

**REPORT ON THE
TOWN OF GROTTUES – AUGUSTA COUNTY
VOLUNTARY SETTLEMENT AGREEMENT**



Commission on Local Government
Department of Housing and Community Development
Commonwealth of Virginia
<http://www.dhcd.virginia.gov>

January 2010

TABLE OF CONTENTS

I. PROCEEDINGS OF THE COMMISSION..... 1

II. SCOPE OF REVIEW 1

III. GENERAL CHARACTERISTICS OF THE TOWN, THE COUNTY
AND THE AREA PROPOSED FOR ANNEXATION 2

 A. TOWN OF GROTTUES 2

 B. COUNTY OF AUGUSTA 3

 C. AREA PROPOSED FOR ANNEXATION..... 5

IV. STANDARDS FOR REVIEW 6

 A. INTERESTS OF THE TOWN OF GROTTUES 6

 1. Land for Development 6

 2. Operation of Grand Caverns Park: Fiscal Data..... 7

 B. INTERESTS OF THE AREA PROPOSED FOR ANNEXATION 9

 1. Community of Interest 9

 2. Need for Urban Services 9

 3. Other Service Considerations 12

 4. Summary of Service Needs..... 12

 C. INTERESTS OF THE COUNTY OF AUGUSTA 13

 1. Fiscal Impact..... 13

 2. Public Service Liabilities 14

 D. INTERESTS OF THE COMMONWEALTH..... 14

V. FINDINGS AND RECOMMENDATIONS..... 15

VI. CONCLUDING COMMENT..... 17

APPENDICES

- A. Voluntary Settlement Agreement (“Annexation Agreement)
- B. Statistical Profile
- C. 1953 Map
- D. Annexation Map [Replacement M-2]
- E. Aerial Photograph of Annexation Area [Replacement Map M-4]
- F. Grand Caverns Park Fiscal Data [Tables 1 – 7]

**REPORT ON THE
TOWN OF GROTTTOES-AUGUSTA COUNTY
VOLUNTARY SETTLEMENT AGREEMENT**

I. PROCEEDINGS OF THE COMMISSION

On October 16, 2009 the Town of Grottoes and the County of Augusta submitted to the Commission on Local Government for review a proposed voluntary settlement agreement negotiated by the two jurisdictions under the authority of Section 15.2-3400 of the Code of Virginia.¹ Consistent with the regulations promulgated by the Commission, the submission was accompanied by data and materials supporting the proposed agreement. Further, and in accordance with the Commission's regulation 1 VAC 50-20-230(C), the Town and County concurrently gave notice of the proposed agreement to ten other political subdivisions with which they were contiguous or with which they shared functions, revenues, or tax sources. The proposed agreement contains provisions which would (1) grant the Town an annexation of 99.338 acres of land encompassing Grand Caverns Park, and (2) establish a moratorium on further Town-initiated annexations in Augusta County for a period of ten years subsequent to the effective date of the annexation.²

In conjunction with its review of the proposed settlement, on November 9, 2009 the Commission toured relevant sections of the Town of Grottoes and Augusta and Rockingham counties,³ and met at the Grottoes Town Hall to receive oral testimony from the Town and Augusta County in support of the agreement. In addition, that evening the Commission held a public hearing, advertised in accordance with Section 15.2-2907(B) of the Code of Virginia, for the purpose of receiving citizen comment. The public hearing was attended by approximately 20 persons and produced testimony from one individual. In order to permit receipt of additional public comment, the Commission agreed to keep its record open for written submissions through November 24, 2009.

II. SCOPE OF REVIEW

The Commission on Local Government is directed by law to review negotiated interlocal agreements, such as the one currently before us, prior to their presentation to the courts for ultimate disposition. Upon receipt of notice of such a proposed agreement, the Commission is

¹ The filing by the parties is styled Notice by the Town of Grottoes of Its Intent to Petition for Annexation of Territory in Augusta County and Supporting Documents and the agreement submitted for review refers to an "agreement defining annexation rights," but all parties agree that it is in fact a notice of a voluntary settlement agreement under §15.2-3400 and the agreement is a voluntary settlement agreement. Supplementary responses by the parties properly refer to the case as a voluntary settlement agreement. Hereinafter the filing will be referred to as the Joint Notice. Operative provisions of the voluntary settlement agreement are contained in a section of the filing titled "Annexation Agreement."

² Annexation Agreement, hereinafter cited as "Settlement Agreement," attached hereto as Appendix A.

³ The Town is situated on the border of Rockingham and Augusta counties, and is almost entirely within Rockingham County. The Town has an Agreement Defining Annexation Rights with Rockingham County, which the Commission reviewed and favorably reported in May 2002.

directed to “hold hearings, make investigations, analyze local needs” and to submit a report containing findings of fact and recommendations regarding the issue to the affected local governments.⁴ With respect to a proposed agreement negotiated under the authority of Section 15.2-3400 of the Code of Virginia, the Commission is required to determine “whether the proposed settlement is in the best interest of the Commonwealth.”

As we have noted in previous reports, it is evident that the General Assembly encourages local governments to attempt to negotiate settlement of their interlocal concerns. Indeed, one of the statutory responsibilities of the Commission is to assist local governments in such efforts. In view of this legislative intent, the Commission believes that proposed interlocal agreements, such as that negotiated by the Town of Grottoes and Augusta County, should be approached with respect and a presumption of their compatibility with applicable statutory standards. The Commission notes, however, that the General Assembly has decreed that interlocal agreements negotiated under the authority of Section 15.2-3400 shall be reviewed by this body prior to their final adoption by the local governing bodies. We are obliged to conclude, therefore, that while interlocal agreements are due respect and should be approached with a presumption of their consistency with statutory standards, such respect and presumption cannot be permitted to render our review a *pro forma* endorsement of any proposed settlement. Our responsibility to the Commonwealth and to the affected localities requires more.

III. GENERAL CHARACTERISTICS OF THE TOWN, THE COUNTY AND THE AREA PROPOSED FOR ANNEXATION

A. TOWN OF GROTTOTES

The Town of Grottoes is located on the southeastern edge of Rockingham County, astride the border with Augusta County. Only the extreme southern part of the Town is located within Augusta County.⁵

The first settlement in the Grottoes area probably occurred around 1735, though little of the area’s history is recorded until the late 1800’s. The Town of Shendun was established as a speculative venture in 1890, and incorporated by the General Assembly in 1892. In 1912, the General Assembly changed the town’s name to Grottoes.⁶ Since 1920, the population of Grottoes has grown steadily. The Town’s greatest period of growth occurred between 1990 and 2000, when the population increased from 1,455 to 2,114 persons, or by 45.3%. The U.S. Census bureau estimates the Town’s 2008 population as 2,190 persons, a further increase of 3.6%.⁷ Grottoes has experienced a corresponding growth in housing units, with 250 units built between 1990 and 2000, including 193 built in the first four years of that decade.⁸ This recent

⁴ Sec. 15.2-2907(A), Code of Va.

⁵ The portion of the Town within Augusta County contains commercial and vacant land uses but no residences. Joint Notice, maps M-3 and M-4.

⁶ Town of Grottoes 2005 Comprehensive Plan, November 2006, pp. 4-6.

⁷ U.S. Department of Commerce, Bureau of the Census, Census 1990 Summary Tape File 1, Summary Population and Housing, Table P001 and Census 2000 Summary File 1, Total Population, Table P1; Population Estimates Program, 2008 Population Estimates, Table 1. Grottoes had no annexations during the 1990-2000 decade. Only four of the estimated 2,190 residents in 2008 resided in the part of the Town that lies within Augusta County.

⁸ Grottoes Comprehensive Plan, pp. 19-20.

growth is atypical of towns in the Commonwealth. The Town Superintendent attributes the growth to the Town's proximity to the new Rockingham Memorial Hospital built outside of Harrisonburg, and the Town's growing Russian community.⁹

Based on its land area of 1.33 square miles and the 2008 population estimate, Grottoes has a population density of 1,647 persons per square mile.¹⁰ The population of the Town is younger than that of the state as a whole. As of 2000, the median age of Grottoes residents was 34.2 years, compared with 35.7 years for Virginia as a whole. Further, the percentage of the Town's 2000 population that was age 65 or older was 10.9%, compared to 11.2% for Virginia. Again, this is unusual for a town in the Commonwealth. With respect to income, Grottoes is more similar to other towns. Census data from 1999 (the most recent data available) indicate that the Town's median family income was \$46,574, which is 86.0% of the statistic for the Commonwealth as a whole (\$54,169).¹¹

According to information provided by the Town, approximately 19% of the Town's land area (158 acres) remains undeveloped. This figure includes an 82-acre annexation of land in Rockingham County finalized in January 2009, under the provisions of the Agreement Defining Annexation Rights between Grottoes and Rockingham County. The Town has already approved a plan of development for the annexed land that would create 372 new dwelling units as well as commercial and park sites.¹² Approximately 1% of the Town's vacant land (17 acres) is unsuitable for development due to proximity to Miller's Run, a creek that flows through the middle of the town.¹³ The Agreement Defining Annexation Rights, effective in 2002, allows the Town to annex by ordinance within a 412-acre area on its eastern edge. Aside from a 292-acre immediate annexation area taken in under the agreement, which was not included in the 412-acre Grottoes Growth Area, the January 2009 annexation is the Town's only expansion since the agreement became effective.¹⁴

B. COUNTY OF AUGUSTA

Augusta County was founded in 1738. It is the second largest county in Virginia in terms of geographic size, with an area of 970 square miles.¹⁵ Except for the 1940-1950 period when its population was diminished by the 1948 transition of Waynesboro to independent city status, the County's population has grown continuously since 1920.¹⁶ Between 1990 and 2000, the County

⁹ Ashley Davison, Town Superintendent, letter to Commission staff dated November 23, 2009 (hereinafter referred to as "Town Response to Second Request for Additional Information"), point no. 10.

¹⁰ Joint Notice, section titled "Statistical Profile."

¹¹ Bureau of the Census, Census 2000 Summary Files 1 and 3.

¹² The Town rezoned the "Claytor property" to R7 PUD in April 2009. At buildout, the residential portion of the project will contain 160 single-family dwellings, 106 townhouses, and 106 duplex units. No construction has yet occurred. Grottoes Town Council Minutes, April 24, 2009, and plan of development on file at Grottoes Town Hall.

¹³ Ashley Davison, Town Superintendent, letter to Commission staff dated November 5, 2009 (hereinafter referred to as "Town Response to Request for Additional Information"), point no. 17.

¹⁴ Agreement Defining Annexation Rights; see Commission on Local Government, Report on the Town of Grottoes-County of Rockingham Agreement Defining Town Annexation Rights, May 2002, Appendix A.

¹⁵ Joint Notice, section titled "Statistical Profile."

¹⁶ In the 1980-1990 decade, however, the County's population increased by only 1.76%. This was due to annexations by the cities of Staunton and Waynesboro, which respectively took in 2,920 and 3,234 County residents.

experienced its largest percentage population increase, increasing 20.0% from 54,677 to 65,615 persons. The U.S. Census Bureau estimates the County's 2008 population as 71,250 persons, a further 8.6% increase.¹⁷ Based on its land area and its 2008 population estimate, Augusta County has a population density of 73 persons per square mile.

