

REPORT
ON THE
IMMUNITY AND FINANCIAL SETTLEMENT PROVISIONS
OF THE
CITY OF STAUNTON—COUNTY OF AUGUSTA
SETTLEMENT AGREEMENT



COMMISSION ON LOCAL GOVERNMENT
COMMONWEALTH OF VIRGINIA

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PROCEEDINGS OF THE COMMISSION

By orders entered on March 25 and March 27, 1985 the special court designated to review the settlement agreement negotiated by the City of Staunton and Augusta County directed this Commission to analyze and to submit a report on certain provisions contained therein.¹

Specifically, the court directed the Commission to consider "the appropriate terms and conditions of the annexation provided for" and "the question of permanent immunity for the Fishersville and Verona areas," as those areas were defined in the applicable settlement documents.²

At the request of counsel for the two jurisdictions, and in anticipation of receipt of the above-mentioned court orders, the Commission met with representatives of the City of Staunton and Augusta County on March 4, 1985 for purposes of scheduling an

¹The actual title of the settlement agreement is the "Study Agreement for Consolidation." This agreement, which was dated March 21, 1983, authorized certain annexation and immunity actions by the City and the County should the consolidation effort fail. The plan of consolidation was defeated by the voters of the City of Staunton in November 1984 resulting in the initiation of the annexation and immunity actions addressed in this report. See Appendix A for the complete terms the "Study Agreement for Consolidation." In accordance with the practice of the parties, this document will hereinafter be identified in this report as the Settlement Agreement.

²See Appendix B for a map of the annexation and immunity areas.

appropriate review of the issues to be referred. Consistent with that adopted schedule, the Commission received oral presentations from the parties on May 24 and May 25, 1985. In addition, the Commission held a public hearing, advertised in accordance with the requirements of Section 15.1-945.7 (B) of the Code of Virginia, on the evening of May 24, 1985 at the Robert E. Lee High School in Staunton, Virginia.³ In order to receive additional public comment, the Commission agreed to keep open its record for the receipt of written submissions through June 24, 1985. Further, the Commission solicited comment from 12 other local governments in the region which were potentially affected by the City of Staunton - Augusta County interlocal settlement.

SCOPE OF REVIEW

The Settlement Agreement negotiated by the City of Staunton and Augusta County provided that, in the event the proposed consolidation of the two jurisdictions failed due solely to the action of the City Council or voters of the City of Staunton, (a) the municipality would be "entitled" to annex a certain specified area in the County and (b) Augusta County would be "entitled" to obtain permanent immunity pursuant to Chapter 21.2, Title 15.1 of the Code of Virginia for the Fishersville and Verona areas.⁴ Since the proposed plan of con-

³No person appeared to testify before the Commission at the public hearing.

⁴Settlement Agreement, Secs. 8.2, 8.4.

solidation was defeated by the voters of the City of Staunton in November 1984, the alternative annexation and immunity provisions are now applicable.⁵ The orders of the special court to this Commission have directed our review of aspects of those issues. With respect to the annexation by the City of Staunton, the order of the special court dated March 25, 1985, stated that the issue of the necessity and expediency of the annexation was settled and that the Commission's findings and recommendations in this report should "be limited to the appropriate terms and conditions of the annexation provided for in the parties' settlement agreement." The Commission's comments on the City of Staunton annexation in this report are restricted accordingly.

PERMANENT IMMUNITY

CHARACTERISTICS OF AREAS PROPOSED FOR IMMUNITY

Verona

The proposed Verona immunity area is located northeast of the City of Staunton, with its southern boundary contiguous to the territory to be annexed. This area eligible for immunity under the terms of the interlocal agreement encompasses 5.74 square miles of territory and contains 2,924 persons (based on 1980 data) and approximately \$82.8 million in property values subject to local taxation (based on 1984 assessments).⁶ These statistics indicate that the proposed Verona

⁵The agreement also contains a provision which will bar the County from initiating or supporting other immunity actions against the City until after December 31, 1994. (Ibid., Sec. 8.6.)

⁶County of Augusta, "Review of Provisions of the Settlement

immunity area contains approximately 0.6% of the County's total land area and, as of the dates specified, 5.4% of its population and 6.7% of its property assessables. Based on its land area and 1980 population, the Verona area has a population density of 509.4 persons per square mile, or nearly ten times that in the County overall (54.5 persons/square mile) at the time of the last decennial census.

In terms of current development, 1983 land use data indicate that 10.8% (398 acres) is committed to residential development, 2.8% (103 acres) is engaged in commercial enterprise, and 5.4% (200 acres) is devoted to industrial activity, while 65.5% (2405 acres) remains agricultural, vacant, or wooded.⁷ Despite the continuing prevalence of undeveloped property in the proposed Verona immunity area, that territory does contain a significant concentration of economic activity. The County has reported that more than 80 commercial establishments and 9 industrial operations are currently active in the area.⁸ Moreover, employment statistics for the first quarter of 1984 indicate

Agreement dated March 21, 1983" (hereinafter identified as County Submissions), Vol. III, Tab 1. The County's submissions include a total of eight volumes addressing both the immunity issue and the terms and conditions of annexation. See Appendix C for a statistical profile of the City, the County, and the annexation and immunity areas.

⁷Ibid., Tab 2. The remaining land in the Verona immunity area is utilized for transportation corridors and utility facilities (8.1%) or for various public or semi-public usages (7.4%).

⁸Ibid., Tab 3.

that the Verona area contains 3,649 positions in nonagricultural wage and salary employment, or 23.9% of the County's total of such employment at that time.⁹ In sum, the data disclose that the Verona area contains a notable concentration of people and economic activity.

It is evident also that the Verona area has been the recipient of considerable County investment, principally with respect to public utilities. The evidence indicates the Augusta County Service Authority (ACSA) currently operates approximately 19.0 miles of water lines within the area, serving 1083 connections.¹⁰ In terms of sewerage, the data disclose that the ACSA owns and maintains approximately 25.5 miles of sewer lines in the area, serving 944 connections.¹¹ This utility network is such that, according to County tabulations, 97% of Verona's residents are connected to or are within 200 feet of ACSA water mains, while 96% are connected to or are within a similar distance of ACSA sewer lines.¹² The extent of the County's utility investment in the Verona area is evidenced by the fact that while that area constitutes only 0.6% of the County's land area, it contains utility facilities representing 23.4% of the value

⁹Virginia Employment Commission, Special Area by Industry Listing for Quarter 1-84--Augusta County.

¹⁰County Submissions, Vol. III, Tab 5.

¹¹Ibid.

¹²Ibid.

of all assets in the ACSA system.¹³ While these utility facilities do not represent the County's total investment in the Verona area, they do provide significant evidence of the County's fiscal investment in the area's development.

Fishersville

The proposed Fishersville immunity area is located southeast of Staunton with its western boundary approximately 1.5 miles from the territory to be annexed by the City. The proposed immunity area includes 9.71 square miles of territory and contains an estimated population of 2,488 persons (based on 1980 data) and approximately \$49.9 million of assessed property values subject to local taxation (based on 1984 assessment data).¹⁴ Thus, the proposed Fishersville immunity area contains approximately 1.0% of Augusta County's total land area and, as of the dates specified, 4.6% of its population and 4.0% of its property assessables. Based on its land area and its 1980 population, the Fishersville area has a population density of 256.2 persons per square mile, a figure five times that in Augusta County overall (54.5 persons/square mile as of 1980.)

With respect to current development in the Fishersville area, 1983 County land use data indicate that 12.2% (755 acres) is devoted to

¹³Ibid. The value of the ACSA assets in the Verona immunity area is stated to be \$8.3 million.

¹⁴Ibid., Tab 1.

residential usage, 2.7% (169 acres) is engaged in commercial enterprise, 1.0% (63 acres) is committed to industrial activity, 8.5% (525 acres) is reserved for public and semi-public usage, while 71.1% (4,425 acres) remains agricultural, wooded, or vacant.¹⁵ Although significant portions of the proposed Fishersville immunity area remain undeveloped, the area contains a major concentration of public facilities and constitutes a center of governmental employment in Augusta County. Located within the Fishersville area is the Augusta County Library, the Augusta Recreation Center, the County's school administrative offices, the Woodrow Wilson Elementary and High Schools, the Valley Vocational Technical Center, the operations center for the Augusta County Service Authority, shops for the maintenance of County and school board vehicles, and the Woodrow Wilson Rehabilitation Center, which is owned by the State.

Like Verona, the Fishersville community is one of the centers of public utility operations in Augusta County. Within the boundaries of the proposed Fishersville immunity area the ACSA maintains and operates 13.0 miles of water lines which serve 684 connections.¹⁶ In addition, the Authority owns 20.7 miles of sewer lines in the area,

¹⁵Ibid., Tab 2. In addition, 4.5% (278 acres) of the Fishersville area is devoted to transportation and utility usage.

¹⁶Ibid., Tab 5. A previous report by this Commission indicated that approximately 96% of the residents of the Fishersville area are connected to or within 200 feet of ACSA water lines. [Commission on Local Government, Report on the County of Augusta Partial Immunity Action, (hereinafter cited as Augusta County Immunity Report, Dec. 1982, p. 21.)

serving 375 connections.¹⁷ It is significant to note that while the Fishersville area constitutes only 1.0% of the County's land area, it contains utility facilities valued as \$9.5 million, or 28.4% of all assets in the ACSA system.¹⁸

FACTORS FOR CONSIDERATION

In reviewing petitions for partial immunity under the provisions of Chapter 21.2 of Title 15.1 of the Code of Virginia, this Commission and ultimately the reviewing court are required to consider (a) the type and level of urban-type services provided within the areas proposed for immunity, (b) the efforts by the petitioning county to comply with applicable State policies, (c) the strength of the community of interest between the areas proposed for immunity and the remaining portions of the county, (d) instances of arbitrary refusal to cooperate in the provision of public services, and (e) the extent to which a proposed grant of immunity would substantially foreclose the annexation options of adjoining cities of less than 100,000 in population.¹⁹ With respect to the standard for the provision of urban-type services, the law states that for an area to qualify for

¹⁷County Submissions, Vol. III, Tab 5. The total number of sewer connections represents approximately 51% of the potential customer base of the ACSA. (Augusta County Immunity Report, p. 30.)

¹⁸County Submissions, Vol. III, Tab 5.

¹⁹Sec. 15.1-977.22:1, Code of Va.

statutory immunity, a county must demonstrate that such area receives "appropriate urban-type services, comparable to the type and level of services furnished in the city from which the county seeks immunity, . . ."20 In this instance, however, Augusta County asserts that as a result of its Settlement Agreement with the City of Staunton whereby that municipality has, under the authority granted it by Sec. 15.1-1167.1 of the Code of Virginia, waived in perpetuity its legal right to seek the annexation of the Verona and Fishersville areas, the standard for the evaluation of urban-type services is substantially modified. The County suggests that since the City of Staunton is relinquishing its authority to seek the annexation of the Verona and Fishersville areas and thereby is waiving permanently its ability to extend its services to that area, there remains no practical basis for a comparison of the areas' urban-type services with those in the adjoining City. In brief, the County contends that the proper standard for this Commission and the special court to consider has now become in this case whether "appropriate" urban-type services are being provided in the Verona and Fishersville areas, without regard to the comparability of those services to those of the adjacent municipality.²¹ This contention by the County constitutes, in our judgment, a legal question properly left for judicial resolution. In

²⁰Ibid.

²¹County Submissions, Vol. I, p. 42. This contention was originally raised with respect to the permanent immunity sought for the Stuarts Draft and Fishersville area under the terms of the City of Waynesboro - Augusta County interlocal agreement.

the sections which follow the Commission endeavors to address, based on our experience in local government, the pragmatic aspects of the proposed grant of permanent immunity and to leave to the court the resolution of this legal issue.

Urban Services

A major factor prescribed for consideration in partial immunity actions is the provision of urban services. The State is concerned that areas permanently immunized from city-initiated annexations and incorporation of new cities are assured of having their current and prospective service needs properly met. In this instance the grant of permanent immunity for the Verona and Fishersville areas as requested by Augusta County will mean that the present and future urban service needs of those areas will remain in perpetuity the sole responsibility of that jurisdiction. The following sections of this report consider the public service consequences of such a grant of immunity.

Water. Augusta County began its involvement with the provision of public water service to its residents in 1948 with the establishment of a sanitary district to serve Fishersville and the eastern portion of the County. In 1953 County voters approved a referendum establishing a sanitary district in the Verona area and authorizing the sale of bonds to acquire a small private water system serving its residences and businesses. The sanitary districts in the County were consolidated in 1966 with the creation by the Board of Supervisors of the Augusta County Service Authority (ACSA). In order to expedite the

extension of water service to County residents, between 1977 and 1982 the Board of Supervisors supplemented ACSA revenues by \$646,000 for the construction of specific water projects.²² These actions manifested an early and continuing commitment by the County Board of Supervisors to provide appropriate public water service to County residents.

With respect to the proposed Verona immunity area, the ACSA has two raw water sources presently available to meet the needs of that area. Those two water sources are capable of supplying up to 2.2 million gallons per day (MGD).²³ Since water from those sources is currently utilized at a rate of only 0.33 MGD, approximately 85% of their capacity is available to meet future needs.²⁴ Water service in the Fishersville area is provided by three ACSA wells which have an aggregate safe yield of 2.8 MGD, a figure which exceeds the proposed immunity area's average daily usage from those sources (0.2 MGD) by 93%.²⁵ The ACSA chlorinates and fluoridates the raw water serving the proposed immunity areas, but no need has been found for more

²²Augusta County Immunity Report, p. 19.

²³County Submissions, Vol. III, Tab 5. In addition, the ACSA has an agreement permitting the purchase of 2.0 MGD of treated water from the City of Staunton.

²⁴Ibid.

²⁵Ibid. The Fishersville area is also served by the Coles Run Reservoir, which has a storage capacity of 69 million gallons. In addition, the ACSA has a contract to purchase up to 0.5 MGD of treated water from the City of Waynesboro for use in its distribution system. (Augusta County Immunity Report, p. 19.)

extensive water treatment.²⁶

The Authority maintains 19.0 miles of water mains and 3 pumping stations in the Verona area and 13.0 miles of water mains and 7 pumping stations in the Fishersville area. In 1984, the ACSA's water distribution system served 1,083 separate connections within the Verona area, with public water service being available to 97% of the residents of that area.²⁷ As part of its water system serving the proposed immunity areas, the ACSA maintains a 0.5 million gallon (MG) storage tank and 52 fire hydrants in the Verona area and 3 storage tanks, with an aggregate capacity of 1.4 MG, and 82 fire hydrants in the Fishersville area.²⁸ To insure appropriate pressure in the distribution system and to enhance the community's fire suppression capabilities, the water systems serving the Verona and Fishersville areas also have access through interconnections to the other storage facilities maintained by the ACSA.²⁹

Given the number of connections serving the proposed Verona and

²⁶Augusta County Immunity Report, p. 20.

²⁷County Submissions, Vol. III, Tab 5. The ACSA serves 684 connections in the Fishersville area which represents approximately 96% of that area's residents. (Ibid.; and Augusta County Immunity Report, p. 21.) Residents must either be connected to ACSA water mains or located within 200 feet of such lines in order for the Authority to consider those persons having water service available at their residence.

²⁸County Submissions, Vol. III, Tab 5.

²⁹Ibid., Vol. III, Tab 5, and Vol. II, (Map Exhibits), Exh. 4.

Fishersville immunity areas, the unused water capacity available to serve the future needs of both areas, and the absence of any known water problems in the areas, the Commission has no difficulty concluding that the public water services in the Verona and Fishersville areas fully met the present and prospective needs of those communities.

Sewage Collection and Treatment. Augusta County's involvement in the provision of sewage collection and treatment services to the Verona area began in 1948 with the establishment of the South River Sanitary District in the Fishersville area. This action was followed in 1953 by the creation of a sanitary district to serve the Verona area. In 1966 the responsibility for public sewage collection and treatment was assumed throughout by the ACSA, and since that date the Authority, with financial assistance from the County Board of Supervisors, has continually expanded its facilities in the Verona and Fishersville areas. At the present time, the ACSA owns and maintains 25.5 miles of sewerage lines, ranging in size from 8 to 36 inches in diameter, within the proposed Verona immunity area and 20.7 miles of such lines in the proposed Fishersville immunity area.³⁰ These collection lines serve 944 and 375 different connections in the Verona and the Fishersville areas respectively, providing public sewerage service to all concentrated residential development in both com-

³⁰County Submissions, Vol. III, Tab 5.

munities as well as to the major industrial and commercial firms in each area.³¹ The less densely populated portions of the immunity areas remain dependent upon private septic tank systems. The sewage collected by the ACSA lines in the Verona area is, with the assistance of five pumping stations, transported to the Verona wastewater treatment facility. That plant, which was constructed in 1981, has a treatment capacity of 0.80 MGD.³² Based upon its 1982 average daily flow of 0.34 MGD, this plant retains approximately 58% of its capacity to meet future needs.³³ Sewage collected in the proposed Fishersville immunity area is transported to the Fishersville Regional Wastewater Treatment Facility which has a capacity of 2.0 MGD and, based on 1982 flows, retained a reserve capacity of 1.4 MGD, or 70% of its total.³⁴ The Commission is unaware of any existing health hazard in the proposed immunity areas, nor of any portion of those areas which requires an immediate extension of public sewerage service.³⁵

Based upon the number of connections and population served by ACSA

³¹Ibid. Approximately 96% of the residents of the proposed Verona immunity area and 51% of the residents of the proposed Fishersville area are either connected to ACSA sewer lines or are located within 200 feet of such lines.

³²Ibid.

³³County Submissions, Vol. I, p. 38.

³⁴Ibid.

³⁵State Health Department officials have advised the Commission's staff that they are aware of no septic tank problems or similar sewage concerns in the Verona or Fishersville areas. (Richard Neff and Bill Jordan, Sanitarians, Staunton - Augusta County Health

sewerage facilities within the proposed immunity areas, the extensive network of collector lines, the quality and capacity of the wastewater treatment facilities serving the areas, the absence of any known health problems in the areas stemming from sewage concerns, and the efforts by the County since 1948 to address the sewage treatment needs of its residents, the Commission finds that the County has properly met and can continue to meet the sewerage needs of the Verona and Fishersville areas.

Solid Waste Collection and Disposal. Augusta County, like many other of the Commonwealth's counties, relies on private contractors for the provision of solid waste collection services to residents and businesses throughout its jurisdiction. With respect to the availability of solid waste collection service within the proposed immunity areas, the County has submitted evidence to this Commission indicating that private collectors serve the major portion of those areas, including those which contain the predominant share of the areas' population.³⁶

In a previous examination of the level of solid waste collection services available in other sections of Augusta County, the Commission found that based upon the criteria of cost, accessibility, and quality

Department, communication with staff of the Commission on Local Government, Sept. 3, 1985.)

³⁶County Submissions, Vol. II, (Map Exhibits), Exh. 5.

of service, the privately provided collection services in the County were acceptable and produced little public complaint.³⁷ Based on the same considerations, the Commission concludes that solid waste collection services in the Verona and Fishersville areas are generally adequate.

In terms of solid waste disposal, the Commission notes that the ACSA operates a landfill near the Jolivue community east of Interstate 81. This facility is available for use by County residents without charge.³⁸ According to the Virginia Department of Health, this landfill has been operated in accordance with applicable State regulations.³⁹ Augusta County officials have previously indicated that, barring any extraordinary increase in the County's refuse, the Jolivue landfill has the capacity to meet the County's needs for the next decade.⁴⁰

Based upon the general availability of private collection services, the absence of public complaint with those services, and the County's provision of landfill facilities which meet State regulations, the Commission finds that the solid waste collection and dispo-

³⁷Augusta County Immunity Report, pp. 77-78.

³⁸The landfill is jointly used and funded by the City of Staunton and the ACSA.

³⁹H. L. Rexrode, Regional Consultant, Lexington Regional Office, Virginia Department of Health, communication with staff of the Commission on Local Government, Oct. 15, 1984.

