The Charlottesville/Albemarle Revenue-Sharing Agreement

An Informal History of Negotiations 1979 - 1982

C. Timothy Lindstrom

J.D., University of Virginia, 1972
B.A., Kalamazoo College, 1969

A Thesis Presented to the Faculty
of the Division of Urban and Environmental Planning
of the School of Architecture
in Partial Fulfillment of the Requirement for the Degree
Master of Planning

School of Architecture
University of Virginia

May 1992

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

The Author would like to acknowledge Mr. Gerald E. Fisher, former Chairman of the Albemarle Board of Supervisors and key participant in the negotiations described in the following pages, for generously lending his notes of the later negotiating sessions. The Author would also like to acknowledge the criticism, assistance, and extraordinary patience of Professor William Lucy, as well as the other members of the thesis committee, Professor Jon Hutchinson and Professor Bruce Dotson. In addition, the Author thankfully acknowledges the County Executive of Albemarle County, Mr. Robert W. Tucker, and his predecessor, Mr. Guy B. Agnor, Jr., for their assistance in providing financial data pertaining to the operation of the Revenue Sharing Agreement itself. And last, but not least, thanks to Ms. Tamara Gardner for her assistance in the typing the various drafts of this paper, and her other numerous technical suggestions and general support.

Introduction

The competition for resources between urban areas and the developing suburban territory surrounding them is a well-recognized and much written about fact. In Virginia this competition is sharpened by the unique institution of the "independent city."

Most cities provide an additional level of government which overlays the county jurisdiction, each of the two levels offering different, but complimentary, public services and each sharing in the underlying tax base. An independent city has none of these characteristics. Rather than overlaying the county, an independent city is a completely separate jurisdiction. It is the sole provider of local government services to those citizens within its boundaries. It shares its tax base with no other local jurisdiction.

As a result of this arrangement, annexation by an independent city of any portion of the surrounding county is likely to lead to a particularly bitter confrontation. Not only will the county lose part of its population base as a result of such an annexation, but the county will also lose a portion of its tax base. On the other hand, the independent city is likely to view annexation as the simplest cure for the erosion of its tax and population base as its middle- and upper-income citizens and its commercial tax base emigrates to the frequently less heavily taxed jurisdiction of the surrounding county.

Although Virginia counties enjoyed a ten-year respite from the threat of annexation moratorium, that moratorium ended in 1981 with the passage of a complex new annexation statute. The package of measures making up the new law (which is discussed in greater detail below), combined with the Virginia institution of the independent city, provide a unique, and intense, practical laboratory for the working out of city/county tax base loss, capture and recapture problems common throughout the country. What follows is a narrative account of one of the first city-county confrontations under the new law which lead to one of the most far-reaching agreements for city/county tax base sharing ever negotiated--the Charlottesville/Albemarle Revenue Sharing Agreement.

The City of Charlottesville and County of Albemarle had been bitter antagonists prior to the annexation moratorium. The following account of how they responded to the dramatic change and challenge offered by the Michie legislation not only describes an interesting example of the political process at work, but it provides some measure of the extent to which the Michie legislation was successful in balancing the conflicting interests of cities and counties in the area of annexation. More importantly, what follows offers insight into the elements which lead to the successful settlement of a direct confrontation over tax base capture.

The Michie Bill

For a ten-year period during the 1970's Virginia cities were prevented from the annexation of adjoining county territory by a moratorium imposed by the Virginia General Assembly. On July 1, 1981, a complex package of annexation related legislation went into effect. A copy of the annexation portion of this legislation is shown in Appendix A. The legislation was authored by Delegate (and later State Senator) Thomas J. Michie, Jr., and continues to be law in Virginia. A most important part of the legislation is the termination of the moratorium on annexation. The legislation also contains provisions for a more orderly and, arguably, fairer annexation process. The legislation for the first time offers localities the option of entering into agreements for tax base transfer in lieu of protracted annexation litigation. Counties are also authorized to seek partial immunity from annexation. To make the legislation more palatable it increases funding to both cities and counties for such things as law enforcement, street maintenance, and other basic services.

The Michie legislation creates a Commission on Local Government appointed by the Governor and charged with the review of all proposed annexations, negotiated settlements of annexation disputes involving jurisdictional boundary changes, and suits by counties for immunity from annexation. The Commission, upon review of any one of these matters, is required to make findings of fact and recommendations which become part of the record of any subsequent litigation.

The Michie legislation also creates a special three-judge panel charged with the single duty of hearing all annexation suits which proceed to actual litigation. This panel is selected for each new case from a special pool of twelve Virginia Circuit Court judges specializing in annexation law. As with all other circuit court decisions, the decisions of the panel are subject to review by the Virginia Supreme Court. The Commission and the judicial panel, both of which are required to consider a specific set of criteria set forth in the legislation in reaching their decisions, were intended to bring special knowledge and sensitivity to this area of intergovernmental conflict.