The County's population is somewhat older than those of both Grottoes and the state as a whole. As of 2000, the median age of County residents was 39.0 years, compared with 34.2 years for Grottoes and 35.7 years for Virginia as a whole. Further, 12.8% of the County's population was age 65 or over, compared to 10.9% for Grottoes and 11.2% for the Commonwealth. The County's 1999 median family income (\$48,579) exceeds that of Grottoes (\$46,574) but is still only 88.5% of the figure for the state.¹⁸

More than a third (35.4%) of Augusta County's land area is in private timberland or public use, including large areas in National Forests and National Parks. A further 33.7% of the County's land area is in agriculture or vacant.¹⁹ As of 2007, Augusta County ranked second in the state behind Rockingham County in terms of value of agricultural production, although a slight majority of the County's farmers did not claim farming as their primary occupation. The amount of acreage under production has fluctuated, but overall has slightly decreased since 1987. In addition, the number of farms has increased slightly, while the average size of farms has decreased.²⁰ The County's Agricultural Task Force has ranked loss of productive agricultural land as the greatest threat to agriculture in the County.²¹

Manufacturing is an important contributor to the local economy, employing 22.4% of the employees located in the County, followed by health care and social assistance, which employs 14.4%.²² The Alcoa flexible packaging plant, which makes plastic oven bags, is located just south of the Grottoes corporate limits. At times, the plant has employed as many as 400 workers.²³ Apart from this one industrial operation, the northeast corner of Augusta County south of Grottoes is characterized by National Park land, agricultural and vacant land, and clusters of single-family residential development close to U.S. Route 340. All of the land within two miles of Grottoes, except for the Alcoa plant, is zoned for agriculture, although the zoning does permit limited residential development.²⁴

Without the city annexations, Augusta County would have experienced a 13.2% growth rate. Augusta County Comprehensive Plan Update 2007-2027, pp. 176-177.

¹⁷ Bureau of the Census, Census 1990 Summary Tape File 1, Summary Population and Housing, Table P001 and Census 2000 Summary File 1, Total Population, Table P1; Population Estimates Program, 2008 Population Estimates, Table 1.

¹⁸ Bureau of the Census, Census 2000 Summary Files 1 and 3.

¹⁹ Augusta County Comprehensive Plan, pp. 258-259.

²⁰ U.S. Department of Agriculture, 2007 Census of Agriculture, Augusta County profile.

²¹ Report of the Augusta County Agricultural Task Force: An Industry at Risk, December 29, 2005, Appendix C.

²² Virginia Employment Commission, Quarterly Census of Employment and Wages, 1st quarter 2009.

²³ Testimony of Frank W. Nolen, plant manager, November 9, 2009 public hearing.

²⁴ Augusta County Comprehensive Plan, maps 41 and 44 and p. 265.

C. AREA PROPOSED FOR ANNEXATION

The area proposed for annexation under the terms of the voluntary settlement agreement between the Town of Grottoes and Augusta County is the Grand Caverns Park, consisting of 99.489 acres southwest of the town limits along the west bank of the South River.²⁵ The area contains no permanent population and has assessed property values of \$1,291,700. This constitutes 0.02% of the County's land area, 0% of its population, and 0.02% of its assessed property values.²⁶

The Upper Valley Regional Park Authority transferred title to Grand Caverns Park to the Town of Grottoes on October 1, 2009. The Town has taken on the responsibility for operation and maintenance of the park. Grand Caverns is one of several "show caves" in the Shenandoah Valley region, but it is the only one under public ownership. It has been open for tours since 1806, making it the oldest continuously operated show cave in North America. In addition to the caverns, the grounds include a historically significant visitor center, a swimming pool complex, five picnic shelters, a mini-golf course, and 2.5 miles of hiking and biking trails.

There are both physical and legal constraints on further development of the property. The western half of the property, which contains the subterranean caverns, consists of a steep wooded bluff. The eastern half, containing the other recreational facilities, lies within the 100-year floodplain.²⁷ Pursuant to an agreement with the Upper Valley Regional Park Authority and the four localities having an interest in the authority, the Town is required to operate Grand Caverns as a public park for at least 20 years. However, if the Town finds it fiscally infeasible to continue operating the park, it may be transferred to the Commonwealth, another political subdivision of the Commonwealth, or to private ownership, as long as it continues to be operated as a public park for the remainder of the 20-year period.²⁸ Given these constraints, there appears to be little chance that the proposed annexation area will ever be used for anything other than recreational purposes.

²⁵ See Settlement Agreement, Exhibits 2 and 3, for a plat and a metes and bounds description of the proposed annexation area. While the agreement refers to the annexation of 99.338 acres, the plat depicts an additional parcel of 0.151 acres, and Exhibit M-2 in the Joint Notice indicates that this parcel is also part of the annexation area, making the total 99.489 acres. The Town Superintendent confirms that the town owns 99.489 acres, and intended to request approval to annex all of it. Personal communication from Ashley Davison, December 14, 2009.

²⁶ Joint Notice, section titled "Statistical Profile." Assessed values include real estate, personal property, machinery and tools, and mobile homes.

²⁷ Federal Emergency Management Agency, Flood Insurance Rate Map No. 51015C0215D.

²⁸ Settlement Agreement, Exhibit 1, "Agreement to Transfer Ownership of Grand Caverns and Natural Chimneys Park," paragraph 16. The agreement is dated August 10, 2009. The other parties to the agreement are the cities of Harrisonburg and Staunton, and the counties of Augusta and Rockingham. These four localities jointly formed the park authority in 1970, for the purpose of owning and operating Grand Caverns and Natural Chimneys parks. The localities had frequently been in the position of subsidizing the authority's operations and sought to transfer the parks to other entities that would ideally continue to operate them as parks open to the public. The Virginia Department of Conservation and Recreation investigated the feasibility of acquiring Grand Caverns to operate as part of the state park system but has taken no action (for further explanation, see Virginia Department of Parks and Recreation, Status Report on Grand Caverns Park Transfer to the Department of Parks and Recreation, September 2008). Under the agreement, the authority will transfer Natural Chimneys Park to Augusta County within 180 days of execution. The Augusta County Department of Parks and Recreation will then operate Natural Chimneys as a local park. Once the authority has transferred all its assets, the parties will take all steps necessary to dissolve the authority.

IV. STANDARDS FOR REVIEW

As a previous section of this report has noted, the Commission on Local Government is charged with reviewing proposed interlocal settlements negotiated under the authority of Section 15.2-3400 of the Code of Virginia to determine whether such settlements are “in the best interest of the Commonwealth.” In our judgment, the Commonwealth’s interest in this and other proposed interlocal agreements is fundamentally the preservation and promotion of the general viability of the affected localities. In this instance, the Commission is required to review an interlocal agreement which provides for (1) the annexation by the Town of Grottoes of 98.338 acres (0.16 square miles) of territory in Augusta County, and (2) the establishment of a moratorium on further Town-initiated annexations in Augusta County for a period of ten years subsequent to the effective date of the annexation. A proper analysis of the proposed Town of Grottoes-Augusta County voluntary settlement agreement, as mandated by statute, requires consideration of the ramifications of these provisions with respect to the current and future viability of the two jurisdictions.

A. INTERESTS OF THE TOWN OF GROTTONES

1. Land for Development

The data indicate that 141 acres (17%) of the land in the Town of Grottoes is vacant and suitable for development. The Town has already approved development plans for 84 of these acres, or 60% of the total acreage suitable for development. This leaves only 57 acres uncommitted, or 7% of the Town’s land area. While these statistics appear to indicate a shortage of developable land, there are mitigating factors. First, the major development approved by the Grottoes Town Council in April 2009, consisting of 372 housing units, a park, and commercial sites, is expected to take ten years to build out.²⁹ Second, the Agreement Defining Annexation Rights between Grottoes and Rockingham County allows the Town to annex by ordinance within the remaining 330 acres of the approved Grottoes Growth Area adjoining the eastern edge of the Town. These 330 acres are mostly suitable for development³⁰ and are equivalent to 38.8% of the Town’s current land area. Third, the Town may have the ability to increase development density in its older areas. Much of Grottoes is characterized by 25-foot wide lots, a legacy of the original town plats from the 1890s, yet according to the Town Superintendent, 75-foot wide lots are the minimum required, so a person wishing to build a house must acquire three adjacent standard lots.³¹ While the Town cannot mandate that property owners build on smaller lots, it can remove regulatory barriers to their doing so.

The proposed annexation of Grand Caverns Park would bring no additional developable land into the Town limits. As previously explained, the property has physical and legal constraints that preclude its being used for anything other than recreational purposes. However,

²⁹ Testimony of Nathan Miller, Grottoes Town Attorney, November 9, 2009. According to the 2000 U.S. Census, the Town had 870 occupied housing units. The 372 new units would increase the Town’s housing inventory by 42.8% over the year 2000 count.

³⁰ Report on the Town of Grottoes-County of Rockingham Agreement Defining Town Annexation Rights, May 2002, p. 7. The Commission found that 81% of the original 412-acre Grottoes Growth Area was in agricultural use, meaning that it potentially provides large parcels of land suitable for subdivision and development.

³¹ Ashley Davison, Town Superintendent, November 9, 2009.

the evidence indicates that providing more land for development is not the motivation behind the annexation request. The motivation of both parties is to better support the Town's operation of Grand Caverns Park and further integrate the park into the Grottoes community. The Town has other readily available means for increasing its supply of developable land, most notably its ability to annex by ordinance within the 330 remaining acres of the Grottoes Growth Area. In our judgment, the Town presently has no need to annex southward into other areas of Augusta County, and will not for at least the ten years of the proposed annexation moratorium.

2. Operation of Grand Caverns Park: Fiscal Data

The revenue estimates provided by the Town with respect to the Grand Caverns Park do not cover a full 12-month accounting year. Instead, the estimates are linked to a nine-month period extending from October 1, 2009 – the date upon which the Town acquired ownership of the Grand Caverns Park property – through June 30, 2010.³² For five of seven operating revenue dimensions and 12 of 32 operating expenditure categories, the Town projects for a nine-month period the exact amounts that were estimated by the Upper Valley Regional Park Authority for the previous 12 months. There are three additional instances in which there is substantial convergence between the 12-month Park Authority estimates and the Town's nine-month projection.³³

When the nine-month estimates are compared with the 12-month projections in the Park Authority's 2008-2009 budget, the multiple instances of complete or substantial forecasting equivalence yield the conclusion that many of the 2009-2010 amounts would be plausible only if they were tied to a fiscal cycle extending through the first quarter of FY2011, including the peak business months of July and August 2010. Even if that were the case, there would remain the issue that revenues and expenses by category are rarely the same, and, in fact, there may be sizeable differences between years.

For example, audited data for the Park Authority reveal a decline in revenue for Grand Caverns Park admissions of 12.7 percent from 2005 to 2006, followed by a decrease of 0.6 percent from 2006 to 2007 and an increase of 20.3 percent from 2007 to 2008. In addition, revenue from group contracts and facility rentals increased 69.8 percent from 2005 to 2006; decreased 10.7 percent from 2006 to 2007; and decreased 12.6 percent from 2007 to 2008. Also, even though store and gift shop sales revenue climbed by only .01 percent from 2005 to 2006, it increased by 26.2 percent from 2006 to 2007 and by 9.7 percent from 2007 to 2008.³⁴ These variations in audited data illustrate why it is problematic for the Town to simply extend revenue amounts to future years. Therefore, the Town cannot safely assume, over a nine-month time span, \$179,000 in operating revenues from caverns admissions – the largest revenue category – as they have done in their “Grand Caverns Budget History” and “Proposed Budget for Grand Caverns Park” documents which were provided to the Commission.³⁵

³² Ashley Davison, Town Superintendent, email to Commission staff dated December 14, 2009.

³³ See highlighted categories in Table 7: Absolute Distributions of Budgeted Revenues and Expenses by Fiscal Period, 10/01/08-9/30/09 and 10/1/09-6/30/10, Appendix E.

³⁴ See Table 3: Annual Rates of Change in Revenues and Expenses by Fiscal Dimension 9/30/05-9/30/06 through 9/30/07-9/30/08, Appendix E.

³⁵ See Table 7, Appendix E.

