



Commission on Local Government: Part 1 - Overview and Fiscal Stress

Joint Subcommittee on Local Government Fiscal Stress

June 15, 2017

J. David Conmy



Background of CLG

- Created in 1979
- 5 member commission appointed by the Governor
- 5 year terms
- 3 staff members
- Merged into DHCD in 2003
- **Diane M. Linderman, PE, Chair – City of Richmond**
- **Kimble Reynolds, Jr., Vice-Chair – City of Martinsville**
- **Bruce C. Goodson – James City County**
- **Victoria L. Hull – Fairfax County**
- **R. Michael Amyx – Virginia Municipal League**



Duties of CLG

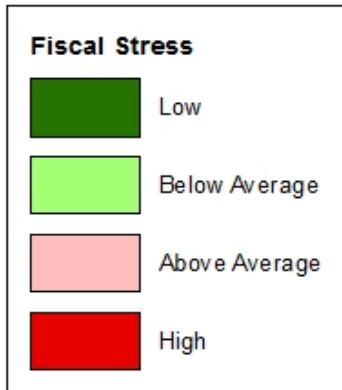
1. Boundary adjustments and local transition issues
2. LAS and FIS during General Assembly session
3. Mandates Catalog and Assessments
4. Cash Proffers
5. Various requested studies (consolidation incentives, annexation, local salaries, etc.)
6. Fiscal Stress



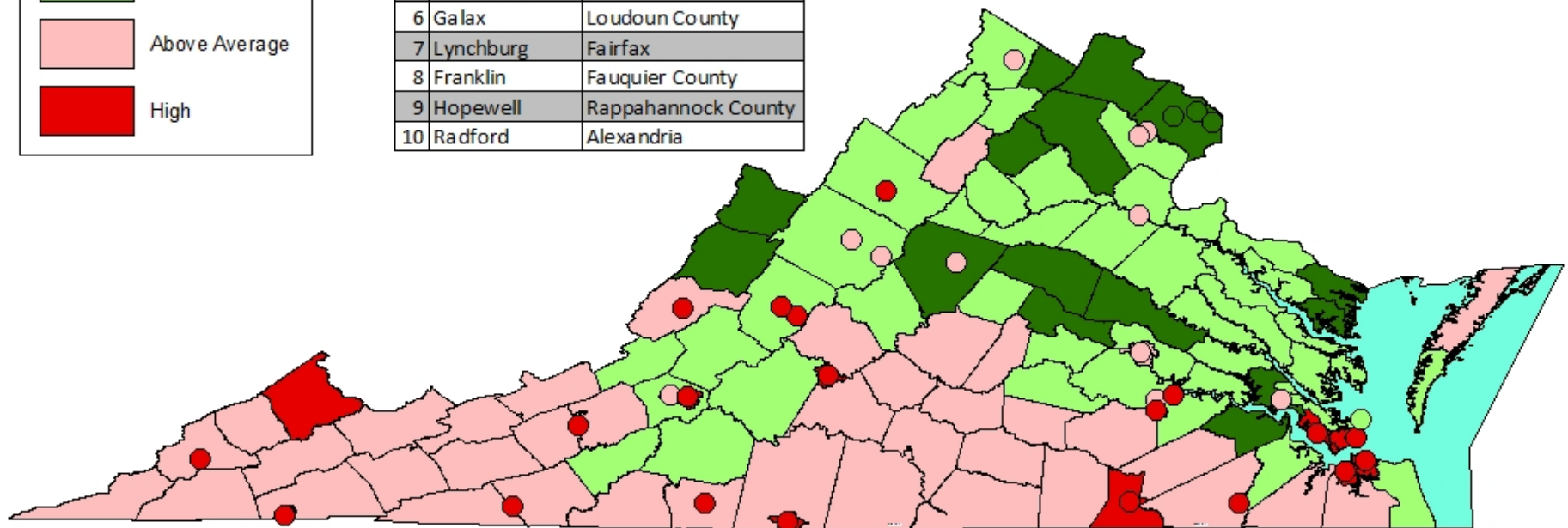
Fiscal Stress

- 1986 JLARC report (House Document 4)
- Not codified, but several references in State code
- APA and Census data
- Three variables indexed to the statewide average:
 - Revenue Capacity
 - Revenue Effort
 - Median Household Income
- Only for cities and counties
- Used in several state aid funding formulas/calculations of need

Commonwealth of Virginia: Fiscal Stress Classification FY2014



	Greatest Stress	Least Stress
1	Emporia	Falls Church
2	Buena Vista	Arlington County
3	Petersburg	Goochland County
4	Martinsville	Bath County
5	Covington	Fairfax County
6	Galax	Loudoun County
7	Lynchburg	Fairfax
8	Franklin	Fauquier County
9	Hopewell	Rappahannock County
10	Radford	Alexandria



0 15 30 60 90 120
Miles

Source: VA Department of Housing & Community Development, Commission on Local Government



10/27/2016



Additional Points for Consideration

- No local expenditure, fund balance, etc. indicators
- Relative index & need for complete set of data
- Cannot apply the methodology to towns
- Involved with discussions on early warning detection, etc.