⁴⁰Memorandum from William L. Hart, Engineer-Director, Augusta County Service Authority, to Harold Ralston, County Engineer, County of Augusta, Oct. 2, 1984.

sal services in the Verona and Fishersville immunity areas address the areas' present needs.

Crime Prevention and Detection. The Augusta County Sheriff's Department provides law enforcement services to the proposed immunity areas and to the County generally. The personnel complement of this department consists of more than 60 sworn law enforcement officers, 20 of whom are assigned regular patrol responsibility.⁴¹ Although the Department of State Police has assigned a number of officers to duty within Augusta County, data reveal that in 1984 only 3% of the major criminal offenses in the County were handled by those State law enforcement officers.⁴² This statistic indicates that while State Police officers do assist the County by their presence and activities, those officers have only limited involvement in the County's comprehensive law enforcement efforts.

According to evidence previously submitted to the Commission, the Sheriff's Department has divided the County into four patrol areas, with the boundaries of each radiating from the City of Staunton. With respect to the County's patrol pattern, the Sheriff's Department routinely assigns one officer to each district, with a fifth officer serving as shift supervisor and available for back-up assistance.⁴³

⁴¹County Submissions, Vol. III, Tab 11.

⁴²Virginia Department of State Police, Crime in Virginia, 1984.

⁴³Augusta County Immunity Report, pp. 35-36.

Assuming the general availability of five patrol deputies at all times, the Sheriff's Department is able to provide a geographic intensity of patrol service of one deputy for each 125.3 square miles of County territory, exclusive of land owned by the State and federal governments.

While this level of patrol activity is not geographically intensive, there are other factors which bear upon the adequacy of law enforcement services in the proposed immunity areas. First, land use data for both communities indicate that those areas (particularly Verona) have identifiable commercial cores. Such concentration of businesses generally can have the effect of increasing patrol frequency, especially around commercial establishments (e. g., restaurants) which law enforcement personnel tend to utilize during their tours of duty. Second, experience has shown that in practice county law enforcement officers in Virginia are likely to patrol developed areas more frequently than rural segments of their assigned districts. Consequently, in the absence of calls to outlying areas, the deputies patrolling the districts containing the Verona and Fishersville areas may be expected to concentrate their efforts on those areas.

One method which might be utilized to verify the increased level of law enforcement services in the Verona area would be an examination of the "calls for service" records of the Augusta County Sheriff's Department. Unfortunately, that department does not maintain a complete historical record of all "calls for service" which it

receives. It is appropriate to reaffirm here our previous recommendation that such records be maintained as an important management tool in each law enforcement agency. Improvements in record keeping with regard to "calls for service" would permit the Sheriff's Department to analyze its manpower needs, to guide the allocation of officers to various duties, and to establish performance standards based on actual officer workloads.

In terms of crime prevention efforts, the Commission notes that the Augusta County Sheriff's Department does maintain an organized program. This program, however, is conducted by deputies only on a periodic basis.⁴⁴

As a result of the evidence presented in this and previous cases involving Augusta County, the Commission has no basis for concluding that the present level of crime prevention and detection services in the proposed immunity areas is inadequate or inappropriate for the areas' needs.

Fire Prevention and Protection. The proposed Verona immunity area is located within the primary service area of the Verona Volunteer Fire Department (VFD). That department has 45 volunteer fire personnel, who have available 3 engines, a brush truck, and a tank truck. These vehicles are capable of transporting collectively 3,250 gallons of water to fire locations. Fire service in the Fishersville area is

⁴⁴Ibid., p. 39.

provided principally by the Preston L. Yancey VFD, which has a complement of 26 volunteers. This company has available 2 pumpers, a brush truck and a tank truck, with these vehicles having an aggregate carrying capacity of 2,475 gallons of water. The fire suppression activities of the Verona VFD and the Preston L. Yancey VFD are assisted by automatic responses of the Augusta County Fire Department (ACFD) to any fire call involving structures other than single-family dwellings.⁴⁵ Further, responses to fire calls in the proposed immunity areas and the County generally are dispatched from the County's centralized Fire Dispatch Center, which is served by four full-time paid personnel.⁴⁶ The presence of the VFD stations in the two communities and the extensive network of ACSA water mains and hydrants have resulted in significant portions of the proposed Verona immunity area being awarded a fire protection classification of "6" by the Insurance Services Office (ISO) of Virginia, and major portions of the Fishersville area being granted an ISO rating of "7."⁴⁷

⁴⁵Ronald B. Garber, Fire Chief, Augusta County Fire Department, communication with staff of Commission on Local Government, Aug. 8, 1985. The Augusta County Fire Department, which has a personnel complement of 7 full-time paid firefighters and 30 volunteers, and operates 3 pumpers, 1 tanker, 1 brush truck, 1 foam truck and a 65-foot snorkel. The station is located on U. S. Highway 250 near the Interstate 81 and 64 interchange and is approximately seven road-miles from the center of the proposed Verona immunity area and approximately four road-miles from the center of the Fishersville community.

⁴⁶Augusta County Immunity Report, p. 50.

⁴⁷County Submissions, Vol. III, Tab 6. The proposed Verona immunity area contains 52 fire hydrants and the Fishersville area is served by 82 ACSA fire hydrants. (Ibid., Tab 5.) ISO ratings are given on a scale from "1" to "10" and are intended to

In previous reports this Commission has expressed concern over several aspects of the fire prevention and protection services in portions of Augusta County. We are required to reiterate those concerns here. The Commission has previously noted the absence of an officially adopted fire prevention code in the County which, in our judgment, facilitates fire prevention measures far more effectively than those which can be implemented under the general law authority provided by Section 27-61 of the Code of Virginia. Further, the Commission has previously contended that fire services in Augusta County would be strengthened if the Verona and Fishersville VFDs and other volunteer companies in the County were brought fully under the centralized control and supervision of the County's designated fire chief. This integration and centralized management of fire programs and services would facilitate the coordination of the County's fire protection efforts, the scheduling of equipment replacement, and fireground management.⁴⁸ While the evidence suggests that the County has responded positively to the fire suppression needs of the

reflect a system's ability to defend against a major fire. A classification of "10" indicates that there is little or no protection against a major fire, while a classification of "1" reflects a system of extreme capability. The principal features measured by the ISO in grading a community's fire system are the fire department, fire communications, fire safety control, and water supply. [John L. Bryan and Raymond C. Picard, Managing Fire Services (Washington, D. C.: International City Management Association, 1979), p. 102.] Residential properties located more than five road-miles from a fire station are automatically assigned a classification of "10" by the ISO.

⁴⁸The Commission has also previously expressed a concern that State fire services training records indicate a need for increased training of the volunteers serving the Verona and Preston L. Yancey VFDs. Our review of those records covering the period from April 28,

general community, the continued development of the proposed immunity areas requires that attention to given to the concerns mentioned above.

Public Recreation. Augusta County's involvement in the provision of public recreational service dates from 1973 when the Board of Supervisors established a Parks and and Recreation Commission to identify and address the County's needs for public recreation. Since that date, the County has developed a full-time recreational staff of approximately eight positions led by a professionally trained director. In recent years the County has extended its recreational efforts, most notably by the development of the Augusta Recreation Center and by the investment of local resources and grant funds in the expansion of recreational facilities and programs for the handicapped at the Woodrow Wilson High School. In addition, Augusta County is a member of the Upper Valley Regional Park Authority, and by its financial support of that entity, the County has assisted in the development of two regional parks within its borders. These various actions are evidence of the County's willingness to respond to the public

1977 through October 2, 1982 revealed that the volunteers serving those departments had received less than one-third of the man-hours of State-certified training of that recorded by the personnel of the ACFD. These calculations are based upon records provided by E. S. Roby, III, Northern Area Supervisor, Fire Services Training, Virginia Department of Fire Programs. Our calculations do not include any non-certified "in-station" training nor any formal instruction which may have been taken at institutions outside the Augusta County area..

recreational needs of its residents.⁴⁹

In terms of recreational facilities and programs immediately available to residents of the proposed Verona immunity area, the Commission observes that the area is served by the grounds and recreational facilities of the Verona Elementary School, which is located within one mile of the northern border of the proposed immunity area. In addition, the County has leased a five-acre site, located adjacent to Interstate Highway 81 and State Route 612, to the Verona Kiwanis Club for development as a recreational facility. This park, which is expected to begin operation in 1986, will eventually contain a swimming pool, 6 tennis courts, 4 baseball/softball fields, and other recreational areas.⁵⁰ Further, the recreational needs of the area are also served by the grounds and facilities of three other public schools which are located within five-road miles of the Verona community.⁵¹ With respect to organized recreational activities, the County Parks and Recreation Department offers a number of adult recreation programs throughout the year at the Verona Elementary School and provides an expanded program for youth and adults during summer months. These summer activities include the operation of a

⁴⁹Augusta County Immunity Report, pp. 57-62.

⁵⁰Ralston, communication with staff of the Commission on Local Government, Aug. 6, 1984.

⁵¹County Submissions, Vol. II, (Map Exhibits), Exh. 9.

playground program for children at the elementary school.⁵²

The residents of the proposed Fishersville immunity area are directly served by the Augusta County Recreation Center which has a large gymnasium and several activity rooms for public recreational use, located at the center of that community. Also located within that proposed immunity area are an elementary school and a high school, whose grounds and facilities are used by the County for public recreational purposes.⁵³ These County-owned properties, as well as other public and private facilities, are utilized by the County's Parks and Recreation Department to conduct organized activities and programs for children and adults.⁵⁴

In sum, Augusta County has responded significantly to the public recreational needs of its residents. In the Commission's judgment, the public recreational facilities and programs serving the proposed immunity areas appropriately address the needs of those communities.

Library Facilities. Augusta County established its first central library facility in 1977 near the Woodrow Wilson High School in Fishersville. The County, recognizing that this facility could not meet totally the library needs of its residents, contracted with the Cities of Waynesboro and Staunton to allow County residents to use the

⁵²Ibid., Vol. III, Tab 8.

⁵³Augusta County Immunity Report, pp. 57-60.

⁵⁴County Submissions, Vol. III, Tab 8.

library resources of those municipalities. During the period 1976 to 1982 when the interlocal contracts were in effect, Augusta County paid in excess of \$500,000 to those Cities for library services. Moreover, for purposes of augmenting the services provided through its central facilities, the County established a bookmobile service, which currently serves approximately 40 stops throughout Augusta County.⁵⁵

The County's public library services were significantly improved with the opening of a new central facility in 1984. This new facility resulted from the renovation of a former elementary school on U. S. Highway 250 in Fishersville at a cost of approximately \$485,000.⁵⁶ This new central facility vastly expanded the space available for library purposes, providing approximately 27,000 square feet of floor space for various functions. Reports filed by the County with the State indicated that, as of June 30, 1984, the total book and periodical holdings at the Augusta County Library had risen to over 57,000 volumes. This growth and improvement in the County's library facilities have resulted in an increase in the number of registered borrowers using the County's library system to 9,548 by mid-1984 and a growth in annual book circulation to 210,792 volumes for the year ending June 30, 1984.⁵⁷ The latter statistic reflects an increase

⁵⁵Augusta County Immunity Report pp. 68-71.

⁵⁶Edward A. Plunkett, County Attorney, County of Augusta, communication with staff of the Commission on Local Government, Oct. 3, 1984. The entire cost of renovating the former school for public library usage was borne by the County.

⁵⁷"Virginia Public Library Statistical Report for Fiscal Year Ending June 30, 1984," an annual statistical report submitted to the

in annual book circulation of 61% over the comparable figure for the year ending June 30, 1981.⁵⁸ As of June 30, 1984, the latest date for which statistics are available, the County public library staff employed 12 full-time personnel, including a State-certified professional director and 2 part-time library aides.⁵⁹

For purposes of this report it is significant to note that the County's new central library facility is located within the Fishersville area and only approximately ten miles from the center of the proposed Verona immunity area. Library services are also available to the Verona area through three bookmobile stops. In sum, it is the Commission's judgment that the public library services provided in the Verona and Fishersville areas are appropriate to the needs of those communities. Further, the past actions of the Augusta County Board of Supervisors reveal a commitment to the provision of public library services and a willingness to extend and improve those services as the need requires.

Public Planning, Zoning and Subdivision Regulation. In its 1982

Library Development Branch, Virginia State Library by the Augusta County Library.

⁵⁸Data for the Augusta County Library for Fiscal Year 1980-81 are presented in Virginia State Library, Statistics of Virginia Public Libraries and Institutional Libraries, 1980-81. Between FY1980-81 and FY1983-84 the number of registered borrowers using the County library system increased by 94%.

⁵⁹"Virginia Public Library Statistical Report for Fiscal Year Ending June 30, 1984," as submitted by the Augusta County Library.

report on Augusta County's petition for partial immunity, the Commission enumerated several concerns regarding the County's public planning and development control policies.⁶⁰ The Commission is aware, however, of the significant efforts undertaken by Augusta County since late 1982 to strengthen its planning and development control program. These efforts have included publication of County zoning and existing land use maps, adoption of revised zoning and subdivision ordinances, compilation and adoption as the "Planning Documents of the County of Augusta" various separate instruments which relate to the County's planning and land development regulatory policies, and retention of professional planning consultants to assist in the preparation of a comprehensive plan.⁶¹ The Commission considers these actions as beneficial and appropriately addressing the concerns we previously cited. Moreover, the County has indicated in prior submittals that once the interlocal issues involving the Cities of Staunton and Waynesboro are resolved it will endeavor to adopt a comprehensive plan reflecting its current needs and circumstances. The Commission concurs that the review and ultimate adoption of this comprehensive plan by the County's Board of Supervisors should await the resolutions of the boundary change issues with the adjoining municipalities. In view of the circumstances mentioned above, the

⁶⁰Augusta County Immunity Report, pp. 91-94, 96-97.

⁶¹County of Augusta, Partial Immunity Notice, County of Augusta v. City of Waynesboro (hereinafter cited as Partial Immunity Notice - Waynesboro), Vol. IV, pp. 57-66. This volume was submitted to the Commission by Augusta County on Aug. 22, 1984.

Commission considers the public planning and land development control efforts of the County to be appropriate to the needs of the proposed Verona and Fishersville immunity areas.

Street Maintenance. All public thoroughfares in Augusta County are owned and maintained by the Virginia Department of Highways and Transportation (VDH&T). Thus, the roads in the proposed immunity areas are maintained by VDH&T in accordance with State-prescribed policies, with the level of maintenance being dependent, in large part, upon the level of resources provided by the General Assembly. It is significant to this Commission, however, that Augusta County has, in recent years, appropriated local funds to supplement State aid to improve the quality of public roads in the County.⁶² In addition, the Augusta County subdivision ordinance requires that the streets in new subdivisions be constructed to VDH&T standards, thus assuring the acceptance of those streets into the State roadway system for future State maintenance. Based upon the evidence available concerning the conditions of the public thoroughfares in the proposed immunity areas and our general knowledge of the Verona and Fishersville communities, the Commission finds the level of road and street maintenance in those areas appropriate.⁶³

⁶²Augusta County Immunity Report, pp. 79-80. The Commission notes that the County has continued to contribute local funds for road improvements since the issuance of the immunity report. (Ralston, communication with staff of Commission on Local Government, Oct. 4, 1984.)

⁶³While this body has previously noted that certain areas proposed for immunity by Augusta County contained roads classified by VDH&T as requiring attention, the Commission does not consider those

Snow Removal. Snow removal services in Augusta County, as with all other road-related activities, are the responsibility of the VDH&T. The Commission's previous review of this activity led it to conclude that the snow removal services undertaken by the State within the proposed immunity areas were comparable to those offered within the adjoining municipalities.⁶⁴ Based upon that level of service and the nature of the public thoroughfares in the Verona and Fishersville areas, the Commission concludes that the present level of snow removal services in the proposed immunity areas is appropriate for their needs.

Curbs, Gutters, Sidewalks, and Storm Drains. Neither the Augusta County subdivision regulations nor VDH&T standards require the construction of curbs, gutters, and sidewalks along public thoroughfares. In a previous report, however, the Commission found that the areas sought for immunity by the County in 1982, which included the Verona and Fishersville communities, contained curbs, gutters, and sidewalks which were adequate for present needs.⁶⁵ We have no basis for altering that conclusion.

In terms of storm drainage, the County's zoning ordinance does

thoroughfare problems as rendering the roadway inadequate. (Augusta County Immunity Report, pp. 80-81.)

⁶⁴Ibid., pp. 85-86.

⁶⁵Ibid., pp. 97-98.

require all multi-family business, industrial, and public facility development to include storm water management facilities. Further, the County Board of Supervisors has adopted a Storm Drainage Policy, which specifies a general design criteria to be met by developers in constructing their storm water management plans. Furthermore, the County has cooperated with both the Cities of Staunton and Waynesboro in stormwater management activities either through the enforcement of County regulations or by participation with the Cities in the construction of facilities designed to reduce storm water flows in drainage basins which cross jurisdictional boundaries.⁶⁶ From the Commission's perspective, the County's storm drainage and storm water management program is adequate for the needs of the proposed immunity areas.

Street Lighting. Augusta County has a policy of bearing the operating cost of street lights in developed areas where there is a need for such. The County receives and reviews requests from citizens for the installation of additional street lights twice per year. If County staff determines there is a need for a street light in a particular area, the applicant is charged a processing fee by the County as well as the cost for the installation of the light. The operating costs of all lights installed, however, are borne by the County. In 1982 Augusta County advised that 566 street lights were then operated

⁶⁶County Submissions, Vol. 1, p. 86.

within its borders at County expense.⁶⁷ The Commission was advised that, as of 1982, the Verona and Fishersville areas contained 12 and 57 street lights respectively.⁶⁸ As stated by the Commission previously the intensity and number of street lights required in an area will vary with that area's characteristics. The need for street lights in the proposed immunity areas is significantly greater than that in other areas of less concentrated residential and commercial development. However, the Commission has no evidence indicating that the present extent of street lighting in the proposed Verona and Fishersville immunity areas is inadequate or inappropriate for the areas' needs.

Summary of Urban-Type Services. In the previous sections of this report the Commission has reviewed the urban-type services prescribed for consideration in partial immunity actions. While we have offered recommendations for the improvement of certain services, we conclude that the areas proposed for immunity in this case have available generally an array of basic urban-type services which appropriately meet their current needs.

It is pertinent to note, we believe, that the political leadership in Augusta County has demonstrated repeatedly in past decades a foresightfulness in addressing the needs of its residents. We are aware

⁶⁷Augusta County Immunity Report, pp. 87-88.

⁶⁸City of Staunton, Annexation Notice by City of Staunton to Commission on Local Government, Vol. V, Supplemental Map Exhibits, Jan. 1983. This submission was submitted by the City of Staunton in support of its original annexation action initiated in November 1982.

of the County's early employment of paid firefighters (1941), its early adoption of a comprehensive zoning ordinance (1947), its initiation of integrated Countywide utility systems (1966), and its more recent but vigorous response to the library and public recreational concerns of its residents. This pattern of active response to public service concerns, we believe, is of immediate relevance to this immunity action.

Compliance with State Policies

The Virginia statutes governing the review of county petitions for partial immunity require consideration of the efforts made by local governments to comply with applicable State policies with respect to education and other basic service concerns of the Commonwealth. Although this issue has been addressed extensively with respect to Augusta County in a previous report by this body, the Commission wishes to offer brief additional comment regarding several of those State service policies.

Education. By constitutional provision the State of Virginia has recognized that public education is one of the pre-eminent service concerns of this Commonwealth. In response to this constitutional recognition of the importance of public education, the General Assembly establishes each biennium standards of quality which are expected to be met by each local school division in Virginia.⁶⁹ The

⁶⁹See Ch. 713, Acts of Assembly, 1984.

records of the Virginia Department of Education indicate that Augusta County has consistently met and surpassed these legislatively prescribed standards.⁷⁰ Moreover, the Commission notes that all County schools are accredited by the State's educational authorities and all its high schools have received accreditation by the Southern Association of Colleges and Schools.⁷¹

Housing. The Virginia General Assembly has stated that proper housing for all residents of the Commonwealth is a matter "of grave concern" ⁷² In the Commission's judgment, the absence of adequate housing can have a pervasive and adverse effect on a community. We believe that local governments in Virginia have an opportunity and responsibility for the promotion and facilitation of the provision of suitable housing for all their residents.