Similarly, with respect to operating expenses, audited data for the Park Authority demonstrate that the cost of merchandise sold increased 48.1 percent from 2005 to 2006; increased 1.3 percent from 2006 to 2007; and increased 4.9 percent from 2007 to 2008. Even if the timeframes were uniform between the Park Authority audited data and the Town's projections, manifold instances of projected stability or near stability in the relevant fiscal categories would undermine the integrity of the estimates. Audited data yielding rates of change across three fiscal years – for admissions, store and gift shop sales, group contracts and facility rentals and costs of merchandise sold – serve to place into question the reliability of the constancy or near constancy reflected in the Town's projections. The Park Authority estimated a revenue shortfall of \$56,000 for FY2009 and four years of audited data (i.e., October 1, 2004 - September 30, 2005 through October 1, 2007 - September 30, 2008) reveal that the Park Authority sustained successive operating losses – ranging from \$47,453 to \$73,686 – in its management of the Grand Caverns Park.³⁶ Consequently, the Town's revised estimated revenue surplus of \$2,021 for a nine-month period is likely not reliable.

The data indicates that the Town may have good reason to anticipate revenue shortfalls spanning a number of years into the future. Park Authority management was able to cover deficits of Grand Caverns Park for three of four fiscal years from non-operating revenue, which included contributions paid by local jurisdictions that were members of the Park Authority. However, in FY2006, the Park Authority had to rely upon a draw-down of its cash balance to cover the deficit. While the Park Authority had access to non-operating revenues in the form of contributions from member local governments, the Town will not receive any such contributions from Grand Caverns Park's previous owners. In addition, the Town did not receive from the Park Authority any of its end-of-year cash balance for FY2009 because the funds went entirely to Augusta County.³⁷ If the Town can reasonably expect to experience revenue deficits from the operation of the Grand Caverns Park for some time into the future, the Town must be prepared to expend monies from its own general fund to cover such deficits.

While the Town must be prepared to deal with such deficits, the Town already owns the Grand Caverns Park and must be prepared to do so regardless of whether the proposed annexation takes place. The Town may want to confer with successful park authorities in other areas of the Commonwealth for additional guidance regarding the operation of such an enterprise. The Commission recognizes that a well-run system of parks and recreation resources and services enhances the quality of life in a community. By bringing the Park into the Town, Grottoes will feature an attractive amenity, which the Town can promote to potential residents and businesses and which will benefit current residents. To the extent that the Grand Caverns Park is well managed and maintained under the Town's stewardship, it will serve to attract new residents and businesses to Grottoes and thereby contribute to the overall fiscal health of the locality, even if the Park incurs slight operating deficits on an annual basis.

³⁶ See Table 1: Absolute Distributions of Revenues and Expenses by Fiscal Period, 10/1/04-9/30/05 through 10/1/07-9/30/08, Appendix E.

³⁷ Ashley Davison, Town Superintendent, email to Commission staff dated December 14, 2009.

B. INTERESTS OF THE AREA PROPOSED FOR ANNEXATION

1. Community of Interest

Another of the factors appropriate for consideration in the analysis of proposed voluntary settlement agreements is the strength of the community of interest between the area proposed for annexation and the adjacent municipality. The history of the area indicates that the Town of Grottoes and Grand Caverns Park have a longstanding relationship. The presence of the caverns was one of the attributes that led the Grottoes Company, the original developer and promoter of the town site, to invest in the area. The very name of the town means “caves.”³⁸

While the caverns themselves are primarily a tourist attraction, the surrounding park offers other recreational facilities that are used by Town residents. The park is within walking distance of the town hall and many residences, and the entrance is at the terminus of the Town’s bike trail. Many of the Town’s children use the swimming pool in the summer, and Town residents also use the walking trails, picnic shelters, and mini-golf course.³⁹ Finally, by virtue of the multiparty agreement disposing of the assets of the Upper Valley Regional Park Authority, as of October 1, 2009 the Town of Grottoes is the sole owner of the entire area proposed for annexation, and has assumed full responsibility for the operation of Grand Caverns Park. Clearly, the interests of the Town and the annexation area are closely intertwined.

2. Need for Urban Services

As noted previously, the area proposed for annexation has no permanent population, and it is unlikely that it will ever be used for purposes other than recreation. The Grand Caverns Park does, however, require a limited number of urban services, which the Town of Grottoes is in a position to provide.

a. Water Supply and Distribution

The facilities in Grand Caverns Park use a private well system with two wells. The capacity of the wells is 100 gallons per minute, but the current pump rate is only between 10 and 20 gallons per minute. The capacity of the wells is sufficient for current and projected future domestic use, and the Town will continue to use the system for the operation of the park.⁴⁰ Should the park require connection to the municipal system in the future, the nearest line terminates approximately 1,300 feet from the entrance of the park, and there appear to be no physical impediments to extending the line.⁴¹ The Town has ample water supply capacity. Its system is permitted for a usage of 400,000 gallons per day, but current usage is only 250,000 gallons per day.⁴²

³⁸ Grottoes Comprehensive Plan, pp. 3-6.

³⁹ Joint Notice, sections titled “Urban Services—Parks and Recreation” and “Community of Interest.”

⁴⁰ Joint Notice, section titled “Urban Services—Water System.”

⁴¹ Town Response to Request for Additional Information, point no. 22.

⁴² Joint Notice, section titled “Urban Services—Water System” and Grottoes Comprehensive Plan, p. 52.

In terms of fireflow, the existing private well system does not provide sufficient capacity. The nearest fire hydrant is approximately 1,500 feet away from the park entrance at Dogwood Avenue and 3rd Street (Route 256). The Town states that upon annexation, it will begin investigating the option of extending an eight-inch water main to provide the necessary protection.⁴³ In the meantime, the Grottoes Fire Department will continue to provide coverage with tanker trucks. The department of about 57 volunteers, assisted by full-time professionals from the Rockingham County Department of Fire and Rescue and the Augusta County Department of Fire and Rescue, already serves an area that stretches eight miles south of Grottoes along Route 340. Mutual aid agreements with near-by volunteer fire companies ensure the availability of tankers in areas not covered by public water service.⁴⁴

b. Wastewater Collection and Disposal

The park has a septic system with four septic tanks, which the Town will continue to use. The Town operates a sewage treatment plant with a permitted capacity of 400,000 gallons per day, with actual usage of 140,000 to 160,000 gallons per day. Should there be a need to connect the annexation area to the Town's sewer system, ample capacity is available. The nearest sewer line terminates on Dogwood Avenue approximately 1,300 feet from the park entrance.⁴⁵

c. Solid Waste Collection and Disposal

The Town began providing solid waste collection and disposal service to Grand Caverns Park upon its acquisition of the property in October 2009. The Town's maintenance staff takes the waste to a central dumpster located at the town hall, where the Town's solid waste contractor collects it and takes it to the Rockingham County landfill. Refuse from the Town's other park, Mountain View Park, is disposed of in the same manner.

The Town conducts its solid waste collection and disposal service on a fee basis, with a subsidy from its general fund. Grand Caverns Park is the only property outside the corporate limits that receives the service.⁴⁶

d. Street Maintenance

Grottoes is one of the few towns in the Commonwealth under 3,500 population to receive state payments to maintain collector and local streets that would otherwise be eligible for direct maintenance by the Virginia Department of Transportation (VDOT).⁴⁷ The Town maintains all streets within the corporate limits except for the arterials Route 256 (3rd Street) and Route 340

⁴³ Joint Notice, sections titled "Fire Hydrants" and "Grottoes Volunteer Fire Department;" Town Response to Request for Additional Information, point no. 22.

⁴⁴ Grottoes Comprehensive Plan, p. 61.

⁴⁵ Joint Notice, section titled "Sewerage System" and Town Response to Request for Additional Information, Exhibit A.

⁴⁶ Joint Notice, section titled "Solid Waste Disposal" and Town Response to Request for Additional Information, point no. 21.

⁴⁷ See Secs. 33.1-41.1 and 33.1-23.3, Code of Va.; and VDOT Urban Construction and Maintenance Program Policies and Guidelines (Urban Manual), January 1, 2007, p. 7. The other towns that qualify are Chase City, Elkton, Narrows, Pearisburg, Saltville, Wise, Lebanon, and Altavista.

(Augusta Avenue). According to the most recent information on file with VDOT, Grottoes receives payments for 4.14 lane miles of minor arterials, 1.22 lane miles of collectors, and 38.50 lane miles of local streets, for a total of 43.86 lane miles.⁴⁸

Route 844 (Grand Caverns Drive), a secondary road maintained by VDOT, extends into the annexation area for approximately 860 feet (an estimated 0.326 lane miles). It crosses a bridge over the South River and one more minor bridge before terminating at a parking lot, where VDOT maintenance responsibility ends.⁴⁹ The Town would prefer to have VDOT continue to maintain the road and bridges,⁵⁰ but according to VDOT, annexation will cause the agency to transfer maintenance responsibility to the Town. Grottoes would receive a corresponding increase in its annual maintenance payments beginning on the July 1 following the annexation, provided that the Town notifies VDOT's Urban Division of the completed annexation prior to February 1.⁵¹ At the FY 2009-10 payment rate of \$10,025 per lane mile of local streets, the Town could expect to receive approximately \$3,266 more per year from VDOT.⁵² The increase of 0.326 lane miles would represent a 0.74% increase in the Town's lane mileage under maintenance. In our judgment, such a small increase in maintenance responsibility would not necessitate any increase in the Town's staffing or equipment levels.

e. Street Lighting

The Town provides lights on all its developed streets and pays for the electricity. However, the annexation area does not have a need for street lights in the usual sense. Grand Caverns Drive becomes in effect a driveway as it enters the park. The Town intends to install pole lights for security purposes wherever in the park they are most needed. Three such lights have already been donated to the Town by a Harrisonburg company.⁵³

f. Police Protection

As a public facility subject to frequent visitation, Grand Caverns Park has a clear need for law enforcement services. Although the park has been under the primary law enforcement jurisdiction of the Augusta County Sheriff, the Town now owns the park and is authorized by statute to have its police officers enforce all laws of the Commonwealth there. The Town is also authorized to enforce its ordinances within the park, provided they are not in conflict with Augusta County ordinances.⁵⁴ While annexation will have little practical effect with regard to

⁴⁸ VDOT Local Assistance Division, "Urban Municipal Mileage and Payments Based on State Functional Classification, FY 09-10," p. 26.

⁴⁹ Personal communication with Timothy Fitzgerald, VDOT Verona Residency Administrator, December 16, 2009.

⁵⁰ Ashley Davison, Town Superintendent, email to Commission staff dated December 10, 2009.

⁵¹ Personal communication with Jennifer DeBruhl, Assistant Division Administrator, VDOT Local Assistance Division, December 16, 2009. For towns over 3,500 population, transfer of maintenance responsibility is established by statute (Sec. 33.1-224); for the smaller towns that receive maintenance payments, the requirement is a longstanding policy. See VDOT's Urban Manual, p. 12, for procedures to be followed after an annexation.

⁵² VDOT payments are flat rates based on road functional classification and lane mileage and do not offer any additional maintenance funding for bridges. DeBruhl, December 16, 2009.

⁵³ Joint Notice, section titled "Street Lighting" and Town Response to Request for Additional Information, point no. 19.

⁵⁴ See Section 15.2-1725 of the Code of Va. Per Section 19.2-250, the Town's police force is also authorized to enforce the criminal laws of the Commonwealth within one mile of the corporate limits.

the Town's ability to police the park, it will have the effect of making law enforcement responsibilities clear to the general public. This effect becomes potentially significant in light of the park's proximity to the Augusta County-Rockingham County line.