Questions?



Commission on Local Government: Part 2 - Opportunities for Cooperation and Local Transitions

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Opportunities for Cooperation

- Boundary Line Adjustments by Agreement
- Economic Growth-Sharing Agreements / other Revenue-Sharing Agreements
- Voluntary Settlement Agreements
- Consolidation & Reversion / hold harmless provisions
- Joint Exercise of Powers
- Joint Service Delivery and Authorities / Special Districts



Boundary Line Adjustment

- Va. Code §§ 15.2-3106-15.2-3108 authorizes any two contiguous localities to agree to relocate or change the boundary line between them
- Procedure: notify affected landowners; advertise; hold public hearings; petition circuit court for approval
- No CLG review required / no special court involved unless certain other provisions are involved



Economic Growth-Sharing Agreements

- Va. Code § 15.2-1301
- Authorizes localities to enter into “revenue, tax base and economic growth-sharing agreements”
- CLG advisory review required but no court review
- No provisions relating to annexation or transition
- For “any purpose otherwise permitted,” including provision of public services or facilities or “any type of economic development project”
- Constitutional debt limitation on counties



Voluntary Settlement Agreements (VSAs)

- Va. Code §§ 15.2-3400 and 15.2-3401
- CLG advisory review required
- Approval of three-judge special court required
- “Best interests of the Commonwealth”
- Localities may enter into an agreement to settle matters involving annexation or governmental status
- Plus broad authority regarding other types of provisions in agreements
- Binding on future local governing bodies
- Constitutional debt limitation on counties



VSAs (Continued)

- VSAs may include provisions regarding
 - Fiscal arrangements
 - Land use
 - Zoning
 - Subdivision
 - Infrastructure
 - Revenue and economic growth-sharing
 - “Such other provisions as the parties deem in their best interest”



Consolidation

- Complete consolidation
 - Like units of local government
 - Any combination of counties, cities & towns
 - into a single city or county
 - county with all of its towns into a single county or city
 - Locality or citizen-initiated
- Partial consolidation (tier cities & townships)
- Referendum required
- Fiscal matters
- “Hold Harmless” provision = no loss of state funds for any governmental program or function if consolidation occurs
 - Total governmental consolidation = 20 years
 - Functional consolidation = 5 years

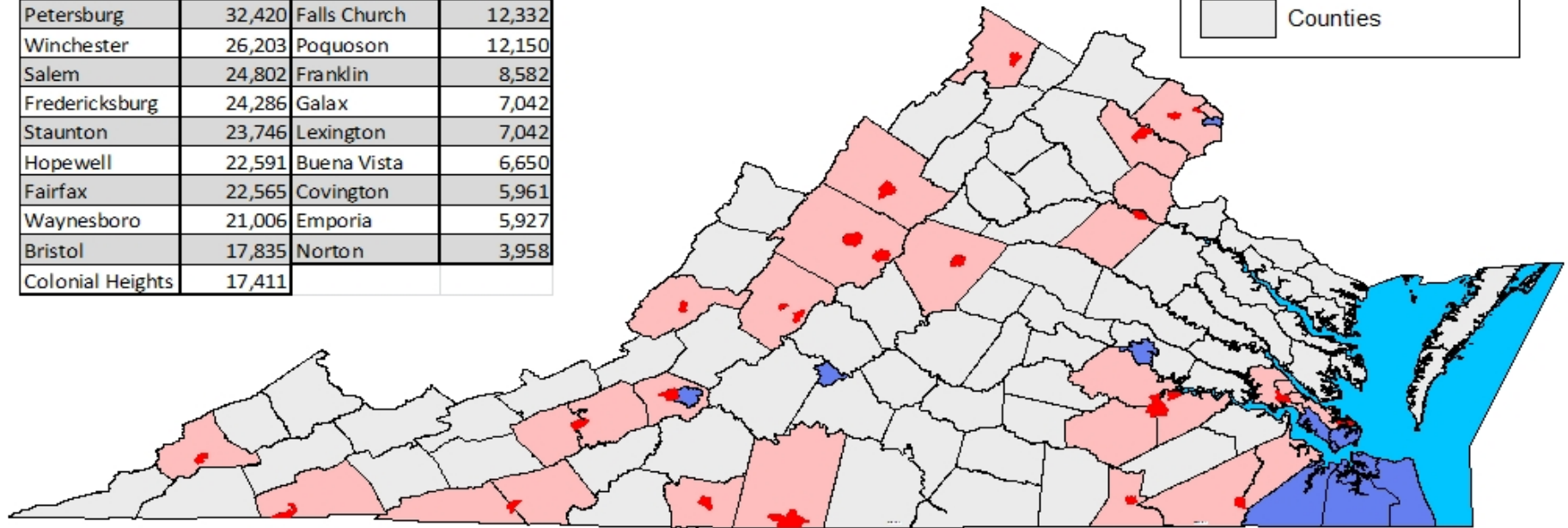
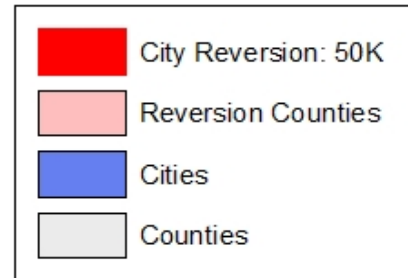