While the Commission notes that although Augusta County has not established a public housing authority for purposes of addressing its housing needs, the County has administratively assisted and facilitated the construction of 1,673 housing units which receive various

⁷⁰Kenneth Beachum, Associate Director for Administrative Review, Virginia Department of Education, communication with staff of Commission on Local Government, Aug. 30, 1985. It is significant to note that Augusta County schools have operated a full-day kindergarten program for more than ten years.

⁷¹Partial Immunity Notice - Waynesboro, Vol. I, May 1984, p. 44.

⁷²Secs. 36-2 and 36-120, Code of Va.

forms of governmental assistance intended to make such units available to low and moderate income families.⁷³ The efforts undertaken by Augusta County to assist in the development of these units are clearly consistent with the State's concern for adequate housing for its residents.

Agricultural Land Preservation. Various sections of the Code of Virginia indicate that it is the policy of the Commonwealth to protect and preserve the State's agricultural lands.⁷⁴ In this regard, the Commission notes that Augusta County adopted a use value assessment program in 1976 for the purpose of lessening the financial burden on the agricultural community and reducing pressure for the conversion of farm lands. Application of use value assessment during the 1983 tax year reduced the value of properties covered by the program for tax purposes by over \$131 million.⁷⁵ In our judgment, Augusta County's enactment and continuation of use value assessment constitutes a significant effort to protect and preserve the State's agricultural

⁷³County Submissions, Vol. III, Tab 12. It should be noted that the tabulation of the number of assisted housing units within the City of Staunton, as of 1983, as reported by the Central Shenandoah Planning District Commission and as cited in Tab 12, is incorrect. The Central Shenandoah Planning District data does not include 356 units of privately developed assisted housing in the City. (See Augusta County Immunity Report, pp. 116-17.)

⁷⁴Sec. 15.1-1507, Code Va.

⁷⁵Virginia Department of Taxation, Annual Report -- 1983-1984, Table 5.4.

properties.

Public Planning. The General Assembly has expressed its desire that local governments in Virginia establish and maintain an effective public planning process.⁷⁶ This Commission has previously noted that Augusta County had established a planning commission as early as 1941, had been one of the first counties in Virginia to adopt a zoning ordinance (1947), and had enacted subdivisions regulations in 1956.⁷⁷ Such actions, two of which preceded by several decades State requirements for such, indicate a significant commitment by the County to public planning.⁷⁸ The Commission did note, however, in its 1982 report on Augusta County's immunity action that the County had not adopted a comprehensive plan, which we consider to be an important implement to integrate and guide the application of all other public planning instruments. The Commission wishes to reaffirm its judgment that an adopted comprehensive plan is a significant element for guiding and regulating the development of a locality.

The Commission acknowledges, however, the significant efforts made by Augusta County since 1982 to respond positively to its public planning needs. Such efforts include (a) amending its subdivision

⁷⁶Secs. 15.1-427, 15.1-427.1, 15.1-446.1, and 15.1-465, Code of Va.

⁷⁷Augusta County Immunity Report, pp. 91-94; and County Submissions, Vol. III, Tab 10.

⁷⁸State statutes required local governments in Virginia to establish planning commissions by 1976 and adopt subdivision regulations by 1977.

ordinance to increase the type of development subject to its provisions, (b) completing and publishing land use survey maps which detail current County development trends, (c) completing for public distribution sets of maps depicting the 1973 land use plan and current zoning districts (d) integrating and formally adopting as the "Planning Documents of the County of Augusta, Virginia" various separate planning instruments to provide a comprehensive reference file, and (e) contracting for professional assistance in strengthening its comprehensive planning efforts.⁷⁹ These various actions constitute, in the aggregate, a significant effort by Augusta County to improve its planning instruments and process consistent with the State's concern for effective public planning.⁸⁰

Community of Interest

The laws governing the disposition of partial immunity issues direct the Commission and ultimately the reviewing court to consider the relative strength of the community of interest which ties the area proposed for immunity to its parent county and that which exists between such areas and the adjacent municipality. In a previous report, this Commission found that the areas adjacent to the City of Staunton, including the Verona and Fishersville communities, generally had a greater community of interest with that City than with the remaining

⁷⁹Partial Immunity Notice - Waynesboro, Vol. IV, pp. 57-66.

⁸⁰The County has previously advised that the development of the revised comprehensive plan must await the final implementation of its interlocal agreements with the Cities of Staunton and Waynesboro. (Ibid.)

portion of Augusta County.⁸¹ In this instance, however, the Commission is confronted with an issue involving two smaller and more cohesive communities which exhibit degrees of self-sufficiency which did not characterize the areas previously under consideration. Further, the strength of the relationship between the proposed Verona and Fishersville immunity areas and the City is diminished by their distance from Staunton as well as by the general nature of those communities.

The Commission notes that the industries located in the Verona area provide significant employment opportunities to the residents of other portions of Augusta County and create a significant bond of economic interdependence between the area and the County generally. Data collected by the Virginia Employment Commission reveal that in 1984 the six major industries in Verona provided approximately 1,800 employment positions, or 34% of the County's total manufacturing employment.⁸² Further, the Verona area is also the location of a significant number of commercial and professional enterprises which lessen the dependency of that area on similar facilities in the City of Staunton.

With respect to the Fishersville community, the Commission is also cognizant of the significance of that area to the corporate life

⁸¹Augusta County Immunity Report, pp. 113-14.

⁸²Special Area by Industry Listing for Quarter 1-84--Augusta County. Approximately 1,800 nonmanufacturing employment positions are also located in the Verona area.

of Augusta County. That area is the location of a number of public facilities which create bonds and interactions between that community and the rest of the County. These facilities include the Augusta Recreation Center, the Augusta County Library, the County's school administrative offices, the Woodrow Wilson Elementary and High Schools, the Valley Vocational Technical Center, and the State's Woodrow Wilson Rehabilitation Center.

It should also be noted that the concentration of ACSA water and sewer lines and appurtenances in the Verona and Fishersville areas reveals that those areas are major centers of public utility operations and provide vital bases for the ACSA system.⁸³ Finally, the Commission recognizes that there are strong educational, social, religious and emotional bonds which add to the community of interest between the Verona and Fishersville areas and Augusta County generally.

Arbitrary Refusal to Cooperate

Another factor prescribed for consideration in partial immunity issues is whether either of the affected parties has arbitrarily refused to cooperate in the joint provision of public services. In this review and previous analyses involving Augusta County and the City of Staunton, the Commission has noted a significant amount of

⁸³Collectively, the proposed Verona and Fishersville immunity areas contain 26.4% of the ACSA water connections and 41.8% of its sewer connections. In addition, the Fishersville area contains the largest of the Authority's nine wastewater treatment facilities. (County Submissions, Vol. III, Tab 5.)

interlocal cooperation between the City and County.⁸⁴ We have found no instance where either jurisdiction has arbitrarily refused to cooperate in the provision of public service for the benefit of their residents.

Non-Foreclosure of Annexation

The Code of Virginia embodies a concern by the General Assembly that cities having a population of less than 100,000 persons retain a meaningful opportunity to expand their boundaries by annexation.⁸⁵ In order for this legislative concern to be met properly, such cities confronted with partial immunity actions must retain the option to annex properties which have reasonable prospects of contributing substantially to their general viability. The mere retention of an opportunity to annex property which has minimal development potential is inconsequential. From our perspective, the statutory provisions governing partial immunity actions reflect the intent of the Virginia General Assembly that the State's smaller municipalities retain an opportunity to share meaningfully in the growth of their general area.

In the case presently before us, the proposed grant of permanent immunity to the Verona and Fishersville areas would leave more than

⁸⁴Augusta County Immunity Report, pp. 119-21; and County Submissions, Vol. 1, pp. 69-71.

⁸⁵Sec. 15.1-977.22:1, Code of Va.

80% of the City's circumference open to growth by annexation. While not all of this area offers a realistic prospect for significant development due to environmental restrictions (steep slopes and floodplains), land use considerations, the absence of access to transportation arteries, and the cost of providing urban services, the territory to the east of the enlarged City of Staunton and to the southeast in the U. S. Highway 11 - Interstate Highway 81 corridor has commercial and industrial development potential. As a result of these remaining avenues for prospective growth, it is the Commission's judgment that a grant of permanent immunity to the Verona and Fishersville areas will not substantially foreclose the City of Staunton from an opportunity to share in the population and economic growth of its general area through annexation, upon a showing of necessity and expediency for such.

RECOMMENDATION REGARDING IMMUNITY

It is evident to this Commission that the Verona and Fishersville areas are focal points of development in Augusta County. Those areas reflect considerable County investment and constitute communities which contribute to that jurisdiction's social cohesion and fiscal integrity. In our judgment, the immunization of the Verona and Fishersville areas is vital to the general viability of Augusta County and fully consistent with the best interest of the Commonwealth. The Commission recommends that the court grant permanent immunity to the

Verona and Fishersville area based upon our review of relevant considerations.

TERMS AND CONDITIONS
OF ANNEXATION

CHARACTERISTICS OF ANNEXATION AREA

Under the terms of the March 21, 1983 Settlement Agreement with Augusta County, the City of Staunton is entitled to annex a specified area contiguous to the City and largely concentrated on its northern and eastern boundaries. That area encompasses 12.25 square miles and contains a population estimated to be 2,583 as of June 1985.⁸⁶ Based on these statistics, the annexation area currently has a population density of approximately 211 persons per square mile. While the annexation area does contain an extensive amount of agricultural and vacant property, it also embraces several developed sectors, principally that east of Staunton and adjacent to U. S. Highway 250. Based on 1984 assessment data, development throughout the annexation area has been sufficient to generate \$52.2 million in assessed property values, or 3.56% of the County's total of such values for that year.⁸⁷

⁸⁶City of Staunton, City of Staunton v. Augusta County Annexation Proceeding: Supplemental Financial Information (hereinafter cited as City Supplemental Financial Information), June 1985, Exh. 1.

⁸⁷Ibid.

GENERAL SETTLEMENT PROVISIONS

In conjunction with the City's annexation, Augusta County has requested this Commission to consider in the development of its findings and recommendations the inclusion of several general settlement provisions. The following sections of this report address several of those provisions with respect to which we consider our comment appropriate.

Use Value Assessment

Augusta County has proposed that the Commission recommend, and the court ultimately order, the City of Staunton to adopt use value assessment for qualifying agricultural properties in the areas annexed. Such a program, if implemented, would require the City to assess farm lands meeting certain State-prescribed standards according to their "use value" rather than on the basis of their "fair market value."

Over 50% (6.3 square miles) of the area to be annexed by Staunton currently qualifies for use value assessment in Augusta County.⁸⁸ County data reveal that the application of use value assessment during the 1985 tax year to agricultural properties in the areas proposed for annexation reduced the assessed value of those properties for tax purposes by over \$5.8 million.⁸⁹ Augusta County asserts that the

⁸⁸City Supplemental Financial Information, Exh. 12. The area proposed for annexation also contains a number of tax exempt properties which comprise collectively 38.8% of the total assessed value in that area. (Ibid., Exh. 32.)

⁸⁹County Submissions, Vol. III, Tab 20.

failure of the City to continue use value assessment will impose a severe and sudden financial burden on the owners of agricultural properties in the area due to the application of the City's real property tax rate on the full market value of their lands.⁹⁰ The County has expressed concern that this increased financial burden on agricultural properties will threaten the continuance of farming operations in the territory annexed.

The City of Staunton has presented evidence suggesting that the continuation of use value assessment in the annexed areas will have significant adverse consequences for the City. While the City's calculations indicate that the adoption of use value assessment will result in Staunton's loss of approximately \$61,000 in property tax revenues during the first year following the annexation, this immediate loss of revenue is not the municipality's sole concern.⁹¹ The City contends that it needs vacant land for commercial, industrial, and residential development and that the elimination of the tax subsidy promoting agricultural operations would encourage land owners

⁹⁰The City's 1985 real property tax rate of \$1.10 per \$100 of assessed value is almost double that of Augusta County (\$0.58 per \$100 of assessed value).

⁹¹City Supplemental Financial Information, Exh. 12; and testimony of R. Gene McCombs, City Manager, City of Staunton, Hearing Before the Virginia Commission on Local Government - In Re: City of Staunton and County of Augusta (hereinafter cited as Hearing Transcript), Vol. II, p. 50. City officials anticipate that the annexation provided for in the intergovernmental agreement may require Staunton to increase its real property tax rate by approximately 6% without the imposition of use value assessment. (Testimony of McCombs, Hearing Transcript, Vol. II, p. 46; and City Supplemental Financial Information, Exh. 37.)

receiving such benefit to offer their property for development.⁹²

The issue of use value assessment presents the City of Staunton with a difficult choice between contending values and concerns.

Previous reports rendered by this body have acknowledged efforts by local governments to comply with the State's policy to preserve and protect agricultural lands through the implementation of a use value assessment program. In addition, this Commission has recommended in many instances the adoption of use value assessment by annexing municipalities in accordance with that policy and in recognition of the economic pressures confronting farm operations. The Commission has acknowledged, however, that use value assessment is not a flawless instrument for the protection of agricultural properties. The adoption of use value assessment not only provides benefits to owners of agricultural properties, it also imposes costs on implementing localities with respect to diminished property tax receipts and postponed development opportunities.

In this instance, it is the Commission's judgment that Staunton's need to expand its tax base and to obtain vacant land for future development precludes an unqualified recommendation for the adoption of use value assessment. Recognizing the substantial financial burden which would be placed on the owners of agricultural properties when use value assessment is terminated, and acknowledging the City's

⁹²According to City calculations there are only 513 acres of vacant land (9.0% of total land uses) within Staunton available for development and free from environmental constraints such as floodplains and steep slopes. (City of Staunton, Annexation Notice, Vol. I, Nov. 1982, pp. 124-25.)

fiscal concerns, the Commission recommends that Staunton consider the adoption of use value assessment for a period of not less than five years. The limited continuation of the program will allow owners of agricultural properties in the areas annexed a period within which to adjust to the City's tax structure and will allow the municipality an opportunity to survey its alternatives.

Reduced Taxation for Annexed Properties

In its suggested terms and conditions Augusta County has proposed that the City be ordered by the court to enact an ordinance, as authorized localities by Section 15.1-1047.1 of the Code of Virginia, reducing the real estate tax rate on certain properties annexed for a period of five years. The Code of Virginia, however, authorizes localities to maintain a dual real property tax rate only if there are differences in the level of nonrevenue producing governmental services furnished in areas annexed. The Commission notes that City officials have stated that Staunton will extend promptly all nonrevenue producing governmental services to all areas annexed.⁹³ Further, the City has submitted to the Commission various exhibits which detail its plans to provide such governmental services in the areas to be annexed.⁹⁴ This evidence leads the Commission to conclude that the City of Staunton will furnish general governmental services equally

⁹³Testimony of McCombs, Hearing Transcript, Vol. II, p. 34.

⁹⁴City of Staunton City of Staunton v. Augusta County Annexation Proceedings, Financial Information (hereinafter cited as City Financial Information), May 1985, Exhs. 7, 8, 10; and City Supplemental Financial Information, Exhs. 9, 11. The City estimates the cost of proposed capital improvements to serve the annexed areas

and without distinction to the residents of the areas sought for annexation. Thus, the Commission finds no basis for recommending the adoption by Staunton of a program of reduced taxation on properties annexed.

Payment of Redistricting Costs

In its submittal to the Commission, Augusta County has requested that Staunton pay up to \$25,000 of the costs of the State-imposed requirement to adjust the County's election districts resulting from the City's annexation of County residents. The Commission notes that the intergovernmental agreement between Augusta County and the City of Waynesboro contains a provision by which that City will reimburse the County for its redistricting costs, while the present agreement before this body contains no such provision.⁹⁵ Further, it is also noted that the City of Staunton will also be required by the State to adjust its election districts to reflect its addition of new voters. Since the County will receive financial assistance from the City of Waynesboro to defray its redistricting costs, and since this issue was unaddressed in the settlement with the City of Staunton, the Commission can find no basis to recommend that the City of Staunton assume a portion of Augusta County's election redistricting.

will be \$3.3 million, exclusive of expenses associated with the purchase of ACSA water and sewer facilities.

⁹⁵See "Agreement between City of Waynesboro and Augusta County," Sec. 11.

Payment of Court Costs

The terms and conditions of annexation suggested by Augusta County include a proposal that the City be required to pay all court costs which will be incurred in conjunction with the special three-judge court's review of the Settlement Agreement. The County cites as a basis for its request Section 15.1-1045, Code of Virginia, which governs the imposition of such costs in annexation matters. The City in its submittals to the Commission concedes that the referenced statute obligates Staunton to pay certain specified costs in any annexation proceedings but argues that there is no similar requirement for cities to pay court costs associated with partial immunity or settlement agreement proceedings.⁹⁶ The issue raised by the parties in this instance is a question of law and court practice which requires judicial resolution.

FINANCIAL SETTLEMENT PROVISIONS

Based upon the powers provided annexation courts by Section 15.1-1042 of the Code of Virginia, Augusta County has requested this Commission to submit recommendations to the special court which would (a) require the City of Staunton to assume a just proportion of the County's outstanding indebtedness, (b) compensate the County for the value of certain County-owned public improvements affected by the annexation, and (c) compensate the County for its prospective loss of

⁹⁶City of Staunton, Proposed Findings of Fact and Conclusions of Law by the City of Staunton (hereinafter cited as City Proposed Findings), pp. 38-39.

net tax revenue during the five-year period following annexation. The following sections of this report address these financial settlement provisions.

Assumption of Debt by City

The Code of Virginia empowers an annexation court to require a city to assume "a just proportion of any existing debt of the county" in recognition of the fact that annexations can impair the ability of a county to retire its indebtedness.⁹⁷ With respect to this prerogative of the court, the City of Staunton and Augusta County have raised several issues which should be addressed in this report.

Percent of Debt to be Assumed. Annexation courts in Virginia have traditionally required a city to assume a portion of a county's indebtedness equal to the percentage of the county's total property assessables annexed or, in some instances, the percentage of the county's real property assessables annexed. In the recently concluded City of Waynesboro - Augusta County case, the review court, consistent with this practice, held that the City should assume a percentage of Augusta County's debt equal to the percentage of the County's total property assessables annexed by the municipality. This recent and previous judicial decisions have rested upon the determination that the amount of debt to be assumed by a city must be related to the County's "taxable values" annexed.⁹⁸

⁹⁷Sec. 15.1-1042 (b), Code of Va.

⁹⁸The statutory provision governing debt assumption in annexation cases [Sec. 15.1-1042 (b)] does not expressly relate the amount of debt to be assumed by a city to the taxable values annexed.

While this issue now appears to be a matter of settled law, the Commission is required to note the pragmatic consequences of rigid adherence to that methodology. The amount of nonproperty tax revenues raised by some Virginia counties suggests the propriety of including such revenues in the determination of the debt assumption question. In this case, for example, County statistics indicate that, based on the loss of local tax revenues, the City would be required to assume 4.46% of the County's indebtedness, while if such debt assumption were based merely on the loss of property assessables, Staunton would be required to assume only 3.56% of the County's outstanding indebtedness.⁹⁹

For many Virginia counties nonproperty tax revenues are becoming increasingly significant in meeting their fiscal obligations, including debt retirement. Moreover, due to the tendency for commerce, and economic activity in general, to locate in close proximity to population centers, areas annexed may often generate a disproportionate share of a county's sales, business license, utility, bank stock, and other nonproperty taxes. From our perspective, an assumption of debt based on the percentage of a County's total local taxes (as that term has been defined by the Virginia Supreme Court) lost

The term "taxable values" appears in the following subsection of that statute governing compensation for the loss of net tax revenues. In that context, we note, it has been construed to cover more than property taxes.

⁹⁹County Submissions, Vol. IV, Table 10.2; and City Supplemental Financial Information, Exh. 4. The County's calculation of the percentage of local tax revenues annexed contains the proceeds from penalties, interest, fines, and forfeitures. These categories of

through annexation is appropriate and more equitably assists a county during a period of transition.