The Grottoes Police Department has five police officers and answered 2,673 calls for service in 2008, not including additional backup calls to sheriff's deputies.⁵⁵ This translates to an average of 1.46 calls per day per officer. In our judgment, the department is more than capable of assuming the marginally greater burden of policing the annexation area.

g. Planning, Zoning, and Subdivision Regulation

Since the annexation area has no potential for development as other than a recreational area, it has little need for planning, zoning, and subdivision regulation. Those services can currently be provided only by Augusta County.⁵⁶ Annexation will bring the area completely under the Town's regulatory authority, but this will have little practical effect given the restrictions on the property, with one exception. If the Town, as owner of the park, decides to pursue a particular recreational use or enterprise that is not allowed by right under County zoning, it will have to pursue County approval. Annexation, on the other hand, would allow the Town to make such decisions autonomously.

3. Other Service Considerations

With respect to other public service considerations, the area will experience no change in level of service as a result of annexation. There are no residents in the annexation area, so public schools and library services are not an issue. In addition, the volunteer Grottoes Rescue Squad, assisted by full-time professionals from the Rockingham County Department of Fire and Rescue and the Augusta County Department of Fire and Rescue, provides medic-level emergency medical response services regardless of political boundaries.⁵⁷

4. Summary of Service Needs

In the foregoing sections, the Commission has endeavored to analyze the existing and prospective urban service needs of the area proposed for annexation and the ability of the Town of Grottoes to meet those needs. On the basis of the data cited above, we find that the area proposed for annexation will benefit from the extension of Town services and policies, many of which are already being provided by the Town by virtue of its ownership of all property within the annexation area. We find that the Town is also capable of meeting the future needs of the area.

⁵⁵ Joint Notice, section titled "Police Protection."

⁵⁶ Section 15.2-2231 of the Code of Va. allows towns to plan for the development of adjacent unincorporated territory, but such plans have no official status unless also adopted by the county's governing body.

⁵⁷ Joint Notice, section titled "Grottoes Rescue Squad."

C. INTERESTS OF THE COUNTY OF AUGUSTA

1. Fiscal Impact

The principal county revenue sources affected by a town annexation include local sales and use taxes, consumer utility taxes, business license taxes, franchise license taxes, and motor vehicle license taxes. Since the annexation area lacks a population and all its land and facilities are owned by the Town of Grottoes, an entity that is tax-exempt, the area does not generate any of these taxes except local sales and use taxes. The Grand Caverns visitor center has a gift shop that has generated an estimated \$294,199 over the past five years. At a local rate of 1%, these sales would have generated \$588 per year for Augusta County.⁵⁸ However, counties distribute sales tax proceeds to towns based on school-age population, and the park has no permanent inhabitants. Therefore, Augusta County will continue to receive the same amount of the tax after annexation.⁵⁹

The division between localities of state aid from ABC profits and wine liter taxes is also affected by a town annexation. The Commonwealth distributes available proceeds from these taxes to counties, cities, and towns based on population.⁶⁰ Since no transfer of population is involved in the proposed annexation, it will not result in any change in the distribution of these taxes. The division of rolling stock taxes collected by the state becomes an issue only when railroad tracks and through truck routes⁶¹ are located within a town annexation area, and no such facilities are located within the park.

Other major local revenue sources available to towns and counties include taxes on real estate, personal property, and machinery and tools, but the town and county levies are separate, so town annexations do not affect county revenues from these sources.

In summary, Augusta County should experience no fiscal impact as a result of the annexation in question. Furthermore, the annexation moratorium agreed to by the Town and County will ensure that the County will experience no fiscal impact as a result of annexation by Grottoes for a minimum of ten years.

⁵⁸ Town Response to Request for Additional Information, point no. 7.

⁵⁹ All counties and cities receive the proceeds of a 1% local option sales tax collected on their behalf by the state, and counties in turn distribute one half of such proceeds between the county and its incorporated towns based on the school-age population residing in each town; see Section 58.1-605.

⁶⁰ The Commonwealth distributes a portion of its revenues from these sources to counties, cities, and towns based on population; see Sections 4.1-117 and 4.1-235. However, per the 2008-2010 Appropriations Act, the Commonwealth has suspended all distributions of these revenues to localities.

⁶¹ Per Section 58.1-2658.1, rolling stock taxes from railroads are distributed according to a formula that takes into account the mileage and value of track within the locality. Per Section 58.1-2658, rolling stock taxes from certificated motor vehicle carriers are distributed according to the mileage traveled by the carriers in each locality. Mileage is self-reported by carriers. Length of through truck routes in the locality would therefore seem to be a reasonable basis for estimating local revenues from the rolling stock tax on motor vehicle carriers.

2. Public Service Liabilities

The annexation of Grand Caverns Park will minimally affect the County's public service liabilities, but the affect will be in a positive direction for the County. The annexation will relieve Augusta County of direct responsibility for law enforcement and for planning, zoning, and subdivision regulation. These functions will instead become the Town's direct responsibilities. In addition, the annexation will serve to better integrate the park into the Grottoes community. While the Town owns the property and has already assumed responsibility for operation of the park, a role that it has voluntarily taken on and to which it appears to be committed regardless of whether annexation occurs, annexation does serve to solidify this commitment, and perhaps further legitimize it in the eyes of the community. Similarly, the Town's assumption of responsibility for the park solves a longstanding issue for the County: how to preserve Grand Caverns Park as a community resource without the prospect of having to subsidize its operation.⁶² According to the Assistant County Administrator, the County is willing to operate Natural Chimneys Park through its department of parks and recreation, but the peripheral location of Grand Caverns Park makes it far less suitable for the County's recreation needs. He further stated that if Grottoes had been unwilling to take ownership of the park, it would have been offered for sale. A sale might have resulted in the loss of the park for community use.⁶³

D. INTERESTS OF THE COMMONWEALTH

The paramount interest of the Commonwealth in the resolution of this and all other interlocal issues subject to the Commission's review is, in our view, the preservation and promotion of the viability of the affected local governments. The viability of a local government is essentially measured by its ability to marshal the resources necessary to fulfill its obligations as a political subdivision of the Commonwealth and to provide adequate levels of service to its constituents. In the foregoing sections of this report, the Commission has observed that the proposed annexation will have no practical effect on the fiscal resources available to each jurisdiction, with the exception of increased VDOT street maintenance payments to the Town. Furthermore, the ten-year moratorium on Town-initiated annexations in Augusta County will not adversely impact the Town's fiscal situation, as it has ample opportunity to pursue annexation in Rockingham County. With regard to service provision, the Town has already committed itself to owning and managing Grand Caverns Park, and formal annexation of the park will have no effect on the level of services that the Town provides either to the park itself or to the citizens of Grottoes. Annexation will, however, allow the Town more freedom of action in terms of developing and policing the park. This is entirely appropriate given the Town's investment in the facility, which is intended to enhance the recreational opportunities available to its residents. The annexation will cement the relationship between Grottoes and Grand Caverns Park, and thereby serve to relieve Augusta County of its historical obligation to financially support the park's operation. At the same time, Augusta County citizens will still have the park available for their enjoyment.

⁶² According to Ron Sites, Augusta County Director of Parks and Recreation, the County's most recent budgeted subsidy to the Upper Valley Park Authority was \$38,000. November 9, 2009.

⁶³ Testimony of John McGehee, Assistant County Administrator, Augusta County, November 9, 2009.

In sum, the Commission finds that the proposed voluntary settlement agreement reached by the governing bodies of the Town of Grottoes and Augusta County is consistent with the interests of the Commonwealth in the promotion and preservation of the viability of Virginia's local governments.

V. FINDINGS AND RECOMMENDATIONS

In the preceding sections of this report, the Commission has reviewed a proposed voluntary settlement agreement on annexation negotiated by the Town of Grottoes and Augusta County. The Commission has considered how the agreement will affect each jurisdiction. Based upon that review, we find that the agreement promotes the viability of both jurisdictions and is consistent with the best interests of the Commonwealth. Accordingly, we recommend the court's approval of the agreement, subject to resolution of the following issues and ambiguities.

AGREEMENT

The agreement submitted for the Commission's review erroneously and interchangeably refers to an "annexation agreement" and an "agreement defining annexation rights" but properly references Code of Virginia § 15.2-3400 pertaining to voluntary settlement agreements, the code section pursuant to which the agreement was negotiated. We recommend that the agreement be amended to properly refer to a "voluntary settlement agreement."

ACREAGE OF AREA PROPOSED FOR ANNEXATION

The voluntary settlement agreement and all supporting documents refer to the annexation area as constituting 99.338 acres. However, this figure excludes a parcel of 0.151 acres, designated Parcel 29-A-6C on the plat appended to the agreement (see Appendix A to this report). This small parcel is considered part of the Grand Caverns Park property and is also under Town ownership. Other maps in the Joint Notice indicate, and the Town confirms, that the 0.151-acre parcel was also intended to be part of the annexation area.⁶⁴ Inclusion of the parcel increases the total area to 99.489 acres.

CONTIGUITY OF AREA PROPOSED FOR ANNEXATION

Based on information provided by the Town to date, it is questionable whether the area proposed for annexation is actually contiguous to the existing corporate limits. A historical map from 1953 (see Appendix C), 1964 U.S. Geological Survey base map data, and county geographic information system data consolidated by the Central Shenandoah Planning District Commission indicate that the corporate line runs along the east side of the Route 825 (South River Road) right-of-way. However, the plat appended to the agreement indicates that Parcel 6C, at most, touches the west side of this right-of-way.⁶⁵ Furthermore, the most recent maps

⁶⁴ See Joint Notice, Map M-4; Town Response to Request for Additional Information, point no. 14 and Replacement Map M-4; and personal communication with Ashley Davison, Town Superintendent, December 10, 2009.

⁶⁵ See plat in Settlement Agreement, historical map in Appendix C, USGS Grottoes Quadrangle map (included in map pocket of Grottoes Comprehensive Plan), and Report on the Town of Grottoes-County of Rockingham

provided by the Town and oral testimony indicate that the Town intends for a triangle of property between Route 825 and the South River, including the undeveloped “paper street” right-of-way labeled Shenandoah Avenue, to be included in the annexation area. The Town operates under the assumption that the triangle is part of the park property. Analysis of the metes and bounds description of the park property, however, casts doubt on whether this is the case.⁶⁶

In the Commission’s opinion, the final annexation area should be contiguous to the existing corporate limits without leaving any interstices or isolated unincorporated pockets. To that end, we recommend that the parties revise the annexation area description to explicitly include the aforementioned triangle of land between the South River and the existing corporate line along the east side of Route 825, southward to the intersection with Route 844. In addition, we recommend that the annexation area description be revised to include Parcel 6C, subject to the concern discussed in the next paragraph.

STREET AND BRIDGE MAINTENANCE RESPONSIBILITY

As noted in a previous section of this report, VDOT will require the Town to take over maintenance of all secondary roads within any area that it annexes. If the Town annexes the triangle of land described above, it will be required to maintain approximately 710 linear feet of Route 825 (an estimated 0.27 lane miles). At the current payment rate of \$17,075 per lane mile for minor arterials, the Town can expect to receive an increase of \$4,592 per year from VDOT as compensation for this added maintenance burden, which represents only a 0.62% increase in lane mileage under Town maintenance. The Commission also notes that Parcel 6C may include a portion of the Route 844 bridge over the South River.⁶⁷ VDOT expects municipalities with maintenance responsibility for bridges to strictly comply with National Bridge Inspection Standards regarding frequency of inspection and load posting requirements, and may elect to withhold street payments from a municipality for delinquent or inadequate bridge inspection reports.⁶⁸ VDOT does not provide additional payments for bridge maintenance; such work must be funded out of the regular payments based on lane mileage.⁶⁹ Therefore, the Town should

Agreement Defining Town Annexation Rights, Appendix C. The latter map was also handed out by the parties to the Commission during its tour of the affected areas on November 9, 2009.