Next to lifting the moratorium on annexation, the provisions allowing negotiated settlement of annexation disputes are the most significant features of the Michie legislation. Settlements may be financial, e.g., a county may agree to pay a certain sum to the adjoining city in exchange for some sort of immunity from future annexation suits by that city. Alternatively, settlements may provide for the change of the city and county boundaries resulting in a "voluntary" annexation of a portion of the county's territory, again in exchange for some type of immunity for the county from future annexation suits by the city. Boundary change settlements require review by the Commission on Local Government which has the power to reject a proposed settlement and send the parties back to the negotiating table.

The Michie legislation also permits counties to file suits requesting that certain portions of their territory adjoining a city be declared immune from annexation. Counties are not permitted to completely encircle a city with immune territory, however. Counties seeking immunity also have to demonstrate to the satisfaction of the three-judge panel that they are providing

a level of services essentially equivalent to the level of services offered by the city. The panel reviewing the immunity suit is required to consider the impact such immunity may have on the city adjoining the proposed immune territory.

Although the Michie legislation once again raises the spectre of annexation for Virginia counties, it does attempt to minimize some of the worst aspects of annexation as it had existed in the past. However, cities and counties had peacefully co-existed for a decade prior to the passage of the legislation. Why was this complex package of laws necessary at all? A short review of some of the historical justification for annexation may offer some explanation.

One very early justification for annexation was the need of county residents for expanded governmental services. Originally only cities had authority under Virginia law to provide urban services such as public sewer and water, professional police and fire protection, and garbage collection. As the population of county territory adjoining cities became increasingly dense, the need for such municipal services in these areas increased. Originally the only means of providing such services to county territory was to give cities jurisdiction over such areas through annexation. As current Virginia law gives counties the authority to provide most services, it is arguable that the provision of services as justification for annexation should be of diminished importance. Nevertheless, it remains a prominent factor in the Michie legislation criteria and has been an important factor in actions of the Commission on Local Government and the three-judge panel.

Another frequently cited justification for annexation is that cities have an increasing need for tax revenues to maintain

an adequate level of services to their populations. Because a city's boundaries are finite and often tightly drawn a city's capacity for growth and the generation of new revenues as a result of that growth is limited. A major factor in the first annexation suit heard after the Michie legislation went into effect was that the annexing city had only 2,000 undeveloped acres remaining within its jurisdiction. If a city cannot generate new revenues through development its option for new revenues is to increase taxes. Such action may add to the incentives leading wealthier city residents to emigrate to the surrounding county, leaving the city with an increasingly poorer population. As a city's population becomes poorer it will likely require more governmental services but be less able to afford the taxes necessary to support such services. The solution to this downward spiral, it is argued, is to provide cities with more room to grow, or with an enlarged tax base, or both, through annexation. It is further argued that because counties generally have much more territory than cities, they can easily make up for the developed tax base lost through annexation by providing for growth elsewhere within their boundaries.

Counties respond that they should not be burdened to help cities maintain levels of services which the cities cannot afford, particularly if the county has not chosen to provide similar levels of service to its own residents. Counties argue that cities should solve their fiscal problems by reducing their expenditures for governmental services (and therefore the level of services provided) if they cannot increase their revenues.

In fact, annexation may lead to irrational county planning as counties seek to encourage commercial and industrial growth in rural parts of their jurisdiction far removed from the threat of

city annexation. Annexation also may foster pressure for new and rapid growth in the county to make up for revenues lost to the city, growth which may not always be in the best interests of the environment or quality of life experienced by both city and county residents. Finally, counties argue that annexation is simply not fair because under Virginia law the residents of areas to be annexed are given no voice in the matter.

It is not the purpose here to delve deeply into urban theory and the motivations and justifications for tax base capture. It is evident that the Michie legislation attempts to be responsive to the concerns of both cities and counties, but by ending the moratorium on annexation this legislation perpetuates the dominance of cities in intergovernmental relations at the local level. In any event, the Michie legislation ushered in a new era in the relations between Virginia cities and counties.

Laying the Foundation for Negotiations

The Decision to Negotiate

Actual annexation negotiations were initiated by the Charlottesville City Council. Council first approached the Board of Supervisors of Albemarle County on December 12, 1979. Members of City Council met with the Board in a brief executive session held during a regular Board meeting in the Board Room of the old County Office Building.

