REPORT ON THE
CITY OF COVINGTON – COUNTY OF ALLEGHANY
CONSOLIDATION ACTION

Commission on Local Government
Commonwealth of Virginia

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DEVELOPMENT OF CONSOLIDATION AGREEMENT

On October 24, 2008, petitions signed by the requisite number of registered voters from the City of Covington and Alleghany County were filed with the Covington City Council and the Alleghany County Board of Supervisors, respectively, pursuant to Section 15.2-3531 of the Code of Virginia, requesting the governing bodies to effect an agreement consolidating the two jurisdictions and to submit subsequently the plan of consolidation to referendum. Further, in accordance with the statutory direction, copies of the petitions were also presented to the Circuit Court of Alleghany County. On November 23, 2009, after the governing bodies of the City and the County failed to effect the consolidation agreement requested by the citizens' petitions, and in accordance with Section 15.2-3531 of the Code of Virginia, the Circuit Court of Alleghany County appointed two committees of five citizens each to serve in lieu of the Covington City Council and Alleghany County Board of Supervisors, respectively, for the purpose of developing a consolidation agreement. The committees were further directed to act as a single joint committee (hereinafter referred to as the "Consolidation Committee"). After an extensive series of meetings, on July 13, 2010, both the county and city committees individually adopted resolutions approving a consolidation agreement that would effectively consolidate the City of Covington and Alleghany County into the City of Alleghany Highlands. In addition to the agreement, the Consolidation Committee also proposed a charter and related legislation for consideration at the 2011 General Assembly session.[1]

Proposed Consolidation Agreement

The proposed consolidation agreement contains provisions to administer the combination and transition of the two separate governments into a new independent city, and only the most notable are discussed herein.[2] The agreement would create special districts for water and sewer and for solid waste due to differing costs of providing water and sewer service and in order to pay for Covington's obligations in connection with landfill closure. It also mandates the utilization of state incentives for local government consolidation actions, including continued Virginia Department of Transportation (VDOT) road maintenance in previously unincorporated areas and state police assistance for a period of ten years.

Regarding existing personnel, the agreement recommends retention of local government and school division employees as well as salary increases for the school division with the lower pay scale to bring all school employees to the same salary level; however, it should be emphasized that these are

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[1] Notice by the Citizens Committees of Alleghany County and the City of Covington of a Proposed Consolidation into the City of Alleghany Highlands (hereinafter cited as Consolidation Notice), submitted to the Commission on Local Government on January 7, 2011.

[2] See **Appendix A** for the complete text of the Consolidation Agreement. The Consolidation Committee subsequently amended the original agreement on September 21, 2010 to make minor changes relative to recommendations for school employee compensation. The amendment is located in Appendix A after the original agreement.

recommendations only, and most salary and retention issues will actually be determined by the proposed city's council. The only positions that are specifically eliminated pursuant to the agreement are one each of the treasurer, commissioner of the revenue, and school superintendent positions. [3]

Charter for the City of Alleghany Highlands

Although the city form of government was chosen by the Consolidation Committee, several aspects of the county form of government have been retained within the charter that was approved at the 2011 session of the General Assembly.[4] First, law enforcement would be provided by an elected sheriff, and an appointed police chief is specifically prohibited in the charter. Also, the issuance of certain bonds would require approval via referendum.

Similar to other charters, the document establishes the city council, with seven members, representing seven election districts, and staggered terms. An appointed school board is created, with staggered terms, and seven members, each representing one election district.

Bills approved at the 2011 General Assembly Session

In addition to the charter, the General Assembly approved budget amendments and two other bills to facilitate the consolidation:

- HB 1769/SB 900 amended § 15.2-3548 to extend town annexation rights to townships that are created as the result of a county/city consolidation. The towns of Clifton Forge and Iron Gate are located within Alleghany County and would become Virginia's first townships upon consolidation; without this legislation, they would be unable to seek to expand their boundaries through the annexation process.[5]

- HB 1771/SB 901 amended § 15.2-1609.1 to allow the State Compensation Board to provide law enforcement deputy allocations to cities that are created as the result of a county/city consolidation. Previously, these allocations were limited to counties that did not have police departments.[6]

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[3] Per Article XIV of the Consolidation Agreement and Article XVI (B) of the amended agreement, the treasurer, commissioner of revenue, and school superintendent of the new city would initially be one of the officials currently holding those positions in either the existing city or county. Either the existing city or county official would continue in that position for the new city, and the other would serve as a deputy or assistant. The deputy or assistant position would then be eliminated once the incumbent's term or appointment expires.
[4] Chapters 338 and 348, Acts of Assembly, 2011. See **Appendix B** for the full text of the Charter.
[5] Chapters 337 and 349, Acts of Assembly, 2011.
[6] Chapters 339 and 350, Acts of Assembly, 2011.

- Three amendments to the Budget Bill (HB 1500) were adopted to ensure that the level of state funding to the proposed consolidated city is no less than the funding provided to the two existing localities, as provided in § 15.2-1302.[7]

PROCEEDINGS OF THE COMMISSION

On January 7, 2011, the committees jointly filed notice with the Commission on Local Government, pursuant to the provisions of § 15.2-2907(A) of the Code of Virginia, proposing the establishment of the consolidated "City of Alleghany Highlands." That notice was accompanied by data and materials supporting the plan of consolidation. Further, in accordance with statutory requirements, the parties to the consolidation agreement gave notice of the proposed consolidation to 19 local governments with which the localities proposing to consolidate are contiguous or with which they individually or collectively share functions, revenue, or tax sources.[8] [9]

Pursuant to a schedule adopted by the Commission, a public hearing, advertised in accordance with the requirements of § 15.2-2907(B) of the Code of Virginia, was held on the evening of March 21, 2011 at Dabney S. Lancaster Community College in Clifton Forge, Virginia, at which the Commission solicited comment from other potentially affected political subdivisions and the public. Each locality receiving notice under the provisions of § 15.2-2907(A) of the Code of Virginia was invited to submit testimony on the proposed consolidation for the Commission's consideration. The public hearing was attended by approximately 55 persons and produced testimony from 15 individuals. Further, on March 22, 2011, the Commission toured relevant sections of the City of Covington and Alleghany County and received oral testimony from the citizens committees representing the two jurisdictions in support of the proposed consolidation. Designated representatives of the Covington City Council and Alleghany County Board of Supervisors also provided testimony at this time. In order to afford the public an opportunity to submit additional comment, the Commission agreed to keep its record open for the receipt of written testimony through April 5, 2011. Written comments were submitted by one individual.

SCOPE OF REVIEW

The statute establishing the Commission on Local Government states that a fundamental purpose of the General Assembly in creating this body was to provide a means to "help ensure that all of its [the Commonwealth's] localities are maintained as viable communities in which their citizens can live."[10]

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[7] The specific amendments to the 2011 Budget Bill (HB 1500) are to Item 67.90 (L), Item 386 (A), and Item 4-1.03 (c)(8).
[8] Sec. 15.2-2907 (A), Code of Va.
[9] The parties also provided notice to the City of Covington and Alleghany County.
[10] Sec. 15.2-2900, Code of Va.

With this expression of legislative intent as a guide, the Commission is charged with the responsibility of reviewing certain proposed consolidations, as well as other local boundary change and governmental transition issues, before such actions are presented to the courts for disposition. In undertaking such reviews, the Commission is required to "investigate, analyze, and make findings of fact, as directed by law, as to the probable effect" of the proposed action on the people residing in the affected jurisdictions.[11] While the Code of Virginia directs that the Commission's findings and recommendations in each instance be based upon the standards and criteria prescribed by law for the disposition of the issue in question, the Commission is cognizant of the fact that its analyses also must be guided generally by the General Assembly's concern for the preservation of the viability of all Virginia localities. We trust that this report will be of assistance to the court, the citizens and elected leadership of the affected jurisdictions, and the Commonwealth generally with respect to the protection and preservation of the viability of local governments in Virginia.

PREVIOUS COMMISSION ACTIONS IN THE ALLEGHANY HIGHLANDS AREA

It should be noted that this is the third attempt to consolidate governmental units in the Alleghany Highlands area since the early 1980s, and this constitutes the fifth report issued by this Commission pertaining to local governmental transition or boundary change initiatives in the area.[12] The earlier consolidation efforts were approved by the Commission and special court, but both ultimately failed at referendum.[13] [14] In addition to those interlocal issues, the Commission has issued reports on an unsuccessful annexation attempt by the City of Covington as well as Clifton Forge's reversion from city to town status. Many of the issues and facts that the Commission encountered in reviewing these prior actions have remained the same; however, many attributes of this proposal are unique, and it will be reviewed on its own merit.

GENERAL CHARACTERISTICS OF THE CITY OF COVINGTON, ALLEGHANY COUNTY, AND THE PROPOSED CITY OF ALLEGHANY HIGHLANDS

[11] Sec. 15.2-2903 (4), Code of Va.

[12] Report on the City of Covington – County of Alleghany Annexation Action, August 1984; Report on the City of Covington – City of Clifton Forge – County of Alleghany Consolidation Action, July 1986; Report on the County of Alleghany - City of Clifton Forge Consolidation Action, July 1991; and Report on the City of Clifton Forge – County of Alleghany County Voluntary Settlement Agreement, October 2000.

[13] Consolidation Notice, "Eligibility for City Status" Tab, p. 1-2.

[14] Report on the City of Clifton Forge – County of Alleghany County Voluntary Settlement Agreement, October 2000, p. 16.

City of Covington

The City of Covington, which was originally platted in 1818, was incorporated as a town in 1833 and transitioned into an independent city in 1952.[15] The City has had a declining population since it peaked at 11,062 in 1960.[16] Between 2000 and 2010, Covington's population decreased from 6,303 to 5,961, or by 5.4%. Based on its 2010 population and its present land area of 5.47 square miles, Covington has a population density of 1,090 persons per square mile.[17]

The population of the City is significantly older and less wealthy than the State as a whole. The 2005-2009 American Community Survey estimated that the median age of Covington residents is 42.6 years, compared to 36.7 for the entire Commonwealth. In addition, the percentage of the City's population age 65 or over was 21.4%, which was almost twice the comparable figure for all of Virginia (11.8%). With regard to income, the Census estimated that, in 2009, the per capita income in Covington was $19,228, or only 60.1% of the comparable figure for the State overall ($31,606).[18]

With respect to the general fiscal health of the City of Covington, statistics indicate that, between 1998 and 2008, the true value of real estate and public service corporation property in the municipality increased from $239.3 million to $324.9 million, or by 35.7%, which is less than one-quarter of the rate of growth in the State generally (161.4%).[19] Additionally, Covington's total taxable retail sales, a significant indicator of the strength of the locality's commercial base, decreased 1.1% between 2000 and 2010, whereas retail sales in the State as a whole increased by 25.9%.[20] Furthermore, between 1999 and 2009, the number of wage and salary employment positions in the City decreased from 4,795 to 3,758 positions, a decrease of 21.6%, while the State as a whole experienced an increase of 6.6%[21]

Additional evidence of the City of Covington's fiscal condition is revealed by statistical analyses conducted annually by this Commission. These analyses are based upon a Virginia-adapted "representative tax system" (RTS) methodology, which establishes a theoretical level of revenue capacity for each county and city in the Commonwealth derived from several local revenue-generating "sources" and the statewide average "yield rate" for each. Our calculations reveal that, between

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[15] "Counties, Cities, and Towns with Charters," Division of Legislative Services, accessed February 15, 2011, http://dls.virginia.gov/lrc/charters/welcome.htm.

[16] City of Covington, City of Covington Comprehensive Plan (hereinafter cited as Covington Comprehensive Plan), Ch. II.

[17] U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; 2010 Census Redistricting Data (Public Law 94-171).

[18] U.S. Department of Commerce, Bureau of the Census, 2005-2009 American Community Survey.

[19] Virginia Department of Taxation, Virginia Assessment/Sales Ratio Study, 2008, June 2010; and Virginia Assessment/Sales Ratio Study, 1998, May 2000. From 1998 to 2008, the per capita increases in the true value of real estate and public service corporation properties in the City of Covington and the Commonwealth generally were 69.1% and 128.5%, respectively.

[20] "Taxable Sales Reports," Weldon Cooper Center for Public Service, University of Virginia, accessed April 18, 2011, http://www.coopercenter.org/node/1160. The per-capita increases of taxable sales during the period from 2000 to 2010 in Covington and Virginia as a whole were 4.5% and 11.4%, respectively.

[21] Virginia Employment Commission, Quarterly Census of Employment and Wages. 1999 and 2009 (Online database). https://www.vawc.virginia.gov.

FY2004-2005 and FY2008-2009, the City of Covington's per capita revenue capacity increased by 7.1%, while, during the same period, that of all Virginia's counties and cities considered collectively increased by 29.6%. In addition, data for FY2008-2009 reveal that the City's per capita revenue capacity was only 63.8% of the statewide average statistic.[22] Finally, our statistical calculations reveal that for FY2008-2009, the City of Covington was the second most fiscally distressed locality among Virginia counties and cities, when considering its theoretical revenue capacity, actual revenue effort, and the income level of its residents.[23]

In terms of the City's physical development, a review of various maps indicate that very little easily developable land remains within Covington. Most of the vacant land within the city is hindered by either steep terrain or floodplains.[24] [25]

Although Covington has experienced fiscal and demographic difficulties, the City remains a focal point of the economic and corporate life in the area. A significant concentration of governmental facilities, employers, and retailers emphasize the importance of the municipality to the surrounding area. In 2000 (the most recent year for which data are available), 52.4% of the jobs in Covington were filled by residents of Alleghany County.[26] Further, 62.5% of the 2010 retail sales in Covington and Alleghany County area occurred within the City.[27]

County of Alleghany

The County of Alleghany was created in 1822 from territory formerly a part of Bath and Botetourt Counties in Virginia and Monroe County, West Virginia.[28] Between 2000 and 2010, Alleghany County's population decreased from 17,215 to 16,250, or by 5.6%.[29] On the basis of its current population and an

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[22] Commission on Local Government, "Revenue Capacity Per Capita by Locality, 2004/2005-2008/2009."

[23] Commission on Local Government, "Composite Fiscal Stress Index Scores, Rank Scores, and Classifications by Locality, 2008/2009."

[24] National Land Cover Database, 2006 and U.S. Geological Survey 7.5 minute series maps (Online GIS data), accessed April 18, 2011, http://nationalmap.gov/viewers.html.

[25] Covington Comprehensive Plan, Ch. III. The city was unable to provide the Commission with percentages for land uses and development constraints; therefore, we were unable to provide this information. However, the absence of this information did not materially affect our analysis.

[26] Virginia Employment Commission, Covington Community Profile, and Alleghany Community Profile, April 6, 2011.

[27] "Taxable Sales Reports," Weldon Cooper Center for Public Service, University of Virginia, accessed April 18, 2011, http://www.coopercenter.org/node/1160.

[28] Alleghany County, Comprehensive Plan of Alleghany County, Virginia (hereinafter cited as Alleghany Comprehensive Plan), June 19, 2007, p. 2.

[29] On July 1, 2001, the independent City of Clifton Forge reverted to town status, and, at that time, the territory of the city became part of Alleghany County. Throughout this report, any data for Alleghany County prior to this reversion represents the aggregate of Alleghany County and the former City of Clifton Forge, unless otherwise indicated. In 2000, the actual population of Alleghany County was 12,926 and that of the former City of Clifton Forge was 4,289.

area of 445.46 square miles, Alleghany County has a population density of 36.48 persons per square mile.[30]

With respect to the characteristics of its population, Alleghany County is demographically older and less affluent than the State as a whole, and, when compared to Covington, the County's residents are slightly older and more affluent. The estimated 2005-2009 median age of County residents is 44.1 years, much greater than the statewide median age (36.7 years). Moreover, the percentage of its populace age 65 and over was 18.8%, also greater than the State generally (11.8%). Regarding income, the 2009 estimated per capita income for residents of the County was $21,936 or only 69.4% of the comparable figure for the entire State ($31,606).[31]

Regarding the fiscal condition of the County, between 1998 and 2008, the true value of real estate and public service corporation property in Alleghany County increased from $776.6 million to $1,221.4 million, or by 57.3%, slightly more than one-third of the overall rate of growth in the State (161.4%).[32] Additionally, the County's total taxable retail sales increased by 2.7% between 2000 and 2010, whereas the statewide total increased by 25.9%.[33] Regarding employment, between 1999 and 2009, the number of wage and salary employment positions in the County decreased from 4,999 to 4,214 positions, a decrease of 15.7%.[34]

Further, with respect to the overall fiscal condition of Alleghany County, the Commission's previously cited study of fiscal stress disclosed that, between FY2004-2005 and FY2008-2009, the County's per capita revenue capacity increased by 18.4%, greater than the increase experienced by the City of Covington (7.1%) and less than the Statewide mean (29.6%). The FY2008-2009 data also show that the revenue capacity for the County was only 66.8% of the average of all Virginia counties and cities.[35] With regard to fiscal stress, the report found that Alleghany County was the 26th most fiscally stressed jurisdiction among Virginia's counties and cities.[36]

Difficult terrain and large tracts of land owned by the federal and State governments have limited areas available for development in the County. Alleghany County estimates that only 15% of its land area is

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[30] U.S. Department of Commerce, Bureau of the Census, Census 2000, Summary File 1; 2010 Census Redistricting Data (Public Law 94-171).

[31] U.S. Department of Commerce, Bureau of the Census, 2005-2009 American Community Survey.

[32] Virginia Department of Taxation, Virginia Assessment/Sales Ratio Study, 2008, June 2010; and Virginia Assessment/Sales Ratio Study, 1998, May 2000. From 1998 to 2008, the per capita increases in the true value of real estate and public service corporation properties in Alleghany County and Virginia overall were 59.2% and 128.5%, respectively.

[33] "Taxable Sales Reports," Weldon Cooper Center for Public Service, University of Virginia, accessed April 18, 2011, http://www.coopercenter.org/node/1160. The per-capita increases of taxable sales during the period from 2000 to 2010 in Alleghany County and the State as a whole were 4.5% and 11.4%, respectively.

[34] Virginia Employment Commission, Quarterly Census of Employment and Wages. 1999 and 2009 (Online database). https://www.vawc.virginia.gov.

[35] Commission on Local Government, Revenue Capacity Per Capita by Locality, 2004/2005-2008/2009.

[36] Commission on Local Government, Composite Fiscal Stress Index Scores, Rank Scores, and Classifications by Locality, 2008/2009.

privately-owned vacant property; however, only about 3% to 5% of that land – approximately 1,300 to 2,100 acres – would be suitable for development due to environmental constraints such as steep slopes or floodplains.[37]

Unlike many of Virginia's counties, agricultural activity does not represent a major component of Alleghany County's economy. According to the 2007 Census of Agriculture, the locality ranked 93rd out of 98 county-equivalents in Virginia in the total value of agricultural products sold.[38] Forestry remains an important sector of the county's economic activity. About 84.1% of the county's land is considered to be forested: approximately half of that is privately owned, and the other half is part of the George Washington and Jefferson National Forests. The Virginia Department of Forestry estimated that, in 2003, 62% of the economic output and 37% of the jobs in the county were attributed to the forest industry.[39] Due to the rugged terrain throughout the county, most territory remains predominantly rural, and development tends to be concentrated along the Interstate 64 corridor and in the Town of Clifton Forge. In sum, while Alleghany County has experienced a decline in population and employment, forestry and its related industries remain an important component of the economy of the area.