⁶⁶ See 1953 map in Appendix C to this report; Town Response to Request for Additional Information, point no. 14 and Replacement Maps M-2 (attached as Appendix D to this report), M-3, and M-4; testimony of Nathan Miller, Town Attorney, November 9, 2009; and plat and metes and bounds description in Settlement Agreement. The third and fourth clauses in the metes and bounds description read “...thence continuing N 88° 33’ 39” E, 1345.41 feet crossing the South River to an iron pipe on the east bank of the stream near Steger’s corner; thence with the east bank of the River and making a new line through Kellow S 6° 40’ 46” W, 709.55 feet to an iron pipe in Reynolds Metal line of the west side of Rt. 825...” It appears from this description that the northeast corner of the park property is on the east bank of the South River, and continues south along the riverbank from there.

⁶⁷ See Town Response to Second Request for Additional Information, point no. 9, and associated overlay of Augusta County tax parcel map on aerial photography.

⁶⁸ Commonwealth Transportation Board, “Urban Maintenance and Construction Program Policy,” resolution adopted December 14, 2006, paragraph 5. Some of the bridge maintenance activities that are eligible for funding out of VDOT street maintenance payments are inspection, repair and repainting of substructure and superstructure, waterproofing of bridge decks, and underwater substructure investigations; see VDOT Urban Construction and Maintenance Program Policies and Guidelines (Urban Manual), January 1, 2007, p. 51.

⁶⁹ Personal communication with Jennifer DeBruhl, Assistant Division Administrator, VDOT Local Assistance Division, December 16, 2009.

consider whether it wants to assume maintenance responsibility for the bridge over the South River, and if not, exclude the bridge from the annexation area.

DEFINITIVE SURVEY PLAT

To resolve the issues discussed above and to achieve complete clarity regarding the revised corporate limits of the Town, the Commission recommends that the parties commission a new survey that depicts all relevant data, including the park property boundary, the existing corporate limits, and property lines in the triangle and bridge areas. Such a survey may not necessitate any new fieldwork, just a compilation of existing data of record. With an accurate survey plat in hand, the parties can then definitively establish the boundaries of the area proposed for annexation, and revise the information in the voluntary settlement agreement accordingly.⁷⁰

VI. CONCLUDING COMMENT

The Commission on Local Government acknowledges the considerable effort devoted by officials of the Town of Grottoes and Augusta County to the negotiation of the agreement currently before us. While proposing the recommendations set forth above, we commend the officials of the two jurisdictions for their public leadership and for the interlocal agreement which they have negotiated.

⁷⁰ Per Section 15.2-3400(4) of the Code of Va., the parties can then proceed to advertise their intention to approve the revised agreement and hold their respective public hearings. After adopting the revised agreement, the parties can petition the circuit court to begin the judicial process to affirm the agreement.

APPENDIX A

Voluntary Settlement Agreement
("Annexation Agreement")

THE COUNTY OF AUGUSTA AND THE TOWN OF GROTTUES

ANNEXATION AGREEMENT

This Annexation Agreement (Agreement), dated August 10, 2009 is made by and between the Town of Grottoes (Town), a municipal corporation of the Commonwealth of Virginia, and the County of Augusta (County), a political subdivision of the Commonwealth of Virginia.

1. Recitals.

a. An Agreement between the Cities of Harrisonburg and Staunton, the Counties of Augusta and Rockingham, the Town of Grottoes, and the Upper Valley Regional Park Authority that will transfer of Grand Caverns Park (Park) to the Town of Grottoes is annexed to this Agreement as **Exhibit 1**.

b. The Grand Caverns property totaling 99.338 acres (the Property) is situate within the County South of State Route 256 in the Middle River District. The Property is more particularly shown on a plat annexed to this Agreement as **Exhibit 2**, and described by a July 2, 2009 metes and bounds description, annexed to this Agreement as **Exhibit 3**.

c. In order to accommodate the safe and orderly operation of Grand Caverns Park, the Town has requested that the County agree to the Town annexing the Park so that the Park would be included within the boundary of the Town.

d. The County is willing to favorably consider such request so that it will not have responsibility for public improvements located in the County which serve exclusively Grand Caverns Park.

f. Pursuant to Virginia Code Section 15.2-3400 of the Code of Virginia, 1950, as amended, the Town and County wish to enter into this Agreement defining the annexation rights.

g. On July 29, 2009 and August 5, 2009, the Town advertised its intention to approve this Agreement, as shown by a copy of the Certificate of Publication annexed to this Agreement and attached as **Exhibit 4**.

h. On July 29, 2009 and August 5, 2009, the County advertised its intention to approve this Agreement, as shown by a copy of the Certificate of Publication annexed to this Agreement and attached as **Exhibit 5**.

i. These recitals are an integral part of this Agreement.

2. Annexation Change and Property Affected by Annexation. The boundary line between the Town and County shall be changed so that the Property as shown on the Plat attached as **Exhibit 2** and described by metes and bounds in **Exhibit 3** shall be annexed into the Town.

3. Approval of Annexation. For a period of ten (10) years after the effective date of the annexation between the Town of Grottoes and the County of Augusta, Grottoes agrees that it will not attempt forced annexation of any other real property within the limits of Augusta County. Should the annexation proposed not be consummated this provision shall be null and void *abinitio*.

4. Effective Date of Annexation. Such annexation shall become effective on the last day of the month following review and recommendations by the Commission on Local Government and compliance with all the provisions of Virginia laws pertaining to annexation, including the adoption by the Town of an Ordinance of Annexation and required Court approval.

5. Petition. The Town and County shall jointly petition the Virginia Commission on Local Government (Commission) to seek approval of the Agreement and annexation. The petition will be pursuant to § 15.2-3400 of the Code of Virginia to seek approval of the proposed annexation. Both parties shall use their best efforts to achieve the approvals needed as expeditiously as possible.

6. Expenses for Annexation Process. The County shall bear the expense of the publication of the advertisements required under the provisions of Virginia Code Section 15.2-3400 and of any filing or other court costs pursuant to the provisions of Virginia Code Section 15.2-3400. Otherwise, the Town and County shall bear their own expenses, including any attorney and professional fees and any other expenses of any nature.

7. Mutual Assistance.

7.1 The Town and the County shall do all things necessary or appropriate to carry out the terms of this Agreement and to aid and assist each other in carrying out the terms, including the execution and delivery of such documents, instruments, petitions and the taking of such other actions as may be necessary.

7.2 The Town and the County shall cooperate fully with each other in seeking from any or all appropriate governmental bodies and courts any approvals necessary or desirable as to this Agreement. Nothing in this Agreement, however, concerning cooperation shall in any way limit or otherwise affect the action or discretion of the Town or the County, or any of its officers or employees, in the conduct of duties or function as to any approvals.

8. Paragraph Headings and Captions. The paragraph headings and captions are for convenience and are not intended to limit, vary, define or expand the terms contained in this Agreement and shall not be used to interpret or construe the terms of this Agreement.

9. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

10. Recordation. Either party may record this Agreement, a memorandum hereof, or any other document relating hereto in order to give public record notice of this Agreement. The cost of recording such document shall be paid by the party desiring to record same unless the recording of such document is otherwise specified in this Agreement as an obligation of a party.

11. Duplicate Originals. This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original.

12. Amendment. This Agreement, and the exhibits attached hereto, may be amended only by the mutual consent of the Town and the County, and by the authorized execution of the amendment by the Town and the County or their successors in interest.

13. Severability. If any provision, or portion of this Agreement or its application to any person, entity or property is held invalid, such invalidity shall not affect the application or validity of any other portions of this Agreement, and to that end, all terms, covenants, and portions of this Agreement are declared to be severable. If for any reason any provision of this Agreement is ruled invalid or unenforceable, in whole or in part, the Town and County shall, as soon as possible, take such actions (including the holding of such public hearings and the adoption of such ordinances and resolutions) as may be necessary to give effect to their intent as as reflected in the terms of this Agreement.

14. Entire Agreement. This Agreement sets forth all agreements, understandings and covenants between and among the Town and the County regarding the boundary line change. This Agreement supersedes all prior agreements, negotiations and understandings, written and oral, and is a full integration of the entire agreement of the Town and the County.

15. Successors and Assigns. This Agreement shall inure to the benefit of, and shall be binding upon, successors of the Town and County.

16. Construction. In the event that any issues arise about the interpretation or construction of this Agreement, this Agreement shall be interpreted or construed as if both the Town and County have fully participated in the drafting of all provisions.

17. Notices. Any notice, request, demand, instruction or other document required or permitted by the terms of this Agreement to be given shall be in writing and sent by certified mail, return receipt requested, personally delivered (with evidence of receipt), sent by a recognized overnight courier service (with evidence of receipt), or sent by facsimile transmission

at the following addresses, or at such other addresses as the Town or the County, by notice, may designate:

If to the Town: Town of Grottoes
Attention: Town Superintendent
P. O. Box 146
Grottoes, VA 2444
Facsimile: (540)249-5726

With a copy to: Town Attorney
P. O. Box 511
Harrisonburg, VA 22803
Facsimile: (540) 564-1555

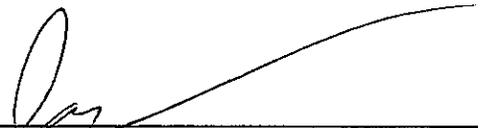
If to the County: County of Augusta
Attention: County Administrator
P. O. Box 590
Verona, VA 24482
Facsimile: (540) 245-5621

With a copy to: County Attorney
P. O. Box 590
Verona, VA 24482
Facsimile: (540) 245-5096

Notices, requests, demands, instructions or other documents required or permitted by the terms of this Agreement shall be deemed given on the fifth (5th) business day following deposit in the U.S. Mail, if given by certified mail; upon receipt, if personally delivered; on the next business day following deposit with a recognized overnight courier, if delivered by overnight courier and on the date shown on the confirmation receipt of the facsimile transmission, if sent by such transmission.

18. Authorized Representatives. This Agreement has been executed by the Town's authorized representative and by the County's authorized representative.

Witness the following signatures and seals.


Town of Grottoes, by Joseph L. Morris,
Mayor

ACKNOWLEDGMENT

State of Virginia
County of Rockingham
On this 15 day of Oct, 2009, Joseph L. Morris
personally appeared before me,
 who is personally known to me,
whose identity I verified on the basis of _____
whose identity I verified on the oath/affirmation of _____
a credible witness,
to be the signer of the foregoing document, and he/she acknowledged that
he/she signed it. Christa C. Hall
Notary Signature
My Commission Expires: October 31, 2012



Larry C. Howdyshell
County of Augusta, by LARRY C HOWDYSHHELL
Chairman of the Board of Supervisors

COMMONWEALTH OF VIRGINIA

In the ~~City~~ of Rockingham
County

The foregoing instrument was acknowledged before me this 15th day of October,
2009 by Joseph L. Morris, Mayor of the Town of Grottoes, Virginia.

Christa C Hall
Notary Public

My commission expires: October 31, 2012



COMMONWEALTH OF VIRGINIA

In the ~~City~~/County of Augusta

The foregoing instrument was acknowledged before me this 15th day of October,
2009 by Larry C. Howdyshell, Chairman of the Board of Supervisors of the County of
Augusta.

Karin J. Vaughn - Gardin # 367686
Notary Public

My commission expires: August 31, 2013

APPENDIX B
Statistical Profile

STATISTICAL PROFILE

	<u>Town of Grottoes</u>	<u>Rockingham County</u>	<u>Augusta County</u>	<u>Proposed Annexation Area</u>
Population, 2000	2,114*	67,725	65,615	0
Population Estimate, 2008	2,190*	74,394	71,250	0
Land Area (square miles)	1.33	851.15	970.36	0.16
Persons per Square Mile, 2008	1,647	87	73	--
Total Assessed Values, 2008	\$165,746,215	\$7,735,282,115	\$7,207,816,090	\$1,291,700
Real Estate	\$151,914,660	\$6,393,150,330	\$6,504,650,200	\$1,291,700
Personal Property	\$12,601,160	\$606,836,170	\$510,846,200	--
Machinery and Tools	\$428,675	\$507,242,010	\$157,441,730	--
Merchants Capital	\$555,160	\$119,608,440	NA	--
Agricultural Equipment	\$155,860	\$75,434,265	NA	--
Mobile Homes	\$90,700	\$33,010,900	\$34,877,960	--

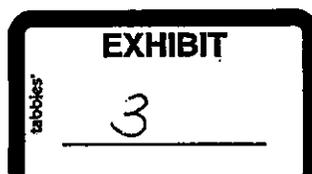
* The Town of Grottoes is almost entirely within Rockingham County. According to the U.S. Census Bureau, in both 2000 and 2008 only 4 Grottoes residents lived in Augusta County.