The Commission has noted the City's contention that acceptance of this recommendation establishes a logical continuum which requires that consideration also be given the County for its loss of all non-categorical intergovernmental aid.¹⁰⁰ We do not accept that contention. There is a rational distinction to be made between including all local tax revenues in a debt assumption calculation and the inclusion of noncategorical intergovernmental aid. From our experience, a county will contract for long-term indebtedness based on its anticipated receipts of all forms of local revenue, but it is unlikely to commit to such obligations on the expectation of intergovernmental assistance. While recognizing that the special court is obliged to acknowledge previous judicial rulings on this issue, we feel compelled to recommend that the percentage of Augusta County's debt to be assumed by the City be based upon the percentage of the County's total local tax revenues (as defined by the Virginia Supreme Court) lost as a result of the annexation.

With respect to the issue of the percentage of Augusta County's

revenue should, in our judgment, be removed from consideration. The percentage of assessables annexed by the City of Staunton has been calculated from data presented in the City's exhibit and has not been adjusted to reflect the City of Waynesboro annexation.

¹⁰⁰This issue was addressed by the City in City Proposed Findings, pp. 3-4.

debt to be assumed by the City of Staunton, a unique concern is raised. If the annexations sought by the City of Waynesboro and the City of Staunton are made effective at the same time (i. e., midnight December 31, 1985), a question may be presented concerning the sequence for the determination of the debt to be assumed by each City. We agree with the County that the sequence to be followed in the determination of the debt to be assumed by the Cities will not affect the results, and, therefore, the order of the separate calculations is of no consequence.¹⁰¹

Debt Base of County. Augusta County has requested this Commission and the reviewing court to consider again the propriety of including in the County's debt base, and thereby made eligible for assumption in part by the City of Staunton, its unfunded past service liability to the Virginia Supplemental Retirement System (VSRS). The County contends that this liability, incurred, in part, for past service to residents of the area to be annexed, is properly subject to inclusion in its debt base to be shared with the annexing City. In support of this position, the County notes that the Financial Accounting Standards Board of the American Institute of Certified Public Accountants is now in the process of proposing a modification in the format of financial statements which denotes a change in that body's perception of the nature of such unfunded liability. Accordingly, the County requests

¹⁰¹See County of Augusta, Immunity and Financial Settlement Provisions of the City of Staunton - County of Augusta Settlement, Proposed Findings of Fact (hereinafter cited as County Proposed Findings), June 1985, p. 7. n. 9. This document is the last of the series of County Submissions and is marked Vol. VIII.

that its unfunded past service liability to the VSRS (placed at \$2,602,079 as of June 30, 1983) be considered as a long-term debt properly included in its debt base and subject to partial assumption by the City of Staunton.¹⁰²

In our previous report on the City of Waynesboro - Augusta County annexation issue, the Commission observed that the State's Auditor of Public Accounts had stated that "unfunded accrued liability is not properly recognizable as long-term indebtedness of a locality in that legal liability does not presently exist for the payment of the actuarially estimated amount." Our report then added:

While the . . . statement from the Auditor of Public Accounts may be sufficient to dispose of this issue, the Commission observes that Augusta County's VSRS unfunded past service liability is not current debt owed, but, rather, it is a potential expense calculated on the basis of a number of actuarial assumptions, including those regarding mortality rates, retirement ages, and interest to be earned on VSRS investments. As these actuarial assumptions change, as they will, the amount of Augusta County's unfunded past service liability will likewise change, making that statistic a figure fluctuating with time and circumstances. Further, the Commission notes that the personnel services for which this unfunded actuarial liability was calculated have already been performed, and we consider it inappropriate for the City of Waynesboro to be expected to bear any portion of such prior service cost.¹⁰³

We continue to hold this perspective and recommend against the inclusion of any of the County's unfunded past service liability to the VSRS in its debt base eligible for partial assumption by the City of

¹⁰²County Submissions, Vol. IV, Table 10.2; and County Proposed Findings, pp. 8-10.

¹⁰³Commission on Local Government, Report on the Financial Settlement Provisions of the City of Waynesboro - County of Augusta Annexation Action (hereinafter cited as Report on the Financial Settlement Provisions of Waynesboro Annexation), Aug. 1983, p. 5.

Staunton.

Augusta County also asserts that its debt base, upon which the City's portion for assumption will be calculated, should include \$23,000 of unpaid interest on its debt accrued prior to December 31, 1985.¹⁰⁴ Alternatively, the City has argued that such unpaid interest accrued prior to the effective date of annexation should remain a County responsibility since the County's resources will remain unaffected by annexation through that date.¹⁰⁵ The Commission recommends against the inclusion of this unpaid interest accrued prior to the effective date of the annexation in the County's debt base which would be subject to proportional sharing with the City.

Time of Debt Reimbursement. The City of Staunton has expressed concern that Augusta County has implicitly proposed that the City be required to pay the County prior to the effective date of annexation a lump sum payment for the entire amount of debt assigned Staunton for assumption.¹⁰⁶ While the Commission fails to interpret any County submission as proposing this arrangement, we do agree with the City, and so recommend, that the City be required to assume and discharge its assigned percentage of the County's indebtedness sequentially as its debt payments are due.

¹⁰⁴County Proposed Findings, pp. 10-11.

¹⁰⁵City Proposed Findings, pp. 10-12.

¹⁰⁶Ibid., pp. 12-13.

Compensation for County-Owned Public Improvements

Augusta County has put forth a proposal that the City compensate the County for the value of its investment in those portions of the Springhill Road storm drainage system not located within existing street rights-of-way. Both the County and the City agree that Section 15.1-1042 (c) of the Code of Virginia empowers the court to order such compensation.¹⁰⁷ The major area of disagreement between the City and the County is that with respect to the method by which the value of the County's investment should be determined.¹⁰⁸ Augusta County has requested that it be compensated for the "current" value (reproduction cost less depreciation) of its local share of the eligible portions of the Springhill Road storm drainage facility, and it has calculated that value to be \$128,709 using a depreciation schedule based on a 100-year project life.¹⁰⁹ The City of Staunton, on the other hand, has asserted that the County will not need to replace the Springhill Road facility since it only serves certain subdivisions within the areas to be annexed.¹¹⁰ Accordingly, the City proposes

¹⁰⁷City Proposed Findings, pp. 13-14; and County Proposed Findings, p. 12.

¹⁰⁸The County also contends that the City failed to include in its calculations the cost of all facilities outside the street rights-of-way as well as other cost directly attributable to the project. (See County Proposed Findings, p. 13.)

¹⁰⁹County Submissions, Vol. VII, Tab 7.

¹¹⁰Testimony of Ralston, Hearing Transcript, Vol. I, p. 275.

to compensate Augusta County for the value of its "original investment" (original cost less depreciation) in the Springhill Road storm drainage system and has determined that value to be \$49,438 using a 40-year depreciation schedule.¹¹¹

The Commission notes that during the past decade Augusta County has taken an active role in the management of storm water through the enactment of a Countywide Storm Drainage Policy and by participation with the Cities of Staunton and Waynesboro in the construction of facilities designed to reduce storm water flows in drainage basins which cross jurisdictional boundaries. The Springhill Road storm drainage system is an example of such cooperative efforts. This facility, however, is contained entirely within the areas to be annexed by the City, and, thus, the acquisition of the Springhill Road storm drainage system by Staunton will not impair the County's ability to provide storm water management services to its remaining residents.

With these considerations in mind, the Commission recommends that the County be compensated only for the original cost less depreciation of its investment in those portions of the Springhill Road storm drainage system located outside of existing street rights-of-way. Based upon our experience, however, it is more appropriate to depreciate storm drainage facilities, such as those comprising the Springhill Road project, using a 100-year life-span.¹¹²

¹¹¹City Supplemental Financial Information, Exh. 33. The Commission notes that the City of Staunton acted as the fiscal agent for both jurisdictions for the Springhill Road drainage project.

¹¹²Information provided by the Department of Civil Engineering,

Compensation for the Prospective Loss of Net Tax Revenue

The Code of Virginia empowers an annexation court to mandate that a county be paid for its prospective loss of net tax revenue (LNTR) resulting from the annexation of its "taxable values" by a city. The municipality to which the order is directed may be required, at the discretion of the court, to bear an LNTR responsibility covering a period of up to five years after the annexation. The court has the option, moreover, of permitting the city to compensate the county in annual installments across the stipulated time span.¹¹³ In the case now before this Commission, Staunton has identified its five-year LNTR obligation as \$2,296,455.¹¹⁴ Augusta County, in contrast, has suggested that it might reasonably claim total compensation in the amount of \$6,506,425,¹¹⁵ but contends that, at a minimum, it should be granted an LNTR award of \$4,643,532 for the five-year interval after the annexation.¹¹⁶ The following sections of this report ex-

Virginia Polytechnic Institute and State University and the American Concrete Pipe Association support our judgment that the useful life of underground concrete pipe similar to that installed in the Springhill Road storm drainage system is 100 years. (See Mike Bealey, "Precast Concrete Pipe Durability: State of the Art," in Transportation Research Record, No. 1001, pp. 88-91.)

¹¹³Sec. 15.1-1042 (c), Code of Va.

¹¹⁴City Supplemental Financial Information, Exh. 6.

¹¹⁵This figure reflects Augusta County's argument that it should be reimbursed by the City for the increase in locally funded expenditures which the County will be "required" to bear following the annexation because of the loss of federal and State school aid. (See County Proposed Findings, pp. 27-28.) The amount reported here has been derived by the Commission's staff from data presented in ibid., p. 86; and County Submissions, Vol. IV, Summary Table C.

¹¹⁶The cited total represents the sum of the annual payments

mine this issue and the methodologies used by the localities in their calculations.

County Revenue Loss. The establishment of a multi-year LNTR compensatory figure should begin with the estimation of the County's gross local tax revenue loss in relation to a base-year. In the judgment of the Commission, the optimal accounting interval for this purpose is the revenue year concluded immediately prior to the scheduled annexation date. Estimates of the County's prospective loss from all categories of local taxation should, however, rest upon audited data pertaining to the designated base-year.¹¹⁷ If a full data profile is not available for the preferred base-year, then the entire estimation effort should be undertaken with audited statistics for the preceding revenue year. In this case, this principle dictates the selection of 1984 as the relevant timeframe.

Once the base-year has been identified, the determination of reve-

sought by the County during the period extending from 1986 through 1990. (See County Proposed Findings, pp. 86, 99.) The Commission notes that, if the proposed award is not approved by the court, Augusta County requests consideration of a compensatory arrangement under which "the City should be required to pay to the County on or before the effective date of annexation a sum equal to five times the loss of net tax revenue during the initial year following annexation, or \$4,128,370 (5 x \$825,674), or if the City chooses, a sum equal to the loss during the initial year, \$825,674, plus interest at the then current yield rate of the five year Treasury Note each year for five years." (Ibid., p. 99.)

¹¹⁷Report on the Financial Settlement Provisions of Waynesboro Annexation, p. 10.

nue loss in each local tax source should be made through direct measurement¹¹⁸ or, when such an approach is infeasible, through the employment of a methodologically sound quantitative allocation factor which ascribes a portion of Countywide revenue data to the annexation area. It should be emphasized that the concept of "tax revenue" in this context is limited in scope as a result of a recent Virginia Supreme Court ruling. The Supreme Court has held that the term applies only to "monies a county collects from taxes it levies upon assets, transactions, and privileges within its taxing jurisdiction."¹¹⁹ It is the judgment of the Commission that receipts derived from penalties, interest, fines, forfeitures, and permits do not constitute local tax revenue under the existing judicial standard, and, accordingly, we reject the County's argument--as we did in the Waynesboro case--that revenues from such sources may be incorporated into the computation of a city's LNTR responsibility to a county.¹²⁰

With those guidelines in mind, the Commission has evaluated the first-year estimates of the County's revenue loss as determined by the respective parties. In regard to this issue, the County has submitted

¹¹⁸Ibid., p. 11.

¹¹⁹County of Rockingham v. City of Harrisonburg, 224, Va. 62, 89.

¹²⁰Report on the Financial Settlement Provisions of Waynesboro Annexation, pp. 11-12.

a figure of \$745,986 as its estimated gross local tax revenue loss during the base-year.¹²¹ Alternatively, the City has calculated the County's first year revenue loss to be \$737,998.¹²² Although Staunton and Augusta County differ somewhat in their overall estimates, the Commission notes that both localities have submitted identical statements of revenue loss concerning several dimensions of County income--the personal property, machinery and tools, mobile homes, recordation, consumer utility, and lodging taxes.¹²³ With respect to all of these tax sources except the last, the Commission finds that the jointly submitted estimates are consistent with the guidelines specified earlier and recommends their acceptance by the court. In relation to the final revenue category (lodging tax), the Commission observes that such tax did not take effect in the County until a date well after the conclusion of the 1984 base-year and that the "loss" attributed to it by the County and the City is based upon a forecast of anticipated receipts, not an audit of actual collections.¹²⁴ The lodging tax, then, falls outside the limits of base-year analysis and, unlike the other revenue categories about

¹²¹County Proposed Findings, pp. 22-23.

¹²²City Supplemental Financial Information, Exh. 6; and City Proposed Findings, p. 18.

¹²³County Proposed Findings, p. 23; and City Supplemental Financial Information, Exh. 6.

¹²⁴County Proposed Findings, p. 23, n. 53; and County Submissions, Vol. IV, Summary Table B. The inclusion of prospective revenues from the lodging tax would distort the calculation of the loss of net tax revenue due to the fact that the proceeds of such tax will not be reflected in the County's expenditure totals. If this tax had

which the jurisdictions agree, should, in our judgment, be excluded from any calculation of the City's LNTR liability.

Although Staunton and Augusta County have presented convergent statements of revenue loss in the above-mentioned local tax categories, agreement does not exist with respect to the other estimates of revenue loss offered by the City and the County. In connection with two revenue sources, the real property and local option sales taxes, the jurisdictions have emerged with discrepant results because of their reliance upon data from different timeframes. In calculating revenue loss from the real property tax, Augusta County has multiplied total assessed values within the annexation area during 1984 by the County's rate of taxation for the same year.¹²⁵ Staunton, on the other hand, has computed the County's revenue loss in this tax category by applying the 1984 tax rate to 1985 assessed values.¹²⁶

Concerning the local option sales tax, the Commission finds that the County has generated its revenue loss estimate by employing the ratio of annexation area-to-Countywide gross retail sales in 1984 as a device for geographically allocating its aggregate sales tax

been utilized in FY1983-84, the proceeds would have been expended for County functions and would have been reflected in the expenditure statistics.

¹²⁵County Submissions, Vol. VI, Tab 23; and County Proposed Findings, p. 18.

¹²⁶City Supplemental Financial Information, Exh. 6. The City presently acknowledges that it should have employed the 1985 tax rate (i. e., \$0.58) rather than the 1984 value (i. e., \$0.60) in estimating the County's revenue loss from the real property tax. If Staunton had used the more current rate as a multiplier, the computed result would

receipts during that year.¹²⁷ In contrast, Staunton has approached the base-year estimation problem by adjusting total 1983 sales tax receipts from the annexation area through the use of a multiplication factor equal to the 1983-84 growth rate in Countywide sales tax revenues.¹²⁸ After carefully reviewing the measurement efforts of the two localities, the Commission has concluded that the County's real property and local option sales tax estimates, which rely entirely upon data for the preferred accounting period, should be utilized in preference to the City's figures, which rest partially upon factors rooted in other timeframes.¹²⁹ However, Augusta County's estimate of revenue loss pertaining to the local option sales tax should be utilized only if the Virginia Department of Taxation cannot furnish an exact accounting of 1984 receipts from the annexation area in a timely manner.

Apart from the differing positions of the County and the City in regard to the tax sources just cited, the Commission observes that the parties also differ in their proposed revenue loss estimates for the

have been approximately \$9,500 less than the figure which the City has incorporated into its estimate of gross local tax revenue loss for Augusta County. (See City Proposed Findings, p. 20, n. 6.)

¹²⁷County Submissions, Vol. VI, Tab 23; and County Proposed Findings, p. 20.

¹²⁸City Supplemental Financial Information, Exh. 6; and City Proposed Findings, p. 20.

¹²⁹Staunton has challenged the accuracy of Augusta County's local option sales tax estimate on the grounds that the County's allocation ratio includes receipts from nontaxable sales. (See City Supplemental Financial Information, Exh. 6.) Yet, the City has offered no data to support its implicit contention that the value

public service corporation tax, the "school-aged distribution" component of the State sales tax, the business license tax, the bank franchise tax, and the motor vehicle license tax. With regard to the public service corporation levy, both jurisdictions have based their loss statistics upon an examination of 1984 assessed values prepared by the State Corporation Commission, but the County, to a greater extent than the City, has supplemented such data with information obtained from public utilities with property holdings in the annexation area.¹³⁰ Accordingly, the Commission believes that Augusta County's base-year determination of public service corporation revenue loss should be utilized. We agree with the County, however, that its statistics should be perfected through a joint effort by the parties to secure improved data from the Virginia Power Company. Pending the availability of refined data, the Commission recommends that the court accept the County's calculations. The Commission also recommends that the court accept Augusta County's estimates of revenue loss from the State sales tax, business license fees, and the bank franchise tax. With respect to these tax categories, the County has offered updated statistics as replacements for its earlier series of data values, all of which the City accepted as reasonable.¹³¹ In the absence of a

of the ratio would change materially if the extraneous receipts were purged from the numerator and denominator terms. Absent such evidence, the Commission recommends acceptance of Augusta County's revenue loss statistic.

¹³⁰County Submissions, Vol. VI, Tab 23; County Proposed Findings, p. 19; and testimony of Tom E. Crush, Consultant, City of Staunton, Hearing Transcript, Vol. II, pp. 65-66, 91-92.

¹³¹County Submissions, Vol. IV, Summary Table D; County

demonstration by Staunton that the revised figures are insupportable, the County's updated statistics should be utilized. Finally, the Commission notes that the parties have presented slightly divergent figures regarding the County's revenue loss from the motor vehicle tax.¹³² This variance is a matter of negligible significance and, we are advised, may be inadvertent. The Commission recommends that the court accept Augusta County's estimate of this revenue loss subject to a reconciliation effort by the localities.

In summary, the Commission recommends that estimates of the County's local revenue loss be confined to bona fide categories of taxation and that receipts from penalties, interest, fines, forfeitures, and permits not be considered within the limits of tax revenue as defined by the Virginia Supreme Court. The Commission also concludes that, with the exception of the lodging tax figure, all of the loss estimates upon which the parties agree represent reasonable determinations. With respect to the other categories of local tax revenue, the Commission recommends that the County's data values, subject to the qualifications noted above, should be utilized. On the basis of these findings, the Commission proposes that the court establish the County's gross local tax revenue loss for the initial

Proposed Findings, p. 23; County of Augusta response to City of Staunton Interrogatory No. 8, Plaintiff's First Interrogatories, March 22, 1985; and City Supplemental Financial Information, Exh. 6.

¹³²County Submissions, Vol. IV, Summary Table D; County Proposed Findings, p. 23; and City Supplemental Financial Information, Exh. 6.

year at \$716,646.¹³³

County Expenditure Reduction. The Virginia Supreme Court has ruled that a county's LNTR for a particular year is the difference between its loss of local tax revenue and "the amount of budgetary expenditures annexation saves [the] county."¹³⁴ The notion of cost reduction, as employed by the Supreme Court, embraces governmental savings in three categories--noneducational operating expenditures, educational outlays, and debt service payments. Any effort, then, to establish a county's LNTR entitlement during a base-year requires an estimate of its prospective savings regarding these expenditure categories. In relation to noneducational operating expenditures and educational costs, the preferred accounting period, as we previously have suggested, for such a calculation is the fiscal year most closely coinciding with the timeframe used for the determination of revenue loss.¹³⁵ With reference to that timeframe (i. e., base-year), estimates of the County's anticipated savings should be developed on the basis of audited expenditure data.¹³⁶ As applied to this case, such a criterion dictates the utilization of expenditure data for

¹³³See Appendix D of this report.