Proposed Consolidated City of Alleghany Highlands

The two jurisdictions that would constitute the consolidated City of Alleghany Highlands would have a combined 2010 population of 22,211 persons, a land area of approximately 450.93 square miles, and a population density of 49.26 persons per square mile.[40] In terms of fiscal resources, based on 2008 data, the true value of real estate and public service corporation property in the proposed City would have been $1,546.3 million, or $68,117 per capita, with the latter statistic representing only 47.3% of that for the Commonwealth overall ($143,895).[41] Further, in 2010, the two jurisdictions which would comprise the proposed consolidated entity collectively had more than $172.3 million in taxable retail sales. In 2010, the per capita measure of taxable retail sales in the proposed consolidated City ($7,759) would have been 71.8% of the comparable statewide statistic ($10,801).[42] In terms of income, the data reveal that, in 2009, the per capita income of the proposed City of Alleghany Highlands would have been $21,196, or only 67.1% of the comparable figure for the state overall ($31,606).[43]

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[37] Carter Glass, IV, letter to Commission staff dated March 16, 2011 (hereinafter referred to as "Response to Request for Additional Information"), Attachment #1, Item 3.f., and John Strutner, Alleghany County Administrator, email to Commission staff dated April 6, 2011.
[38] U.S. Department of Agriculture, National Agricultural Statistics Service, 2007 Census of Agriculture County Profile: Alleghany County, Virginia.
[39] Alleghany Comprehensive Plan, p. 12.
[40] U.S. Department of Commerce, Bureau of the Census, 2010 Census Redistricting Data (Public Law 94-171).
[41] Virginia Department of Taxation, Virginia Assessment/Sales Ratio Study, 2008, June 2010; and Virginia Assessment/Sales Ratio Study, 1998, May 2000.
[42] "Taxable Sales Reports," Weldon Cooper Center for Public Service, University of Virginia, accessed April 18, 2011, http://www.coopercenter.org/node/1160.
[43] U.S. Department of Commerce, Bureau of the Census, 2005-2009 American Community Survey.

With respect to its economy, the data disclose that, while the demographic and economic indicators show that both existing localities are experiencing stagnation or declines, the proposed consolidated City would have a more diverse employment base than that of either the existing City or County.[44]

In sum, the merger of the City of Covington and Alleghany County would create a consolidated entity with a 2010 population larger than 17 of the Commonwealth's 39 cities, but with a density of population significantly less than that of any other city in Virginia. Further, although the consolidation of the City and County would combine the local fiscal bases of the two jurisdictions, the data indicate that the collective fiscal resources of the combined entity, when standardized by population, would be generally less than that available to the counties and cities of Virginia collectively.

STANDARDS AND FACTORS FOR CONSOLIDATED CITIES

In 1979, the Code of Virginia was amended to require, for the first time, judicial review and approval of all consolidations which propose the establishment of a new consolidated city.[45] In 1985, the Code of Virginia was further amended to require this Commission's evaluation of such proposed consolidations prior to their being presented to the courts for disposition.[46] This state oversight of consolidations proposing the creation of new consolidated cities was established in recognition of the fact that status as an independent municipality (1) imposes upon a jurisdiction increased fiscal responsibilities and (2) affects the territorial growth of adjacent municipalities.

As noted previously, the Commission is required in its review of a proposed consolidation, or any other interlocal issue, to base its findings and recommendations upon the standards and factors described by statute for consideration in such issues.[47] The standards and factors prescribed for consideration in consolidation actions are set forth in § 15.2-3526 of the Code of Virginia. The following sections of this

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[44] K.W. Poore & Associates, Challenges for Economic Growth in the Alleghany Highlands, April 2008, p. 22. The Alleghany Highlands area is highly dependent on manufacturing jobs when compared to the rest of the Commonwealth. 26.1% of employment in the area is in the manufacturing sector, whereas the same figure for Virginia as a whole is only 7.6%. Several of the top employment sectors – manufacturing, health care, retail and wholesale trade – are currently disproportionately distributed between the City of Covington and Alleghany County. For instance, 84.6% of the health care positions in the area are in Alleghany County, and over two-thirds of the manufacturing and retail and wholesale trade positions are located in Covington. The proposed jurisdiction would, in effect, be less dependent upon a single industry than are the existing City and County. (Note: This data is from 2007, which was prior to the closing of two manufacturing facilities. Manufacturing employment figures for the City of Covington are no longer disclosed to protect the confidentiality of the small number of employers. Despite these closures and the lack of current data, manufacturing remains a dominant part of the area's economy).

[45] Chapter 85, Acts of Assembly, 1979.

[46] Chapter 478, Acts of Assembly, 1985. The Commission has no statutory responsibility for the review of consolidations proposing the creation of consolidated counties.

[47] Sec. 15.2-2907(B), Code of Va.

report reflect the Commission's efforts to review the proposed establishment of the consolidated City of Alleghany Highlands in relation to those statutorily prescribed standards and factors.

Population Standard

The Code of Virginia establishes certain population and population density standards which must be met by jurisdictions proposing to consolidate as a city. However, in instances where the proposed consolidated entity includes an existing city, those population and population density standards are waived.[48] Since, in this case, the consolidating units of government include a city – the City of Covington – the overall population and population density figures for the consolidating localities are irrelevant in terms of the statutory conditions for consolidation.

Although the population criteria are not applicable to this proposal, certain statistics regarding the population density of the proposed consolidated City of Alleghany Highlands should be noted. As observed previously, based upon its total land area (450.93 square miles) and its 2010 population (22,211 persons) the proposed consolidated city would have an overall population density of only 49.26 persons per square mile, less than any other Virginia city. Currently, the City of Suffolk is Virginia's least densely populated city, with a population density of 211 persons per square mile.

According to 2010 Census data, the population of the proposed consolidated city is concentrated along the Interstate 64 corridor, with 11,368 (51.2%) of the residents of the proposed city contained within 2.8% of its land area.[49] Thus, the proposed city contains an urban core with a population density of 964 persons per square mile, which is comparable to the densities found in the cities of Bedford (905 persons per square mile), Buena Vista (992 persons per square mile), and Danville (1,002 persons per square mile).[50]

In sum, while the proposed City of Alleghany Highlands embraces an expansive area which is essentially rural and undeveloped in nature, it has an urban core with a municipal character. Any future major development in the proposed City is likely to be concentrated within that urban core as a consequence of the extent of State and federal land ownership, the topography of the area, and the difficulty in constructing major utility systems beyond the urban core. The proposed City of Alleghany Highlands would constitute a geographically large area with a relatively small urbanized nucleus not unlike several other cities in Virginia.

Fiscal Capacity

State statutes governing the establishment of consolidated cities require this Commission, and ultimately the special court, to determine if the proposed consolidated entity "has the fiscal capacity to

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[48] Sec. 15.2-3526(A)(1), Code of Va.

[49] U.S. Department of Commerce, Bureau of the Census, 2010 Census Redistricting Data (Public Law 94-171). These statistics are the aggregate of all incorporated areas and census designated places, including Covington, Clifton Forge, Iron Gate, Callaghan, Low Moor and Selma.

[50] Ibid.

function as an independent city and is able to provide appropriate services."[51] To examine the fiscal attributes of the proposed consolidated city, the Commission has reviewed data regarding the revenue capacity and revenue effort of the proposed jurisdiction in relation to statewide averages and that of four other Virginia cities of similar size (i.e., Bristol, Hopewell, Staunton, and Waynesboro).[52] With respect to property values, the per capita true value of real estate and public service corporation properties in the proposed City in 2008 would have been $68,117, a statistic only 47.3% of that for Commonwealth as a whole ($143,895), and slightly greater than only one of the cities of comparable size, Bristol. The 2008 per capita taxable sales for the proposed City of Alleghany Highlands would have been $7,785, a figure only 67.1% of that for all of Virginia ($11,598), and only exceeding that for one of the benchmarked cities, Hopewell ($6,844). The per capita income of the proposed locality according to the 2005-2009 American Community Survey would have been $21,196, a figure only 67.1% of the statistic for the entire State ($31,606) but comparable to the aforementioned cities of similar size.

Another measure of a local government's ability to generate revenue is the index constructed annually by this Commission to evaluate the theoretical revenue generating potential, or revenue capacity, of the Commonwealth's cities and counties. When this methodology is utilized to determine the revenue capacity of the proposed City of Alleghany Highlands for the 2008/2009 fiscal year, the proposed city would have had a per capita revenue capacity of $1,248.82, a statistic which is 65.9% of that for Virginia's counties and cities overall ($1,895.76). Further, when comparing this figure to that of cities of comparable size, three of the comparable cities have greater revenue generating potential, and Hopewell has a slightly lower per capita revenue capacity ($1,223.59).[53]

The adequacy of a locality's revenue base is not only determined by its size, but by analyzing its size relative to the jurisdiction's financial needs. A statistic representing this is obtained by dividing the locality's total local source revenue for a given fiscal year, by its revenue capacity, and is referred to as the locality's "revenue effort."[54]

Using this methodology, data for the proposed City of Alleghany Highlands for the 2008/2009 fiscal year show that the revenue effort would have been 1.2984, which is 144% of what the average effort would have been for all of the Commonwealth's cities and counties combined (0.9022). Additionally, the

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[51] Sec. 15.2-3526(A)(2), Code of Va.

[52] See **Appendix D** for per capita measures of true value of real estate and public service corporation property, taxable retail sales, and estimated per capita income for the proposed City of Alleghany Highlands, the cities of comparable population, and the State as a whole.

[53] See **Appendix E, Part 1** for data regarding theoretical revenue capacity of the proposed City of Alleghany Highlands, and cities of comparable size. See **Appendix C, Part 2** for these values for all of Virginia's cities and counties.

[54] The revenue effort is the total of its local source revenues as a percent of its total theoretical revenue capacity. A revenue effort greater than 1.0 indicates that the constituents of that jurisdiction are levied taxes and fees at a greater rate than the statewide average.

revenue effort for the proposed city would have been significantly less than Bristol's (1.4138), and slightly greater than Hopewell's (1.2990).[55]

While these figures comparing the revenue generating capacity of the proposed jurisdiction and the fiscal burdens placed upon its taxpayers do not indicate that the proposed city would be one of the most economically robust localities in Virginia, they do show that the financial characteristics of the proposed City of Alleghany Highlands are comparable to similarly populated Virginia cities.

State Incentives for Consolidation. The Virginia legislature has enacted several measures that are intended to assist local government consolidation efforts and provide financial aid to localities that choose to consolidate, which are summarized below:

- *General State Aid.* To avoid the potential that consolidation may result in a reduction in the distribution of state aid to a newly consolidated locality, state law provides that, for a 20-year period following a consolidation, state aid for any governmental program or function shall not be reduced below the amount previously distributed to the consolidating localities as a consequence of the consolidation. This provision ensures that, for a period of 20 years, a consolidated city will continue to receive at least as much state funding as the existing localities together would have received had they not consolidated.[56] To assist with the implementation of this incentive, amendments to the state budget were adopted in 2011 to ensure that allocations for public safety positions will not be reduced as a result of the transition from "HB 599" funded police officers to law enforcement deputies funded by the Compensation Board, and to allow the Compensation Board to provide funding for law enforcement deputies within the proposed consolidated city.[57]

- *Roads and Streets.* State law provides that, in instances where counties consolidate with municipalities to establish consolidated cities, the Virginia Department of Transportation shall construct and maintain the public thoroughfares in the former county areas in the same manner and to the same extent as it performed prior to the consolidation. This provision will exempt the proposed City of Alleghany Highlands from assuming responsibility for the public roads located in the portion of the proposed city that is currently in Alleghany County, which are presently maintained by the State.[58]

- *State Police Assistance.* Upon the request of the governing body of a consolidated city, the Superintendent of State Police shall continue the services of the Department of State Police in

[55] See **Appendix E, Part 1** for data regarding the revenue effort of the proposed city and cities of comparable size, and **Appendix E, Part 2** for data relevant to all counties and cities in Virginia.
[56] Sec. 15.2-1302, Code of Va.
[57] Items 67.90(L) and 386(A), HB 1500, 2011 Virginia General Assembly Session.
[58] Sec. 15.2-3530, Code of Va. This statute does not provide an actual benefit to the residents of Alleghany County; however, it will allow the consolidated city to avoid an expense that it would otherwise have been required to incur under the city form of government.

those portions of the consolidated jurisdiction which were formerly county areas for a period of 10 years following the consolidation.[59]

- *Educational Assistance.* Standard of Quality payments for all pupils in a combined school division shall be paid on the basis of a composite index established by the Board of Education, which shall equal the lowest composite index of any of the individual school divisions involved in a consolidation. This index shall remain in effect for a period of 15 years, unless the Board of Education calculates a lower composite index for the combined school division.[60] Additionally, the state provides incentives for consolidating localities with respect to Literary Fund loans.[61]

Expectation of Municipal Services. One of the effects of local government consolidation that has been discussed by this Commission in previous reports and found unlikely to be a cause for concern, is an increase in service expectation within the consolidated locality, along with increased costs associated with meeting these expectations.[62] Regarding this issue, the Commission notes that Alleghany County, despite its low population density, currently provides certain urban services, such as public water and sewer, solid waste collection, and parks facilities.[63] Additionally, the proposed city will contain two townships, and service districts in the existing Covington area, which will help delineate where more municipal services can be delivered efficiently.[64]

Capital Needs. With respect to the capital improvement needs that the proposed consolidated city would confront, the Commission reviewed the capital improvement and planning documents for both existing jurisdictions, and noted the existing facilities during its tour of the area. Our findings indicate that school and government offices of the existing jurisdictions are sufficient and modern, with the exception of both high schools, and one county elementary school.[65] [66] The planning instruments of each jurisdiction indicate that there are no immediate plans for any large-scale construction projects other than a regional wastewater treatment plant that is already under construction.[67] If the proposed

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[59] Sec. 52-11.2, Code of Va.
[60] Item 132(A)(4)c.1., Chapter 874, Acts of Assembly, 2010.
[61] Item 132(A)(4)c.3., Chapter 874, Acts of Assembly, 2010, and 8 VAC 20-100-210, Virginia Administrative Code.
[62] Commission on Local Government, Report on the City of Covington-City of Clifton Forge-County of Alleghany Consolidation Action, p. 21; Report on the County of Alleghany-City of Clifton Forge Consolidation Action, p. 26; Report on the City of Emporia-County of Greensville Consolidation Action, p. 19; and Report on the County of Bedford-City of Bedford Consolidation Action, p. 24.
[63] Alleghany Comprehensive Plan, pp. 69, 85, and 97.
[64] Sections XVII(C), XVIII(B), XXVI(B), and XXVII(B), Consolidation Agreement.
[65] "Commission on Local Government Tour," narrative, distributed at the Commission's tour on March 22, 2011.
[66] S. John Davis & Associates, Ltd., Study to Explore the Feasibility of a Merger/Consolidation: Alleghany County and Covington City Public Schools, Volume I, Summer 2009, pp. 29-87.
[67] Response to Request for Additional Information, Attachment #1, Exhibit 1(d) "Alleghany County Capital Improvements Program, Fiscal Years 2009-2013" and Attachment #2 "Covington Capital Needs Budget, FY 2011-2016." The only projects in the County's capital program that exceed $1 million were for renovations of the existing Alleghany High School (which have since been completed) and planning for a replacement high school. Similarly, Covington's program includes only one proposed expenditure in excess of $1 million – to renovate its high school, which was deferred to FY 2015.

merger is completed, the first major capital building project required may be the construction of a new high school, which does not appear to be an immediate need.

Debt Burdens. To analyze the debt burdens of the proposed city, this Commission compared the existing debts and debt payments of all of Virginia's cities and counties to the theoretical values for the proposed jurisdiction. Two ratios were constructed: the first to compare each jurisdiction's amount of debt to its revenue raising ability, or revenue capacity, and the second to compare annual debt payments to each locality's revenue capacity.[68]

Our analysis revealed that at the end of the 2008/2009 fiscal year, the amount of debt for the proposed jurisdiction would have been 220.91% of its total revenue capacity, which is 187% of the average of all of Virginia's localities (118.4%). Additionally, this measure of debt, when compared to the aforementioned similarly populated cities, reveals that the level of debt would be exceeded only by Bristol's (281.28%).

During the 2008/2009 fiscal period, the consolidated city's debt service payments would have been 20.18% of its total revenue capacity, a figure slightly greater than the statewide average for all Virginia's cities and counties (18.1%). When compared to cities of similar population, the proposed City of Alleghany Highlands' debt service ratio ranked second lowest, with only Waynesboro utilizing less of its revenue capacity for debt payments, at 12.16%.

Financial Assistance. The U.S. Department of Agriculture (USDA) offers several grant and loan programs that are currently available to Alleghany County and the City of Covington. During the Commission's hearings, concerns were raised that access to funding from these programs could be in jeopardy if the city and county were to consolidate, due to the population and city status of the new jurisdiction.[69] These programs can be used by local governments for water and sewer, solid waste, and community facility projects.[70] Upon reviewing federal assistance data for both localities, it appears that neither jurisdiction has been overly reliant upon this assistance to meet its capital project needs.[71] Should the new locality find that outside community development grant and loan funds are necessary, alternative sources such as Community Development Block Grants and Appalachian Regional Commission programs

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[68] See **Appendix F** for data regarding Virginia cities and counties total debt and total debt payments compared to their revenue raising ability. Some jurisdictional values may include restructuring of debt with debt service payments, which may greatly increase debt service values.

[69] Oral Presentations, Testimony of Stephen Bennett, Chairman of the Alleghany County Board of Supervisors.

[70] U.S. General Services Administration, 2010 Catalog of Federal Domestic Assistance, p. AIS-3. A review of these catalog entries, along with corresponding regulations contained in the Code of Federal Regulations, reveals that the determination of an eligible "rural area" varies by program. Examples of the varied definitions of this term are included in **Appendix G**.