Reversion

- Cities with population less than 50,000
 - City or citizen initiated
- Town becomes part of county, which assumes the responsibility for several services (e.g. schools)
- Town re-gains annexation powers but permanently loses ability to become independent city and is responsible for debt, obligations, and liabilities of former city
- Fiscal matters
- Subject to review by special 3-judge panel
- Hold harmless provisions for 15 years
- South Boston (1995), Clifton Forge (2001), Bedford (2013)

Commonwealth of Virginia: Cities Eligible to Revert to Town Status

City	2010 Population	City	2010 Population
Harrisonburg	48,914	Radford	16,408
Charlottesville	43,475	Manassas Park	14,273
Danville	43,055	Williamsburg	14,068
Manassas	37,821	Martinsville	13,821
Petersburg	32,420	Falls Church	12,332
Winchester	26,203	Poquoson	12,150
Salem	24,802	Franklin	8,582
Fredericksburg	24,286	Galax	7,042
Staunton	23,746	Lexington	7,042
Hopewell	22,591	Buena Vista	6,650
Fairfax	22,565	Covington	5,961
Waynesboro	21,006	Emporia	5,927
Bristol	17,835	Norton	3,958
Colonial Heights	17,411		



0 15 30 60 90 120 Miles



Source: U.S. Census; VA Department of Housing & Community Development, Commission on Local Government

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Joint Exercise of Powers

- Va. Code § 15.2-1300
- Any county, city or town may enter into agreements with any other political subdivision in Virginia or any other state for the joint exercise of any power, privilege or authority which it possesses



Joint Exercise (Continued)

- Agreement must specify
 - Duration
 - Purpose(s)
 - Financing
 - Termination
 - Other necessary matters
- Agreement may specify
 - Administrator or Joint Board
 - Property
 - Liability



Joint Service Delivery and Authorities / Special Districts

- Deliver specified services jointly
 - Examples: jails; juvenile facilities; libraries; social services; mental health; etc.
- Jointly establish certain authorities / special districts
 - By action of the local governing bodies
 - No further authorization from the state required but some may require referendum
 - Examples: Public service; electric; redevelopment and housing; transportation; local transportation improvement; etc.



Local Government Consolidation Incentives Study

- Former school consolidation funding formula in Appropriations Act using lower composite index of two localities
- Avoid creating additional barriers to the reversion or consolidation process.
- Provide matching funds for localities to study the feasibility of consolidation or reversion.
- Reduce the duration of hold harmless and special funding for school divisions to five years.
- Redesign the school division consolidation incentive formula, especially for fiscally stressed localities.
- Provide incentives for joint contracting of school services as a first step toward full consolidation.



Potential Scenarios

City/Town	County	Former Incentive	Proposed Incentive
Petersburg	Chesterfield	\$26,407,796	\$2,225,531
Martinsville	Henry	\$564,771	\$1,579,183
Manassas Park	Prince William	\$44,502,550	\$991,086
Fairfax city	Fairfax	\$1,824,968	\$0
Emporia	Greensville	\$114,280	\$1,033,566
Colonial Beach	Westmoreland	\$1,022,698	\$255,125