¹³⁴County of Rockingham v. City of Harrisonburg, 224, Va. 62, 89.

¹³⁵Report on the Financial Settlement Provisions of Waynesboro Annexation, p. 12.

¹³⁶Ibid., p. 10.

FY1983-84.

After this base-year for expenditure calculations has been established, the County's initial year cost reductions should be estimated through direct measurement of the incidence of governmental facilities, services, and program clients within the annexation area.¹³⁷ If expenditure savings cannot be assessed in this manner, then statistical distribution factors may, in our judgment, be utilized, provided they conform to generally accepted standards of conceptual and methodological adequacy, for the purpose of inferring annexation related expenditure savings from relevant Countywide data. After these direct or indirect techniques have been employed to estimate gross expenditure reductions for each public service or function, the determination should be made of the County's net local tax savings (i. e., the economies which entail a reduced utilization of local tax revenues.)¹³⁸

The foregoing method for the determination of local expenditure savings is recommended by the Commission as a model for use by cities and counties which may be confronted by LNTR computational issues in the years ahead. This framework, of course, embodies general norms rather than a detailed set of operating rules. It is our expectation that such broadly stated principles will promote city-county dialogue

¹³⁷Ibid., p. 12.

¹³⁸Ibid., pp. 12-13.

through which, in any future case, the parties can define and cooperatively implement a single strategy for determining net cost savings associated with the particular annexation area under review. In regard to the present issue, a collaborative effort of that kind is not evident.¹³⁹ While employing the County's FY1984-85 budgetary data as the basis for their respective endeavors, the two jurisdictions have generally followed separate analytic paths. Thus, for example, Staunton and Augusta County have differed quite significantly in their identification of the general functions and specific categories of the County's budget where cost savings may be realized as a result of the annexation. Further, whereas the County has employed direct measurement in a number of instances for the purpose of specifying gross expenditure savings, the City has relied almost entirely upon statistical allocation factors in order to estimate total annexation-area cost reductions. Even in instances where both parties have fixed the level of gross expenditure savings through the use of quantitative attribution ratios, each locality has defined its measures in a distinctive fashion, even when sharing the other jurisdiction's conceptual frame of reference.

In establishing net local cost reductions for noneducational expenditure items, both the County and the City have quantitatively removed the effects of State categorical assistance from their respec-

¹³⁹This judgment is based upon our examination of County Submissions, Vol. III, Tabs 15, 16; ibid., Vol. IV, Summary Tables E, F, G, H; and Tables 7.2, 8.01; ibid., Vol. VI, Tabs 24, 25; County Proposed Findings, pp. 23-41; City Supplemental Financial Information, Exhs. 2, 2A, 3, 3A; and City Proposed Findings, pp 20-25.

tive determinations of gross savings. However, the localities have emerged with divergent results because of their conflicting assessments of the funding role assumed by the Commonwealth. It should be noted, too, that Staunton's net local expenditure figures with respect to noneducational expense categories have been produced, in part, by the use of statistical multipliers designed to remove from the City's estimates of gross expenditure savings any funding from local nontax revenues and State noncategorical aid. The County, in contrast, has not subjected its data to a similar adjustment. Finally, each jurisdiction has subtracted federal and State aid from its determinations of gross cost savings in the area of education, but the City's approach has culminated in positive estimates of net local expenditure decline, whereas the County's arithmetic process has generated negative figures (i. e., suggesting local expenditure increases rather than savings). It is apparent, then, that the parties, while operating with the same data base, have followed different methodologies and have reached, in instances, vastly different results.

Noneducational Operating Expenditures. Based upon the County's revised budget estimates for FY1984-85, Staunton has proposed that, with respect to noneducational operations, the initial year total local tax savings for Augusta County be set at \$143,466.¹⁴⁰

¹⁴⁰City Supplemental Financial Information, Exh. 2.

The County maintains, however, that its appropriate base-year expenditure savings should be placed at \$28,380.¹⁴¹ The significant difference between these estimates rests largely upon the County's expectation that, contrary to claims advanced by the City, it will not realize any appreciable tax-related economies in connection with (1) annexation legal expenses; (2) labor and vehicular costs relating to law enforcement; or (3) outlays for postage, telephone service, and office supplies. After extensive consideration of these conflicting contentions, the Commission has concluded, that with the exception of law enforcement labor costs,¹⁴² the County's position with respect to the other expenditure categories is less factually compelling.¹⁴³

The Commission notes that both localities have based their expenditure analyses upon revised County budget estimates for FY1984-85, rather than upon more authoritative expenditure data pertaining to FY1983-84. The latter period should be utilized, in our judgment, not only for the more authoritative nature of the data, but also because

¹⁴¹County Proposed Findings, pp. 33, 41.

¹⁴²The City has indicated that the forthcoming annexation will yield salary, wage, and fringe benefit savings to Augusta County by permitting the elimination of a deputy's position from the law enforcement roster of the County Sheriff's Department. (See City Supplemental Financial Information, Exh. 2A.) In its base-year analysis, however, Staunton has failed to show that the proposed economies rest upon the current work-shift, functional, and geographic assignments of departmental personnel. Without such a demonstration this body cannot surmise that the labor cost reductions suggested by the City are well-founded empirically.

¹⁴³The County has declared that its recent expenditures on annexation legal services hold no potential for net local savings because these outlays have largely "been paid by the postponement of other projects and the utilization of surplus funds." (See County

Proposed Findings, p. 30.) Presumably, though, some of the deferred activities cited by the County (e. g., the drafting of a comprehensive plan, the recodification of the County code, and the implementation of managerial reorganizations) would have been supported, at least in part, with local tax receipts if Augusta County had chosen to undertake them; and, in consequence, their temporary postponement has enabled the County to employ such revenues in financing its legal services activities. As for Augusta County's reference to the use of fund balances, it should be noted that such monies fall within a pool of discretionary operating resources, the other elements of which are local tax and nontax revenues, State noncategorical aid, and nonrevenue receipts. When a County function does not draw upon recovered costs or categorical grants for support (as in the case of annexation legal services), the various components of the discretionary reservoir contribute proportionately to the funding of that function. In this regard the Commission has determined that, according to preliminary County figures, local tax revenues accounted for 71.1% of the undedicated monies available to Augusta County in FY1984-85, whereas fund balances represented only 21.6% of its discretionary resources. (See "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab, Revised Estimates.) County tax collections, then, outweighed surplus funds by a margin of more than 3 to 1 in the financing of annexation legal costs during the recently concluded fiscal year. Given the magnitude of this ratio, the Commission must reject the argument that the proposed annexation holds no significance for the County's prospective reduction of tax-financed expenditures.

With respect to the vehicular expenses of the County Sheriff's Department, Augusta County has challenged the estimates of net local savings prepared by the City. In this matter the County's argument appears to rest largely upon the observation that in FY1984-85 the State Compensation Board paid 80.4% (i. e., \$125,089) of the County's mileage allowance request (i. e., \$155,600). [See County Submissions, Vol. VI, Tab 24; Ralston, letter to staff of Commission on Local Government, Aug. 2, 1985; and County Proposed Findings, p. 32.] The more salient consideration, however, is that such categorical assistance defrayed only 53.1% of the total automotive expenses (i. e., \$235,700) borne by the Sheriff's Department during that year. (See "Augusta County Budget Preparation Sheet," June 12, 1985, Expenditure Object Tab, Revised Estimates.) Augusta County, then, was obliged to finance the balance from local tax revenues and other discretionary resources at its disposal. The data indicate, in sum, that the County's net local expenditures were more consequential than Augusta County has suggested and that, by extension, the County has erroneously understated the future significance of its tax-based vehicular savings in the field of law enforcement.

Augusta County has argued that in many of its departments expenditures for postage, telephone service, and office supplies will decline to a negligible extent during the post-annexation era because "very little . . . correspondence is done on behalf of individual

it constitutes an accounting period which is more compatible with the revenue base-year which we propose and which was employed, in the main, by each jurisdiction. Recognizing the propriety of utilizing the FY1983-84 period for calculation of an initial year LNTR figure, the Commission has performed an independent analysis of the County's outlays during that fiscal year to generate an estimate of net local tax expenditure savings with respect to all of Augusta County's non-educational operating activities.¹⁴⁴ This analysis, the components and results of which are displayed in Appendix D, has been undertaken in relation to 119 cost categories covering 20 functional areas of the County's budget. Focusing on the total outlay for each expenditure category, the Commission has applied a set of three multiplication factors to produce a cost figure representing the impact on local tax revenues. The initial multiplier in the series, identified as Factor 1, denotes the proportion of the cited expenditure figure which may be ascribed to the annexation area. The value assigned to this factor

constituents." (County Proposed Findings, p. 32.) Yet, whatever the current level of direct communication between the agencies of County government and residents of the annexation area, local officials presently make numerous planning, budgetary, and service- rendition choices which directly affect, and respond to the needs of, their clientele within that geographic sector. Across the panoply of County operations, these choices are reflected daily in the employment of such resources as postage, telephone service, and office supplies by the various units of local government. Thus, in our judgment, the prospective annexation can be expected to yield significant reductions in the basic office expenses of the County's administrative agencies and, concomitantly, in the tax dollars required to finance such costs.

¹⁴⁴In surveying the County's expenditures for FY1983-84, the Commission has been obliged to draw primarily upon data contained in "Augusta County Budget Preparation Sheet," June 12, 1985, Expenditure Object Tab. This source of information has been utilized rather than

varies with the cost item under consideration and may, for example, reflect (1) the noninstitutional population of the annexation area as a percentage of the noninstitutional population of the entire County, (2) the total population of the annexation area as a percentage of the general population of the County at large, (3) the number of building inspections in the annexation area as a percentage of all building inspections in the County, or (4) the annexation area's share of the County's contribution to the State Health Department as a percentage of the total contribution. The next multiplier, identified as Factor 2, specifies the fraction of the allocated expenditure whose funding is linked to sources other than federal categorical aid, State categorical aid, or recovered costs. The remaining dimension, Factor 3, most frequently refers to local tax revenues as a percentage of the sum of (a) all local-source revenues, (b) State noncategorical aid, (c) nonrevenue receipts, and (d) carry-over balances in the general operating fund. As applied to each public assistance item, Factor 3 reflects local tax revenues transferred to the public assistance fund as a percentage of all monies transferred to that fund from the general operating fund and the federal revenue sharing fund. When Factors 2 and 3 serve as multipliers with respect to a particular gross expenditure attributed to the annexation area by Factor 1, the

the County's audit report because it offers a more detailed categorical breakdown of local spending practices. The County's budget preparation sheet, however, contains authoritative data for FY1983-84.

resulting value constitutes a calculation of the estimated net local tax savings. Through the calculation of such an amount for every relevant budgetary item, the Commission has estimated the County's total first-year local tax savings with respect to noneducational operations to be \$49,743.¹⁴⁵

Educational Expenditures. In relation to educational costs, the City has calculated that the County should effect a total net reduction of \$120,188 for the initial year of the LNTR interval.¹⁴⁶ The County, on the other hand, has determined that as a result of its base-year analysis it will experience a net expenditure increase of \$209,648, an estimate leading Augusta County to state that, for LNTR purposes, its first-year educational expenditure savings should be regarded as zero.¹⁴⁷ In brief, the County, contends that due to the loss of intergovernmental aid resulting from the annexation, and its inability to reduce services proportionately, it will be obliged to increase local funds for the support of its educational program.¹⁴⁸ It is the judgment of the Commission, however, that the prospect of a post-annexation decline in State and federal

¹⁴⁵See Appendix D of this report.

¹⁴⁶City Supplemental Financial Information, Exh. 3

¹⁴⁷County Submissions, Vol. IV, Revised Summary Table E; and County Proposed Findings, pp. 33-34, 39.

¹⁴⁸County Proposed Findings, pp. 26-27, 39-40.

aid to the County should not affect the LNTR calculation. Such State and federal categorical aid is generally distributed on the basis of certain indices of need (e. g., population, the number of students, welfare case load), and the diminution of those indices is intended to result in a decrease of such intergovernmental assistance. To require the City to compensate the County for the loss of such aid is tantamount to mandating the City's replacement of intergovernmental aid lost through the application of objective criteria.¹⁴⁹ Augusta County's methodology ignores this principle and, if accepted, will inappropriately increase the City's LNTR burden. The Commission recommends, in consequence, that the court reject this aspect of the County's calculation.

Again, the Commission notes that in developing its educational cost reduction figures, each locality has employed revised budget estimates pertaining to FY1984-85, rather than utilizing more authoritative expenditure data for the preceding budgetary cycle. Both jurisdictions, in our judgment, should have based their calculations upon authoritative cost statistics for FY1983-84, the accounting interval which corresponds to the pertinent base-year for revenue estimation purposes. Accordingly, and as noted earlier, the Commission has undertaken its own review of expenditure data for the

¹⁴⁹Report on the Financial Settlement Provisions of Waynesboro Annexation, p. 16.

County with respect to FY1983-84.¹⁵⁰ In deriving cost reduction statistics from the data, the Commission has been guided by the County's evidence to the effect that personnel savings can be expected from the deletion of no more than six instructional and two transportation positions,¹⁵¹ that the share of the costs of the employment training program of the Valley Vocational Technical Center will not be reduced by the annexation,¹⁵² and that the school textbook fund and the school cafeteria fund presently operate without the support of local tax revenues.¹⁵³ The Commission's quantitative work, as shown in Appendix D, has centered upon 23 expenditure categories extending across four functional areas of the County's school operating fund. With respect to these various cost items, the gross expenditure

¹⁵⁰The data underlying this analysis have been derived principally from "Augusta County Budget Preparation Sheet," June 12, 1985, Expenditure Object Tab.

¹⁵¹Augusta County has developed its personnel reduction figures through the application of direct measurement techniques to 1984-85 school year data. (See County Submissions, Vol. III, Tabs 15, 16; ibid., Vol. VI, Tab 25; and County Proposed Findings, pp. 34-35.) According to the County, the same positional estimates are relevant to the 1983-84 academic year as well. (See Ralston, letter to staff of Commission on Local Government, Aug. 2, 1985.)

¹⁵²As the County observed, the employment training program is currently a fixed-cost budgetary obligation. (See County Submissions, Vol. VI, Tab 25; and County Proposed Findings, p. 37.) Consequently, with regard to this spending dimension, the City's estimate of a post-annexation decline in County outlays must be viewed as highly speculative and, in the judgment of the Commission, should be rejected by the court.

¹⁵³In this matter the County's positions can be verified with data presented in "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab and Expenditure Object Tab.

amounts have been multiplied by appropriate values of Factor 1, which denotes the proportion of County spending attributable to the annexation area. The resulting products have then been multiplied by Factor 2 for the purpose of generating net local cost figures. Particular values have been assigned to Factor 1 on the basis of the ratio appropriate for use in each specific expenditure category. The Factor 1 values reflect, for example, the number of annexation-area students as a percentage of the end-of-year average daily membership (ADM) for the entire school system, the number of annexation-targeted teaching positions as a percentage of the total number of full time equivalency (FTE) instructional positions in the regular day program of the Augusta County school system, the number of annexation area students as a percentage of the total number of County students enrolled in the regular program of the Valley Vocational Technical Center, the number of annexation-targeted buses as a percentage of all vehicles regularly employed to transport County school children, and the number of annexation-targeted teaching and transportation positions as a percentage of all FTE positions in the regular day program of the Augusta County school system. Factor 2, in all instances except one, represents local tax revenues transferred to the school operating fund as a percentage of all revenues supporting that fund. In relation to special education expenditures, though, Factor 2 has been appropriately adjusted to denote local tax revenues transferred to the school operating fund as a percentage of the sum of all (1) general operating

fund transfers and (2) "local funds" (e. g., revenues from tuition charges and equipment sales) in the school operating fund. Through the use of the multiplication factors just described, the Commission has computed an aggregate first-year estimate of net local educational savings for the County in the amount of \$63,677.¹⁵⁴

Debt Service Expenditures. Any calculation of Augusta County's initial-year cost savings must take account of the City's assumption of liability for part of the County's indebtedness during the post-annexation period. In regard to this consideration, Augusta County has asserted that its outstanding general obligation debt, both principal and unpaid accrued interest, will be \$2,367,459 as of December 31, 1985.¹⁵⁵ It is the County's view that the City's just proportion of the foregoing amount should be 4.46%, the figure which denotes the fraction of Countywide local "tax" revenues (including penalties, interest, fines, forfeitures, and permits) derived from the annexation area in 1984.¹⁵⁶ The City has contended that the relevant base for debt assumption purposes is \$2,344,600, an estimate that excludes the element of accrued interest. With respect to this base (less the Waynesboro obligation of \$155,447), the City has indicated

¹⁵⁴See Appendix D of this report.

¹⁵⁵County Submissions, Vol. IV, Table 10.1.

¹⁵⁶Ibid., Table 10.1, Summary Table D; and County Proposed Findings, pp. 6-7.

that its appropriate share is only 3.78%, which reflects the relative incidence of "total" County property assessables within the annexation area.¹⁵⁷ Based upon its methodology, Augusta County has calculated a base-year savings estimate of \$18,872 with respect to its debt service responsibilities.¹⁵⁸ In contrast, Staunton's calculation of the County's initial year debt service savings, reflecting its alternative methodology, is \$15,053.¹⁵⁹ As noted previously, the Commission recommends that the City's assumption of County debt be established through the multiplication of the principal balance on the effective date of annexation by the percentage of local tax revenues (exclusive of penalties, interest, fines, and forfeitures) which the County collected from the annexation area during 1984. Based on this methodology, the Commission calculates that the County's initial year cost reduction with respect to debt service will be \$19,030.¹⁶⁰

¹⁵⁷City Supplemental Financial Information, Exh. 4; and City Proposed Findings, p. 3. The Countywide assessables total, as defined by Staunton, excludes property values associated with the Waynesboro annexation area. The City's debt assumption percentage, then, rests upon a truncated definition of assessables. The Commission finds, too, that the City has drawn upon 1985 real property statistics in computing its debt obligation factor. In this regard we note that Staunton should have utilized (as the City has done with other classes of property) assessables data pertaining to 1984, the base-year underlying the calculation of the Waynesboro debt assumption percentage.

¹⁵⁸County Submissions, Vol. IV, Summary Table C; and Proposed County Findings, p. 41.

¹⁵⁹City Financial Information, Exh. 5; and City Supplemental Financial Information, Exh. 4.

¹⁶⁰This estimate constitutes 4.4657% of the formal debt retirement obligation of the County during 1986 (i. e., \$426,138) in relation to the expected principal balance of Augusta County's long-term

LNTR: The First Year. The LNTR of a County during a given year is the estimated difference between its loss of local tax revenues and its net local expenditure savings as the result of an annexation. In the present case, the Commission estimates that the County's initial year gross revenue loss will be \$716,646. On the basis of our own analysis of cost data, we estimate that the County's initial year net savings with respect to noneducational operating expenditures, educational outlays, and debt service payments will total \$132,445.¹⁶¹ Thus, the Commission finds the County's first-year LNTR to be \$584,201.

Calculation of LNTR over a Five-Year Period. Under the Code of Virginia an annexation court may require a city to compensate a county for the latter's prospective loss of net tax revenue during the five-year interval following an annexation. In the present case, Staunton has proposed that its base-year LNTR estimate of \$459,291 be multiplied by a factor of "5" to produce a total compensatory obligation of \$2,296,455.¹⁶² The City's computational approach is founded upon the expectation that the County's loss of net tax revenue will "remain relatively constant" during the five-year span following the

indebtedness at the end of 1985 (i. e., \$2,344,600).

¹⁶¹See Appendix D of this report.

¹⁶²City Supplemental Financial Information, Exh. 6; and City Proposed Findings, p. 25.

effective date of the annexation.¹⁶³ Rejecting the City's methodology, Augusta County has recommended that Staunton's annual LNTR responsibility be governed by the County's projection of annual growth in its base-year estimates of revenue loss and expenditure savings.¹⁶⁴ In operationalizing this perspective, Augusta County has determined that its LNTR entitlement should rise each year throughout the compensatory period, from a low of \$779,198 in 1986 to a high of \$1,067,723 in 1990.¹⁶⁵ It is the County's contention that a schedule of increasing payments--amounting to \$4,643,532 in the aggregate--constitutes a realistic estimation, unlike the City's "static" approach, of the dynamic relationship between revenue loss and expenditure reduction in the post-annexation period.