[71] U.S. Office of Management and Budget, (Online database). http://www.usaspending.gov. The results of a search of all grants and loans from USDA Rural Development to recipients in the Alleghany Highlands are included in **Appendix H**, along with a comparison of all federal grants to capital project funding for the City of Covington and Alleghany County. Beyond Recovery Act related funding, the City of Covington and Alleghany County have only received $487,480 in USDA Rural Development funding since 2000. Also see **Appendix I** for an analysis of federal grants made for capital projects for both localities over a ten-year period.

should be explored, or the new jurisdiction could seek an exemption from the pertinent USDA regulation, citing unusual circumstances due to Virginia's unique independent city form of government.[72]

Fiscal Impact Studies. Since 2008, several firms have evaluated the potential savings that could be realized in the Alleghany Highlands region through alternate governmental arrangements. Each study had a different scope and assumptions; consequently, each report estimated a different fiscal impact. The projections from the studies also vary from 1.9% to 4.7% in savings for general fund expenditures, and 1.4% to 9.9% in savings for schools.[73] As stated previously, the Consolidation Agreement recommends retention of all employees as well as the equalization of school district salary scales over an unspecified period and relies on attrition to realize most cost savings. The City Council and School Board of the proposed city will both need to decide whether to follow those recommendations. In addition, the City Council will be required to set tax rates for the new locality, which may result in the generation of additional revenue. The consolidated city will also have to decide whether to take advantage of the broader taxing authority that is available to cities, which could also generate additional revenue. As mentioned previously, the School Board will be able to utilize the State's educational incentives for school division consolidation.[74]

In sum, the Commission finds that the proposed City of Alleghany Highlands has the fiscal capacity to function as an independent city and to provide appropriate services to its residents. While it is difficult to pinpoint the ultimate fiscal impact of the proposed consolidation with so many unknown variables, the Commission believes that good governance and fiscal management will also enable the proposed city to realize improved efficiencies with the elimination of duplicative services, at least providing the potential for the consolidated jurisdiction to function more efficiently and effectively than can the individual jurisdictions.

Interests of the Parties

Any consideration of the impact of the proposed consolidation on the City of Covington and Alleghany County and their respective residents should include acknowledgement of the potential benefits which can accrue from the political integration of the two jurisdictions. These benefits include the more efficient use of public resources, future economies of scale in the provision of services, the elimination of undesirable competition between independent units of government, and a greater ability to engage

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[72] Chris Thompson, Program Manager, Department of Housing and Community Development, March 29, 2011 and April 14, 2011. The Appalachian Regional Commission and Community Development Block Grant programs are not currently as well funded, and have a different scope than the USDA Rural Development programs. The Commission is not aware of a formal process through the USDA to obtain exemptions to its regulations.

[73] See **Appendix J** for the estimated savings from each of these studies. These figures represent anticipated expenditure decreases only. As such, they do not address potential increased expenditures such as those associated with salary equalization or one-time consolidation costs.

[74] Commission on Local Government, "Taxing Powers Granted to Virginia Counties, Cities, and Towns," April 8, 2009. The following taxes generally cannot be assessed, or have restrictions upon their assessment by counties, but are available to cities: cigarette tax, transient occupancy tax, admissions tax, and food and beverage tax.

in long-range, coordinated planning for the future development of the proposed City of Alleghany Highlands.

In evaluating the prospective impact of the proposed consolidation on the interests of the parties, consideration should also be given to the interdependence and complementary nature of the localities involved in the proposed consolidation. Where these characteristics exist, the appropriateness of local government consolidation is, in our judgment, increased. In this instance, there is evidence to suggest that such characteristics are present with respect to Alleghany County and the City of Covington. First, these two jurisdictions currently cooperate on a formal and an informal basis in the provision of certain public services.[75] Further, there are similarities in the demographic profile of the residents of the current City and County with respect to age and income levels, and such similarities impact public policies and programs. Also, a study of commuting patterns and employment in the two jurisdictions reveals that in 2000, 84.58% of the commuters who reside in the Alleghany Highlands are also employed within the area, a figure representing significant economic interdependence between the existing jurisdictions.[76] Finally, the Commission notes that, until 1952 when Covington attained independent city status, there was a level of political integration in the area, which provides an historical foundation for the currently proposed consolidation.

The Commission also observes that the limited fiscal resources available to support local public services in the City of Covington and Alleghany County, as well as current projections for limited population growth, should encourage careful consideration of the merits of the proposed consolidation. As noted previously, the growth in fiscal resources of the two jurisdictions which would comprise the proposed City of Alleghany Highlands has been significantly less than the State as a whole (i.e., all cities and counties). In terms of demographic considerations, the 2010 population of the proposed City reflected a decrease in the area's population since 2000. Moreover, official state population projections indicate that, as of the year 2030, the population of the two jurisdictions constituting the City of Alleghany Highlands will total 21,866, which is a 1.55 % decrease from the 2010 population count.[77] These various measures and projections indicate that local government consolidation may represent an effective means by which the residents of the two existing localities might benefit equitably from the limited public resources of the area.

As mentioned previously, eligibility for certain USDA programs may be at risk due to consolidation into a city form of government. In addition to grants and loans that are directly awarded to the local government, there are also programs that may affect individuals, businesses, and non-profit

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[75] Response to Request for Additional Information, Attachment #1, Items 19 and 23; Alleghany Comprehensive Plan, pp. 91; and K.W. Poore & Associates, Options for the Future for the Alleghany Highlands, May 2008, p. 13. Examples of functions that the two jurisdictions jointly operate or support include: three constitutional officers (clerk of court, Commonwealth's attorney, and sheriff), an economic development agency, a regional library system, a regional jail, a technical education center, and a social services department.
[76] Virginia Employment Commission, Covington Community Profile and Alleghany Community Profile, April 6, 2011.
[77] Ibid.

organizations.[78] The USDA's housing programs may no longer be available to more urban areas in the Alleghany Highlands. These programs provide grants and loans for single-family and multi-family dwelling units for individual homeowners and multi-family property owners. It does not appear that the proposed government restructuring would affect the remaining component of the USDA's programs, the Rural Business Cooperative, which offers many economic development tools. As stated earlier, the proposed City of Alleghany Highlands could seek relief from the federal government in the form of an exemption to the regulation that would restrict the availability of the program, as the Alleghany Highlands area is typical of the communities that the USDA endeavors to serve.[79]

In sum, the evidence indicates, in our judgment, that the proposed consolidation of the City of Covington and Alleghany County into a new independent city is consistent with the interests of the residents of the jurisdictions which would constitute the consolidated entity.

Interests of the Commonwealth

Compliance with State Policies

Another of the factors prescribed for consideration in consolidation actions under review by the Commission is the impact of the proposed consolidated city on "the promotion of applicable State policies" with respect to education, public planning, and other services.[80] In the review currently before the Commission, we are unable to find any basis for concluding that the proposed consolidation of the City of Covington and Alleghany County will have an adverse effect on the implementation of such State policies. Moreover, several state service policies, in our view, will be positively affected by the proposed consolidation, and they merit comment in this report, as follows:

Education. The Commonwealth has declared that public education is a fundamental concern of the State of Virginia through both constitutional provisions and general law.[81] In our judgment, the proposed consolidation, which would place responsibility for overseeing public education under a single governing body, would improve the administration and effectiveness of the school division.

Environmental Protection. Many environmental concerns reach beyond local jurisdictional boundaries, and, therefore, cannot be effectively treated by localities acting individually. Water resources management, solid waste collection and disposal, and the protection of an area's aesthetic qualities are more adequately addressed on a larger scale. In sum, the Commission concludes that the Commonwealth's environmental protection goals would be advanced by the proposed consolidation.

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[78] U.S. General Services Administration, 2010 Catalog of Federal Domestic Assistance, p. AIS-3. A review of these catalog entries, along with corresponding regulations contained in the Code of Federal Regulations reveals that the determination of an eligible "rural area" varies by program. Examples of the varied definitions of this term are included in **Appendix G**. For a listing of all USDA Rural Development funds that have been awarded within the Alleghany Highlands area since 2000, see **Appendix H.**

[79] U.S. Department of Agriculture, Strategic Plan, FY 2010-2015, p. 6-8.

[80] Sec. 15.2-3526(A)(3), Code of Va.

[81] Art. VIII, Constitution of Va. See also Sec. 22.1-253.13:1, Code of Va.

Public Planning. Both jurisdictions which would comprise the City of Alleghany Highlands have planning commissions and adopted comprehensive plans, as well as zoning and subdivision ordinances.[82] The proposed consolidation will permit a full integration of those planning and development controls, and will enable the development of a more cohesive comprehensive planning process in the proposed city.

Viability of Local Governments in Area

Because consolidations which propose the establishment of a new city can affect the growth opportunities of other jurisdictions, the General Assembly has directed that such actions be subject to critical review for this prospective impact.[83] The only two jurisdictions that appear to be potentially affected by this consolidation proposal are the towns of Clifton Forge and Iron Gate.

With respect to these two towns, state law permits a town which would be a part of a consolidated city to continue in existence as "township." In such instances, "townships" would continue to function under their existing charter and would have all powers granted to towns under general law, except for the ability to transition to city status and extra-territorial planning powers.[84] The 2011 General Assembly amended §15.2-3548 of the Code of Virginia to provide that "townships" will retain traditional annexation rights, which should address any concerns that the Towns of Clifton Forge and Iron Gate may have regarding future boundary expansion.[85] With respect to the prohibition on transition to city status, neither existing town would qualify for such under current law.[86] Regarding the potential loss of extra-territorial planning authority, there should be minimal effect, as the only such authority that would have been available to the towns permits a comprehensive plan of a town to extend its scope beyond its corporate limits. The statute, however, states that if a town exercises this power, that it shall have no effect on the County's comprehensive plan.[87]

Conclusion

Based on the considerations above, we find the consolidation proposal consistent with the interests of the Commonwealth and the furtherance of its applicable policies, and in the interest of promoting strong viable units of government in the area.

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[82] Alleghany Comprehensive Plan, pp. 1 and 131; and Covington Comprehensive Plan, Ch. I.
[83] Sec. 15.2-3526(A)(3), Code of Va.
[84] Sec. 15.2-3548(B), Code of Va.
[85] Chapters 337 and 349, Acts of Assembly, 2011.
[86] Sec. 15.2-3201, Code of Va., provides for a temporary prohibition on the granting of new city charters (except for consolidated cities), which is in effect until 2018. Additionally, the Town of Clifton Forge reverted from independent city status to a town form of government in 2001, pursuant to § 15.2-4100 et seq. of the Code of Virginia. Sec. 15.2-4113 of the Code of Virginia prohibits the future transition of any former city back to city status. The Town of Iron Gate, with a 2010 population of only 388, is well below the minimum population of 5,000, which is required to obtain city status according to Art. VI, Sec. 1 of the Constitution of Virginia.
[87] Sec. 15.2-2231, Code of Va.

FINDINGS AND RECOMMENDATIONS

In the preceding sections of this report, the Commission has reviewed demographic and fiscal statistics for the City of Covington and Alleghany County, as well as the impact of the proposal on the region and the Commonwealth as a whole. Based on our analysis, the Commission finds that the consolidation proposal meets the statutory requirements for city status, and we recommend the court's approval of the plan of consolidation.

CONCLUDING COMMENT

The Commission on Local Government acknowledges the considerable effort devoted by the Citizens Committees to negotiate the proposal before us. The agreement reflects a notable commitment by the leadership on the committees to address in a collaborative fashion the concerns of their localities, and the needs of their residents. We commend the members of the two committees for their public service, and for the consolidation proposal which they have negotiated.

Respectfully submitted,

_____/s/_____
Wanda C. Wingo, Chairman

_____/s/_____
Cole Hendrix, Vice Chairman

_____/s/_____
Harold H. Bannister, Jr.

_____/s/_____
Kathleen K. Seefeldt

CONSOLIDATION AGREEMENT
BETWEEN
CITIZENS COMMITTEE ACTING FOR THE BOARD OF SUPERVISORS OF ALLEGHANY COUNTY
AND
CITIZENS COMMITTEE ACTING FOR THE CITY COUNCIL OF THE CITY OF COVINGTON

July 13, 2010

CONSOLIDATION AGREEMENT
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THIS CONSOLIDATION AGREEMENT is made and entered into by and between the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the County of Alleghany, a county of the Commonwealth of Virginia, and the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the City of Covington, pursuant to Section 15.2-3531 of the Code of Virginia (1950), as amended.

On behalf of the governing bodies of the County and the City, the aforesaid Committees agree as follows:

I. **Names of County and City for which Consolidation is Proposed**.

The names of the County and the City proposing to consolidate into a newly consolidated city are the County of Alleghany, Virginia and the City of Covington, Virginia.

II. **Name of the Consolidated City**.

The name of the city into which the County and the City propose to consolidate is the City of Alleghany Highlands.

III. **Definitions**.

As used in this Consolidation Agreement, the following terms shall have the definitions set forth herein:

1. County of Alleghany, Virginia, County of Alleghany, Alleghany County, Alleghany, or County shall mean the County of Alleghany prior to the consolidation.

2. City of Covington, Virginia, City of Covington, Covington, or City shall mean the City of Covington prior to the consolidation.

3. County Committee for Consolidation, or County Committee shall mean the citizen committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the County of Alleghany, pursuant to Section 15.2-3531 of the Code of Virginia (1950), as amended.

4. City Committee for Consolidation, or City Committee shall mean the citizen committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the City of Covington pursuant to Section 15.2-3531 of the Code of Virginia (1950), as amended.

5. City of Alleghany Highlands, Virginia, City of Alleghany Highlands, or consolidated city shall mean the City of Alleghany Highlands after consolidation.

6. Indebtedness, bonded and otherwise, shall mean indebtedness which has been formally approved and incurred pursuant to the Public Finance Act of the Commonwealth of Virginia as set forth in Chapter 26 of Title 15.2 of the Code of Virginia(1950), as amended, or borrowed from the State Literary Fund, or in anticipation of a loan from the State Literary Fund.

7. Liabilities shall mean all valid and lawful charges and liabilities (except for indebtedness, bonded and otherwise) existing as of the effective date of consolidation or which thereafter become due as the result of a claim or cause of action which arose or accrued prior to the effective date of consolidation together with all costs of defense.

IV. **Fundamental Principles**.

In entering into this Consolidation Agreement, the parties hereto understand and agree that this Consolidation Agreement is predicated upon the following fundamental principles:

1. Government and governmental services should be provided to citizens in manners consistent with generally accepted business practices.

2. Citizens should pay no more than their fair and equitable share of the cost of providing government and governmental services.

3. Local governments should be conducted in such a manner as to promote economic growth and prosperity.

4. Local government should treat its employees and the citizens which it serves with fairness and justice.

V. **Property Values**.

A. The fair value in United States money of the real and personal property belonging to the County and the City and the debts due to each as of June 30, 2009, is as follows:

	Alleghany	Covington
Real Estate	$65,016,072	$48,539,511
Personal Property	$4,321,961	$6,645,838
Debts Owed to Each	$1,118,730	$901,198
Total	$70,456,763	$56,086,547

B. The above property values are exclusive of real and personal property holdings of the Alleghany County School Board and the Covington School Board, as of June 30, 2009, which are valued as follows:

	Alleghany	Covington
Real Estate	$12,740,474	$2,388,682
Personal Property	$4,100,283	$820,536
Debts Owed to Each	$3,043	$0
Total	$16,843,800	$3,209,218

C. The property values given in Paragraph A do not include real and personal property holdings of any authorities, commissions, or non-stock corporations created by, incorporated by, or sponsored by the County or the City or in which the County or the City has any interest, direct or indirect. Information on the property holdings of authorities, commissions, or non-stock corporations appears on the records of these entities.

D. The valuations set forth herein are accepted by the parties hereto solely for the purpose of this Agreement.

VI. **Indebtedness**.

A. The indebtedness, bonded and otherwise, of the County and the City as of June 30, 2009, is as follows:

	Alleghany	Covington
General Obligation Bonds	$6,761,225	$3,887,647
State Literary Fund Loans	$9,750,000	$217,500
Revenue Bonds	$13,191,888	$28,519,728
Others	$702,170	$7,027,203
Total	$30,405,283	$39,652,078

The above indebtedness reflects the outstanding principal obligations of each jurisdiction as of June 30, 2009.

VII. **Effective Date of Consolidation**.

Subject to the passage of any required legislation, the entry of an order approving eligibility for city status pursuant to Virginia Code §15.2-3526, the entry of an order of referendum pursuant to Virginia Code §15.2-3538, the approval by referendum of a majority of the voters of each jurisdiction, and to the consolidation complying with the terms of any applicable federal law, the consolidation shall become effective on the date or dates prescribed in the Court order effecting the Consolidation Agreement. The County Committee and the City Committee agree to support before the Circuit Court of Alleghany County the date of midnight on December 31, 2012 as the effective date of the consolidation of the County and the City and midnight on June 30, 2013 as the effective date of the consolidation of the County and the City school divisions.

VIII. **Referendum**.

A. The County Committee and the City Committee, after execution of this Consolidation Agreement, shall notify the Virginia Commission on Local Government and all local governments located within or contiguous to, or sharing functions, revenue or tax sources with Alleghany or Covington of the proposed consolidation, and request that the Commission proceed to hold hearings, make investigations, analyze local needs and make findings of fact and recommendations as may be required by Virginia Code §15.2-2907. The County Committee and the City Committee, acting jointly, shall have the authority to negotiate and agree upon any provisions or revisions that may be proposed by the Commission or that may otherwise be deemed appropriate.

B. After the Commission on Local Government has made its findings of fact, the

City Committee and the County Committee shall file with the Circuit Court of Alleghany County the original of this Consolidation Agreement, together with a petition asking that proceedings pursuant to Virginia Code § 15.2-3521 through 15.2-3528 be had, and that a referendum on the question of consolidation as provided for in this Consolidation Agreement be ordered to be held within each of the jurisdictions proposing to consolidate pursuant to Article 2, Chapter 35, Title 15.2 of the Code of Virginia (1950), as amended, on a date fixed by the Court which the parties agree should be November 8, 2011.

C. Thereafter, the City Committee and the County Committee shall cause a copy of this Consolidation Agreement to be printed at least once a week for four successive weeks in the Virginian Review, a newspaper published in or having general circulation in the County of Alleghany and the City of Covington.

D. It is agreed that the costs, legal fees and other expenses of the proceedings before the Commission on Local Government and the courts, and the cost of the publication of this Agreement should be shared by the consolidating jurisdictions on a *per capita* basis, using the population data from the most current United States Census.

E. Upon approval by referendum in each jurisdiction as set forth above, and certification by the Judge of the Circuit Court of the results of the referendum to the Secretary of Commonwealth, the consolidation shall become effective at midnight on the day prescribed in the Court order for the consolidation to become effective, unless objection to such changes affecting electoral procedures be expressed by the Attorney General of the United States and not be removed as provided by law. Upon the effective date of consolidation, the County of Alleghany and the City of Covington shall terminate, and the present territory of the County of Alleghany and the City of Covington shall be consolidated

in their entirety into a single new city to be known as the City of Alleghany Highlands.

IX. **Disposition of Property, Real and Personal**.

All property, real and personal, of Alleghany and Covington, including debts owed to each, shall become the property of, and shall be vested in, the consolidated city.

X. **Records and Documents**.

All records and documents of Alleghany and Covington shall pass to and be held by the consolidated city which shall be responsible for the preservation, maintenance and custody of these records and documents.

XI. **Assumption of Debts**.

Upon the effective date of consolidation, there will exist within the County and the City certain liabilities and indebtedness, bonded and otherwise, chargeable to the citizens of each such jurisdiction. Any and all indebtedness and other obligations of the County and the City shall be assumed by the consolidated city. The consolidated city shall not create special debt districts to repay any such liabilities and indebtedness, bonded and otherwise, or levy a special tax on real property for that purpose in addition to the general tax rate applicable throughout the consolidated city. However, as provided in Section XVIII(B) of this Agreement, the consolidated city shall impose a refuse disposal fee to be used to pay for certain liabilities incurred prior to the effective date of consolidation.