At this time the Michie legislation had just gone into effect, notwithstanding the efforts of the Board, through its Chairman, to convince the General Assembly to consider modifying the Michie proposal. In fact, at one point it appeared that a compromise had been worked out which would have been more favorable to the County's position, but this compromise ultimately failed to win approval. Prior to the City's visit the Chairman had also sounded out individual Board members on the issue of annexation, presumably so that he might begin to develop some strategy for dealing with an issue about which he had a very definite opinion and which would demand much time and effort by the Board.

Other persons were sounding out Board members at this time also. Tom Michie, author of the legislation, together with a former Vice-Chairman of the Board of Supervisors, met with at least several members of the Board individually to try to ascertain their feelings about future annexation negotiations and the new legislation. This pair also attempted to encourage Board

members to take a leadership role in setting a moderate tone in any future negotiations with the City and steering the Board away from litigation.

For several years prior to the December 12 meeting, it was apparent that annexation was not very far from the minds of Board members. In repeated small jokes and side-comments, members showed a genial animosity towards the City and a constant wariness in all of their dealings with the City. During this period the Board was also careful to consider how its actions might be viewed by some future annexation court.

There was no understanding or agreement between Board members at this time, either formal or informal, regarding a strategy toward the City. However, there was a unified front by Board members where the City was concerned which most likely arose out of a common appreciation of and concern for the County's position. The entire Board felt extremely disadvantaged and threatened by the possibility of annexation. This, coupled with bitter memories of the 1972 annexation attempt by the City, put the Board on the defensive. Despite this wariness, there was also a desire by the Board to avoid litigation over annexation should the moratorium on annexation be lifted.

Thus it was with mixed emotions and motivations that the Board met with City Council in that first meeting. The meeting was brief. Although Council had not informed the Board in advance of the topic which it wished to discuss it was a surprise to no one that Council wanted to discuss annexation. Council suggested three areas for consideration in any future negotiations: boundary adjustments (i.e., annexation of County land), increasing the number of public services offered jointly by City and County, and the "sharing" of revenues (i.e., County

payment to the City). Council suggested beginning a regular schedule of meetings to discuss these items.

It was apparent in both this initial meeting and in the meeting which followed on January 11, 1980, that City Council had no specific proposals to offer. It appeared that Council truly desired to approach the issue in a spirit of cooperation with the County. Council members portrayed annexation as a problem which they faced in common with the Board. Council attempted to create the impression that the Council and Board could all sit down together, with no agenda and no specific goals, and arrive at an amicable solution to the problem even before the annexation legislation was adopted.

The meeting confronted the County with the decision of whether or not to enter into talks with the City. The City's approach appeared so reasonable that it would have been difficult for the County to have refused the offer of talks without appearing to be unreasonable. The City had made no demands and suggested nothing in the least bit threatening to the County. Of course, the end of the annexation moratorium was threatening enough to the County and in itself provided considerable incentive to the County to talk. So it was not surprising that the County Board promptly accepted the offer of negotiations. The Board's feeling was vividly described by one Board member who likened the County's position to that of a person being asked to negotiate while a gun was held to his head. There is little doubt that the passage of the Michie legislation was the primary factor motivating the County to join in the talks.

Having agreed to negotiations, the County needed to decide who should represent it in future negotiations, and whether the negotiations should be held publicly or in executive session.

Selection of the Negotiating Team

The Board of Supervisors was mistrustful of consultants, and although two of its members were lawyers, this negative sentiment toward consultants was particularly strong with respect to lawyers who were consultants. Not only did the Board feel consultants were unnecessarily expensive, the Board resented the notion that an outside consultant could effectively handle negotiations as delicate and politically significant as those now being considered with the City. The Supervisors themselves wanted to retain total and direct control over the negotiations. However, it was obvious to the Board that any negotiations conducted by the full Board, or any more than two of its members, would be cumbersome. The Virginia Freedom of Information Act required that any more than two Board members meeting together to discuss County business constituted an official meeting which required all of the formality of a regular meeting of the Board. Furthermore, it seemed rather unlikely that six decidedly independent and spirited politicians could pursue a common and consistent strategy in negotiations for very long. These factors contributed to the Board's decision to appoint a two-member negotiating team. But, which two?

The Board was made up at this time of what appeared to be two factions: four members, although willing to concede nothing to the City in the matter of annexation, were hopeful that litigation could be avoided and were willing to act and speak moderately to accomplish that end. The two remaining Board members were much more outspoken and unyielding both publicly and privately in their opposition to annexation.

One of the more outspoken members had been through the 1972

annexation attempt by the City and was probably the most mistrustful of the City's motives of all of the Board's members. He had repeatedly taken a very tough and adamant approach toward the possibility of annexation and negotiations. However, although this Board member was in the minority in his attitude toward negotiations, his experience and ability to think and act strategically made him the shrewdest and most effective potential negotiator the County had.