County Projection Methodology. Local tax revenue loss resulting from the annexation can be projected, according to the County, through the utilization of a "deterministic" method which focuses upon each category of taxation, establishes a formula identifying its essential elements, assigns official or "reasonable" numeric estimates to the respective components, and--in this fashion--emerges with a prediction for any given year of the revenues that Augusta County will lose with respect to the tax category in

¹⁶³City Proposed Findings, pp. 25-26, 28-29.

¹⁶⁴County Proposed Findings, pp. 42, 53-84.

¹⁶⁵Ibid., pp. 86, 99.

question.¹⁶⁶ The County has applied this deterministic technique, as just outlined, to the estimation of its probable revenue losses from the real estate tax, the personal property tax, the local option sales tax, the "school-aged distribution" component of the State sales tax, business license fees, and utility consumption taxes. Although the County's preferred forecasting strategy appears amenable for use in the projection of revenue losses from all other categories of local taxation, the deterministic method has not been utilized for the projection of revenues lost from the machinery and tools tax, the mobile homes tax, the public service corporation tax, the recordation tax, the motor vehicle license tax, or the bank franchise tax. In relation to each of these tax categories, the County has posited, without explaining or justifying the change in methodology, that its annual loss during the LNTR compensatory period will exactly equal its revenue yield from the annexation area in 1984 (or, in one instance, 1985).¹⁶⁷

To what extent can acceptance be extended to those projections which emanate from the County's application of the deterministic method? In addressing this matter, the Commission will consider the efficiency of the County's revenue equations, the adequacy of the

¹⁶⁶County Submissions, Vol. IV, Local Tax Revenues Tab; and County Proposed Findings, p. 59.

¹⁶⁷County Submissions, Vol. IV, Summary Table B.

assumptions underlying the several formulas, and the acceptability of the "future data" which have been processed through the terms of the various accounting identities.¹⁶⁸ According to the County, a desirable attribute of the deterministic method is that this forecasting technique occupies the intermediate distance between a methodology which is so complex that it defies comprehension and one that is so elementary as to be trivial.¹⁶⁹ From Augusta County's standpoint the formulas subsumed under the deterministic rubric are specifications of the salient factors which condition revenue variation and, at the same time, are readily comprehensible. In strictly algebraic terms, however, most of the deterministic formulas utilized by the County are overstated, and, accordingly, their nominal elegance is somewhat misleading. An examination of the real estate formula discloses, for example, that most of its terms are arithmetically redundant and, indeed, offset one another. The elements of Countywide assessed valuation, Countywide true market value, and Countywide personal income are so arranged within the formula that each instance of one of these factors is canceled out by another occurrence of the same

¹⁶⁸Our evaluation of the deterministic approach has been based upon the material presented in County Submissions, Vol. IV, Local Tax Revenues Tab; ibid., Vol. V, Real Estate Tax Tab, Personal Property Tax Tab, Local Option Sales Tax Tab, State Sales Tax (Education) Tab, Utility Tax Tab, and License Fee Tax Tab; and County Proposed Findings, pp. 53-80.

¹⁶⁹County Proposed Findings, p. 56.

element. Once the redundant terms of the formula have been removed, the only surviving factors are its truly essential components--the property tax rate and the level of assessed valuation in the annexation area. In reviewing the County's other equations for the prediction of revenue loss, the Commission has noted that all of these formulas, as that utilized for the real estate tax, contain recurring instances of factors which offset one another. This phenomenon of nullification holds true for the annexation-area and Countywide population components of the personal property tax; the Countywide revenue and personal income elements in the local option sales tax and business license tax identities; the Countywide population terms of the State sales tax equation; and the annexation-area household, Countywide household, and Countywide population components of the utility tax formula. In sum, all of Augusta County's deterministic equations are inefficiently specified. They embrace components which, in a strict algebraic sense, must be viewed as superfluous. The affected formulas do not exhibit, on a conceptual plane, the economy of specification which mathematical analysis customarily requires. Most of the County's equations, then, are somewhat simpler and less encompassing in breadth than would appear to be the case at first glance.

Aside from these algebraic shortcomings that affect the County's formulas, Augusta County's deterministic equations, in our view, are flawed because of their inordinate reliance upon assumptions for which

sufficient supporting evidence has not been presented. In this regard, the real property tax identity deserves mention. The County has asserted, without adequate empirical demonstration, that the ratio of assessed values to market values throughout Augusta County, the ratio of annexation area to Countywide assessed values, and the local real estate tax rate can reasonably be anticipated to assume numeric values from 1986 through 1990 which essentially duplicate patterns that were manifest during the 1981-85 reassessment cycle. These expectations rest upon the assumption that the County's experience from the recent past can adequately predict the near-term future.

Augusta County, it should be noted, has taken a similar stance with respect to the operationalization of all of the other revenue formulas. Each of those equations contains at least one significant factor regarding which the County has merely posited that the annual value from 1986 through 1990 will precisely replicate a "slice in time" statistic pertaining to some previous year--1980, 1984, or 1985. This approach can be seen in the County's projection, for the 1986-90 interval, of (1) the real per capita yield from the personal property tax in the annexation area, (2) the ratio of the population of the annexation area to that of the entire County, (3) the ratio of annexation area to Countywide receipts from the local option sales tax, (4) the relationship of local option sales tax receipts to personal income for the County-at-large, (5) the ratio of the ADM of the annexation area to that of the entire County, (6) the level of business utility

tax collections within the annexation area, (7) the ratio of residential utility tax collections to the number of households in the annexation area, (8) the relationship of the number of annexation area households to the number of households Countywide, (9) the ratio of the number of households in Augusta County to the County's population, (10) the relationship of annexation area to Countywide revenues from business license fees, and (11) the ratio of business license tax collections to personal income at the County level. Thus, in the case of five County formulas, 11 of the 18 major dimensions rest upon the assumption that statistical values which have been documented once already will, absent supporting evidence, manifest themselves with absolute constancy throughout the LNTR period. In filling its equations with such postulated arithmetic constants, as well as various terms that are essentially founded upon the premise of cyclical variation, the County has leaned heavily upon historical extrapolations, which are rooted in the notion that the past and present can largely be treated as coextensive. Yet, this approach to forecasting reflects a methodological orientation that Augusta County claims should be dismissed in principle, a judgment with which the Commission concurs.¹⁷⁰

The Commission also notes that in the application of its methodology, the County has drawn upon "official" State projections for the

¹⁷⁰Ibid., p. 58.

purpose of estimating prospective revenues from the annexation area. The Commission observes that Augusta County has depended, in particular, upon population and personal income projections issued by the Virginia Department of Planning and Budget (DPB). After a careful review of the data series in question, we are not satisfied that either provides an appropriate basis for the computation of annexation area revenues.

With regard to the population projections, it should be noted that the estimates for the interval extending from 1981 through 1990 were generated in late 1982 on the basis of 1980 statistics furnished by the U. S. Bureau of the Census. Although the DPB estimates for Virginia localities utilized by the County are still in effect, DPB is presently revising those estimates as a result of the significant demographic changes which have occurred within the Commonwealth since the last decennial census. The updated projections, which are expected to be available in early 1986, will reflect, for individual localities and the State-at-large, the most recent birth and death statistics, migration data, institutional population counts, and total population estimates from the Tayloe Murphy Institute of the University of Virginia.¹⁷¹ Accordingly, the projections with which Augusta County has worked in its forecasting of revenues, while nominally current, are obsolescent and will soon be displaced by more

¹⁷¹Donald P. Lillywhite, Research Analyst, Virginia Department of Planning and Budget, communication with staff of Commission on Local Government, Aug. 16, 1985.

authoritative statistics. Thus, until the revised projections are available, the DPB data can only be used with considerable reservation.

In its personal income projections, Augusta County is employing forecasts yielded by the Long-Term Economic Model of the Virginia Department of Planning and Budget. These projections are Statewide figures, not locality-specific estimates.¹⁷² The jurisdictional income predictions which the County has incorporated into its calculations were developed, it appears, by the locality itself through a statistical exercise in which the personal income of Augusta County for 1983, as estimated by the U. S. Department of Commerce, was subjected to annual adjustments through the application of Statewide income growth rates derived from the Virginia Long-Term Economic Model.¹⁷³ This forecasting effort rests upon an unverified assumption that Augusta County, from the standpoint of personal income growth, can be viewed as a microcosm of the State-at-large, with annual variations consistent with those in the Commonwealth overall. The acceptability of the County's income projections is also subject to the accuracy of the 1983 personal income estimate from the U. S. Department of Commerce. The tenability of that statistic, unfor-

¹⁷²Robert T. Benton, Director, Research Division, Virginia Department of Taxation, communication with staff of Commission on Local Government, Sep. 3, 1985.

¹⁷³County Proposed Findings, pp. 61-62 (n. 132), 64 (n. 136).

tunately, is now open to serious question. In this regard, the Tayloe Murphy Institute has determined that during the late 1970s and early 1980s personal income estimates for Virginia localities, as developed by the Bureau of Economic Analysis of the U. S. Department of Commerce, were often incorrect because of major errors in the attribution of certain income data to counties and independent cities.¹⁷⁴ Over the past few years the Bureau of Economic Analysis has undertaken a review of its allocation techniques and has made partial adjustments in the Virginia income series, but a comprehensive revision of the local estimates is not likely to be completed before May 1987.¹⁷⁵ Thus the suspect nature of the 1983 statistic, along with the County's employment of Statewide growth rates as adjustment factors, gives this Commission concern that Augusta County's personal income projections do not afford satisfactory bases for the calculation of future revenues from the annexation area.

With respect to the second component of the LNTR calculations, the County has also developed a forecast of cost reductions which will be experienced as a result of the annexation.¹⁷⁶ Based on the conten-

¹⁷⁴Dr. John L. Knapp, Deputy Director, Tayloe Murphy Institute, University of Virginia, "Statement of the Tayloe Murphy Institute in Regard to Virginia Personal Income Estimates" (presented to the House Appropriations Committee of the Virginia General Assembly on Jan. 31, 1984.)

¹⁷⁵Tayloe Murphy Institute, University of Virginia, "Bureau of Economic Analysis Estimates: Virginia Personal Income by City and County, 1978-83," May 15, 1985.

¹⁷⁶County Proposed Findings, pp. 80-84.

tion that any gross cost reduction with respect to educational services will be totally nullified by the County's overall loss of intergovernmental school aid, Augusta County has concentrated its predictive efforts, for LNTR purposes, upon noneducational expenditure savings. According to the County, such economies can be calculated through the multiplication of Augusta County's base-year estimate of total noneducational cost reduction (exclusive of debt service savings) by a series of inflation factors derived from the Virginia Long-Term Economic Model.¹⁷⁷ The County has argued that a real growth "additive" to these savings need not be considered since, in its judgment, the anticipated negligible population increases within the affected area will minimize the demands for new services.¹⁷⁸ Aside from the validity of this population projection for the area, the Commission also has concerns regarding Augusta County's usage of "official" inflation factors relative to the future cost of public goods and services. In this regard it should be noted that the inflation factors proposed for use by the County are based upon the expected impact of inflationary pressures upon the purchase of goods and services by all state and local governments throughout the nation.¹⁷⁹ It is not clear that inflation rates which pertain to the

¹⁷⁷Ibid., p. 84.

¹⁷⁸Ibid., pp. 82, 84.

¹⁷⁹Benton, communication with staff of the Commission on Local Government, Sep. 3, 1985.

national context can be safely applied to the Augusta County environment. Further, we note that the inflationary forecasts generated by the model are frequently changed and can exhibit pronounced variability over the course of a year. For example, in March 1985 a State data run showed that, with the current year taken as a base line, the cost of goods and services purchased by local governments would be higher by 5.7% in 1986, 12.4% in 1987, 19.5% in 1988, 26.5% in 1989, and 34.4% in 1990 as the result of inflationary pressures. Only 12 months earlier, however, the State's model had indicated that the relevant annual percentages, in chronological order, would be 7.3, 15.6, 25.3, 35.4, and 45.7 for the 1986 through 1990 period in relation to the base-line year.¹⁸⁰ Across the span of 12 months, then, the long-term model had produced sharply diverging forecasts regarding the impact of inflationary pressures. When two data series are characterized by such variance (and each distribution of values emanates from a predictive system that is not Virginia-specific), the Commission cannot endorse unequivocally the methodology which generated them.

City Projection Methodology. The City of Staunton has calculated that Augusta County's initial year LNTR resulting from the annexation specified in the interlocal agreement will be approximately

¹⁸⁰The two sets of percentages displayed herein were derived from computer printouts furnished to the Commission staff by Robert J. Griffis, Research Analyst, Virginia Department of Planning and Budget, May 20, 1985.

\$459,000.¹⁸¹ For purposes of determining its aggregate LNTR payment to the County, Staunton proposes merely to pay the same amount (i. e., \$459,000) annually, with its total payment becoming \$2,295,000. This City methodology reflects, therefore, a judgment that, while the County's revenue loss and expenditure savings resulting from the annexation may change during the period in question, the difference between the statistics will remain annually constant at \$459,000.

The City asserts that a constant LNTR may be projected in this case because the County's "expenditure savings should increase at a substantially faster rate than local revenue losses from the [annexation] area."¹⁸² The City's contention is based upon its analysis of County revenue and expenditure data utilizing a methodology (i. e., a lag regression procedure) proposed by Augusta County in previous proceedings.¹⁸³ The County has dismissed the City's calculation utilizing its previously proposed methodology by arguing that the results are "based upon the wrong annexation area and . . . [reflect] a different time frame."¹⁸⁴ In refutation of the City's thesis,

¹⁸¹City Proposed Findings, pp. 26.

¹⁸²Ibid., pp. 28-29.

¹⁸³Thomas Muller, A Critique of Methods to Project LNTR Payments in the City of Staunton Annexation Proceeding - Proposed Alternatives and the Historical Experience (submitted as City of Staunton Exh. 38), June 1985, pp. 18-21; and City Supplemental Exhibits, Tabs 22-24.

¹⁸⁴County Proposed Findings, p. 48. The Commission has previously expressed major reservations regarding the lag regression methodology proposed for use in determining the LNTR issue in the City of Waynesboro case. (See Report on the Financial Settlement Provisions of the Waynesboro Annexation, pp. 20-22.) The Commission

Augusta County contends that, according to recent data, local tax revenues from the County as a whole, and from the annexation area, are rising more rapidly than the City suggests and that expenditures are expected to grow at a substantially lower rate during the forthcoming five-year period.

With respect to the City's contention that a constant LNTR statistic may be assumed each year during the five-year period following the annexation, we are unable to find justification for such a conclusion. After reviewing with considerable care the City's various statistical submissions, we cannot conclude that the interplay of various inflationary factors and new development which the area would have experienced under continued County management would produce a constant LNTR. In sum, we are unable to recommend to the court a finding that, in this case, a constant LNTR is appropriate during the five-year period following the annexation.

Commission Recommendation

In the establishment of an aggregate LNTR figure to be paid by the City of Staunton, the Commission recommends that the special court be guided by the terms and conditions imposed by the reviewing court in the recently concluded Waynesboro annexation proceeding. In the City of Staunton annexation case the special court confronts a parallel

continues to hold the reservations previously expressed regarding the lag regression methodology.

issue affecting the same County at the same time. Absent persuasive evidence to the contrary, which we are unable to find, we believe that consistency and equity suggest the propriety of comparable LNTR projection methodologies in the two cases. Accordingly, we note that in the Waynesboro case the court assumed a growth in LNTR from \$1.1 million to \$1.5 million annually during the five-year period following the annexation, reflecting a constant annual growth factor of one-eleventh of the first-year calculation, and established the average (\$1.3 million) as the annual LNTR payment to be made by the City. The application of the same annual growth factor (equal to one-eleventh of the first-year calculation) to our estimation of the initial year LNTR statistic in the Staunton case (\$584,201) yields an average annual LNTR payment of \$690,000 during the five-year period following annexation.¹⁸⁵ Thus, the Commission recommends that the court direct the City to pay the County \$690,000 annually during each of the five years following the annexation, with the resulting aggregate payment to the County being \$3,450,000.

Payment of LNTR. Augusta County has requested that the City of Staunton be required to make its annual LNTR payment on or before July 1 each year. In support of this request the County has submitted an exhibit detailing its collection of local tax revenues each month

¹⁸⁵In the Waynesboro case the court employed a methodology which assumed, in actuality, a compound LNTR growth of approximately 8% annually. It is interesting to note that, according to our calculations, between the years 1974-75 and 1983-84 the average annual increase in the cost of goods and services purchased by state and local governments throughout the nation was 7.9%. Appendix E presents a table of these calculated annual changes.

during calendar year 1984.¹⁸⁶ That exhibit indicates that the County collected over one-half of its local revenues prior to July 1 of that year. In view of this past pattern of revenue collection, and in view of our recognition of the cash flow concerns of local government, the Commission recommends that the court require the City of Staunton to pay Augusta County one-half of its annual LNTR payment on or before June 30 each year, with the remaining one-half due on or before December 31. Thus, we recommend that, assuming the annexation is effective as of midnight December 31, 1985, the City of Staunton's initial payment be due on or before June 30, 1986.

CONCLUDING COMMENT

- Perhaps the most complex aspect of city annexations in Virginia is the determination of the appropriate LNTR payments to be made by the annexing municipality. While the mere mathematical calculation of a county's loss of prospective net tax revenue carries with it the inherent problems of assumptions and projections, we note that this calculation, once made, is subject to adjustment by a reviewing court in its balancing of the "equities" in a case and in its determination of "fair and reasonable terms and conditions."¹⁸⁷ Thus, the LNTR issue invites by statutory language both narrow and

¹⁸⁶County Submissions, Vol. III, Tab 19.

¹⁸⁷Sec. 15.1-1042, Code of Va.

broad fiscal considerations.

While this Commission and the State generally have been benefited by the expertise which the City of Staunton, Augusta County, and other jurisdictions have brought to bear on the LNTR issue, we believe that these concerns merit further analysis. While fully recognizing that the definitive and conclusive study may never be done, we contend that the effort should continue.

Respectfully submitted,

Harold S. Atkinson

Harold S. Atkinson, Chairman

Benjamin L. Susman III

Benjamin L. Susman, III, Vice-Chairman

Wendell D. Hensley

Wendell D. Hensley

Wm. S. Hubbard

William S. Hubbard

APPENDIX A

STUDY AGREEMENT FOR CONSOLIDATION

THIS AGREEMENT is made and entered into this 21st day of March, 1983, by and between the County of Augusta, Virginia ("County"), a political subdivision of the Commonwealth of Virginia; and the City of Staunton, Virginia ("City"), a municipal corporation of the Commonwealth of Virginia.

WHEREAS, the Board of Supervisors of Augusta County adopted on April 27, 1982, a resolution authorizing the initiation of procedures for immunity from annexation of certain areas of the County; and

WHEREAS, the Council of the City of Staunton adopted on October 19, 1982, a resolution authorizing the initiation of procedures for annexation of certain areas of the County; and

WHEREAS, whatever the merits of the immunity or annexation requests might be, the continued pursuit of the procedures for immunity and annexation would threaten the spirit of cooperation now existing between the County and City governments, and

WHEREAS, the continuation of the immunity and annexation proceedings would involve great expenditures of time and money and would introduce an element of uncertainty into the political and governmental processes of both jurisdictions, which both the Board of Supervisors and the City Council would prefer to avoid, and

WHEREAS, the County and City, recognizing the foregoing facts, have entered into negotiations to seek an amicable settlement of the proposed immunity and annexation without any contested legal procedures.

NOW, THEREFORE, in consideration of the mutual covenants and agreement contained herein, the County and the City agree that there shall be a Study to produce a single plan for the consolidation of the two governments.