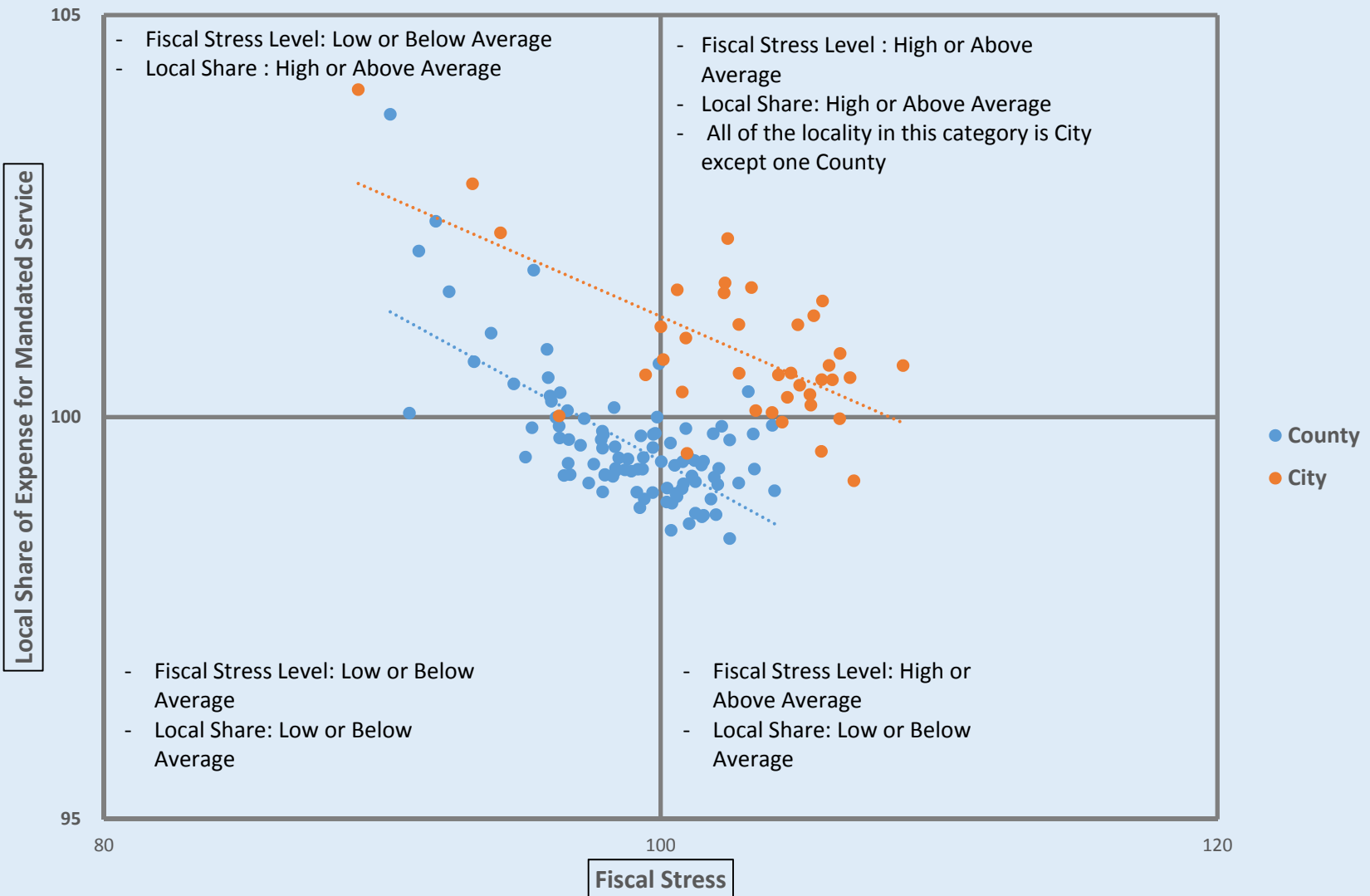
- Previous Incentive
 - State annual exposure ranged from \$0 to \$44.5 million+
- Proposed Incentive
 - State annual exposure ranges from \$0 to \$2.2 million



Annexation Alternatives Study

- Chapters 158 and 364, 2016 Acts of Assembly
- Moratorium extended until 2024
- Study Directive for Commission on Local Government due by 12/1/2018
- Evaluate the structure of cities and counties in the commonwealth;
- Evaluate the impact of annexation upon localities;
- Consider alternatives to the current moratorium on annexation by cities; and
- Consult with and seek input from the Virginia Municipal League, Virginia Association of Counties and localities directly affected by moratorium.
- Subcommittee Recommendation Topics: Fiscal and Structural

Fiscal Stress VS Local Share of Expense for State Mandated Service



Inverse Correlation – High Fiscal Stress Low Local Mandated Share



Questions?