XII. **Charter for the Consolidated City**.

A. The charter for the consolidated city set forth in the proposed charter bill attached hereto as Exhibit A shall be the charter for the consolidated city resulting from the consolidation of the County and the City as herein provided, and said charter is incorporated

into this agreement as a part hereof and shall become effective at midnight on December 31, 2012, subject to the provisions of Article VIII, *supra*.

B. The City Committee and the County Committee, acting jointly, shall request that one or more members of the General Assembly representing the County or the City submit the aforesaid charter to the 2011 Session of the General Assembly of Virginia for enactment as the charter of the consolidated city. The City Committee and the County Committee, acting jointly, shall have the authority to negotiate and agree upon any necessary or required provisions or revisions that may be proposed or required by the General Assembly.

XIII. **Composition of the Governing Body of the Consolidated City; Designation of Election Districts; Initial Election**.

A. The council of the consolidated city shall consist of seven members. Each member shall be elected from and by the duly qualified voters of one of seven election districts. Each member elected from an election district shall be a qualified voter of that district, shall reside therein, and shall be elected by the qualified voters thereof.
The seven Election Districts shall generally be those numbered 1 through 7 as shown on the map marked as Exhibit B attached hereto and incorporated herein by reference. The parties shall make such modifications of the Election Districts as they deem appropriate based on the population data from the 2010 United States Census that will be available in the spring of 2011, and they shall substitute a more detailed map of the Election Districts and prepare descriptions of the exact boundaries of the Districts.

B. The council of the consolidated city shall be first elected at a special election on a date fixed by the Circuit Court of Alleghany County, which the parties agree should be

the first Tuesday in May, 2012, as provided in Section 15.2-3541 of the Code of Virginia (1950), as amended. To institute staggered terms of office, four members elected from and by the qualified voters from four election districts (Election Districts 1, 3, 5, and 7) will be elected to serve a term commencing January 1, 2013 and ending December 31, 2014, and the other three members elected from and by the qualified voters from three election districts (Election Districts 2, 4, and 6) will be elected to serve a term commencing January 1, 2013 and ending December 31, 2016.

C. After the initial election, elections of members from Districts 1, 3, 5, and 7 will be held on the Tuesday after the first Monday in November of 2014 and every four years thereafter, for terms of four years commencing on January 1, and elections from Districts 2, 4, and 6 will be held on the Tuesday after the first Monday in November of 2016 and every four years thereafter, for terms of four years commencing on January 1.

D. The first meeting of council shall be held on January 1, 2013, at which a mayor and vice-mayor shall be chosen from the members of council by majority vote of all the members of council for a term ending December 31, 2014. Thereafter, at the first meeting held immediately following the taking of office of members of council after each general election, the council shall choose, by majority vote of all the members, one of their number to be mayor and one to be vice-mayor for a term of two years. At each such meeting, the council shall also establish the days, times, and places of regular meetings to be held during the ensuing months as provided in Section 15.2-1416 of the Code of Virginia (1950), as amended.

E. The duties and privileges of the mayor and vice-mayor shall be those set forth in the charter of the consolidated city.

XIV. **Constitutional Officers**.

A. Upon the effective date of consolidation, the clerk of the circuit court, the attorney for the commonwealth, and the sheriff of the County and the City shall continue in office at not less than their salaries in effect on the effective date of consolidation. Each such constitutional officer shall continue in office until January 1 following the next regularly scheduled election for such city constitutional officers pursuant to Section 24.2-217 of the Code of Virginia (1950), as amended. Thereafter, such constitutional officers of the consolidated city shall be elected as provided by law.

B. Upon the effective date of consolidation, the treasurer and the commissioner of revenue of the County and the treasurer and the commissioner of revenue of the City may continue in office at not less than their salaries in effect at the effective date of consolidation. The treasurer and the commissioner of revenue for the consolidated city shall be determined by agreement between those persons holding such respective offices on the effective date of consolidation, and the others shall become assistants or chief deputies, upon filing of a certification of said agreement in the Circuit Court of Alleghany County. In the event no agreement is reached or no certification is filed before December 1 prior to the effective date of consolidation, the Circuit Court of Alleghany County shall designate one officer as principal and the other as an assistant or chief deputy. Each such constitutional officer shall continue in office, whether as the principal officer or as chief deputy, until January 1 following the next regularly scheduled election for such city constitutional officers pursuant to Section 24.2-217 of the Code of Virginia (1950), as amended, whether or not the term to which such officer was elected may have expired prior to that date.

C. In the event of a vacancy in the office of assistant or chief deputy created

pursuant to the provisions of this article during said term, the position shall be abolished.

XV. **Electoral Board and Registrar.**

The terms of the electoral board members of the County and the City shall expire on the effective date of consolidation. No later than 30 days prior to the effective date of consolidation, the Judge of the Circuit Court of Alleghany County shall appoint, pursuant to Section 24.2-106 of the Code of Virginia (1950), as amended, an electoral board of three members for the consolidated city who shall qualify and take office on the day following the effective date of consolidation. At a meeting to be held on the day its members take office, the electoral board for the consolidated city shall designate and appoint a general registrar and officers of election in accordance with Section 15.2-3543 of the Code of Virginia (1950), as amended.

XVI. **Provisions Pertaining to Certain Services.**

A. **Law Enforcement.**

(1) Law enforcement in the consolidated city shall be the responsibility of the sheriff. The consolidated city shall not have a police chief appointed by the council of the consolidated city or its city manager, unless the charter of the consolidated city is amended by the General Assembly to provide for such an appointed police chief.

(2) Upon the effective date of consolidation, the council of the consolidated city shall request the superintendent of state police to grant the services of the state police in those areas which were formerly the territory of the County for a period of not less than ten years from the effective date of consolidation, as provided by Section 52-11.2 of the Code of Virginia (1950), as amended.

B. **Education**.

(1) There shall be a consolidated city school board and a division superintendent of schools. Except as otherwise provided in this Consolidation Agreement and in the charter of the consolidated city, the school board and the division superintendent of schools shall exercise all the powers conferred and perform all the duties imposed upon them by general law and the State Board of Education to assure quality education for the consolidated city.

(2) On the effective date of school consolidation on July 1, 2013, the existing Alleghany County School Board and the Covington School Board shall cease to exist. The consolidated city school board shall consist of seven members who must be duly qualified voters and who shall be appointed by the council of the consolidated city. One member shall reside within each of the seven election districts. The council shall appoint school board members for a term of four years, except that initially the council shall appoint four members to a one year term (one each from Election Districts 1, 3, 5, and 7) commencing July 1, 2013 and ending June 30, 2014, and three members to a three year term (one each from Election Districts 2, 4, and 6) commencing July 1, 2013 and ending June 30, 2016, thereby instituting staggered terms of office. However, notwithstanding such terms of office, the initial seven members of the consolidated city school board shall be appointed no later than February 1, 2013, and shall assume office immediately upon qualification and shall hold office prior to the effective date of consolidation, but only for the following limited purposes: (i) to organize themselves and elect one of their members as chair of the City of Alleghany Highlands School Board; (ii) to designate one of the persons holding office as the superintendent of the Alleghany County school division or the superintendent of the

Covington school division to be the division superintendent for the City of Alleghany Highlands school division, as provided below, and (iii) to prepare, approve, and submit a budget to the council of the consolidated city with an estimate of required local funding for the City of Alleghany Highlands School Division for the fiscal year beginning July 1, 2013. Upon the effective date of school consolidation, the members of the consolidated city school board shall assume full powers, duties, rights, and responsibilities of their offices. Vacancies on the consolidated school board shall be filled by the council for any unexpired terms.

(3) The persons holding office as the superintendents of the Alleghany County school division and the Covington school division shall continue in office for the unexpired portion of the terms to which they were appointed, at no lower rate of pay than they received at the effective date of consolidation. The consolidated city school board shall designate one of such persons as division superintendent and the other as associate superintendent. If the designation is not made on or before March 1, 2013, the designation shall be made by the Circuit Court for the consolidated city. Thereafter, in the event of a vacancy in the position of superintendent or associate superintendent during the term to which appointed, the remaining incumbent shall be the superintendent and the position of associate superintendent shall be abolished.

(4) The consolidated city school board and the division superintendent shall merge the Alleghany County school division and the Covington school division into a single school division initially utilizing all existing facilities and personnel, professional and nonprofessional, in the most efficient and effective manner in order to organize and develop a school system with comprehensive and high quality programs for all students in the consolidated city.

(5) Due to the complexities of organizing and developing the consolidated school division, it is recommended that the consolidated school board follow these transitional policies:

(a) For a period of three to five years, all existing schools shall continue to be operated, with all students continuing to attend the schools in their present attendance zones. During such period, no changes shall be made to the names of the schools.

(b) For a period of three to five years, or for a longer period in the event of a financial emergency, all instructional personnel shall continue to be assigned, to the extent possible, to the same schools in which they served prior to consolidation, unless salary scales and benefits have been equalized at an earlier date. This limitation should not apply to itinerant teachers, administrators, or classified staff.

(c) For the initial school year following the effective date of consolidation of the school divisions, there shall be three salary scales for instructional personnel. The first scale would be applicable to all returning and new teachers with credited teaching experience in the Alleghany school division, who will be paid on the current Alleghany salary scale. The second scale would be applicable to all returning and new teachers with credited teaching experience in the Covington school division, who will be paid on the current Covington salary scale. A third scale would be applicable for all beginning teachers without credited teaching experience in either school division, who would be paid on the scale used by the school division with the lowest salaries.

(d) For the initial school year following the effective date of consolidation of the school divisions, all school employees other than instructional personnel shall be paid on their current salary scale until a unified salary scale has been adopted.

(e) When all salary scales are equalized, the consolidated school board should adopt the higher of the two scales, at every step and for all categories, used by the two school divisions immediately prior to the effective date of the consolidation of the school divisions.

(f) School personnel employed immediately prior to the effective date of the consolidation of the school divisions should be retained unless removed for cause.

C. **Streets and Highways**. Upon the effective date of consolidation, the council of the consolidated city shall request the State Highway and Transportation Commissioner to grant the full services of the Department of Highways and Transportation in all those areas which were formerly the County and to the same extent such services were rendered prior to the consolidation, as provided by Section 15.2-3530 of the Code of Virginia (1950), as amended. At any time subsequent to the consolidation, the consolidated city and the Commissioner may enter into an agreement to transfer to the consolidated city for maintenance those streets in any area deemed urbanized, in accordance with Section 15.2-3530 of the Code of Virginia (1950), as amended.

D. **Emergency Services**. The present system of delivery of emergency fire and rescue systems through predominantly independent volunteer agencies will, if continued, provide the citizens of the consolidated city a public service at a minimum cost utilizing a large pool of well-trained, motivated and professional volunteer fire-fighting and rescue teams. The County Committee and the City Committee recommend that the consolidated city fully fund fire and rescue squad services, institute methods of recovering response costs such as the "soft billing" of insurance companies, expedite the merger of E-911 dispatching

services, and retain present arrangements as to ownership of facilities used for such emergency services.

XVII. **Water and Sewer Utility Service Districts**.

A. Water and sewer utilities of the County and the City shall be consolidated. Water distribution, sewage treatment, administrative and billing functions shall be conducted by the consolidated city.

B. The governing body of the consolidated city may charge and collect such fees and charges for water and sewer use or services as may be authorized by law. Such fees and charges, being in the nature of use or service charges, shall, as nearly as the governing body shall deem practicable and equitable, be uniform for the same type, class and amount of use or service. Differing levels of services in existing service areas, differing investments in treatment, transmission, and collection facilities, and differing operating expenses may be compensated for and handled by separate rate levels within various districts within the consolidated city.

C. Initially, and for a period of not less than ten years following the effective date of consolidation, there shall be two utility service districts. The Covington Water and Sewer Service District shall include all areas within the boundaries of Covington prior to consolidation and those parcels of land located outside the boundaries of Covington that receive water or sewer services from the City as of the effective date of consolidation. The Alleghany Water and Sewer Service District shall include all areas within the boundaries of Alleghany prior to consolidation, except such areas that are part of the Covington Water and Sewer Service District. Any parcels of land outside the current boundaries of Covington that

are connected to the water or sewer system of the consolidated city after the effective date of consolidation shall be assigned to whichever utility service district the consolidated city determines is appropriate based on the location of the parcel of land in relationship to the water or sewer lines serving each of the two service districts.

D. In each utility service district during said ten year period, the fees and charges for water and sewer use or service shall be established to generate revenues sufficient to pay all costs of providing service to customers in each service district, which shall include, but not be limited to, operating, maintenance, replacement, and capital improvement expenses allocated to the customers in each service district, along with a reasonable level of reserve funds. In addition, water and sewer utility debt in existence on the effective date of consolidation shall be allocated to each service district in proportion to the usage by the customers in each service district of the utility facilities financed with such debt. The debt shall be paid in the ordinary course of business by fees and charges paid by users of the utility services in each service district.

E. The consolidated city shall establish an accounting system that will segregate, in separate accounts for each utility district, the expenses of providing water and sewer services and the revenues received from users. Surplus funds remaining in the water and sewer funds of Alleghany and Covington on the effective date of consolidation shall be transferred to the accounts for the Alleghany Water and Sewer Service District and the Covington Water and Sewer Service District, respectively.

XVIII. **Refuse Collection; Refuse Disposal Service District**.

A. Provision of refuse collection, disposal, and recycling services will be the responsibility of the consolidated city, which may fund such services from general tax

revenues, from service fees and charges, and from other sources of revenue, in accordance with provisions of general law and the charter of the consolidated city. It is recommended that recycling and disposal of refuse be handled in a dependable, convenient, and cost effective manner that will contribute to the sustainability of natural resources within the consolidated city.

B. Upon the effective date of consolidation, certain liabilities will exist for future closure expenses, post-closure monitoring expenses, and possible environmental remediation expenses for the City's Peters Mountain Landfill that are attributable to the use of the Landfill by Covington prior to the effective date of consolidation. Initially, and for a period of not more than twenty years following the effective date of consolidation, there shall be a special Refuse Disposal District that shall include all areas within the boundaries of Covington prior to consolidation. Each residential, commercial, and industrial customer located within the Refuse Disposal District that receives refuse disposal services from the consolidated city, whether by disposal at the Landfill or at any other site, shall pay a special monthly fee for such services. Such fees shall be segregated in a separate account for payment solely of closure and post-closure expenses (including monitoring, remediation, and related costs) attributable to the use of the Landfill by all refuse disposal customers prior to the effective date of consolidation. Each customer located within the Refuse Disposal District shall pay a maximum monthly fee of $14, which may be reduced by the consolidated city if a lesser fee is sufficient to pay such liabilities attributable to the use of the Landfill prior to the effective date of consolidation, when combined with the unused balance of fees previously collected from customers within the District and such other funds escrowed for that purpose prior to the effective date of consolidation. Said fees imposed on customers

within the Refuse Disposal District shall be in addition to other fees, if any, that the consolidated city may impose for general refuse collection, disposal, or recycling services.

C. At the end of the twenty-year period, the consolidated city shall use the remaining balance, if any, of such special refuse disposal fees collected from customers within the Refuse Disposal District to pay for any refuse disposal expenses of the consolidated city.

XIX. **Service Agreements**.

A There are numerous inter-jurisdictional service arrangements which may be affected by the proposed consolidation. Agreements between Alleghany County and Covington shall be overridden and eliminated by the consolidation of the County and the City.

B. Agreements between either Alleghany County or Covington, or both, and other political jurisdictions or regional agencies shall remain in effect with the consolidated city substituted for the County or the City or both, mutatis mutandis. The consolidated city shall assume and honor all obligations of such agreements. All utility and other agreements between Alleghany County and the Town of Clifton Forge shall remain in effect, with the consolidated city substituted for the County, and the Township of Clifton Forge substituted for the Town of Clifton Forge. All utility and other agreements between Alleghany County and the Town of Iron Gate shall remain in effect, with the consolidated city substituted for the County, and the Township of Iron Gate substituted for the Town of Iron Gate.

XX. **Transition Budget**.

A. The County and the City shall prepare and adopt separate budgets and make appropriations for the full fiscal year beginning July 1, 2012, in accordance with present

practices, on the assumption that each would operate independently during such fiscal year. Likewise, the County and the City shall impose and levy local taxes sufficient to provide revenues to meet their respective budgets for said fiscal year.

B. On the effective date of consolidation, the budgets of the County and the City shall be consolidated into a single budget under which the consolidated city shall operate from the effective date of consolidation through June 30, 2013.

XXI. **Personnel Pay and Retirement Benefits**.

A. In order to carry on an efficient administration, the consolidated city will need the experience and skills of the employees of the former County and City. Therefore, it is strongly recommended that the consolidated city adhere to the principles that no employees of the two former governments will be terminated as a result of consolidation, but may be removed for cause, that such employees will be compensated at no lower rate of pay than they received at the effective date of consolidation, and that they will occupy positions as comparable as practicable to those occupied at the time of consolidation.

B. The obligations of the County and the City under the Virginia Retirement System on the effective date of consolidation shall become the indebtedness and obligation of the consolidated city. All employees and retired employees having vested rights under the Virginia Retirement System on the effective date of consolidation shall continue to be covered by such plan.

XXII. **Governmental Transition Team**.

A. Upon approval of this Consolidation Agreement by referendum in each jurisdiction, there shall immediately be created a committee which shall be called the "Governmental Transition Team." Said team shall consist of the Alleghany County

Administrator, the City of Covington Manager, and four additional members, two appointed by the County Board of Supervisors and two appointed by the City Council. Its initial meeting shall be called by the two chief administrative officers on or after the 30th day and on and before the 40th day following the date of the referendum. The team may act whether or not all of the members have been appointed. At the initial meeting a chairman shall be selected by and from the team membership.

B. It shall be the general responsibility of the Governmental Transition Team to prepare a plan which will permit the orderly transition of the two governments into a consolidated city government. Said plan shall be advisory only and shall contain, but not be limited to, the following:

(1) A description of the duties and responsibilities of each agency and department of the consolidated city along with a chain of command for its operation;

(2) Job descriptions and pay ranges and general qualifications for each position in the consolidated city;

(3) The names of individuals designated to hold each position in the consolidated city except those appointments to be made directly by the council of the consolidated city or by constitutional officers as required by law.

(4) The allocation of office space and equipment among the departments of the consolidated city; and

(5) The designation of counsel to seek an opinion and approval from the Attorney General of the United States or appropriate court relating to the proposed consolidation and its conformity with federal election laws.

XXIII. **Effect of Consolidation on Pending Suits against Consolidating Jurisdictions.**

If at the time of consolidation there are any pending actions or proceedings by or against the County or the City, or if after the effective date of consolidation an action or proceeding based on a cause of action which arose prior to the time of consolidation, which but for said consolidation would have been by or against the County or the City, is instituted, the consolidated city shall be substituted in place thereof and the proceeding may be perfected to judgment.