ARTICLE I

SCOPE OF STUDY

1.1 The study shall be of a plan for consolidating the County of Augusta and the City of Staunton with there being a two tier government established. One tier shall be for general government and the second tier shall be for special services and functions needed or desired in the areas of the new Borough of Staunton.

1.2 The general government can be either a city or a county.

1.3 The special government can be among other things, a shire, borough, or town or any other governmental unit provided by law. The special government may have its own governing body elected from within the bounds of the special government.

1.4 While it is not necessary for the County of Augusta and the City of Staunton to continue as a County and a City, the name of Augusta must be in the name of the area wide government and the name Staunton must be in the name of the special tier of government which shall embrace part or all

of the area designated as Borough of Staunton on the attached map marked Exhibit A.

1.5 The study shall address which governmental services shall be allocated to each tier of government, the authority of each tier of government, the method for future expansion of boundaries of the special tier, and the time frame in which the consolidation of each specific service or department is to take place.

1.6 Any consolidation plan resulting from the Study must provide initially for the citizens of the present City to receive the same level of services recommended by the consultant and shall fairly allocate revenues between the two tiers of government so as to minimize the tax rate on the Borough of Staunton and the City or County of Augusta.

1.7 The plan for consolidation must provide (i) protection for the Borough of Staunton from annexation by any neighboring city now existing or hereafter formed and (ii) that the area embraced within the Borough of Staunton shall for a period of thirty (30) years have immunity from incorporation of new cities.

ARTICLE II

PERSONS PERFORMING STUDY

2.1 The City and the County shall select an unbiased consultant to conduct this study and furnish the City and County with a Report.

2.2 There shall be an Advisory Committee appointed to advise the consultant. The Advisory Committee shall consist

of 8 persons, 4 of whom shall be named by the City and 4 of whom shall be named by the County.

2.3 Staff personnel of the City and the County shall cooperate with and assist the consultant.

2.4 If the consultant needs any information developed which is not available in the records of the City or the County or if the consultant needs an ancillary study done which has not been previously done by either the City or the County and is of such a nature and scope that the study in the ordinary course of business of the City or the County would not be conducted by existing staff taking into account other work load requirements of the existing staff, the consultant may have the study conducted by an independent person with the approval of the Advisory Committee and with the cost thereof being shared by the City and the County on a per capita basis.

ARTICLE III

PROCEDURE FOR STUDY

3.1 The Negotiating Teams will begin meeting as soon as possible and will make a preliminary report to the Board of Supervisors and City Council by May 10, 1983 to set forth the manner in which the study shall proceed, including hiring the consultant, and notification of whatever staff or other assistance they anticipate will be needed. The City Council and the Board of Supervisors shall act on the hiring of the consultant by June 1, 1983. If the City and County cannot agree on a consultant by June 1, 1983, then the

consultant shall be named by the Appeal Commission by July 1, 1983.

3.2 The preliminary report shall make recommendations as to the hiring of a consultant and transmit to each governing body copies of any proposals from prospective consultants.

3.3 A full public report of the final conclusions and recommendations of the study will be made to both governing bodies by the consultants not later than October 15, 1983.

3.4 The Board of Supervisors and City Council may jointly agree to extend any time limit set forth in this agreement.

ARTICLE IV

HANDLING OBJECTIONS TO REPORT

4.1 The City and the County shall each within 15 days of the filing of the Report notify the other in writing as to any recommendations or provisions contained in the Report which are not approved. Should the Report present alternate choices then both the City and the County shall have 15 days to notify the other of the alternate it selects.

4.2 Thereafter, the City and the County shall negotiate in an effort to resolve any differences. At any time after the filing of the notices of disapproval of recommendations either the City or the County may request in writing that areas of differences be resolved by an Appeal Commission. The request shall be filed with the Appeal Commission and with the other governing body. The date of

the filing with the Appeal Commission shall be the "implementation date."

4.3 The Appeal Commission shall receive written comments from either the City or the County provided such comments are received by the Appeal Commission within 15 days of the "implementation date."

4.4 The Report shall be modified as the Appeal Commission may direct.

4.5 The Appeal Commission shall render its decision within forty-five days of the date of the first filing of a request for differences to be resolved by the Appeal Commission.

ARTICLE V

APPEAL COMMISSION NAMED

5.1 The Appeal Commission shall consist of five members with two members thereof being appointed by the City, two members thereof being appointed by the County and the fifth member to be elected by the four appointed members. Each jurisdiction shall name two members plus one alternate by April 10, 1983. The four members shall select the fifth member by April 25, 1983.

5.2 At least one of the appointed members named by the City and at least one of the appointed members named by the County shall be persons who have for a period of at least four years served as an elected member of a governing body within the Commonwealth of Virginia.

5.3 No person shall be eligible to serve on the appointed Appeal Commission who has ever resided in the City or the County, who has any relatives who reside in the City or County, or who has ever been employed by either the City or the County.

ARTICLE VI

COSTS

6.1 All fees, costs and expenses of the consultant used in the study and the Appeal Commission shall be shared on a per capita basis by the City and the County.

6.2 The City and the County shall provide to any consultant without charge all information needed by the consultant and currently available in the records of the City or the County.

ARTICLE VII

STAY OF PROCEEDINGS

7.1 The City Council and Board of Supervisors agree that immediately after the approval of this agreement each will instruct its special counsel to seek a stay of all proceedings between the City and the County for either annexation or partial immunity while the consolidation study and subsequent proceedings for the adoption of the consolidation plan are in progress.

ARTICLE VIII

ALTERNATE PLAN

8.1 In the event:

(1) The consolidation plan set forth in the Report (as modified by the Appeal Commission if a request is considered by the Appeal Commission) is not finally approved and fully adopted by Augusta County by December 31, 1984,

(2) The Board of Supervisors takes action directly or fails to take timely action which action or failure to act manifests an intent not to proceed with the consolidation plan set forth in the Report (as modified by the Appeal Commission if a request is considered by the Appeal Commission) and its implementation, or

(3) The voters of Augusta County do not approve the said consolidation plan but the voters in Staunton do approve in the same election, then the stay shall be lifted and Staunton shall be entitled to annex only the area designated as the Borough of Staunton shown on the attached map marked Exhibit A, pursuant to Article 1, Chapter 25, Title 15.1 of the Code of Virginia (1950) as amended, and Augusta County agrees not to oppose Staunton in the annexation of that area.

8.2 In the event:

(1) The consolidation plan set forth in the Report (as modified by the Appeal Commission if a request is considered by the Appeal Commission) is not finally approved and fully adopted by Staunton by December 31, 1984,

(2) The City Council takes action directly or fails to take timely action which action or failure to act

manifests an intent not to proceed with the consolidation plan set forth in the Report (as modified by the Appeal Commission if a request is considered by the Appeal Commission) and its implementation, or

(3) The voters of Staunton do not approve the said consolidation plan but the voters in Augusta County do approve in the same election, then the stay shall be lifted and Staunton shall be entitled to annex only the area designated PA on the attached map marked Exhibit B, pursuant to Article 1, Chapter 25, Title 15.1 of the Code of Virginia (1950) as amended, and Augusta County agrees not to oppose Staunton in the annexation of that area.

8.3 If both the City and the County do not approve the consolidation plan then the stay shall be lifted and Staunton shall be entitled to annex only the area designated PA on the attached map marked Exhibit C, pursuant to Article 1, Chapter 25, Title 15.1 of the Code of Virginia (1950) as amended, and Augusta County agrees not to oppose Staunton in the annexation of that area.

8.4 If and when under the terms of this agreement the City becomes entitled to proceed with annexation of the area shown on Exhibit A, the area shown on Exhibit B, or the area shown on Exhibit C, as the case may be, then the County shall be entitled to obtain permanent immunity pursuant to Chapter 21.2, Title 15.1 of the Code of Virginia (1950) as amended, for the areas designated PI on the same map that gives the City's annexation area. The City will not oppose

the County in its immunity request.

8.5 The County agrees not to seek and will oppose action by anyone else to seek immunity for any areas other than those designated on the applicable attached map until after December 31, 1994.

8.6 The annexation and immunity actions instituted to implement the provisions of this agreement shall proceed concurrently and the immunity action shall not stay that annexation proceeding.

ARTICLE IX

EXPANSION OF URBAN TYPE SERVICES

BY THE COUNTY

9.1 Any expansion of urban type services by the County during the period of the stay shall not be counted for the County or used against the City in any annexation or annexation immunity proceeding.

ARTICLE X

ENFORCEMENT PROVISIONS

10.1 The rights and obligations of this agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10.2 County and City recognize that if a Court approval of this agreement must be obtained pursuant to statutes governing annexation, immunity from annexation, and the Commission on Local Government, then it is possible that the Commission on Local Government will recommend changes to the proposed settlement. County and City covenant that in such event, each of them will oppose such changes before the

Commission and the Courts.

10.3 The City and County agree to request their legislative delegations in the General Assembly to sponsor and support legislation assuring the validity and binding effect of every portion of this agreement and effecting a legislative reversal of any substantial judicial modification.

10.4 The provisions of newly enacted Sections 15.1-1167.1 and 15.1-1168 (Chapter 26.02 of Title 15.1) of the Code of Virginia shall apply to this agreement. Specifically, the Court shall have no authority to amend or change the annexation or immunity areas mentioned in Article VIII of this agreement without the expressed approval of both governing bodies. The Court shall be limited in its decision to either affirm or deny the agreement in its entirety, and to determine the terms and conditions of annexation pursuant to Article 1, Chapter 25, Title 15.1 of the Code of Virginia. In the event said Chapter 26.02 is not signed by the Governor or is invalidated by Court order or other legal process, then the provisions of such Chapter shall apply mutatis mutandis as if set forth herein as a part of this agreement.

10.5 If either party deems the other to have breached any provision, it shall so notify the other in writing, and the party deemed to have breached the agreement shall have sixty days to remedy the breach. In the event remedial

action has not been taken within the sixty day period, the aggrieved party shall be entitled to seek specific performance of the agreement in the Circuit Court of the City or County.

ARTICLE XI

APPROVAL OF AGREEMENT AND SIGNATURES

11.1 This agreement shall be effective when it has been signed by both jurisdictions, following the adoption of resolutions approved by majority votes of the City Council and Board of Supervisors.

IN WITNESS WHEREOF, the governing bodies of the parties have each by ordinance or resolution caused this agreement to be duly executed in several counterparts, each of which shall constitute an original, by their respective mayor or chairman and attested by their respective clerks.

COUNTY OF AUGUSTA, VIRGINIA

By:

Gene Showler
Chairman, Board of Supervisors

ATTEST:

R. E. Huff

Clerk

CITY OF STAUNTON, VIRGINIA

By:

Thomas E. Roberts
Mayor

ATTEST:

Bette W. Kerr

Clerk



APPENDIX C

STATISTICAL PROFILE OF THE CITY OF STAUNTON, COUNTY OF AUGUSTA
AND THE AREAS PROPOSED FOR ANNEXATION AND IMMUNITY

	City of Staunton	Area Proposed for Annexation	County of Augusta	Proposed Verona Immunity Area	Proposed Fishersville Immunity Area
Population (1980)	21,857	2,583	53,732	2,924	2,488
Land Area (Square Miles)	8.88	12.25	985.65	5.74	9.71
School Average Daily Membership (1984-85)	2,993	338	10,104	663	339
Total Assessed Values (1984)	\$451,836,798	\$52,208,892	\$1,236,780,667	\$82,823,250	\$49,942,335
Real Estate Values (1984) ^A	\$404,574,920	\$47,681,162 ^B	\$1,147,802,069	\$74,965,470	\$47,075,000
Personal Property Values (1984)	\$23,337,595	\$1,871,650 ^B	\$62,562,581	\$4,980,000	\$2,532,296
Machinery and Tools Values (1984)	\$971,495	\$181,550 ^B	\$13,573,258	\$2,227,780	\$72,441
Public Service Corporation Values (1984)	\$22,857,143	\$2,440,000 ^C	\$80,494,450	\$650,000	\$262,598
Mobile Homes Values (1984)	\$95,645	\$34,530	\$12,842,759	N/A	N/A
Existing Land Use (Acres)					
Residential	3,463	N/A	13,302	398	755
Commercial	845	N/A	3,771	103	169
Industrial	135	N/A	2,099	200	63
Transportation and Utilities	N/A	N/A	N/A	298	278
Public and Semi-Public	534	N/A	220,441	270	525
Agricultural, Wooded and Vacant	748	N/A	604,305	2,405	4,425

NOTES:

N/A - Not Available

A - Real Estate Values for the City of Staunton and the Area Proposed for Annexation are 1985 Estimates.

B - As Estimated by Augusta County.

C - Public Service Corporation Values for the Area Proposed for Annexation Do Not Include Personal Property Values.

SOURCES:

City of Staunton, City of Staunton vs. Augusta County Annexation Proceedings, Supplemental Financial Information, June 1985.

City of Staunton, Annexation Notice, Vol. I, Nov. 1982.

County of Augusta, County Submissions, Vol. III.

APPENDIX D

COMMISSION ON LOCAL GOVERNMENT CALCULATION OF LNTR

Base-Year Estimates
of
Local Tax Revenue Loss by Augusta County

Page 1

Revenue Dimension	Amount
Real Property Tax	267,713
Tangible Personal Property Tax	58,021
Machinery and Tools Tax	5,628
Mobile Homes Tax	237
Public Service Corporations Tax	21,847
Local Option Sales Tax	158,420
State Sales Tax (Education)	80,033
Consumer's Utility Tax	39,798
Business, Professional License Fees	56,351
Motor Vehicle License Fees	22,740
Recordation Tax	2,940
Bank Franchise Tax	2,918
Total	716,646

Base-Year Estimates
of
Net Local Expenditure Reduction by Augusta County

Expenditure Dimension	Amount
A. General Operating Expenditures	
General and Financial Administration	
County Administrator	399
Central Accounting	137
Board of Equalization	0
Board of Assessors	4,806
Commissioner of the Revenue	281
Treasurer's Office	569
Motor Vehicle Tags	477
Data Processing	84
Legal Services	17,696
Board of Elections	140
Judicial Administration	767
Commonwealth's Attorney	8
Law Enforcement	1,442
Fire and Rescue Services	1,300
Correction and Detention	655
Inspections	84
Other Protection	121
Public Works	2,591
Sanitation and Waste Removal	2,989
Maintenance of Buildings and Grounds	0
Health	5,615
Mental Health	2,868
Public Assistance	5,149
Library	180
Community Development	1,072
Cooperative Extension Program	0
Non-Departmental	308
Contingencies	0
B. Educational Expenditures	
School Operating Fund	
Administration	559
Instruction	50,921
Attendance and Health Services	0
Pupil Transportation Services	5,015
Maintenance and Operation of Schools	0
Fixed Charges	7,182
Summer School	0
Adult Education	0
Capital Outlay	0
School Textbook Fund	0
School Cafeteria Fund	0
C. Debt Service Expenditures	19,030
Total	132,445

Estimates of Net Local Expenditures by Augusta County in the Staunton Annexation Area
 General Operating Expenditures, FY1983-84

Function	Expenditure Category	Baseline Amount	Factor 1	Factor 2	Factor 3	Net Local Expenditure
County Administrator	Postage and Telephone Services	6,742.99	0.0344	1.0000	0.9186	213.08
County Administrator	Office Supplies	5,894.29	0.0344	1.0000	0.9186	186.26
County Administrator					Subtotal:	399.34
Central Accounting	Postage and Telephone Services	1,897.40	0.0344	1.0000	0.9186	59.96
Central Accounting	Office Supplies	2,443.31	0.0344	1.0000	0.9186	77.21
Central Accounting					Subtotal:	137.17
Board of Assessors	Contractual Services-Appraiser	147,580.62	0.0344	1.0000	0.9186	4,663.52
Board of Assessors	Data Processing Services	3,000.00	0.0344	1.0000	0.9186	94.80
Board of Assessors	Postage and Telephone Services	1,222.83	0.0344	1.0000	0.9186	38.64
Board of Assessors	Office Supplies	278.43	0.0344	1.0000	0.9186	8.80
Board of Assessors					Subtotal:	4,805.76
Commissioner of the Revenue	Data Processing Services	10,869.30	0.0344	0.0000	-----	0.00
Commissioner of the Revenue	Postage and Telephone Services	10,637.15	0.0344	0.4875	0.9186	163.86
Commissioner of the Revenue	Office Supplies	7,613.07	0.0344	0.4875	0.9186	117.28
Commissioner of the Revenue					Subtotal:	281.14
Treasurer's Office	Data Processing Services	16,801.20	0.0344	0.0000	-----	0.00
Treasurer's Office	Postage and Telephone Services	23,527.94	0.0344	0.5085	0.9186	378.06
Treasurer's Office	Office Supplies	2,597.10	0.0344	0.5085	0.9186	41.73
Treasurer's Office	Tax Tickets	9,260.97	0.0344	0.5085	0.9186	148.81
Treasurer's Office	Delinquent Tax Collection Expenses	55.00	0.0344	0.5085	0.9186	0.88
Treasurer's Office					Subtotal:	569.48
Motor Vehicle Tags	Postage	6,283.20	0.0344	1.0000	0.9186	198.55
Motor Vehicle Tags	Office Supplies, Forms	3,748.71	0.0344	1.0000	0.9186	118.46
Motor Vehicle Tags	License Tags (Decals)	5,076.60	0.0344	1.0000	0.9186	160.42
Motor Vehicle Tags					Subtotal:	477.43
Data Processing	Postage and Telephone Services	834.58	0.0344	0.7182	0.9186	18.94
Data Processing	Office Supplies	2,881.49	0.0344	0.7182	0.9186	65.40
Data Processing					Subtotal:	84.34
Legal Services	Annexation-Staunton	92,040.15	0.2000	1.0000	0.9186	16,909.62
Legal Services	Contractual Services-Legal Research	12,511.27	0.0344	1.0000	0.9186	395.35
Legal Services	Postage and Telephone Services	3,009.95	0.0344	1.0000	0.9186	95.11
Legal Services	Office Supplies	9,368.70	0.0344	1.0000	0.9186	296.05
Legal Services					Subtotal:	17,696.13
Board of Elections	Compensation of Election Officials	5,333.31	0.0344	0.4372	0.9186	73.68

Function	Expenditure Category	Baseline Amount	Factor 1	Factor 2	Factor 3	Net Local Expenditure
Board of Elections	Custodian & Mech.-Voting Machines	900.00	0.0344	0.4372	0.9186	12.43
Board of Elections	Postage and Telephone Services	1,876.51	0.0344	0.4372	0.9186	25.92
Board of Elections	Office Supplies	337.56	0.0344	0.4372	0.9186	4.65
Board of Elections	Ballots and Voting Mach. Supplies	866.20	0.0344	0.4372	0.9186	11.97
Board of Elections	Travel Expenses	847.43	0.0344	0.4372	0.9186	11.71
Board of Elections				Subtotal:		140.38
Circuit Court	Compensation-Jurors and Witnesses	6,200.00	0.0344	1.0000	0.9186	195.92
Circuit Court	Postage and Telephone Services	2,464.86	0.0344	1.0000	0.9186	77.89
Circuit Court	Office Supplies	275.57	0.0344	1.0000	0.9186	8.71
Circuit Court				Subtotal:		282.52
General District Court	Postage and Telephone Services	2,797.68	0.0344	1.0000	0.9186	88.41
General District Court	Office Supplies	936.87	0.0344	1.0000	0.9186	29.60
General District Court				Subtotal:		118.01
Clerk of the Circuit Court	Postage and Telephone Services	1,754.32	0.0344	1.0000	0.9186	55.44
Clerk of the Circuit Court	Office Supplies	9,844.35	0.0344	1.0000	0.9186	311.08
Clerk of the Circuit Court				Subtotal:		366.52
Commonwealth's Attorney	Postage and Telephone Services	2,453.77	0.0344	0.0657	0.9186	5.09
Commonwealth's Attorney	Office Supplies	342.20	0.0344	0.0657	0.9186	1.75
Commonwealth's Attorney	Travel Expenses	744.18	0.0344	0.0657	0.9186	1.54
Commonwealth's Attorney				Subtotal:		8.39
Policing and Investigating	Compensation of Coroners	1,300.00	0.0344	1.0000	0.9186	41.08
Policing and Investigating	Compensation of Blood Tests	540.00	0.0344	1.0000	0.9186	17.06
Policing and Investigating	Data Processing Services	2,000.00	0.0344	0.0000	-----	0.00
Policing and Investigating	Postage and Telephone Services	14,072.69	0.0344	0.0804	0.9186	35.75
Policing and Investigating	Office Supplies	6,028.35	0.0344	0.0804	0.9186	15.32
Policing and Investigating	Police Supplies	2,648.48	0.0344	0.0304	0.9186	6.73
Policing and Investigating				Subtotal:		115.94
Sheriff's Cars	Liability Insurance-Motor Vehicles	9,786.75	0.0344	0.2372	0.9186	73.36
Sheriff's Cars	Tires, Tubes, Parts, and Repairs	48,298.26	0.0344	0.2372	0.9186	362.02
Sheriff's Cars	Gasoline, Grease, Oil, Antifreeze	80,009.17	0.0344	0.2372	0.9186	599.71
Sheriff's Cars	Motor Vehicles	38,865.35	0.0344	0.2372	0.9186	291.31
Sheriff's Cars				Subtotal:		1,326.40
Fire Department	Postage and Telephone Services	9,120.34	0.0494	1.0000	0.9186	413.87
Fire Department	Office Supplies	586.36	0.0494	1.0000	0.9186	26.61
Fire Department	Firefighting Supplies	3,619.24	0.0494	1.0000	0.9186	164.24
Fire Department	Repair and Maint. Supplies-Equip.	3,531.91	0.0494	1.0000	0.9186	160.27