Source: Joint Notice, section titled "Statistical Profile;" Town Response to Request for Additional Information, point no. 18; and U.S. Census Bureau.

EXHIBIT 3
DESCRIPTION OF GRAND CAVERNS PARK

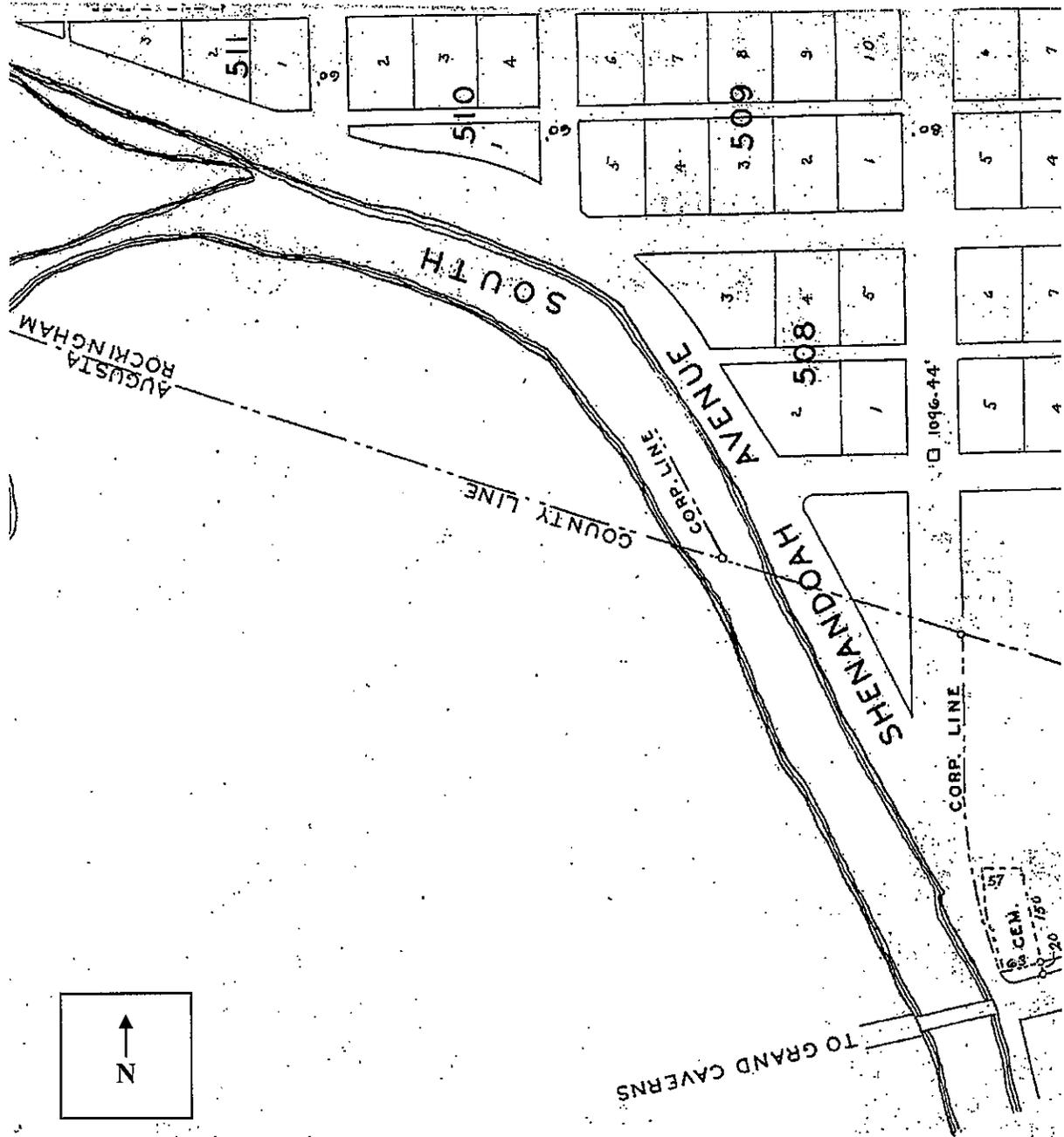
Beginning at a stone pile on top of a high ridge corner of the Cave tract and L. O. Steger, Jr. (formerly Cates); thence with the line of the Cave tract and Steger N 88° 42' 01" E, 740.28 feet to an iron pipe at the base of the ridge set in the fence line; thence continuing N 88° 33' 39" E, 1345.41 feet crossing the South River to an iron pipe on the east bank of the stream near Steger's corner; thence with the east bank of the River and making a new line through Kellow S 6° 40' 46" W, 709.55 feet to an iron pipe in Reynolds Metal line on the west side of Rt. 825; thence with said line N 73° 06' 14" W, 63.00 feet to a point in the middle of the River; thence up the middle of the River S 8° 47' 56" W, 150.49 feet to a point in the middle of the River; thence leaving the middle of the River S 45° 50' 41" W, 182.73 feet crossing to the west bank; thence with the west bank (3) calls S 19° 05' 07" W, 279.68 feet; thence S 31° 13' 30" W, 512.15 feet; thence S 31° 21' 47" W, 404.41 feet to a point in the west edge of the River; thence S 37° 45' W, 327.33 feet to a point in the middle of the River near the Tail Race; thence S 79° 56' 35" W, 339.35 feet crossing a point of land and the River to an iron pin on the west bank; thence with the west bank S 29° 05' 38" W, 211.93 feet to an iron pin, thence S 27° 03' 42" W, 692.73 feet to an iron pin at foot of a steep ridge adjoining the lands of Wonderly and Cosby; thence up the ridge along an old fence N 83° 09' 56" W, 238.07 feet to a found iron axle corner of Wonderly, Greene and Mohler and the Cave tract; thence with Mohler N 3° 56' 37" W, 1708.14 feet to a large cedar post, corner of Mohler, Steger and the cave; thence with Steger N 1° 39' 39" W, 479.25 feet crossing a large sink hole to a black oak; thence N 6° 33' 26" E, 873.84 feet to the beginning.

This area contains 99.338 acres more or less.



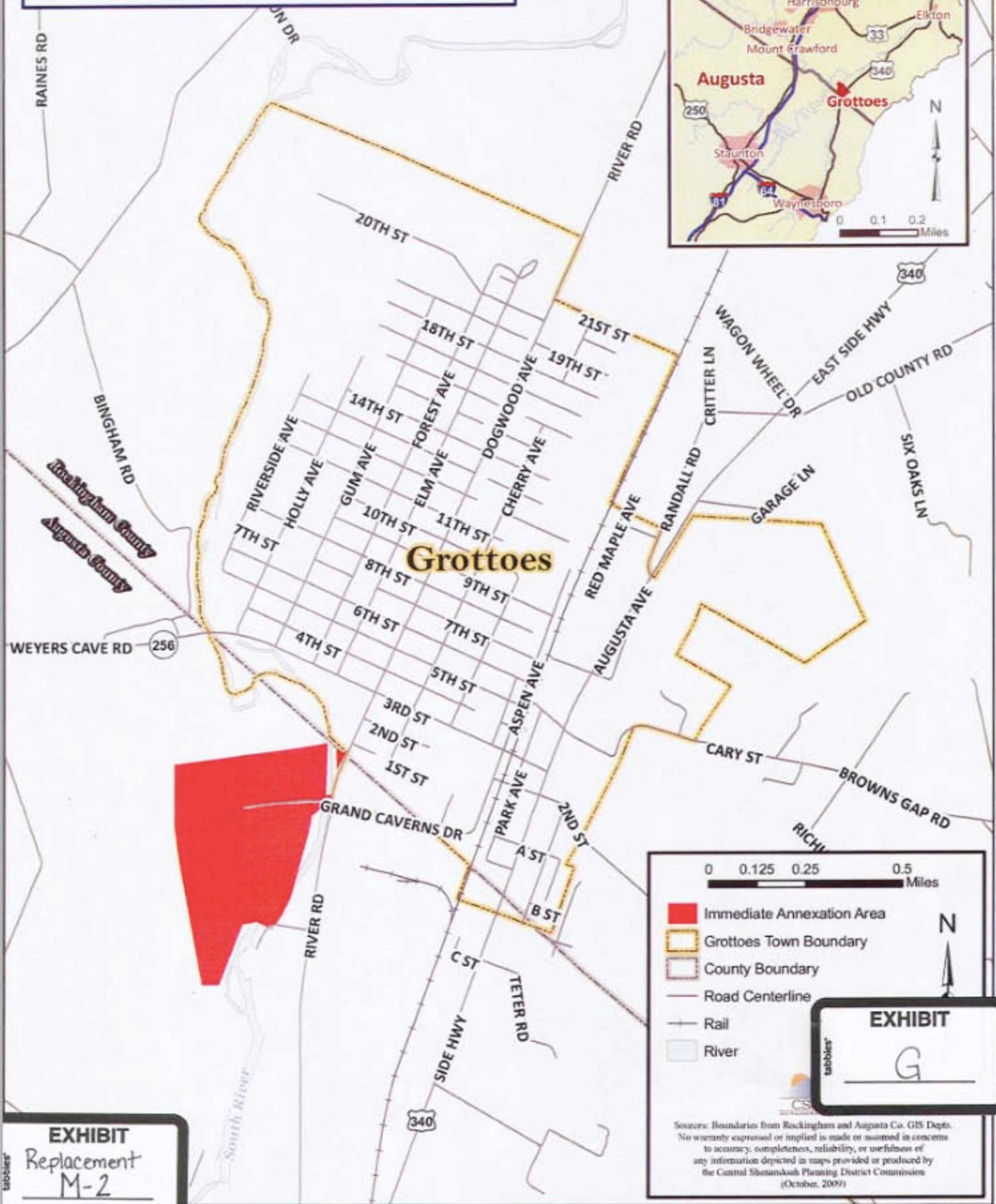
APPENDIX C
1953 Map

1953 Map of Grottoes—Grand Caverns Park Vicinity



APPENDIX D
Annexation Map
[Replacement Map M-2]

Town of Grottoes - Grand Caverns Immediate Annexation Area



0 0.125 0.25 0.5 Miles

- Immediate Annexation Area
- Grottoes Town Boundary
- County Boundary
- Road Centerline
- Rail
- River

N

EXHIBIT

G

Sources: Boundaries from Rockingham and Augusta Co. GIS Depts. No warranty expressed or implied is made or assumed in concerns to accuracy, completeness, reliability, or usefulness of any information depicted in maps provided or produced by the Central Shenandoah Planning District Commission (October, 2009)