XXIV. **Pending Suits, Prosecutions and Indictments.**

A. From and after the effective date of consolidation, all indictments and prosecutions for crimes committed or ordinances violated and all suits or causes of action arising within the territory of the consolidated city may be instituted in the consolidated city with the same force and effect as if consolidation had always been effective. All criminal prosecutions pending on the effective date of consolidation, whether by indictment, warrant, or other complaint, and all suits, actions, motions, warrants, and other proceedings of a civil nature at law or in chancery, with all the records of the courts of the County of Alleghany, shall stand *ipso facto* removed to the court or courts of concurrent or like jurisdiction of the consolidated city. The Circuit Court of the County of Alleghany and other courts having records in and jurisdiction over the County of Alleghany and the City of Covington shall, at some convenient time, as closely preceding the period of removal as practicable by formal orders entered of record, direct the removal of all such causes and proceedings, civil and criminal, at law and in chancery, to the court or courts of concurrent or like jurisdictions, of the consolidated city. The clerk of the court or courts to which the same have been removed

shall thereupon proceed as in other cases of removal or changes in venue, and such matters shall be docketed and proceeded in with the same force and effect as they might have been in the court or courts from which removed. At the same time such clerk or clerks shall also deliver to the property clerk or clerks of the consolidated city wherein the like records are required by law to be kept all deed books, order or minute books, execution dockets, judgment dockets, and other records of his office, of whatever kind or nature; and the clerk or clerks of the court or courts to which the same are removed shall forthwith take charge of and preserve the same for reference and use in the same manner and with the same effect as though they were original records of his office.

XXV. **Enforcement of Ordinances, Laws and Regulations**.

Upon and after the effective date of consolidation all ordinances and resolutions of a general and permanent nature and not inconsistent with this Consolidation Agreement previously adopted or enacted by the governing bodies of the County or the City shall continue in effect until repealed by the council of the consolidated city, and, if not repealed, for a period not to exceed five years. During said five year period all such ordinances and resolutions shall be repealed or shall be compiled, conformed and adopted by the council of the consolidated city in the codification of its ordinances and resolutions. Such previously adopted or enacted ordinances and resolutions shall be limited in their application to the territory in which they were effective immediately prior to the effective date of such consolidation and shall be so construed, applied and enforced as to give practical effect to their meaning at the time of adoption.

XXVI. **The Town of Clifton Forge**.

A. The Town of Clifton Forge is not a party to this Consolidation Agreement. In

the event the proposed consolidation is approved by the voters as required by law, the Town of Clifton Forge shall continue as a township as provided by Section 15.2-3548 of the Code of Virginia (1950), as amended. The consolidated city shall exercise such powers in the township as exercised by the County in the Town prior to consolidation.

B. In accordance with the charter attached hereto as Exhibit A, the Township of Clifton Forge shall have the right, after the effective date of consolidation, to exercise the powers granted to towns by Article 1 (§ 15.2-3200 et seq.) of Chapter 32, Title 15.2, of the Code of Virginia (1950), as amended.

XXVII. **The Town of Iron Gate**.

A. The Town of Iron Gate is not a party to this Consolidation Agreement. In the event the proposed consolidation is approved by the voters as required by law, the Town of Iron Gate shall continue as a township as provided by Section 15.2-3558 of the Code of Virginia (1950), as amended. The consolidated city shall exercise such powers in the township as exercised by the County in the Town prior to consolidation.

B. In accordance with the charter attached hereto as Exhibit A, the Township of Iron Gate shall have the right, after the effective date of consolidation, to exercise the powers granted to towns by Article 1 (§ 15.2-3200 et seq.) of Chapter 32, Title 15.2, of the Code of Virginia (1950), as amended.

XXVIII. **Severability**.

In the event that any portion, paragraph, section or provision of this Consolidation Agreement shall be declared illegal, invalid or unconstitutional by final judgment of any court of competent jurisdiction, such judgment of invalidity shall not invalidate any other

portion, paragraph, section or provision hereof, but all parts of this Consolidation Agreement not expressly held to be invalid shall remain in full force and effect, and it is agreed and understood that this Consolidation Agreement would have been entered into without such invalid provision.

XXIX. **Conditions of Consolidation Agreement**.

This Consolidation Agreement is subject to and contingent upon (a) the approval by the General Assembly of the proposed charter attached hereto as Exhibit A, with such revisions as may be required by the General Assembly and as are agreed upon by the City Committee and the County Committee, and (b) the approval by the General Assembly of such amendments to the Code of Virginia and the Appropriations Act as may be required to authorize and direct the State Compensation Board to provide funding for law enforcement deputies for the sheriff of the consolidated city who will be the primary provider of law enforcement functions in the consolidated city. If such conditions have not been satisfied, the Consolidation Agreement shall not be effective unless the County Committee and the City Committee negotiate mutually satisfactory modifications to the Consolidation Agreement.

IN WITNESS WHEREOF, the County Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the County of Alleghany, Virginia, pursuant to §15.2-3531 of the Code of Virginia (1950), as amended, pursuant to a resolution of said Committee at a meeting on the 13th day of July 2010, and the City Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the City of

Covington, Virginia, pursuant to §15.2-3531 of the Code of Virginia (1950), as amended, pursuant to a resolution of said Committee at a meeting on the 13th day of July 2010, have approved this Consolidation Agreement and have caused it to be signed and sealed by each of the members of the County Committee and City Committee:.

COUNTY OF ALLEGHANY CITIZENS COMMITTEE

Annette M. Comer (SEAL)
Annette M. Comer

George R. Goode Sr. (SEAL)
George R. Goode Sr.

_____(SEAL)
D. Kevin Terrell

Bryan P. Thompson (SEAL)
Bryan P. Thompson

Michael B. Warwick (SEAL)
Michael B. Warwick

CITY OF COVINGTON CITIZENS COMMITTEE

Joseph H. Carpenter (SEAL)
Joseph H. Carpenter

Harry B. Casey Jr. (SEAL)
Harry B. Casey, Jr.

Pearl E. Miller (SEAL)
Pearl E. Miller

John H. Stone (SEAL)
John H. Stone

Wesley B. Walker (SEAL)
Wesley B. Walker

THIS FIRST AMENDMENT TO THE CONSOLIDATION AGREEMENT, dated July 13, 2010, is made and entered into by and between the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the County of Alleghany, Virginia ("County of Alleghany Citizens Committee"), pursuant to Section 15.2-3531 of the Code of Virginia (1950), as amended, and the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the City of Covington, Virginia ("City of Covington Citizens Committee"), pursuant to Section 15.2-3531 of the Code of Virginia (1950), as amended.

On behalf of the governing bodies of the County and the City, the aforesaid Committees agree as follows:

Section B ("Education") of Article XVI ("Provisions Pertaining to Certain Services"), is hereby revoked and the following new Section B of Article XVI is substituted in its place:

B. **Education.**

(1) There shall be a consolidated city school board and a division superintendent of schools. Except as otherwise provided in this Consolidation Agreement and in the charter of the consolidated city, the school board and the division superintendent of schools shall exercise all the powers conferred and perform all the duties imposed upon them by general law and the State Board of Education to assure high quality education for the consolidated city.

(2) On the effective date of school consolidation on July 1, 2013, the existing Alleghany County School Board and the Covington School Board shall cease to

exist. The consolidated city school board shall consist of seven members who must be duly qualified voters and who shall be appointed by the council of the consolidated city. The council shall select one member from each of the seven city council election districts, and all seven members shall be residents of the districts they represent. The council shall appoint school board members for a term of four years, except that initially the council shall appoint four members to a one year term (one each from Election Districts 1, 3, 5, and 7) commencing July 1, 2013 and ending June 30, 2014, and three members to a three year term (one each from Election Districts 2, 4, and 6) commencing July 1, 2013 and ending June 30, 2016, thereby instituting staggered terms of office. However, notwithstanding such terms of office, the initial seven members of the consolidated city school board shall be appointed no later than February 1, 2013, and shall assume office immediately upon qualification and shall hold office prior to the effective date of consolidation, but only for the following limited purposes: (i) to organize themselves and elect one of their members as chair of the City of Alleghany Highlands School Board; (ii) to designate one of the persons holding office as the superintendent of the Alleghany County school division or the superintendent of the Covington school division to be the division superintendent for the City of Alleghany Highlands school division, as provided below, and (iii) to prepare, approve, and submit a budget to the council of the consolidated city with an estimate of required local funding for the City of Alleghany Highlands School Division for the fiscal year beginning July 1, 2013. Upon the effective date of school consolidation, the members of the consolidated city school board shall assume full powers, duties, rights, and responsibilities of their offices. Vacancies on the consolidated school board shall be filled through appointment by the city council for any unexpired terms.

(3) The persons holding office as the superintendents of the Alleghany County school division and the Covington school division shall continue in office for the unexpired portion of the terms to which they were appointed, at no lower rate of pay than they received at the effective date of consolidation. The consolidated city school board shall designate one of such persons as division superintendent and the other as associate superintendent. If the designation is not made on or before March 1, 2013, the designation shall be made by the Circuit Court for the consolidated city. Thereafter, in the event of a vacancy in the position of superintendent or associate superintendent during the term to which appointed, the remaining incumbent shall be the superintendent and the position of associate superintendent shall be abolished.

(4) The consolidated city school board and the division superintendent shall merge the Alleghany County school division and the Covington school division into a single school division initially utilizing all existing facilities and personnel, professional and nonprofessional, in the most efficient and effective manner in order to organize and develop a school system with comprehensive and high quality programs for all students in the consolidated city.

(5) Due to the complexities of organizing and developing the consolidated school division, it is recommended that the consolidated school board follow these transitional policies:

(a) For a period of three to five years, all existing schools shall continue to be operated. During such period, no changes shall be made to the names of the schools, and all attendance zones shall remain unchanged.

(b) For a period of three to five years, or for a longer period in the

event of a financial emergency, all instructional personnel shall continue to be assigned, to the extent possible, to the same schools in which they served prior to consolidation, unless salary scales and benefits have been equalized at an earlier date. This limitation should not apply to itinerant teachers, administrators, or classified staff.

(c) For the initial school year following the effective date of consolidation of the school divisions, there shall be four salary scales for instructional personnel: (i) The first scale would be applicable to all returning and new teachers with credited teaching experience in the Alleghany school division, who will be paid on the Alleghany salary scale in effect on the date of school consolidation. (ii) The second scale would be applicable to all returning and new teachers with credited teaching experience in the Covington school division, who will be paid on the Covington salary scale in effect on the date of school consolidation. (iii) A third scale would be applicable to all returning and new teachers with credited teaching experience at the Jackson River Technical Center ("JRTC"), who will be paid on the JRTC salary scale in effect on the date of school consolidation. (iv) A fourth scale would be applicable for all beginning teachers without credited teaching experience in either school division, who would be paid on the scale used by the school division with the lowest salaries in effect on the date of school consolidation.

(d) For the initial school year following the effective date of consolidation of the school divisions, all school employees other than instructional personnel shall be paid on their current salary scale until a unified salary scale has been adopted.

(e) When all salary scales are equalized, the consolidated school board should adopt the higher of the two scales, at every step and for all categories, used by the two school divisions immediately prior to the effective date of the consolidation of the

school divisions.

(f) School personnel employed immediately prior to the effective date of the consolidation of the school divisions should be retained unless removed for cause.

IN WITNESS WHEREOF, the County of Alleghany Citizens Committee, at a meeting on the 21st day of September 2010, and the City of Covington Citizens Committee, at a meeting on the 21st day of September, 2010, have approved this First Amendment to the Consolidation Agreement and have caused it to be signed and sealed by the chair of each Committee.

COUNTY OF ALLEGHANY CITIZENS COMMITTEE

By George R. Goode Sr. (SEAL)
George R. Goode Sr., Chair of the County of Alleghany Citizens Committee

CITY OF COVINGTON CITIZENS COMMITTEE

By Joseph H. Carpenter (SEAL)
Joseph H. Carpenter, Chair of the City of Covington Citizens Committee

CHAPTER 338

An Act to provide a charter for the City of Alleghany Highlands resulting from the consolidation of the County of Alleghany and the City of Covington and to repeal Chapter 227, as amended, of the Acts of Assembly of 1954, which provided a charter for the City of Covington.

[H 1770]

Approved March 22, 2011

Be it enacted by the General Assembly of Virginia:

1.

CHARTER OF THE
CITY OF ALLEGHANY HIGHLANDS
Chapter I
Incorporation and Boundaries

§ 1.01. Incorporation.

The inhabitants of the territory comprised within the limits of the County of Alleghany and the City of Covington as they are or hereafter may be established by law, shall be a body politic and corporate under the name of the City of Alleghany Highlands and as such shall have perpetual succession, may sue and be sued, contract and be contracted with, and may have a corporate seal which it may alter at its pleasure.

§ 1.02. Boundaries.

The boundaries of the City of Alleghany Highlands shall coincide with the boundaries of the County of Alleghany so as to include all of the territory comprising the county and the City of Covington as existing immediately preceding the effective date of this charter. The boundaries are incorporated herein by reference to the Acts of Assembly of 1822, as amended, establishing the boundaries of Alleghany County.

Chapter II
Powers

§ 2.01. General grant.

The city shall have and may exercise the powers set forth in Chapter 11 (§ 15.2-1100 et seq.) of Title 15.2 of the Code of Virginia, 1950, as amended. In addition thereto, the city shall have and may exercise all other powers which are now or may hereafter be conferred upon or delegated to cities under the Constitution and laws of the Commonwealth and all other powers pertinent to the conduct of a city government, which in the opinion of the council are necessary or desirable to promote the general welfare of the city and the safety, health, peace, good order, comfort, convenience, and morals of its inhabitants. No enumeration of particular powers in this charter shall be held to be exclusive but shall be held to be in addition to this general grant of powers.

§ 2.02. Financial powers.

In addition to powers granted elsewhere in this charter, the city shall have the power to raise by taxes, assessments, and service fees as permitted by general law such sums of money as the council, in its sole discretion, shall deem necessary to pay the debts, defray the expenses of the city, and maintain reasonable reserves and surpluses. Without limiting the generality of the foregoing, but in addition thereto, the city shall have the following additional powers:

1. To levy an additional tax in such areas of the city wherein the city provides additional or more complete services of government than are provided in the city as a whole. The additional taxes shall be used to pay for the additional or more complete services. Such higher tax rate shall not be levied for school or general government services but only for those services which are not offered on a uniform basis in all the territory within the boundaries of the city. The proceeds from the higher tax rate shall be so segregated as to enable the same to be expended in the areas in which the proceeds were raised. Such areas are those established in the consolidation agreement or established by council and shall be known as special service districts;

2. To charge interest at the legal rate of interest on the unpaid balance in the event fees, rents, or charges payable for the use and services of any public utility or public service supplied by the city for or in connection with any real property are not paid when due. Such fees, rents, or charges and the interest due thereon shall constitute a lien against such property, ranking on a parity with liens for unpaid town, city, or county taxes, and shall also be recoverable by the city in an action at law or a suit in equity;

3. To levy and collect taxes for admission to or other charge for any public amusement, entertainment, performance, exhibition, sport, or athletic event in the city, which taxes may be added to and collected with the price of such admission or other charge; and to levy and collect meals and

transient occupancy taxes; and

4. To levy and provide for the assessment and collection of license taxes on all public service corporations doing business within the city in such manner as the council shall deem expedient in accordance with the laws of the Commonwealth; such authority shall be in addition to other provisions of law permitting the imposition of license taxes on businesses, trades, professions, occupations, and callings and upon the persons, firms, and corporations engaged therein within the city.

Chapter III
City Council

§ 3.01. Composition.

A. The initial council shall consist of seven members. The mayor and vice-mayor are to be chosen from the members of council by majority vote of all the members of the council for terms of two years. Each of the seven members is to be elected from and by the duly qualified voters of each one of seven election districts. Each member elected from an election district shall be a qualified voter of that district, shall reside therein, and shall be elected by the qualified voters thereof.

B. The initial election districts shall be those generally described in the consolidation agreement between Alleghany County and the City of Covington and may be changed from time to time as provided by applicable law.

C. The initial council members shall be first elected, and the mayor and vice-mayor shall be first appointed, as provided in the consolidation agreement. After the initial election, elections for council members shall be held on the Tuesday after the first Monday in November of every even-numbered year for staggered terms of four years, each to commence on the January 1 following the election.

D. In the event of any vacancy of council of the consolidated city, such vacancy shall be filled in accordance with the provisions of applicable law.

§ 3.02. Compensation.

The initial council shall determine the compensation of the mayor, vice-mayor, and council members as provided by applicable law. Such compensation may be changed from time to time as provided by law.

§ 3.03. Powers.

All powers vested in the city shall be exercised by the council, except as otherwise provided in this charter. In addition to the foregoing, the council shall have the following powers:

1. To provide for the organization, conduct, and operation of all departments, bureaus, divisions, boards, commissions, offices, and agencies of the city;

2. To create, alter, or abolish departments, bureaus, divisions, offices, and agencies, except as specifically provided herein to the contrary;

3. To assign and reassign personnel to all departments, bureaus, divisions, offices, and agencies, except as specifically provided herein to the contrary;

4. To provide for the number, titles, qualifications, powers, duties, and compensation of all officers and employees of the city; and

5. To provide for the form of oaths and the amount and condition of surety bonds to be required of certain officers and employees of the city, including, when authorized by general law, constitutional officers and their deputies, assistants, and employees.

§ 3.04. Procedural powers.

The council shall have the power, subject to the provisions of this charter, to adopt its own rules of procedure, which rules shall be for the convenience of the council only. Such rules shall provide for the time and place of holding regular meetings of the council which shall be at least once each month. The rules shall also provide for the calling of special meetings by the mayor, the city manager, or any three members of the council and shall prescribe the methods of giving notice thereof. A majority of the council shall constitute a quorum for the transaction of business. No ordinance, resolution, motion or vote, other than motions to adjourn, to fix the time and place of adjournment and other motions of a purely procedural nature, shall be adopted by the council except at a meeting open to the public.

§ 3.05. Mayor.

The mayor shall preside over the meetings of council, shall act as head of the city government for ceremonial purposes, and shall have such other powers and duties as the council may prescribe. The mayor shall have the same powers and duties as other members of council, with a vote, but no veto.

§ 3.06. Vice-Mayor.

The vice-mayor shall preside in the absence of the mayor. The vice-mayor shall have the same rights, privileges, and duties as other members of council, with a vote, but no veto.

§ 3.07. Clerk.

The council shall appoint to serve at the pleasure of the council, a city clerk, who shall be clerk to the council and custodian of the corporate seal of the city and shall have such further duties as the council may prescribe.

§ 3.08. Ordinances.

No ordinance, unless it is an emergency ordinance, shall be passed until a descriptive notice of an intention to propose the same for passage has been published once a week for two successive weeks

prior to its adoption in some newspaper having a general circulation in the city. The second publication shall not be sooner than one calendar week after the first publication. The publication shall include a statement that a copy of the full text of the ordinance is on file in the office of the city manager. After the enactment of such ordinance by council, the ordinance shall become effective upon adoption or upon a date fixed by council. Emergency ordinances may be adopted without notice of intention, but no emergency ordinance shall be enforced for more than 60 days unless readopted in conformity with the provisions of this section.