Function	Expenditure Category	Baseline Amount	Factor 1	Factor 2	Factor 3	Net Local Expenditure
Fire Department	Tires, Tubes, Parts, and Repairs	5,188.81	0.0494	1.0000	0.9186	235.46
Fire Department	Gasoline, Grease, Oil, Antifreeze	6,597.46	0.0494	1.0000	0.9186	299.39
Subtotal:						1,299.84
Care and Confinement of Prisoners	Physicians Fees-Jail	1,521.00	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Medical Services	8,726.67	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Repairs-Property	2,045.49	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Maintenance Contracts	362.16	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Elevator Maintenance Contract	867.99	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Contract. Expenses-pest Exterm.	360.00	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Cont. Exp.-Boarding of Inmates	50.12	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Electric Service	34,035.80	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Fuel	23,843.86	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Water and Sewer Service	4,609.21	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Refuse Collection Charges	102.00	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Postage and Telephone Services	8,131.71	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Office Supplies	1,805.81	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Other Operating Supplies	44.64	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Food	59,059.81	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Medical Supplies	4,644.24	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Janitorial Supplies	4,454.95	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Linen Supplies	755.82	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Repair and Maintenance Supplies	1,691.93	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Photo Supplies	446.19	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Personal Supplies-Inmates	1,228.79	0.0344	0.0000	-----	0.00
Care and Confinement of Prisoners	Equipment-Plumbing	327.17	0.0344	0.0000	-----	0.00
Subtotal:						0.00
Juvenile Probation and Detention	Postage and Telephone Services	3,422.92	0.0344	1.0000	0.9186	108.16
Juvenile Probation and Detention	Office Supplies	66.59	0.0344	1.0000	0.9186	2.10
Juvenile Probation and Detention	Detention Home-Operating Expenses	17,251.64	0.0344	1.0000	0.9186	545.15
Subtotal:						655.42
Building Inspection	Postage and Telephone Services	1,844.99	0.0120	1.0000	0.9186	20.34
Building Inspection	Office Supplies	969.30	0.0120	1.0000	0.9186	10.68
Building Inspection	Tires, Tubes, Parts, Repairs	1,591.98	0.0120	1.0000	0.9186	17.55
Building Inspection	Gasoline, Grease, Oil, Antifreeze	3,241.71	0.0120	1.0000	0.9186	35.73
Subtotal:						84.31
Protection of Livestock-Fowl	Advertising	475.56	0.0344	1.0000	0.9186	15.03
Protection of Livestock-Fowl	Postage and Telephone Services	56.89	0.0344	1.0000	0.9186	1.80
Protection of Livestock-Fowl	Care of Dogs	493.77	0.0344	1.0000	0.9186	15.60
Protection of Livestock-Fowl	Ammunition	20.27	0.0344	1.0000	0.9186	0.64
Protection of Livestock-Fowl	Office Supplies	23.60	0.0344	1.0000	0.9186	0.94
Protection of Livestock-Fowl	Record Books and Dog Tags	613.50	0.0344	1.0000	0.9186	19.54
Protection of Livestock-Fowl	Tires, Tubes, Parts, and Repairs	410.33	0.0344	1.0000	0.9186	12.97

Function	Expenditure Category	Baseline Amount	Factor 1	Factor 2	Factor 3	Net	
						Local	Expenditure
Protection of Livestock-Fowl	Gasoline, Grease, Oil, Antifreeze	1,735.19	0.0344	1.0000	0.9186	54.83	
Protection of Livestock-Fowl					Subtotal:	121.25	
Streetlighting	Electric Service	2,821.00	1.0000	1.0000	0.9186	2,591.37	
Streetlighting					Subtotal:	2,591.37	
Sanitation and Waste Removal	Sanitary Landfill # 1-Contract	94,575.40	0.0344	1.0000	0.9186	2,988.57	
Sanitation and Waste Removal					Subtotal:	2,988.57	
Health Department	Contribution to State Health Dept.	240,671.00	0.0254	1.0000	0.9186	5,615.44	
Health Department					Subtotal:	5,615.44	
Mental Health	Contrib.-Mental Health Serv. Board	90,766.00	0.0344	1.0000	0.9186	2,868.19	
Mental Health					Subtotal:	2,868.19	
Public Assistance (1)	Aux. Grnts-Aged/1 case@avg. grant	1,939.68	1.0000	0.3750	0.8971	652.53	
Public Assistance (1)	Aux. Grnts-Disab/4 cases@avg. grant	9,451.68	1.0000	0.3750	0.8971	3,179.66	
Public Assistance (1)	General Relief/1 case@avg. grant	2,774.52	1.0000	0.3750	0.8971	933.38	
Public Assistance	Institutional Care-State/Local Hosp	20,613.42	0.0344	0.2500	0.8971	159.03	
Public Assistance	Data Processing Services	1,000.00	0.0344	0.2000	0.8971	6.17	
Public Assistance	Postage	3,172.69	0.0344	0.2000	0.8971	19.58	
Public Assistance	Telephone Service	18,641.38	0.0344	0.2000	0.8971	115.06	
Public Assistance	Office Supplies	5,668.98	0.0344	0.2000	0.8971	34.99	
Public Assistance	Tires, Tubes, Parts, and Repairs	3,125.02	0.0344	0.2000	0.8971	19.29	
Public Assistance	Gasoline, Grease, Oil, Antifreeze	4,741.71	0.0344	0.2000	0.8971	29.27	
Public Assistance					Subtotal:	5,148.97	
County Library	Postage and Telephone Services	3,434.82	0.0344	1.0000	0.9186	108.54	
County Library	Office Supplies	2,253.31	0.0344	1.0000	0.9186	71.20	
County Library					Subtotal:	179.74	
Planning and Zoning	Legal Fees	1,741.00	0.0344	1.0000	0.9186	55.02	
Planning and Zoning	Advertising	4,206.76	0.0344	1.0000	0.9186	132.93	
Planning and Zoning	Postage and Telephone Services	2,251.60	0.0344	1.0000	0.9186	71.15	
Planning and Zoning	Office Supplies	5,319.57	0.0344	1.0000	0.9186	168.07	
Planning and Zoning	Tires, Tubes, Parts, and Repairs	573.63	0.0344	1.0000	0.9186	18.13	
Planning and Zoning	Gasoline, Grease, Oil, Antifreeze	1,214.93	0.0344	1.0000	0.9186	38.39	
Planning and Zoning	Prorata Share-Planning District 4	12,967.50	0.0494	1.0000	0.9186	588.45	
Planning and Zoning					Subtotal:	1,072.13	
Non-Departmental	Contribution-WVPT Educational TV	5,300.00	0.0344	1.0000	0.9186	167.48	
Non-Departmental	Central Shenandoah EHS Council	4,460.00	0.0344	1.0000	0.9186	140.94	
Non-Departmental					Subtotal:	308.41	

Estimates of Net Local Expenditures by Augusta County in the Staunton Annexation Area
 School Operating Expenditures, FY1983-84

Function	Expenditure Category	Baseline Amount	Factor 1	Factor 2	Net Local Expenditure
Administration	Postage and Telephone Services	39,027.48	0.0318	0.3450	428.17
Administration	Stationery, Office Supplies	11,883.39	0.0318	0.3450	130.37
Administration				Subtotal:	558.54
Instruction (2)	Comp. of Elem. Teachers/6@avg. sal.	96,480.00	1.0000	0.3450	33,285.60
Instruction	Comp. of Substitute Elem. Teachers	89,185.28	0.0195	0.3450	599.99
Instruction	Travel-Instructional	46,825.07	0.0082	0.3450	132.47
Instruction	Tuition-Other Divisions	181,327.03	0.0318	0.3450	1,989.34
Instruction (3)	VTECH-Regular Prog. Tuition	610,878.00	0.0100	0.3450	2,107.53
Instruction	Instructional Supplies	243,202.04	0.0318	0.3450	2,668.17
Instruction	Library Books, Supplies, Period.	37,916.16	0.0318	0.3450	415.98
Instruction	Textbooks Furnished Free	11,752.00	0.0318	0.3450	128.93
Instruction (4)	Special Ed. for Annex. Students	10,564.00	1.0000	0.9081	9,593.17
Instruction				Subtotal:	50,921.18
Pupil Transportation (5)	Comp. of Bus Drivers/2@avg. salary	7,330.50	1.0000	0.3450	2,529.02
Pupil Transportation	Insurance-Trans. Vehicles	30,317.00	0.0137	0.3450	143.29
Pupil Transportation	Other Transportation Costs	13,671.23	0.0137	0.3450	64.62
Pupil Transportation	Repairs, Tires, Parts, Supplies	184,532.88	0.0137	0.3450	872.19
Pupil Transportation	Gasoline, Oil, Other Lubricants	297,537.21	0.0137	0.3450	1,406.31
Pupil Transportation				Subtotal:	5,015.44
Fixed Charges	Insurance	47,368.00	0.0066	0.3450	107.86
Fixed Charges	Workmens Compensation Expense	25,000.00	0.0066	0.3450	56.93
Fixed Charges	Employers Contribution-FICA	989,066.14	0.0066	0.3450	2,252.10
Fixed Charges	Employers Contribution-Retirement	1,286,445.80	0.0066	0.3450	2,929.24
Fixed Charges	Employers Contribution-Insurance	139,073.55	0.0066	0.3450	316.67
Fixed Charges	Employers Contribution-Other	625,787.92	0.0066	0.3450	1,424.92
Fixed Charges	Other Fixed Charges-Unemploy. Comp.	41,384.19	0.0066	0.3450	94.23
Fixed Charges				Subtotal:	7,181.94
All Functions				Total:	63,677.10

TABULAR FOOTNOTES

1. In estimating the monthly benefit outlays pertinent to each class of welfare recipient, the Commission multiplied the FY1984-85 caseload total within the annexation area by the Countywide average grant figure for the month of December, 1983. (See County Submissions, Vol. VI, Tab 24; Va. Department of Social Services, Public Welfare Statistics, Vol. 45, December, 1983, Tablea IV and VIII.) The product of the foregoing calculation was then multiplied by 12 to generate an expenditure total for FY1983-84. Although this method yields approximate results, its utilization has been necessitated by the inability of the County to provide FY1983-84 caseload and cost data with respect to welfare beneficiaries residing in the annexation area. (See Harold H. Ralston, Augusta County Planner, letter to staff of the Commission on Local Government, August 2, 1985.)
2. In Augusta County the average annual salary for elementary teaching positions was \$16,080 during 1983-84. (See Va. Department of Education, Superintendent of Public Instruction, Annual Report: 1983-1984, April, 1985, Table 13.)
3. The cited baseline amount was provided by Karen Garber, Assistant Superintendent, Augusta County Schools, communication with staff of the Commission on Local Government, August 8, 1985.
4. The baseline figure, representing the "locally funded" cost of special education, was furnished by Ralston, communication with staff of the Commission on Local Government, August 2, 1985.
5. During FY1983-84 the average salary for County school bus drivers was \$3,665.25. (See Ralston, letter to staff of the Commission on Local Government, August 2, 1985.)

GENERAL OPERATING EXPENDITURES: MULTIPLICATION FACTORS

FACTOR 1: Percentage of the baseline amount which can be attributed to the annexation area.

(A) 3.44%: Non-institutional population of the annexation area (1,807) as a percentage of the non-institutional population (52,483) of the entire County (July 1, 1983). Data sources: County Submissions, Vol. VI, Tab 24; Harold H. Ralston, Augusta County Planner, letter to staff of the Commission on Local Government, August 2, 1985; Julia H. Martin, Research Director, Population Studies Center, Tayloe Murphy Institute, University of Virginia, communication with staff of the Commission on Local Government, July 26, 1985; Jo Powell, Systems Development Manager, Va. Department of Mental Health and Mental Retardation, communication with staff of the Commission on Local Government, July 30, 1985.

(B) 20.00%: One-fifth allocation of legal services costs pertaining to the annexation. The Commission notes that the current annexation issue is a procedural matter of limited duration and that the County's associated expenditures do not constitute part of the routine governance of the affected area. It is our judgment that the legal costs of the annexation should be assigned partial weight, however, in the estimation of Augusta County's future savings. The elimination of these procedural costs will doubtless lessen the County's need to raise additional tax revenues for other functional concerns. For this purpose an allocative fraction of one-fifth appears reasonable to the Commission.

(C) 4.94%: Total population of the annexation area (2,670) as a percentage of the total population (54,000) of the County at large (July 1, 1983). Data sources: County Submissions, Vol. VI, Tab 24; Ralston, letter to staff of the Commission on Local Government, August 2, 1985; Martin, communication with staff of the Commission on Local Government, July 26, 1985; Powell, communication with staff of the Commission on Local Government, July 30, 1985.

(D) 1.20%: Number of building inspections in the annexation area (47) as a percentage of all building inspections (3,903) in the County (1984). Data source: County Submissions, Vol. VI, Tab 24.

(E) 2.54%: Annexation area share (\$6,532) of the County contribution to the State Health Department in FY1984-85 as a percentage of the total County contribution (\$257,633). The use of FY1984-85 statistics to define this factor, while not entirely desirable, has been necessitated by the unavailability, from the Central Shenandoah Health District, of a 1983-84 cost figure with respect to the annexation area. The Commission has been advised, however, that its quantitative approach constitutes a reliable methodology in the present instance. (Dr. C.W. Caplen, Health Director, Central Shenandoah Health District, communication with staff of the Commission on Local Government, July 30, 1985.) Data sources: County Proposed Findings, Appendix A; "Augusta County Budget Preparation Sheet," June 12, 1985, Expenditure Object Tab.

FACTOR 2: Percentage of the allocated expenditure whose funding is linked to sources other than federal categorical aid, state categorical aid, or recovered costs (FY1983-84). Data source: "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab and Expenditure Object Tab.

FACTOR 3:

(A) 91.86%: Local tax revenues (\$15,863,775.39) as a percentage of the sum (\$17,269,703.49) of (1) local tax revenues, (2) local non-tax revenues, (3) state non-categorical aid, (4) non-revenue receipts, and (5) carry-over balances in the general operating fund (FY1983-84). Data source: "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab.

(B) 89.71%: Estimated local tax revenues transferred to the public assistance fund (\$306,831.25) as a percentage of all monies transferred to the public assistance fund (\$342,024.52) from the general operating fund and the federal revenue sharing fund (FY1983-84). The estimate of local tax revenues has been derived through the multiplication of .918589--the weighting factor defined in point (A) immediately above--by the total resources transferred from the general operating fund to the public assistance fund (\$334,024.52). Data source: "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab.

SCHOOL OPERATING EXPENDITURES: MULTIPLICATION FACTORS

FACTOR 1: Percentage of the baseline amount which can be ascribed to the annexation area.

(A) 3.18%: Number of annexation area students (312) as a percentage of the end-of-year ADM (9,801) for the entire County school system (1983-84). Data sources: Harold H. Ralston, Augusta County Planner, letter to staff of the Commission on Local Government, August 2, 1985; Va. Department of Education, Facing-Up 19: Statistical Data on Virginia's Public Schools, 1983-84 School Year, June, 1985, Table 1.

(B) 1.95%: Number of annexation-targeted teaching positions (6) as a percentage of the total number of FTE elementary teaching positions (307.4) in the regular day program of the Augusta school system (1983-84). Data sources: County Submissions, Vol. VI, tab 25; Ralston, letter to staff of the Commission on Local Government, August 2, 1985; Va. Department of Education, Superintendent of Public Instruction, Annual Report: 1983-1984 (hereinafter cited as Annual Report), April, 1985, Table 13.

(C) 0.82%: Number of annexation-targeted teaching positions (6) as a percentage of the total number of FTE instructional positions (728.4) in the regular day program of the County school system (1983-84). Data sources: County Submissions, Vol. VI, Tab 25; Ralston, letter to staff of the Commission on Local Government, August 2, 1985; Va. Department of Education, Annual Report, Table 13.

(D) 1.00%: Number of annexation area students (5) as a percentage of the total number of County students (500) enrolled in the regular program of the Valley Vocational Technical Center (1983-84). Data source: County Submissions, Vol. VI, Tab 25.

(E) 1.37%: Number of annexation-targeted buses (2) as a percentage of all vehicles (146) regularly employed to transport County school children (1983-84). Data sources: County Submissions, Vol. VI, Tab 25; County Submissions, Vol. III, Tab 7; Ralston, letter to staff of the Commission on Local Government, August 2, 1985.

(F) 0.66%: Number of annexation-targeted teaching and transportation positions (8) as a percentage of all FTE positions (1212.7) in the regular day program of the Augusta school system (1983-84). Data sources: County Submissions, Vol. VI, Tab 25; County of Augusta, "Annual School Report, 1983-84," Statistical Section, Tables 1 and 3.

FACTOR 2:

(A) 34.50%: Estimated local tax revenues transferred to the school operating fund (\$7,854,591.73) as a percentage of all revenues (\$22,768,340.57) underlying that fund (FY1983-84). The tax revenues estimate is equal to a weighting factor (.918589) times the total amount of money transferred from the general operating fund to the school operating fund (\$8,550,713.90). The weighting factor represents local tax revenues as a percentage of the sum of (1) local tax revenues, (2) local non-tax revenues, (3) state non-categorical aid, (4) non-revenue receipts, and (5) carry-over balances in the general operating fund. Data source: "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab.

(B) 90.81%: Estimated local tax revenues transferred to the school operating fund (\$7,854,591.73) as a percentage of the sum (\$8,649,122.82) of all (1) general operating fund transfers and (2) "local" funds" (e.g., revenues from tuition charges and equipment sales) in the school operating fund (FY1983-84). Data source: "Augusta County Budget Preparation Sheet," June 12, 1985, Revenue Object Tab.

APPENDIX E

CALCULATION OF ANNUAL CHANGES
IN THE COST OF
GOODS AND SERVICES
PURCHASED BY STATE AND LOCAL GOVERNMENTS
1974-75 THROUGH 1983-84

APPENDIX E

Annual Rates of Inflationary Change
in the
Cost of Goods and Services Purchased by State and Local Govts.

Period	Percentage Change
1974-75	9.66
1975-76	6.88
1976-77	7.30
1977-78	7.61
1978-79	8.77
1979-80	10.25
1980-81	8.62
1981-82	7.12
1982-83	6.24
1983-84	6.34

The percentages shown above have been calculated from data in U. S. Council of Economic Advisors, "Implicit Price Deflators for Gross National Product," Economic Indicators, May 1985.