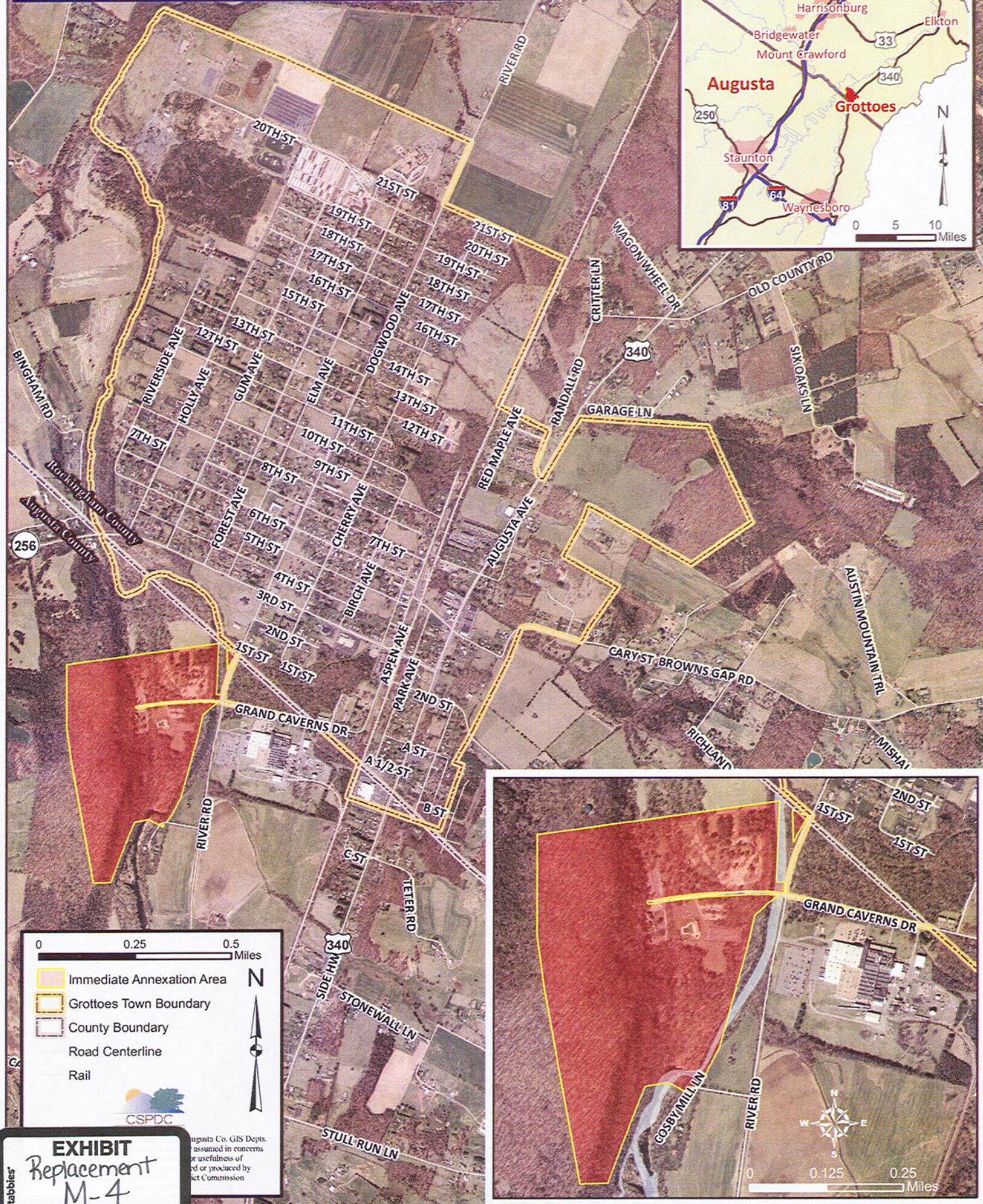
EXHIBIT
Replacement
M-2

APPENDIX E

Aerial Photograph of Annexation
Area [Replacement Map M-4]

Town of Grottoes - Grand Caverns Immediate Annexation Area

Reference Map



0 0.25 0.5 Miles

- Immediate Annexation Area
- Grottoes Town Boundary
- County Boundary
- Road Centerline
- Rail

N

CSPDC

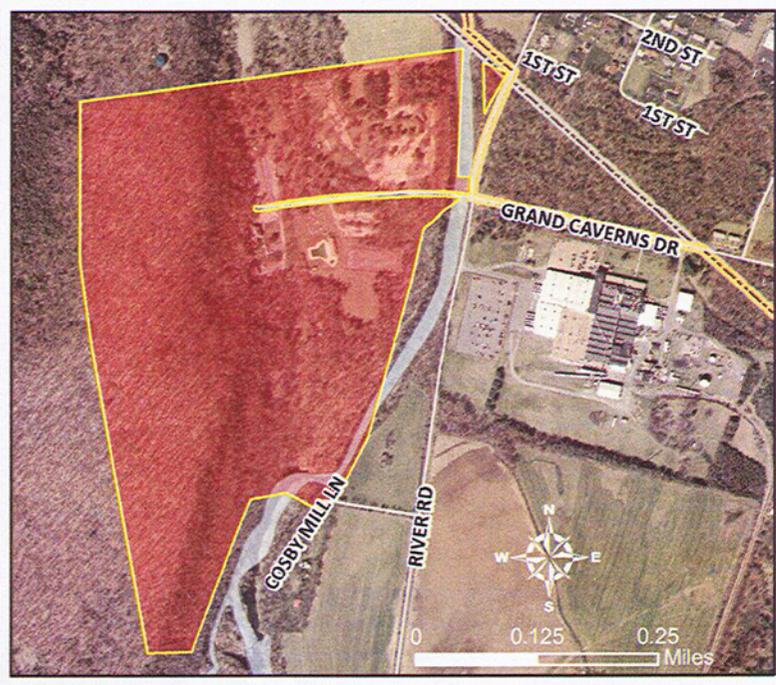


EXHIBIT
Replacement
M-4

Augusta Co. GIS Depts.
assumed in concerns
or usefulness of
ed or produced by
set Commission

APPENDIX F
Grand Caverns Park Fiscal Data
[Tables 1 – 7]

Table 1
Grand Caverns Park
Absolute Distributions of Revenues and Expenses by Fiscal Period, 10/1/04-9/30/05 through 10/1/07-9/30/08

Fiscal Dimension	Fiscal Period			
	10/1/04-9/30/05	10/1/05-9/30/06	10/1/06-9/30/07	10/1/07-9/30/08
	Operating Revenues:			
Admissions	\$184,802	\$161,408	\$160,498	\$193,147
Store and gift shop sales	\$39,095	\$39,100	\$49,353	\$54,152
Pool fees and concessions	\$4,253	\$10,608	\$12,004	\$11,398
Special events	\$21,430	\$30,565	\$31,479	\$6,484
Other facility income	\$5,105	\$5,931	\$7,100	\$6,693
Game room and vending	\$817	\$853	\$214	\$113
Group contracts and facility rents	\$25,807	\$43,809	\$39,140	\$34,209
Donations	--	--	\$3,000	\$9,881
Miscellaneous	\$2,059	\$373	\$7,180	\$6,304
Total operating revenues	\$283,368	\$292,647	\$309,968	\$322,381
Operating Expenses:				
Salaries and wages	\$152,457	\$161,020	\$146,513	\$162,861
Payroll taxes	\$11,536	\$12,079	\$11,116	\$12,576
Health insurance	\$15,342	\$13,423	\$8,224	\$9,181
Other employee benefits	\$11,577	\$11,530	\$8,747	\$9,861
Cost of merchandise sold	\$15,536	\$23,008	\$23,298	\$24,442
Repairs and maintenance	\$30,387	\$11,939	\$21,180	\$10,063
Supplies	\$2,891	\$3,170	\$3,637	\$4,422
Utilities	\$17,028	\$17,767	\$24,096	\$24,953
Telephone	\$2,995	\$3,157	\$2,940	\$3,239
Cleaning	\$2,757	\$3,351	\$4,430	\$2,928
Insurance	\$15,191	\$16,319	\$16,699	\$17,140
Special events	\$16,753	\$19,555	\$26,076	\$1,988
Advertising and printing	\$26,818	\$20,848	\$53,171	\$52,057
Depreciation	\$20,777	\$15,608	\$14,278	\$13,927
Travel	\$244	\$51	\$152	\$200
Office	\$5,022	\$5,022	\$6,807	\$7,742
Professional fees	\$5,063	\$5,219	\$4,925	\$4,875
Loss on disposal of assets	--	\$2,965	\$1,015	--
Miscellaneous	\$4,320	\$4,896	\$6,350	\$7,379
Total operating expenses	\$356,694	\$350,927	\$383,654	\$369,834
Operating loss	-\$73,326	-\$58,280	-\$73,686	-\$47,453
Nonoperating Revenues/Expenses:				
Local government contributions	\$46,750	\$46,750	\$50,725	\$52,500
Termination of retirement obligation	\$82,446	--	--	--
Insurance recovery	--	--	\$37,082	--
Interest income	\$1,043	\$287	\$104	\$134
Interest expense	--	-\$116	-\$192	-\$134
Total nonoperating revenues, net	\$130,239	\$46,921	\$87,719	\$52,500
Change in net assets	\$56,913	-\$11,359	\$14,033	\$5,047

Data Source: Upper Valley Regional Park Authority, Financial Statements,
Years Ended September 30, 2005 through September 30, 2008.

Staff, Commission on Local Government

Table 2
Grand Caverns Park
Percentage Distributions of Revenues and Expenses by Fiscal Period, 10/1/04-9/30/05 through 10/1/07-9/30/08

Fiscal Dimension	Fiscal Period			
	10/1/04-9/30/05	10/1/05-9/30/06	10/1/06-9/30/07	10/1/07-9/30/08
	Operating Revenues:			
Admissions	65.22%	55.15%	51.78%	59.91%
Store and gift shop sales	13.80%	13.36%	15.92%	16.80%
Pool fees and concessions	1.50%	3.62%	3.87%	3.54%
Special events	7.56%	10.44%	10.16%	2.01%
Other facility income	1.80%	2.03%	2.29%	2.08%
Game room and vending	0.29%	0.29%	0.07%	0.04%
Group contracts and facility rents	9.11%	14.97%	12.63%	10.61%
Donations	--	--	0.97%	3.07%
Miscellaneous	0.73%	0.13%	2.32%	1.96%
Total operating revenues/1	100.00%	100.00%	100.00%	100.00%
Operating Expenses:				
Salaries and wages	42.74%	45.88%	38.19%	44.04%
Payroll taxes	3.23%	3.44%	2.90%	3.40%
Health insurance	4.30%	3.83%	2.14%	2.48%
Other employee benefits	3.25%	3.29%	2.28%	2.67%
Cost of merchandise sold	4.36%	6.56%	6.07%	6.61%
Repairs and maintenance	8.52%	3.40%	5.52%	2.72%
Supplies	0.81%	0.90%	0.95%	1.20%
Utilities	4.77%	5.06%	6.28%	6.75%
Telephone	0.84%	0.90%	0.77%	0.88%
Cleaning	0.77%	0.95%	1.15%	0.79%
Insurance	4.26%	4.65%	4.35%	4.63%
Special events	4.70%	5.57%	6.80%	0.54%
Advertising and printing	7.52%	5.94%	13.86%	14.08%
Depreciation	5.82%	4.45%	3.72%	3.77%
Travel	0.07%	0.01%	0.04%	0.05%
Office	1.41%	1.43%	1.77%	2.09%
Professional fees	1.42%	1.49%	1.28%	1.32%
Loss on disposal of assets	--	0.84%	0.26%	--
Miscellaneous	1.21%	1.40%	1.66%	2.00%
Total operating expenses/1	100.00%	100.00%	100.00%	100.00%
Nonoperating Revenues/Expenses:				
Local government contributions	35.90%	99.64%	57.83%	100.00%
Termination of retirement obligation	63.30%	--	--	--
Insurance recovery	--	--	42.27%	--
Interest income	0.80%	0.61%	0.12%	0.26%
Interest expense	--	-0.25%	-0.22%	-0.26%
Total nonoperating revenues, net	100.00%	100.00%	100.00%	100.00%

1

With respect to a given data column, the sum of the categorical percentages may vary slightly from the cumulative figure (i.e., 100%) because of statistical rounding.

Data Source: Upper Valley Regional Park Authority, Financial Statements,
Years Ended September 30, 2005 through September 30, 2008.