Chapter IV
City Manager

§ 4.01. Appointment; qualifications.

The council shall appoint a city manager who shall be the chief executive officer and the chief administrative officer of the city government. The city manager shall be chosen solely on the basis of executive and administrative qualifications and shall serve at the pleasure of the council.

§ 4.02. Powers and duties.

The city manager shall be responsible for the proper administration of all the affairs of the city which the council has authority to control, except the legal department. As the administrative and executive head of the city government, the city manager shall be responsible to the council for supervising the collection of all revenues, guarding adequately all expenditures, securing proper accounting for all funds, looking after the physical property of the city, exercising general supervision over all city departments, institutions, and agencies, and coordinating the various activities of the city and unifying the management of its affairs. To accomplish these purposes the city manager shall have the following specific powers and duties:

1. The city manager shall appoint all employees in the service of the city, except the city attorney who shall be appointed by the council. All appointments shall be on the basis of ability, training, and experience of the appointees which fit them for the work they are to perform. All appointments shall be without definite term, unless for temporary service not to exceed 60 days. Any employee of the city appointed by the city manager may be laid off, suspended, or removed from employment by the city manager.

2. The city manager may be appointed by the council to act as the director or head of one or more or all departments of the city, provided the city manager is otherwise eligible to head such department or departments.

3. With the approval of the council, the city manager shall fix the compensation of all employees whom the city manager or a subordinate appoints or employs.

4. The city manager shall enforce all resolutions, ordinances, and orders of the council and see that all laws of the Commonwealth required to be enforced through the council or other city officers subject to the control of the council are faithfully executed.

5. The city manager shall attend all meetings of the council and have the right to take part in all discussions, to present the city manager's views on all matters coming before the council, and to recommend such action as the manager may deem expedient.

6. The city manager shall submit to the council each year a proposed annual budget, with the city manager's recommendations, and execute the budget as finally adopted.

7. The city manager shall make regular monthly reports to the council in regard to matters of administration and keep the council fully advised as to the financial condition of the city.

8. The city manager shall examine regularly the books and papers of every officer and department of the city and report to the council the condition in which he finds them.

9. The city manager shall perform such other duties as may be imposed upon the manager by the council.

Chapter V
Borrowing

§ 5.01. Power.

The council may, in the name of and for the use of the city, incur indebtedness by issuing its negotiable bonds or notes for the purposes, in the manner, and to the extent, provided in this chapter or by general law.

§ 5.02. Purposes for which bonds or notes may be issued.

Bonds, and notes in anticipation of bonds when the issuance of bonds has been authorized as hereinafter provided, may be issued for any purpose for which cities are authorized to issue bonds by the Constitution of Virginia or general law. Notes may be issued, when authorized by the council, at any time during the current fiscal year for the purpose of meeting appropriations made for such fiscal year, in anticipation of the collection of the taxes and revenues of such fiscal year, and within the amount of such appropriations.

§ 5.03. Limitations on indebtedness.

In the issuance of bonds and notes, the city shall be subject to the limitations as to amount contained in Article VII, Section 10(a) of the Constitution of Virginia.

§ 5.04. Form of bonds and notes.

Bonds and notes of the city shall be issued in the manner provided by general law.

§ 5.05. When bond election required.

A. Notwithstanding any other provision of general law, no bonds or other interest bearing obligations of the following classes of indebtedness shall be issued by the city until their issuance shall have been authorized by a majority of the qualified voters of the city voting on the question at a general or special election held for that purpose in the manner provided by general law: (1) the council may not, in the name and for the use and benefit of the city, issue, negotiate, and sell bonds, to the payment of which the council shall pledge the full faith and credit of the city, in any amount or amounts exceeding $10 million in any one fiscal year for any capital expenditures, including costs of issuance, other than for capital expenditures relating to the city's public schools, without submitting the question of their issuance to the qualified voters of the city; and (2) the council may not, in the name and for the use and benefit of the city, issue, negotiate, and sell bonds for capital improvements, including costs of issuance, that are payable solely from the revenues and receipts derived from the city's water system, sewer system, or any other specific undertaking from which the city may derive a revenue, in any amount or amounts exceeding $25 million in any one fiscal year, without submitting the question of their issuance to the qualified voters of the city.

B. For purposes of determining the amount of bonds that may be issued pursuant to this section, refunding bonds shall not be included, and the terms "bonds" and "notes" as used in this section shall not include contractual obligations of the city other than bonds and notes.

C. The question or proposition submitted to the voters shall state in general terms the purpose or purposes of the proposed bond issue and the actual or maximum amount of the bond issue. All other details of the bond issue shall be left to be determined by the council of the city. No question as to the validity of such an election, or as to the determination of the result thereof, shall be raised in any court except in an action or proceeding commenced within 10 days after the determination of the result of such election.

§ 5.06. Payment of bonds and notes.

The power and obligations of the city to pay any and all bonds and notes issued pursuant to this chapter, except revenue bonds made payable solely from revenue-producing properties, shall be unlimited, and the city shall levy ad valorem taxes upon all taxable property within the city for the payment of such bonds or notes and the interest thereon, without limitation as to rate or amount. The full faith and credit of the city are hereby pledged for the payment of the principal and interest on all bonds and notes of the former City of Covington and the former County of Alleghany, issued and outstanding on the effective date of this charter, and of the city hereafter issued pursuant to this charter, except revenue bonds made payable solely from revenue-producing properties, whether or not such pledge is stated in the bonds or notes or in the bond ordinance authorizing their issuance.

Chapter VI
Education

§ 6.01. School board and division.

Notwithstanding any other provision of law, there shall be a school division and board for the City of Alleghany Highlands, which shall be known as the City of Alleghany Highlands School Division and Board. The existing Alleghany County School Division and Board and the existing City of Covington School Division and Board shall cease to exist, and the new school division shall be formed and become effective on July 1, 2013. The title to all school property, whether real or personal, tangible or intangible, of the Alleghany County School Division and the City of Covington School Division shall be vested in the City of Alleghany Highlands School Division as of that date, without further act or deed.

§ 6.02. School board.

The school board shall be composed of seven members who shall be duly qualified voters and who shall be appointed by council. One member shall be selected from each of the seven city council election districts. The council shall appoint school board members for terms of four years, except that initially the council shall appoint four members to a one year term commencing July 1, 2013, and ending June 30, 2014, and three members to a three year term commencing July 1, 2013, and ending June 30, 2016, thereby instituting staggered terms of office.

Notwithstanding such terms of office, the initial seven members of the school board shall be appointed no later than February 1, 2013, and shall assume office immediately upon qualification and shall hold office prior to the effective date of consolidation, but only for the following limited purposes: (i) to organize themselves and elect one of their members as chair of the City of Alleghany Highlands School Board; (ii) to designate the division superintendent for the City of Alleghany Highlands School Division; and (iii) to prepare, approve, and submit a budget to the council of the consolidated city with an estimate of required local funding for the City of Alleghany Highlands School Division for the fiscal year beginning July 1, 2013. Upon the effective date of school consolidation, the members of the consolidated city school board shall assume full powers, duties, rights, and responsibilities of their offices. Vacancies on the consolidated school board shall be filled by the council for any unexpired terms.

§ 6.03. School superintendent.

The persons holding office as the superintendents of the Alleghany County School Division and the City of Covington School Division shall continue in office for the unexpired portion of the terms to which they were appointed, at no lower rate of pay than they received at the effective date of consolidation. The school board shall designate one of such persons as division superintendent and the other as associate superintendent. If the designation is not made on or before March 1, 2013, the designation shall be made by the circuit court for the consolidated city. In the event of a vacancy in the position of superintendent or associate superintendent during the term to which appointed, the remaining incumbent shall be the superintendent and the position of associate superintendent shall be abolished. After the term to which the initial superintendent is appointed, the superintendent shall be appointed as provided by general law.

§ 6.04. Elementary school attendance zones.

In addition to other powers, duties, and obligations granted to the school board by the laws of the Commonwealth, the school board shall take care that elementary schools are so located near pupil population that pupil assignment plans will contribute to the efficiency of the school division and minimize busing.

Chapter VII
Law Enforcement

§ 7.01. City Sheriff.

Law enforcement in the city shall be the responsibility of the city sheriff. The consolidated city shall not have a police chief appointed by the council of the consolidated city or its city manager. The city sheriff shall have all the powers and duties of sheriffs as provided by general law and shall be responsible for preservation of the public peace, protection of the rights of persons and property, and enforcement of the laws of the Commonwealth and the ordinances of the city.

§ 7.02. Additional functions of sheriff.

The city sheriff shall perform such additional duties, not inconsistent with his office, as the city council shall direct, and he shall be accountable to the city council as to such additional duties only.

Chapter VIII
Utility Services

§ 8.01. Utility service districts.

The council may charge and collect such fees, rents, and charges for water, sewer, and other utility services provided by the city as may be authorized by law. Such fees, rents, and charges, being in the nature of use or service charges, shall, as nearly as the governing body shall deem practicable and equitable, be uniform for the same type, class, and amount of use or service. Differing levels of services in existing service areas, differing investments in treatment, transmission, and collection facilities, and differing operating expenses may be compensated for and handled by separate rate levels within various districts in the city, which may be established by the consolidation agreement or by council and shall be known as utility service districts.

§ 8.02. Utilities defined.

For purposes of this chapter, utility services are defined as the production, transmission, delivery, or furnishing of heat, gas, water, light, power, sewerage collection and treatment or solid waste collection, recycling, and disposal services, either directly or indirectly, to or for the public by the city.

§ 8.03. Refuse disposal service districts.

The council may impose a monthly fee or charge to be paid by users of refuse disposal services in one or more refuse disposal service districts in the city. A fee or charge may be imposed for the purpose of paying all or a portion of liabilities for expenses, such as closure costs, resulting from the use of a landfill for refuse disposal prior to the effective date of consolidation by customers located within the area of such district. Any such district may be created by the consolidation agreement or by council for a period not exceeding 20 years. Such a monthly fee or charge within a refuse disposal service district shall be in addition to other fees, if any, that the council may impose for refuse collection, disposal, or recycling services.

Chapter IX
Constitutional Officers

§ 9.01. Powers and duties.

The clerk of the circuit court, attorney for the Commonwealth, commissioner of revenue, city treasurer, and city sheriff shall have the powers and perform such duties as are provided by the Constitution of Virginia, and, except as otherwise provided in this charter, as are provided by general law.

§ 9.02. Election and terms of office.

A. Upon the effective date of consolidation, the clerk of the circuit court, the attorney for the Commonwealth, and the sheriffs of the County of Alleghany and the City of Covington shall continue in office until January 1 following the next regularly scheduled election for each city constitutional officer pursuant to § 24.2-217 of the Code of Virginia, as amended, whether or not the term to which such officer was elected may have expired prior to that date. Thereafter, such constitutional officers of the city shall be elected as provided by the Constitution of Virginia and general laws of the Commonwealth.

B. The treasurer and the commissioner of revenue for the city shall be determined by agreement between those persons holding such respective offices on the effective date of consolidation, and the others shall become assistants or chief deputies, upon filing of a certification of said agreement in the Circuit Court of Alleghany County. In the event no agreement is reached or no certification is filed before December 1 prior to the effective date of consolidation, the Circuit Court of Alleghany County shall designate one officer as principal and the others as assistants or chief deputies. Each such constitutional officer shall continue in office, whether as the principal officer or as chief deputy, until January 1 following the next regularly scheduled election for each city constitutional officer pursuant to § 24.2-217 of the Code of Virginia, as amended, whether or not the term to which such officer was elected may have expired prior to that date. In the event of a vacancy in the office of assistant or chief deputy created pursuant to the provisions of this chapter, during said term, the position shall be abolished.

Chapter X

Miscellaneous Provisions

§ 10.01. Consolidation agreement.

The consolidation agreement referred to in this charter is the agreement dated July 13, 2010, and any amendments thereto, made and entered into by and between the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the County of Alleghany, and the Committee appointed by order of the Circuit Court of Alleghany County dated November 23, 2009, to act for and in lieu of the governing body of the City of Covington, pursuant to § 15.2-3531 of the Code of Virginia, as amended.

§ 10.02. Assets of former city and county.

All property, real and personal, tangible and intangible, of the County of Alleghany and the City of Covington and of their respective school divisions and school boards, including debts owed to each, shall on the effective date of this charter become the property of and be vested in the City of Alleghany Highlands, without any further act or deed.

§ 10.03. Ordinances continued in effect.

All ordinances, rules, regulations, and orders legally made by the City of Covington and the County of Alleghany in force on the effective date of this charter, insofar as they or any portion thereof are not inconsistent with this charter or the consolidation agreement, shall remain in full force and effect as provided in the consolidation agreement.

§ 10.04. Township of Clifton Forge.

The Town of Clifton Forge shall continue as a township as provided by § 15.2-3548 of the Code of Virginia, as amended. The city shall exercise such powers in the township as exercised by the county in the town prior to the effective date of this charter. Notwithstanding any provision of general law, the township of Clifton Forge shall have the right to exercise the powers granted to towns by Article 1 (§ 15.2-3200 et seq.) of Chapter 32 of Title 15.2 of the Code of Virginia, as amended, as provided in the consolidation agreement.

§ 10.05. Township of Iron Gate.

The Town of Iron Gate shall continue as a township as provided by § 15.2-3548 of the Code of Virginia, as amended. The city shall exercise such powers in the township as exercised by the county in the town prior to the effective date of this charter. Notwithstanding any provision of general law, the township of Iron Gate shall have the right to exercise the powers granted to towns by Article 1 (§ 15.2-3200 et seq.) of Chapter 32 of Title 15.2 of the Code of Virginia, as amended, as provided in the consolidation agreement.

§ 10.06. Annulment of township charters.

The township of Clifton Forge or the township of Iron Gate may enter into an agreement with the city and thereafter petition the circuit court for an order requiring a referendum on the question of whether the township charter should be annulled and repealed, as provided in Chapter 37 (§ 15.2-3700 et seq.) of Title 15.2 of the Code of Virginia, mutatis mutandis.

§ 10.07. Appointments by courts.

All appointments required for this charter or by general law to be made by the circuit court or the judge or judges thereof shall be made by the judge normally designated by the chief judge of the judicial circuit to preside at the sessions of the circuit court in the City of Alleghany Highlands.

§ 10.08. Plan of government.

The plan of government provided by this charter may be changed to any other plan for the government of cities in the manner provided by general law.

§ 10.09. Reference to Code of Virginia.

The repeal of any section of the Code of Virginia to which this charter may refer shall not affect the validity of this charter or any provision thereof, which shall remain as valid as if there had been no such repeal, unless the context clearly indicates otherwise. Reference to any section of the Code of Virginia which may hereafter be recodified, shall be deemed references to the appropriate recodified section, unless the context clearly indicates otherwise.

§ 10.10. Severability.

In the event that any portion, section, or provision of this charter shall be declared illegal, invalid, or unconstitutional by final judgment of any court of competent jurisdiction, such judgment shall not invalidate any other portion, section, or provisions hereof, but all parts of this charter not expressly held to be invalid shall remain in full force and effect.

2. That Chapter 227, as amended, of the Acts of Assembly of 1954 is repealed.

3. That this act shall become effective at midnight on December 31, 2012, provided the consolidation of the County of Alleghany and the City of Covington be ordered by the Circuit Court of Alleghany County prior thereto.

APPENDIX C

Statistical Profile of the City of Covington, County of Alleghany, and the Proposed City of Alleghany Highlands

	City of Covington	County of Alleghany	Proposed City of Alleghany Highlands
Population (2010)	5,961	16,250	22,211
Land Area (Square Miles)	5.47	445.46	450.93
School Membership (Fall 2010)	980	2,804	3,784
Total Assessed Values (2008)	$402,917,716	$1,323,169,147	$1,726,086,863
Real Estate Values (Total Fair Market)	$281,881,300	$1,063,033,000	$1,344,914,300
Personal Property Values	$23,057,070	$64,142,598	$87,199,668
Machinery and Tools Values	$76,476,640	$106,864,932	$183,341,572
Public Service Corporation Values	$21,502,706	$89,128,617	$110,631,323
Total Taxable Retail Sales (2010)	$107,724,643	$64,618,043	$172,342,686

Notes:
Assessed Real Estate Values for the City of Covington are for Fiscal Year 2009
Assessed Real Estate Values for Alleghany County are for Calendar Year 2009

Sources:
US Census Bureau, Census 2010
Virginia Department of Education, Fall Membership Reports, 2010
Virginia Department of Taxation, Annual Report, Fiscal Year 2009
Weldon Cooper Center for Public Service, University of Virginia, Taxable Sales Report, 2010

APPENDIX D

Local Fiscal Resources
City of Alleghany Highlands
and Cities of Comparable Population Size

City	2008 Population	Per Capita True Value of Real Estate and Public Service Corporation Property	Per Capita Taxable Retail Sales	Per Capita Income
Alleghany Highlands	22,700	$68,117	$7,785	$21,196
Bristol	17,400	$67,938	$20,493	$19,764
Hopewell	23,300	$80,636	$6,844	$19,278
Staunton	23,100	$88,911	$15,229	$22,406
Wayneboro	20,600	$98,584	$19,692	$22,666
All Cities	2,412,400	$116,165	$13,831	
Virginia	7,769,000	$143,895	$11,598	$31,606

Notes:
The 2008 population is derived from the 2008 Sales/Assessment Ratio Study.

Sources:
Virginia Department of Taxation, 2008 Sales/Assessment Ratio Study.
Weldon Cooper Center for Public Service, University of Virginia, Taxable Sales Report, 2008.
U.S. Census Bureau, 2005-2009 American Community Survey.

APPENDIX E
PART 1

Table 1
Revenue Capacity Per Capita
and Revenue Effort
City of Alleghany Highlands and Similar Sized Cities
FY 2008/2009

Locality	Revenue Capacity Per Capita, 2008/09	Percent of Statewide Average ($1895.76)		Revenue Effort Per Capita, 2008/09	Percent of Statewide Average (0.9022)
Alleghany Highlands	$1,248.82	66%		1.2984	144%
Bristol	$1,413.30	75%		1.4138	157%
Hopewell	$1,223.59	65%		1.2990	144%
Staunton	$1,486.67	78%		1.2213	135%
Waynesboro	$1,645.17	87%		1.1551	128%

Notes:
With respect to the Alleghany Highlands computation in the above table, this fiscal analysis is based upon the sum of the data inputs for the City of Covington and Alleghany County's revenue streams and fiscal resources (tax bases).

The 'Statewide Average' values indicated above indicate the mean of all 94 counties and 39 cities that would theoretically exist if the consolidation were to occur.

'Revenue Capacity' represents the amount of revenue that a given jurisdiction could collect, if it were to levy taxes, fees, and other revenue collections at the statewide average, and is typically expressed on a per-capita basis.

