently amended to retain the Governor's discretion but provide certain relief to school divisions; the provisions of the bill will expire on July 1, 2010.

Ms. Williams reported that Senator Watkins introduced SB 1178 and SJR 335, which would have removed the word "independent" as it is used to describe cities in numerous *Code of Virginia* provisions as well as the Virginia Constitution. Ms. Williams added that neither measure passed.

Next, Ms. Williams described Delegate Hall's HB 2613, which would have required localities to phase out the acceptance of cash proffers by July 1, 2014. This measure also was not successful.

Ms. Williams described three bills that passed, which will extend the current moratorium on city annexation to 2018. She explained that, as introduced, Delegate Lohr's HB 1697 and Senator Quayle's SB 1469 would have extended the moratorium to 2020 but both bills were conformed to Senator Newman's SB 1287, thereby extending the moratorium to 2018.

Ms. Williams next described Delegate Putney's HB 2487, which passed and will increase from 5 years to 15 the time period during which a city that transitions to town status may continue to receive library aid from the State. Ms. Williams explained that, according to testimony offered in committee, the bill was introduced in contemplation of a potential reversion of the City of Bedford to town status.

Ms. Williams then proceeded to highlight a number of additional bills of interest to local government found in the legislative updates provided to the members.

C. <u>Staff Legislative Activities</u>

Ms. Williams reported that, in addition to preparing LASs, FISs and EBRs, Commission staff attended weekly VML/VACo legislative liaisons meetings each Wednesday during the Session. In addition, staff attended all meetings of the House

Counties, Cities and Towns Committee and their two Subcommittees as well as all meetings of the Senate Local Government Committee.

V. <u>Scheduling of Meetings</u>

The Commission confirmed that its next regular meeting will take place on Monday, May 11, 2009 at the Jackson Center in Richmond. The remaining 2009 regular meetings of the Commission are tentatively scheduled to take place in Richmond (at a location to be announced) on the second Monday of the month as follows: July 13; September 14; and November 9.

VI. <u>Upcoming Events of Interest</u>

Ms. Williams indicated that the VML Annual Conference will take place October 18 – 20, 2009 in Roanoke, and VACo's 75th Annual Conference will take place November 8 – 10, 2009 in Bath County. Mrs. Lawson inquired as to whether the Commission will have the opportunity to address the organizations at their 2009 annual conferences, and Ms. Williams indicated that she had previously provided VML and VACo with Mr. Bolster's briefing on the structure of land use planning, land use regulation and infrastructure finance in Virginia as a possible conference agenda item.

VII. <u>Adjournment</u>

There being no further business to come before the Commission, the meeting was adjourned at 12:12 p.m.

Vola T. Lawson
Chairman

Susan B. Williams
Local Government Policy Manager