Staff, Commission on Local Government

Table 3
Grand Caverns Park
Annual Rates of Change in Revenues and Expenses by Fiscal Dimension, 9/30/05-9/30/06 through 9/30/07-9/30/08

Fiscal Dimension	Time Frame		
	9/30/05-9/30/06	9/30/06-9/30/07	9/30/07-9/30/08
	Operating Revenues:		
Admissions	-12.66%	-0.56%	20.34%
Store and gift shop sales	0.01%	26.22%	9.72%
Pool fees and concessions	149.42%	13.16%	-5.05%
Special events	42.63%	2.99%	-79.40%
Other facility income	16.18%	19.71%	-5.73%
Game room and vending	4.41%	-74.91%	-47.20%
Group contracts and facility rents	69.76%	-10.66%	-12.60%
Donations	--	--	229.37%
Miscellaneous	-81.88%	1,824.93%	-12.20%
Total operating revenues	3.27%	5.92%	4.00%
Operating Expenses:			
Salaries and wages	5.62%	-9.01%	11.16%
Payroll taxes	4.71%	-7.97%	13.13%
Health insurance	-12.51%	-38.73%	11.64%
Other employee benefits	-0.41%	-24.14%	12.74%
Cost of merchandise sold	48.09%	1.26%	4.91%
Repairs and maintenance	-60.71%	77.40%	-52.49%
Supplies	9.65%	14.73%	21.58%
Utilities	4.34%	35.62%	3.56%
Telephone	5.41%	-6.87%	10.17%
Cleaning	21.55%	32.20%	-33.91%
Insurance	7.43%	2.33%	2.64%
Special events	16.73%	33.35%	-92.38%
Advertising and printing	-22.26%	155.04%	-2.10%
Depreciation	-24.88%	-8.52%	-2.46%
Travel	-79.10%	198.04%	31.58%
Office	0.00%	35.54%	13.74%
Professional fees	3.08%	-5.63%	-1.02%
Loss on disposal of assets	--	-65.77%	-100.00%
Miscellaneous	13.33%	29.70%	16.20%
Total operating expenses	-1.62%	9.33%	-3.60%
Nonoperating Revenues/Expenses:			
Local government contributions	0.00%	8.50%	3.50%
Termination of retirement obligation	-100.00%	--	--
Insurance recovery	--	--	-100.00%
Interest income	-72.48%	-63.76%	28.85%
Interest expense	--	65.52%	-30.21%
Total nonoperating revenues, net	-63.97%	86.95%	-40.15%

Data Source: Upper Valley Regional Park Authority, Financial Statements,
Years Ended September 30, 2005 through September 30, 2008.

Staff, Commission on Local Government

Table 4
Grand Caverns Park
Absolute Distributions of Revenues and Expenses by Fiscal Period, 10/1/04-9/30/05 through 10/1/08-9/30/09

Fiscal Dimension	Fiscal Period				
	10/1/04-9/30/05 (Audit Data)	10/1/05-9/30/06 (Audit Data)	10/1/06-9/30/07 (Audit Data)	10/1/07-9/30/08 (Audit Data)	10/1/08-9/30/09 (Budget Data)
	Operating Revenues:				
Admissions	\$184,802	\$161,408	\$160,498	\$193,147	\$179,000
Store and gift shop sales	\$39,095	\$39,100	\$49,353	\$54,152	\$53,500
All other operating revenues	\$59,471	\$92,139	\$100,117	\$75,082	\$26,650
Total operating revenues	\$283,368	\$292,647	\$309,968	\$322,381	\$259,150
Operating Expenses:					
Salaries and wages	\$152,457	\$161,020	\$146,513	\$162,861	\$140,325
Employee benefits	\$38,455	\$37,032	\$28,087	\$31,618	\$29,000
All other operating expenses	\$165,782	\$152,875	\$209,054	\$175,355	\$145,825
Total operating expenses	\$356,694	\$350,927	\$383,654	\$369,834	\$315,150
Operating loss	-\$73,326	-\$58,280	-\$73,686	-\$47,453	-\$56,000
Nonoperating Revenues/Expenses:					
Local government contributions	\$46,750	\$46,750	\$50,725	\$52,500	\$52,500
All other nonoperating revenues, net	\$83,489	\$171	\$36,994	--	\$125
Total nonoperating revenues, net	\$130,239	\$46,921	\$87,719	\$52,500	\$52,625

Data Sources: Upper Valley Regional Park Authority, Financial Statements, Years Ended September 30, 2005 through September 30, 2008; and Town of Grottoes, "Grand Caverns Budget History," November 5, 2009 (as amended on November 30, 2009).

Staff, Commission on Local Government

Table 5
Grand Caverns Park
Percentage Distributions of Revenues and Expenses by Fiscal Period, 10/1/04-9/30/05 through 10/1/08-9/30/09

Fiscal Dimension	Fiscal Period				
	10/1/04-9/30/05	10/1/05-9/30/06	10/1/06-9/30/07	10/1/07-9/30/08	10/1/08-9/30/09
	(Audit Data)	(Audit Data)	(Audit Data)	(Audit Data)	(Budget Data)
Operating Revenues:					
Admissions	65.22%	55.15%	51.78%	59.91%	69.07%
Store and gift shop sales	13.80%	13.36%	15.92%	16.80%	20.64%
All other operating revenues	20.99%	31.48%	32.30%	23.29%	10.28%
Total operating revenues/1	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:					
Salaries and wages	42.74%	45.88%	38.19%	44.04%	44.53%
Employee benefits	10.78%	10.55%	7.32%	8.55%	9.20%
All other operating expenses	46.48%	43.56%	54.49%	47.41%	46.27%
Total operating expenses/1	100.00%	100.00%	100.00%	100.00%	100.00%
Nonoperating Revenues/Expenses:					
Local government contributions	35.90%	99.64%	57.83%	100.00%	99.76%
All other nonoperating revenues, net	64.10%	0.36%	42.17%	0.00%	0.24%
Total nonoperating revenues, net	100.00%	100.00%	100.00%	100.00%	100.00%

1

With respect to a given data column, the sum of the categorical percentages may vary slightly from the cumulative figure (i.e., 100%) because of statistical rounding.

Data Sources: Upper Valley Regional Park Authority, Financial Statements, Years Ended September 30, 2005 through September 30, 2008; and Town of Grottoes, "Grand Caverns Budget History," November 5, 2009 (as amended on November 30, 2009).

Staff, Commission on Local Government

Table 6
Grand Caverns Park

Annual Rates of Change in Revenues and Expenses by Fiscal Dimension, 9/30/05-9/30/06 through 9/30/08-9/30/09

Fiscal Dimension	Time Frame			
	9/30/05-9/30/06	9/30/06-9/30/07	9/30/07-9/30/08	9/30/08-9/30/09
	Operating Revenues:			
Admissions	-12.66%	-0.56%	20.34%	-7.32%
Store and gift shop sales	0.01%	26.22%	9.72%	-1.20%
All other operating revenues	54.93%	8.66%	-25.01%	-64.51%
Total operating revenues	3.27%	5.92%	4.00%	-19.61%
Operating Expenses:				
Salaries and wages	5.62%	-9.01%	11.16%	-13.84%
Employee benefits	-3.70%	-24.15%	12.57%	-8.28%
All other operating expenses	-7.79%	36.75%	-16.12%	-16.84%
Total operating expenses	-1.62%	9.33%	-3.60%	-14.79%
Nonoperating Revenues/Expenses:				
Local government contributions	0.00%	8.50%	3.50%	0.00%
All other nonoperating revenues, net	-99.80%	21,533.92%	-100.00%	--
Total nonoperating revenues, net	-63.97%	86.95%	-40.15%	0.24%

Data Sources: Upper Valley Regional Park Authority, Financial Statements, Years Ended September 30, 2005 through September 30, 2008; and Town of Grottoes, "Grand Caverns Budget History," November 5, 2009 (as amended on November 30, 2009).

Staff, Commission on Local Government

Table 7

Grand Caverns Park

Absolute Distributions of Budgeted Revenues and Expenses by Fiscal Period, 10/1/08-9/30/09 and 10/1/09-6/30/10

Fiscal Dimension	Fiscal Period/1		(B)-(A)
	10/1/08-9/30/09	10/1/09-6/30/10	
	(A)	(B)	
Operating Revenues:			
Caverns Admissions	\$179,000	\$179,000	--
Gift Shop Sales	\$53,500	\$53,500	--
Sales Tax-Caverns/Gift Shop	\$150	\$150	--
Mini-Golf Admissions	\$3,700	\$1,000	-\$2,700
GC Shelter Rentals	\$7,000	\$6,000	-\$1,000
GC Contracts	\$9,000	\$9,000	--
GC Bluegrass Festival Income	\$6,800	\$6,800	--
Total Operating Revenues	\$259,150	\$255,450	-\$3,700
Operating Expenses:			
Salaries and Wages (Full-Time)	\$72,000	\$53,750	-\$18,250
Salaries and Wages (Part-Time)	\$68,325	\$52,500	-\$15,825
Employee Benefits	\$29,000	\$28,554	-\$446
Electricity	\$12,150	\$12,000	-\$150
Repairs and Maintenance	\$12,700	\$6,900	-\$5,800
Lease/Rental Expense-Equipment	\$1,700	--	-\$1,700
Vehicle and Power Equipment Fuel	\$2,800	\$500	-\$2,300
Supplies and Materials	\$1,100	\$1,100	--
Mini-Golf Supplies	\$250	\$250	--
GC Contracts Expense	\$2,500	\$1,250	-\$1,250
GC Bluegrass Festival Expense	\$2,900	\$1,600	-\$1,300
Printing/Gift Shop	\$500	\$500	--
Educational Supplies	\$500	\$500	--
Credit Card Fee	\$6,250	\$6,250	--
Merchandise for Resale-Gift Shop	\$22,500	\$22,500	--
GC Sales Supplies and Expenses	\$800	\$800	--
Accounting Services	\$6,750	\$2,500	-\$4,250
Printing/Binding	\$8,500	\$9,500	\$1,000
Advertising	\$30,000	\$27,000	-\$3,000
Liability/Property Insurance	\$14,500	\$10,000	-\$4,500
Flood Insurance	\$1,000	\$1,000	--
Telecommunications	\$3,250	\$3,200	-\$50
Postage/Freight	\$2,000	\$2,000	--
Heating Services	\$4,000	\$4,000	--
Sanitation Services	\$3,750	--	-\$3,750
Uniforms	\$750	\$500	-\$250
Books and Subscriptions	\$300	\$300	--
Laundry and Janitorial Supplies	\$2,750	\$2,650	-\$100
Mileage	\$250	--	-\$250
Subsistence and Lodging	\$350	\$300	-\$50
Dues and Association Memberships	\$1,000	\$1,500	\$500
Other Contributions	\$25	\$25	--
Total Operating Expenses	\$315,150	\$253,429	-\$61,721
Operating Loss/Gain	-\$56,000	\$2,021	

1

The 2009/2010 revenue and expenditure projections for the Grand Caverns complex are linked to the nine-month time span from 10/1/09 (the date on which Grottoes assumed ownership of the property) through 6/30/10 (the closing date of the municipality's fiscal year). When these estimates are compared with the twelve-month projections in the 2008/2009 budget of the Upper Valley Regional Park Authority, the multiple instances of complete or substantial forecasting equivalence yield the conclusion that many of the 2009/2010 amounts would be plausible only if they were tied to a fiscal cycle extending through the first quarter of FY 2011, including the peak business months of July and August, 2010.

Data Sources: Town of Grottoes, "Grand Caverns Budget History," November 5, 2009 (as amended on November 30, 2009); Town of Grottoes, "Proposed Budget for Grand Caverns Park," November 23, 2009; and Ashley Davison, Town Superintendent, email to Commission staff dated December 21, 2009.