'Revenue Effort' represents a ratio of the total amount collected to the total revenue capacity of a jurisdiction, thus, a revenue effort that exceeds 1.0 means the city or county is collecting local-source revenue that is greater than its theoretical revenue capacity.

For an extended discussion of revenue capacity and revenue effort, see Commission on Local Government, Report on the Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities: 2008/2009.

Source:
Staff, Commission on Local Government.

APPENDIX E
PART 2

Table 2
Revenue Capacity and Effort by All Localities, FY 2008/2009

	1= lowest capacity 133=highest capacity			1= highest effort 133=lowest effort		
Jurisdiction	Revenue Capacity Per Capita, 2008/09	Revenue Capacity Rank	Percent of Statewide Average ($1895.76)	Revenue Effort, 2008/09	Revenue Effort Rank	Percent of Statewide Average (0.9022)
Accomack County	$1,627.64	61	86%	0.5760	118	64%
Albemarle County	$2,924.75	118	154%	0.7426	76	82%
Amelia County	$1,713.68	65	90%	0.6529	103	72%
Amherst County	$1,431.86	42	76%	0.7439	75	82%
Appomattox County	$1,495.21	48	79%	0.6254	108	69%
Arlington County	$3,794.93	128	200%	1.1398	34	126%
Augusta County	$1,750.00	68	92%	0.6004	113	67%
Bath County	$5,398.90	132	285%	0.4849	129	54%
Bedford County	$2,113.00	98	111%	0.5617	121	62%
Bland County	$1,384.60	36	73%	0.8526	58	95%
Botetourt County	$1,878.97	78	99%	0.6404	106	71%
Brunswick County	$1,221.37	15	64%	0.6750	95	75%
Buchanan County	$1,386.29	37	73%	1.3073	19	145%
Buckingham County	$1,340.95	28	71%	0.6610	98	73%
Campbell County	$1,367.27	33	72%	0.7351	78	81%
Caroline County	$1,703.51	63	90%	0.7198	84	80%
Carroll County	$1,344.62	29	71%	0.8364	60	93%
Charles City County	$2,007.92	89	106%	0.7997	66	89%
Charlotte County	$1,345.53	30	71%	0.7148	86	79%
Chesterfield County	$1,958.32	84	103%	0.8975	53	99%
Clarke County	$2,419.80	110	128%	0.5963	114	66%
Craig County	$1,529.43	52	81%	0.5855	116	65%
Culpeper County	$1,806.06	69	95%	0.7833	69	87%
Cumberland County	$1,574.98	57	83%	0.7413	77	82%
Dickenson County	$1,196.54	13	63%	1.2776	24	142%
Dinwiddie County	$1,564.41	56	83%	0.7568	74	84%
Essex County	$2,187.22	104	115%	0.6043	112	67%
Fairfax County	$3,211.77	120	169%	1.0423	42	116%
Fauquier County	$2,784.02	117	147%	0.8155	64	90%
Floyd County	$1,812.79	71	96%	0.5206	127	58%
Fluvanna County	$1,841.18	75	97%	0.5854	117	65%
Franklin County	$2,062.68	95	109%	0.5689	119	63%
Frederick County	$1,925.79	80	102%	0.7867	68	87%
Giles County	$1,240.16	18	65%	0.9105	51	101%
Gloucester County	$1,977.32	85	104%	0.6790	92	75%
Goochland County	$4,038.59	130	213%	0.4740	130	53%
Grayson County	$1,613.35	60	85%	0.4864	128	54%
Greene County	$1,807.83	70	95%	0.7825	70	87%
Greensville County	$958.47	2	51%	1.0185	45	113%
Halifax County	$1,482.19	46	78%	0.7342	80	81%
Hanover County	$2,293.05	107	121%	0.8099	65	90%
Henrico County	$2,094.63	97	110%	0.9365	49	104%
Henry County	$1,134.54	10	60%	0.7344	79	81%

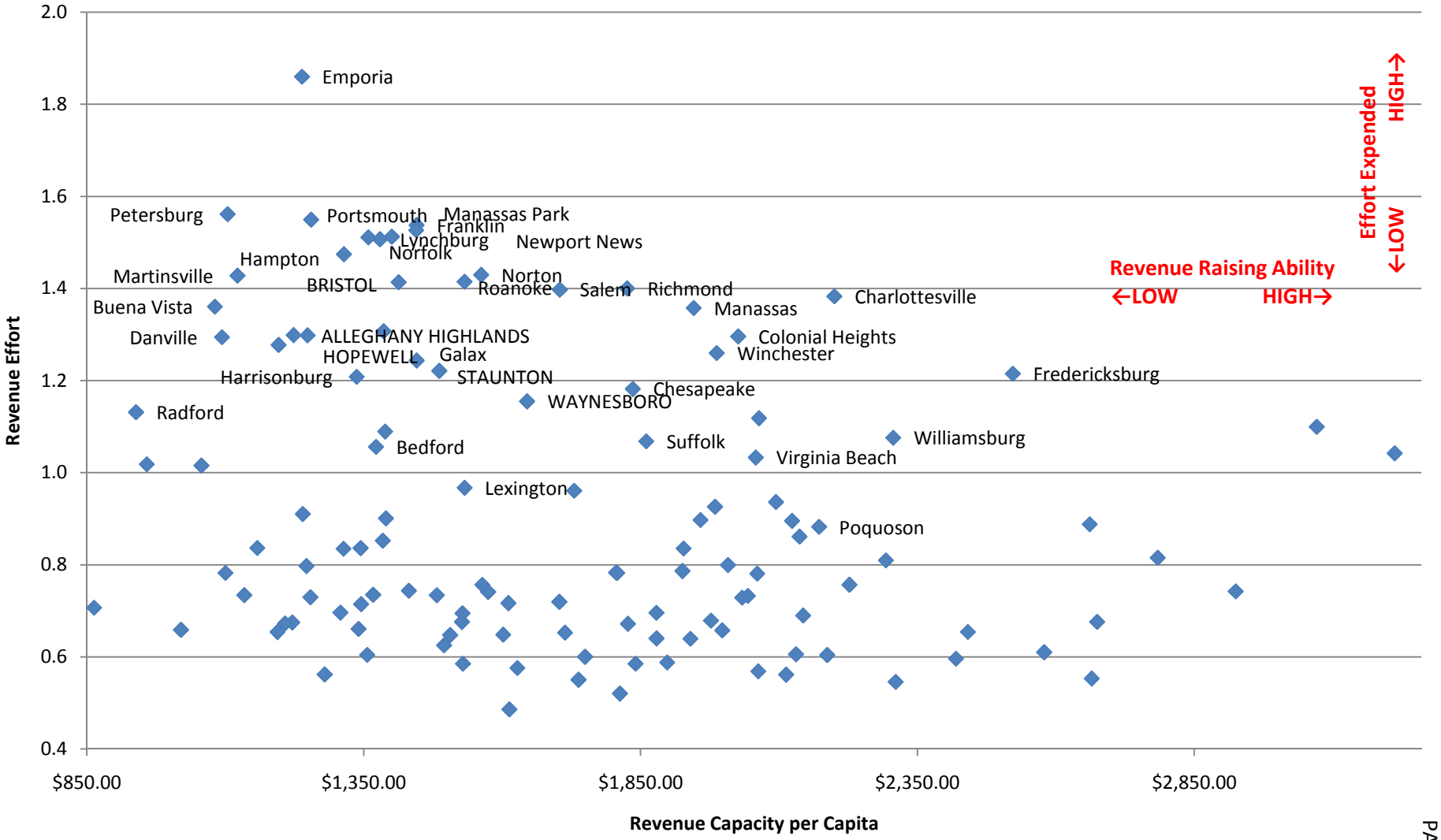
Jurisdiction	Revenue Capacity Per Capita, 2008/09	Revenue Capacity Rank	Percent of Statewide Average ($1895.76)	Revenue Effort, 2008/09	Revenue Effort Rank	Percent of Statewide Average (0.9022)
Highland County	$3,357.99	123	177%	0.5258	126	58%
Isle of Wight County	$2,043.80	92	108%	0.7327	81	81%
James City County	$2,661.07	114	140%	0.8881	55	98%
King and Queen County	$2,137.22	101	113%	0.8615	57	95%
King George County	$2,033.49	91	107%	0.7289	83	81%
King William County	$1,878.76	77	99%	0.6961	89	77%
Lancaster County	$3,434.16	125	181%	0.4722	131	52%
Lee County	$863.41	0	46%	0.7070	87	78%
Loudoun County	$3,071.06	119	162%	1.0998	37	122%
Louisa County	$2,674.55	116	141%	0.6763	93	75%
Lunenburg County	$1,194.43	12	63%	0.6542	102	73%
Madison County	$2,310.72	109	122%	0.5459	124	61%
Mathews County	$2,664.86	115	141%	0.5533	122	61%
Mecklenburg County	$1,738.06	67	92%	0.5506	123	61%
Middlesex County	$3,446.66	126	182%	0.4462	133	49%
Montgomery County	$1,308.22	24	69%	0.6964	88	77%
Nelson County	$2,578.90	113	136%	0.6103	109	68%
New Kent County	$2,227.29	106	117%	0.7569	73	84%
Northampton County	$2,441.20	111	129%	0.6545	101	73%
Northumberland County	$3,368.94	124	178%	0.4676	132	52%
Nottoway County	$1,208.18	14	64%	0.6730	96	75%
Orange County	$1,997.63	88	105%	0.6578	100	73%
Page County	$1,602.13	58	85%	0.6485	104	72%
Patrick County	$1,356.50	31	72%	0.6046	111	67%
Pittsylvania County	$1,279.82	23	68%	0.5621	120	62%
Powhatan County	$2,143.69	102	113%	0.6901	91	76%
Prince Edward County	$1,253.99	21	66%	0.7298	82	81%
Prince George County	$1,313.80	25	69%	0.8350	62	93%
Prince William County	$2,064.04	96	109%	1.1185	36	124%
Pulaski County	$1,390.41	39	73%	0.9010	52	100%
Rappahannock County	$3,887.02	129	205%	0.5335	125	59%
Richmond County	$1,527.61	50	81%	0.6761	94	75%
Roanoke County	$1,730.29	66	91%	0.9610	48	107%
Rockbridge County	$2,060.83	94	109%	0.7810	72	87%
Rockingham County	$1,827.31	73	96%	0.6721	97	74%
Russell County	$1,158.09	11	61%	0.8368	59	93%
Scott County	$1,020.22	3	54%	0.6589	99	73%
Shenandoah County	$1,898.22	79	100%	0.5881	115	65%
Smyth County	$1,100.74	7	58%	0.7824	71	87%
Southampton County	$1,528.58	51	81%	0.6949	90	77%
Spotsylvania County	$1,927.89	81	102%	0.8356	61	93%
Stafford County	$1,984.60	86	105%	0.9262	50	103%
Surry County	$3,352.92	122	177%	0.8317	63	92%
Sussex County	$1,388.95	38	73%	1.0895	38	121%
Tazewell County	$1,246.84	19	66%	0.7975	67	88%
Warren County	$1,940.20	82	102%	0.6396	107	71%
Washington County	$1,506.27	49	79%	0.6475	105	72%
Westmoreland County	$2,130.80	100	112%	0.6060	110	67%
Wise County	$1,057.18	4	56%	1.0157	46	113%
Wythe County	$1,611.48	59	85%	0.7170	85	79%
York County	$2,123.73	99	112%	0.8956	54	99%

Jurisdiction	Revenue Capacity Per Capita, 2008/09	Revenue Capacity Rank	Percent of Statewide Average ($1895.76)	Revenue Effort, 2008/09	Revenue Effort Rank	Percent of Statewide Average (0.9022)
Alexandria City	$3,455.16	127	182%	1.0299	44	114%
Alleghany Highlands City	**$1,248.82**	**20**	**66%**	**1.2984**	**21**	**144%**
Bedford City	$1,372.45	34	72%	1.0562	41	117%
Bristol City	**$1,413.30**	**41**	**75%**	**1.4138**	**13**	**157%**
Buena Vista City	$1,081.57	5	57%	1.3607	17	151%
Charlottesville City	$2,200.04	105	116%	1.3831	16	153%
Chesapeake City	$1,836.15	74	97%	1.1820	30	131%
Colonial Heights City	$2,026.47	90	107%	1.2960	22	144%
Danville City	$1,094.26	6	58%	1.2944	23	143%
Emporia City	$1,238.80	17	65%	1.8599	1	206%
Fairfax City	$3,337.75	121	176%	1.1567	32	128%
Falls Church City	$4,115.08	131	217%	1.1593	31	128%
Franklin City	$1,445.69	44	76%	1.5377	4	170%
Fredericksburg City	$2,522.36	112	133%	1.2150	28	135%
Galax City	$1,445.83	45	76%	1.2438	26	138%
Hampton City	$1,314.48	26	69%	1.4745	9	163%
Harrisonburg City	$1,337.46	27	71%	1.2085	29	134%
Hopewell City	**$1,223.59**	**16**	**65%**	**1.2990**	**20**	**144%**
Lexington City	$1,532.43	54	81%	0.9674	47	107%
Lynchburg City	$1,379.62	35	73%	1.5070	8	167%
Manassas City	$1,945.98	83	103%	1.3578	18	151%
Manassas Park City	$1,445.09	43	76%	1.5265	5	169%
Martinsville City	$1,122.25	9	59%	1.4281	11	158%
Newport News City	$1,400.93	40	74%	1.5126	6	168%
Norfolk City	$1,358.66	32	72%	1.5113	7	168%
Norton City	$1,562.39	55	82%	1.4298	10	158%
Petersburg City	$1,104.54	8	58%	1.5616	2	173%
Poquoson City	$2,172.54	103	115%	0.8826	56	98%
Portsmouth City	$1,255.25	22	66%	1.5495	3	172%
Radford City	$939.07	1	50%	1.1316	35	125%
Richmond City	$1,825.83	72	96%	1.4004	14	155%
Roanoke City	$1,532.29	53	81%	1.4148	12	157%
Salem City	$1,704.32	64	90%	1.3976	15	155%
Staunton City	**$1,486.67**	**47**	**78%**	**1.2213**	**27**	**135%**
Suffolk City	$1,860.44	76	98%	1.0684	40	118%
Virginia Beach City	$2,058.21	93	109%	1.0331	43	115%
Waynesboro City	**$1,645.17**	**62**	**87%**	**1.1551**	**33**	**128%**
Williamsburg City	$2,306.42	108	122%	1.0760	39	119%
Winchester City	$1,987.63	87	105%	1.2599	25	140%

See Table 1 notes.

Source:
Staff, Commission on Local Government.

Comparison of Revenue Capacity to Revenue Effort, FY 2008/2009



Note:
Twelve outlying data points have been omitted using the Tukey method. These values are included on the previous table.
Only data points for cities are labeled.

APPENDIX F
PART 1

Debt Service and Debt as a Percentage of Revenue Capacity for Fiscal Year 2008/2009

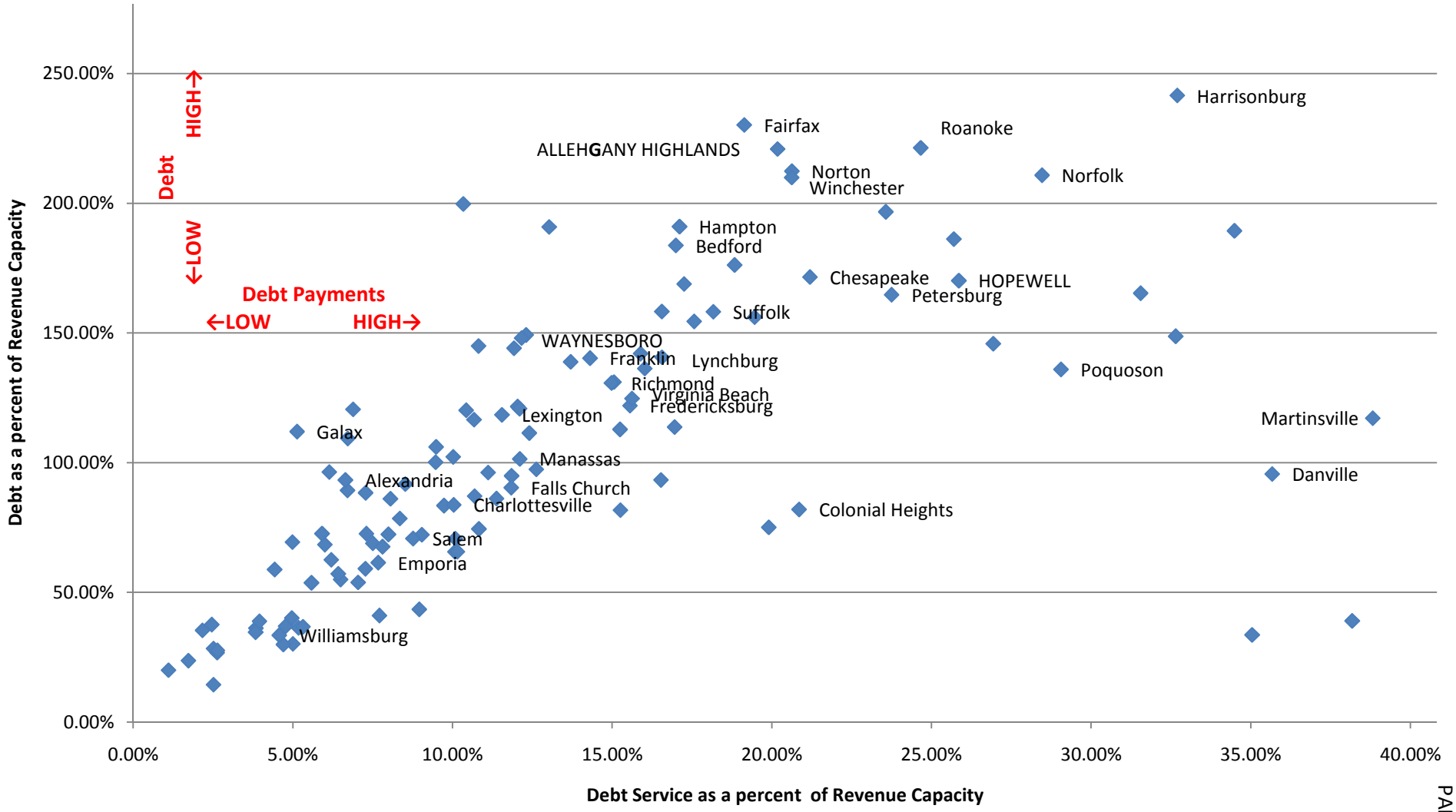
Jurisdiction	Debt Service as a Percent of Revenue Capacity	Rank (1= highest debt payments 133=lowest debt payments)	Percent of Statewide Average (18.1%)	Debt as a Percent of Revenue Capacity	Rank (1= highest debt 133=lowest debt)	Percent of Statewide Average (118.4%)
Accomack County	11.85%	68	65%	94.91%	75	80%
Albemarle County	5.58%	112	31%	53.71%	111	45%
Amelia County	3.84%	124	21%	36.21%	121	31%
Amherst County	10.83%	73	60%	74.46%	91	63%
Appomattox County	62.38%	4	345%	118.39%	58	100%
Arlington County	12.62%	60	70%	97.45%	71	82%
Augusta County	7.27%	100	40%	59.11%	106	50%
Bath County	38.18%	12	211%	39.01%	115	33%
Bedford County	9.04%	87	50%	72.21%	95	61%
Bland County	4.43%	122	24%	58.82%	107	50%
Botetourt County	8.06%	92	45%	86.08%	84	73%
Brunswick County	6.20%	108	34%	62.55%	104	53%
Buchanan County	5.18%	114	29%	36.36%	120	31%
Buckingham County	8.52%	90	47%	91.75%	78	77%
Campbell County	9.47%	86	52%	100.19%	70	85%
Caroline County	128.70%	2	711%	144.13%	39	122%
Carroll County	11.12%	72	61%	96.18%	73	81%
Charles City County	8.96%	88	50%	43.47%	112	37%
Charlotte County	5.00%	116	28%	30.13%	126	25%
Chesterfield County	15.25%	54	84%	112.84%	63	95%
Clarke County	10.67%	76	59%	116.56%	61	98%
Craig County	10.08%	81	56%	65.63%	103	55%
Culpeper County	10.43%	77	58%	120.20%	56	102%
Cumberland County	151.39%	1	836%	308.11%	3	260%
Dickenson County	4.77%	119	26%	36.98%	118	31%
Dinwiddie County	23.57%	29	130%	196.70%	16	166%
Essex County	10.69%	75	59%	87.10%	82	74%
Fairfax County	11.38%	71	63%	86.18%	83	73%
Fauquier County	9.73%	84	54%	83.45%	86	70%
Floyd County	7.99%	93	44%	72.36%	94	61%
Fluvanna County	10.34%	78	57%	199.73%	15	169%
Franklin County	3.95%	123	22%	38.85%	116	33%
Frederick County	12.04%	66	67%	121.63%	53	103%
Giles County	12.10%	65	67%	120.82%	54	102%
Gloucester County	10.15%	79	56%	65.70%	102	55%
Goochland County	5.32%	113	29%	36.76%	119	31%
Grayson County	10.09%	80	56%	70.71%	97	60%
Greene County	26.94%	24	149%	145.87%	37	123%
Greensville County	90.18%	3	498%	303.54%	4	256%
Halifax County	19.46%	37	108%	156.08%	32	132%
Hanover County	19.90%	36	110%	75.07%	90	63%
Henrico County	16.53%	48	91%	93.33%	76	79%
Henry County	6.49%	106	36%	54.95%	109	46%

Jurisdiction	Debt Service as a Percent of Revenue Capacity	Rank	Percent of Statewide Average (18.1%)	Debt as a Percent of Revenue Capacity	Rank	Percent of Statewide Average (118.4%)
Highland County	2.51%	129	14%	14.43%	133	12%
Isle of Wight County	9.49%	85	52%	106.07%	67	90%
James City County	15.05%	55	83%	131.07%	48	111%
King and Queen County	4.97%	118	27%	40.08%	114	34%
King George County	31.55%	19	174%	165.32%	28	140%
King William County	12.40%	61	69%	111.43%	65	94%
Lancaster County	2.63%	127	15%	26.76%	130	23%
Lee County	7.71%	95	43%	41.07%	113	35%
Loudoun County	32.65%	18	180%	148.73%	35	126%
Louisa County	2.17%	131	12%	35.38%	122	30%
Lunenburg County	16.96%	45	94%	113.72%	62	96%
Madison County	2.51%	128	14%	28.31%	128	24%
Mathews County	7.04%	101	39%	53.84%	110	45%
Mecklenburg County	1.73%	132	10%	23.68%	131	20%
Middlesex County	6.00%	110	33%	68.40%	100	58%
Montgomery County	11.92%	67	66%	144.13%	40	122%
Nelson County	8.35%	91	46%	78.49%	89	66%
New Kent County	34.49%	16	191%	189.37%	19	160%
Northampton County	44.56%	9	246%	165.37%	27	140%
Northumberland County	6.71%	104	37%	89.32%	80	75%
Nottoway County	4.98%	117	28%	69.39%	98	59%
Orange County	17.25%	42	95%	168.90%	26	143%
Page County	13.03%	59	72%	190.88%	18	161%
Patrick County	16.02%	49	89%	136.29%	46	115%
Pittsylvania County	18.83%	39	104%	176.20%	23	149%
Powhatan County	45.38%	8	251%	140.39%	43	119%
Prince Edward County	5.91%	111	33%	72.65%	92	61%
Prince George County	25.70%	26	142%	186.20%	20	157%
Prince William County	13.70%	58	76%	138.86%	45	117%
Pulaski County	6.89%	102	38%	120.56%	55	102%
Rappahannock County	2.64%	126	15%	27.62%	129	23%
Richmond County	35.04%	15	194%	33.60%	124	28%
Roanoke County	12.30%	62	68%	149.23%	34	126%
Rockbridge County	10.02%	83	55%	102.23%	68	86%
Rockingham County	6.72%	103	37%	109.34%	66	92%
Russell County	7.50%	97	41%	68.94%	99	58%
Scott County	1.11%	133	6%	20.01%	132	17%
Shenandoah County	7.81%	94	43%	67.62%	101	57%
Smyth County	3.83%	125	21%	34.65%	123	29%
Southampton County	16.56%	46	91%	140.64%	42	119%
Spotsylvania County	17.57%	41	97%	154.46%	33	130%
Stafford County	16.56%	47	91%	158.25%	30	134%
Surry County	6.14%	109	34%	96.40%	72	81%
Sussex County	10.82%	74	60%	144.98%	38	122%
Tazewell County	15.26%	53	84%	81.68%	88	69%
Warren County	44.51%	10	246%	181.12%	22	153%
Washington County	2.46%	130	14%	37.58%	117	32%
Westmoreland County	4.70%	120	26%	29.91%	127	25%
Wise County	6.42%	107	35%	57.16%	108	48%
Wythe County	7.30%	98	40%	72.63%	93	61%

Jurisdiction	Debt Service as a Percent of Revenue Capacity	Rank	Percent of Statewide Average (18.1%)	Debt as a Percent of Revenue Capacity	Rank	Percent of Statewide Average (118.4%)
York County	7.28%	99	40%	88.37%	81	75%
Alexandria City	6.65%	105	37%	93.30%	77	79%
Alleghany Highlands City	**20.18%**	**35**	**111%**	**220.91%**	**11**	**187%**
Bedford City	16.99%	44	94%	183.74%	21	155%
Bristol City	**22.41%**	**30**	**124%**	**281.28%**	**6**	**238%**
Buena Vista City	30.03%	20	166%	310.17%	2	262%
Charlottesville City	10.04%	82	55%	83.74%	85	71%
Chesapeake City	21.19%	31	117%	171.56%	24	145%
Colonial Heights City	20.85%	32	115%	81.96%	87	69%
Danville City	35.67%	14	197%	95.62%	74	81%
Emporia City	7.67%	96	42%	61.46%	105	52%
Fairfax City	19.14%	38	106%	230.20%	9	194%
Falls Church City	11.84%	69	65%	90.36%	79	76%
Franklin City	14.31%	57	79%	140.29%	44	118%
Fredericksburg City	15.56%	52	86%	121.99%	52	103%
Galax City	5.13%	115	28%	111.98%	64	95%
Hampton City	17.11%	43	95%	191.01%	17	161%
Harrisonburg City	32.70%	17	181%	241.55%	8	204%
Hopewell City	**25.86%**	**25**	**143%**	**170.16%**	**25**	**144%**
Lexington City	11.55%	70	64%	118.44%	57	100%
Lynchburg City	15.89%	50	88%	142.03%	41	120%
Manassas City	12.11%	64	67%	101.43%	69	86%
Manassas Park City	27.34%	23	151%	588.71%	1	497%
Martinsville City	38.82%	11	214%	117.13%	60	99%
Newport News City	36.05%	13	199%	291.77%	5	246%
Norfolk City	28.46%	22	157%	210.82%	13	178%
Norton City	20.63%	33	114%	212.39%	12	179%
Petersburg City	23.75%	28	131%	164.74%	29	139%
Poquoson City	29.06%	21	161%	135.94%	47	115%
Portsmouth City	61.11%	5	338%	246.57%	7	208%
Radford City	59.19%	6	327%	117.85%	59	100%
Richmond City	14.98%	56	83%	130.73%	49	110%
Roanoke City	24.66%	27	136%	221.36%	10	187%
Salem City	8.76%	89	48%	70.75%	96	60%
Staunton City	**52.06%**	**7**	**288%**	**124.04%**	**51**	**105%**
Suffolk City	18.17%	40	100%	158.19%	31	134%
Virginia Beach City	15.62%	51	86%	124.74%	50	105%
Waynesboro City	**12.16%**	**63**	**67%**	**148.02%**	**36**	**125%**
Williamsburg City	4.57%	121	25%	33.49%	125	28%
Winchester City	20.62%	34	114%	209.91%	14	177%

Notes:
Debt Service is derived from Total Applications of Debt Service.
Debt is derived from Total Debt minus Debt related to Enterprise Activities.
Debt service may include payments made during the restructuring of debt from the new creditor, which may skew some values.
Source:
Virginia Auditor of Public Accounts, Comparative Report of Local Governmnet Revenues and Expenditures.
Staff, Commission on Local Government.

Comparison of Debt and Debt Service to Revenue Capacity, FY 2008/2009



Note:
Fourteen outlying data points have been omitted using the Tukey method. These were omitted because valuesmay be skewed due to debt restructuring. X-values over 270% and Y-values over 40.8% were omitted. These values are included on the previous table.
Only data points for cities are labeled.

APPENDIX F
PART 2

APPENDIX G

USDA Rural Development Programs

Following are several definitions of the term "rural area" that are used to determine eligibility for USDA Rural Development grants or loans. This list is not intended to be comprehensive, but highlights some of the program criteria that may be impacted by a change to city status.

Direct Single Family Housing Loans and Grants

7 CFR 3550.10

Rural area. A rural area is:

(1) Open country which is not part of or associated with an urban area.

(2) Any town, village, city, or place, including the immediate adjacent densely settled area, which is not part of or associated with an urban area and which:

(i) Has a population not in excess of 10,000 if it is rural in character; or

(ii) Has a population in excess of 10,000 but not in excess of 20,000, is not contained within a Metropolitan Statistical Area, and has a serious lack of mortgage credit for low- and moderate income households as determined by the Secretary of Agriculture and the Secretary of HUD.

(3) An area classified as a rural area prior to October 1, 1990, (even if within a Metropolitan Statistical Area), with a population exceeding 10,000, but not in excess of 25,000, which is rural in character, and has a serious lack of mortgage credit for low- and moderate income families. This is effective through receipt of census data for the year 2010.

(These regulations are applicable to Catalog of Federal Domestic Assistance (CFDA)# 10.410 and 10.789. These programs awarded $9.6 million in loans to individuals in Alleghany County, and $172,346 in loans to individuals in Covington since 2009. It appears that only areas that are designated as "open country" would continue to be considered "rural areas," however the final determination will be made by USDA Rural Development.)

Rural Economic Development Loan and Grant Programs

7 CFR 4280.10

Rural Area. This information will be taken from the most recent census data. Any area other than:

(1) A city or town that has a population of greater than 50,000 inhabitants; and

(2) The urbanized area contiguous and adjacent to such a city or town.

(*It does not appear that these programs will be affected, as the population of the city will not exceed 50,000 persons.)*

<u>Community Facilities Loan and Grant Programs</u>

7 CFR 3575.2

Rural and rural area.

(1) For fiscal year 1999, the terms ''rural'' and ''rural area'' mean a city, town, or unincorporated area with 20,000 inhabitants or less according to the latest decennial census.

(2) For later fiscal years, the terms ''rural'' and ''rural area'' mean a city, town, or unincorporated area that has a population of 50,000 inhabitants or less according to the latest decennial census of the United States, other than an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 inhabitants.

(*It does not appear that these programs will be affected, as the population of the city will not exceed 50,000 persons. Between FY08/09 and FY09/10, $103,980 in grants using this definition were awarded to either Covington or Alleghany County under CDFA# 10.766)*

Water and Waste Loans and Grants

7 CFR 1780.3

Rural and *rural areas* means any area not in a city or town with a population in excess of 10,000 inhabitants, according to the latest decennial census of the United States.

(This program, CDFA# 10.781, will be affected, as the new jurisdiction will be a city well in excess of 10,000 residents. In 2009, over $5 million in Recovery Act funds were awarded to Alleghany County.)

USDA Rural Development Funds Awarded to Alleghany County and Covington Recipients

Effective Date	Recovery Act	Recipient	CDFA #	Assistance Type	Description	Grant	Loan Face Value	Original Subsidy Cost of Loan
MORTGAGE PROGRAMS								
3/31/2009 to 8/31/2010	Y	ALLEGHANY CO. INDIVIDUALS	10.789	Loan	Single Family Housing	$ -	$ 2,601,202	$ -
6/30/2010	Y	COVINGTON INDIVIDUALS	10.789	Loan	Single Family Housing	$ -	$ 93,877	$ -
6/30/2009 to 3/31/2011		ALLEGHANY CO. INDIVIDUALS	10.410	Loan	Very Low and Low Income Housing	$ -	$ 7,011,719	$ -
2/28/2010		COVINGTON INDIVIDUALS	10.410	Loan	Very Low and Low Income Housing	$ -	$ 78,469	$ -
ALL OTHER PROGRAMS								
12/4/2000		INDIVIDUAL	10.417	Grant	VERY LOW INCOME HOUSING REPAIR	$ 2,240	$ -	$ -
3/4/2001		INDIVIDUAL	10.417	Grant	VERY LOW INCOME HOUSING REPAIR	$ 7,500	$ -	$ -
5/31/2001		INDIVIDUAL	10.417	Grant	VERY LOW INCOME HOUSING REPAIR	$ 7,500	$ -	$ -
7/10/2001		ALLEGHANY COUNTY	10.760	Grant	WATER AND WASTE DISPOSAL SYSTE	$ 300,000	$ -	$ -
9/8/2001		INDIVIDUAL	10.417	Grant	VERY LOW INCOME HOUSING REPAIR	$ 7,500	$ -	$ -
3/9/2002		SELMA VOLUNTEER FIRE DEPT	10.766	Grant	COMMUNITY FACILITIES LOANS AND	$ 30,000	$ -	$ -
3/27/2002		FALLING SPRING FIRE RESCUE	10.766	Grant	COMMUNITY FACILITIES LOANS AND	$ 22,500	$ -	$ -
1/15/2003		ALLEGHANY COUNTY	10.769	Grant	RURAL DEVELOPMENT GRANTS	$ 83,500	$ -	$ -
12/29/2003		INDIVIDUAL	10.417	Grant	VERY LOW INCOME HOUSING REPAIR	$ 1,450	$ -	$ -
12/4/2008		CITY OF COVINGTON	10.766	Grant	Community Facility Grants	$ 29,000	$ -	$ -
7/6/2009		TOWN OF IRON GATE	10.766	Grant	Community Facility Grants	$ 30,975	$ -	$ -
7/6/2009		TOWN OF IRON GATE	10.766	Loan	Direct Community Facility Loans	$ -	$ 10,325	$ 590
9/3/2009	Y	Alleghany County of	10.781	Grant	Waste Disposal Grants	$ 2,730,600	$ -	$ -
9/3/2009	Y	Alleghany County of	10.781	Loan	Direct Water & Waste Disposal Positive Subsidy - Waste Disposal	$ -	$ -	$ 355,119
9/3/2009	Y	Alleghany County of	10.781	Loan	Direct Waste Disposal Loans	$ -	$ 2,429,000	$ -
9/29/2009		TOWN OF IRON GATE	10.766	Grant	Community Facilities - Economic Impact Initiative Grants	$ 5,475	$ -	$ -
1/6/2010		ALLEGHANY COUNTY	10.766	Grant	Community Facilities - Economic Impact Initiative Grants	$ 41,650	$ -	$ -
1/6/2010		CITY OF COVINGTON	10.766	Grant	Community Facilities - Economic Impact Initiative Grants	$ 33,330	$ -	$

Notes:

'CDFA #' refers to the item number that can be referenced in the Catalog of Domestic Federal Aid.

Source:

www.usaspending.gov

APPENDIX H

Capital Projects Funding using Federal Grants, FY 2000/2001 to FY 2009/2010

	CAPITAL PROJECTS FOR GENERAL GOVERNMENT			CAPITAL PROJECTS FOR ENTERPRISE ACTIVITIES		
	Total Capital Fund Contributions	Federal Grants	Percent Federal Grants	Total Capital Fund Contributions	Federal Grants	Percent Federal Grants
FY 2000/2001 to FY 2004/2005						
Covington	$6,249,790	$1,266,802	20.27%	$4,685,878	$0	0.00%
Alleghany	$19,522,379	$595,592	3.05%	$5,601,433	$1,830,735	32.68%
All Localities	$13,079,039,719	$390,410,519	2.99%	$3,639,326,226	$138,684,584	3.81%
FY 2005/2006 to FY 2009/2010						
Covington	$46,475,320	$445,589	0.96%	$143,472	$0	0.00%
Alleghany	$10,202,163	$3,230,040	31.66%	$6,111,046	$1,378,122	22.55%
All Localities	$18,176,140,892	$459,717,537	2.53%	$4,688,916,986	$172,648,798	3.68%

Source:
Virginia Auditor of Public Accounts, Comparative Report of Local Governmnet Revenues and Expenditures.

APPENDIX J

Savings in Expenditures
Anticipated by Consolidation Studies

Study Name	Projected Savings	Covington Budget	Alleghany Budget	Combined Budget Before Consolidation	Combined Budget After Consolidation	Percent Savings
General Fund Analyses						
Robinson, Farmer, Cox [1]	$917,708	$16,928,051	$32,640,254	$49,568,305	$48,650,597	1.9%
K.W. Poore [2]	$2,251,560	$14,779,536	$32,877,311	$47,656,847	$45,405,287	4.7%
School Budget Analyses						
Davis [3]	$552,765	$10,625,300	$30,294,100	$40,919,400	$40,366,635	1.4%
K.W. Poore [4]	$4,094,398	$10,945,451	$30,257,635	$41,203,086	$37,108,688	9.9%

Notes and Sources:

[1] Robinson, Farmer, Cox & Associates, City of Alleghany Highlands, Virginia Prospective Budget Based Upon Adopted FY 2010 Budget. Oral Presentation Exhibit. The estimated savings are compared to the adopted FY 2009-2010 General Fund Budgets.

[2] K.W. Poore & Associates Inc., Options for the Future of the Alleghany Highlands, May 2008, p. 14.

[3] S. John Davis & Associates, Ltd., Study to Explore the Feasibility of a Merger/Consolidation: Alleghany County and Covington City Public Schools, Addendum, Fall 2010, pp. 41 & 53. The estimated savings only represent the elimination of duplicate positions, and does not consider the potential increased costs of salary equalization.

[4] K.W. Poore & Associates Inc., Options for the Future of the Alleghany Highlands, May 2008, p. 17.