The other Board member most outspoken against the City represented a district which had experienced the highest rate of commercial and residential development of all of the County's six magisterial districts. These characteristics made this district the most likely target of City annexation attempts. Fairness dictated that the Supervisor representing this district be given serious consideration as a possible member of the negotiating team.

The remaining four Board members felt strongly that they did not want to take any actions which would precipitate litigation and therefore wanted negotiations to be handled in a reasonable manner most likely to avoid litigation. While none of these members ever publicly, or privately, took a position tantamount to "peace at any price," they were all willing to make some concessions if necessary to arrive at a peaceful settlement with the City.

Although the majority of the Board did not agree with the approach of the two most outspoken Board members, excluding them from active participation in the negotiations would have been impossible regardless of who made up the team. Furthermore, for the other reasons noted, these two were the most logical choices.

While the Board was willing to name these two members to the negotiating team, it was not willing to give them carte blanche in conducting the negotiations. Although these two outspoken Board members strongly urged that they be given broad discretion in conducting the negotiations, the Board decided that they would serve as "spokesmen" for the Board, rather than as independent negotiators. The condition of their appointment as negotiators would be that they could make a proposal only after the terms of that proposal had been agreed upon by a majority of the full Board. They could explain proposals and they could query the City's negotiating team about it's proposals, but responses beyond this limited scope were to be discussed and agreed upon by the Board as a whole.

In practice very few things work exactly as they are intended to and this was true of the relationship of the Board and its negotiating team. Nevertheless the negotiating team did, for the most part, adhere to the rules which the Board had laid down. This was due, in part, to the fact that the negotiating team knew that any proposed settlement would require approval of the whole Board. Furthermore, nearly all of the negotiating sessions were attended by three of the other four Supervisors.

The Decision to Keep Negotiations Public

Once the negotiating team was selected, the question of whether negotiations should be conducted in public or private had to be addressed. City Council was strongly in favor of private meetings of the negotiating teams and urged the Board to agree to this.

Also actively advocating private meetings was a group of local citizens who had formed themselves into a committee which

sought to influence the course of the negotiations and which did play a significant role in the subsequent campaign for the adoption of the resulting agreement in the County. The committee, was known as the "5-Cs" Committee (Citizens Committee for City-County Cooperation) and was composed of prominent citizens from both the City and County. The committee was formed to encourage cooperation between the City and County, and specifically to attempt to influence local officials to avoid annexation litigation. It is difficult to assess the extent of actual influence the committee's efforts had on either the City or County during negotiations. The committee's technique was for several of its members to meet with the individual local officials involved in the negotiating process in an effort to encourage them to work toward helping achieve one or another of the committee's goals.

With respect to the conduct of negotiations, the 5-Cs Committee argued that more progress would be made in private meetings in which the negotiators did not need to fear that every statement would be broadcast to the public, possibly to be used against them later. It was argued that negotiators would be more flexible and therefore better able to direct a resolution of the annexation issue if their comments remained strictly off the record.

Although some County Board members agreed with the arguments of the 5-Cs, several others argued that their longstanding and public commitment to "open" government was inconsistent with the concept of private negotiations. They argued that annexation was one of the most significant issues likely to affect the citizens of the two localities and if the principles of open government

should ever be applied, they should be applied to these negotiations.

Furthermore, Board members recalled the 1970 City and County negotiations regarding merger of the two jurisdictions. These negotiations has been conducted in private. When the result of the negotiations was finally presented to the public for approval, it was overwhelmingly rejected. Some Board members believed that the public's rejection of the merger proposal was due in part to the public's mistrust of the private meetings which lead to the proposal.

Finally, public negotiations would, quite simply, be an important local event upon which an unusual amount of media attention would be focused. The allure of the public spotlight undoubtedly contributed to the Board's decision to insist that the negotiations be conducted in public.

A total of nine negotiating sessions were held in public. During those nine sessions a good deal of unproductive verbal sparring and public posturing took place, as had been predicted. Under the increasing pressure of time and a perceived lack of progress, Council and the Board finally agreed on September 15, 1981, to conduct negotiations in private meetings, pursuant to a provision of the Virginia Freedom of Information Act which exempted annexation negotiations from the requirements of public disclosure.

Public Negotiations[1]

February 11, 1980--The Negotiations Begin

The newly constituted negotiating teams for the City and County met for the first time on February 11, 1980. Gerald Fisher and Anthony Iachetta represented the County and Lawrence Brunton and Thomas Albro represented the City. The two teams met in the Courtroom of the Regional Juvenile and Domestic Relations Court, the only neutral ground which the two sides could find. The meeting was also attended by most other members of the Board of Supervisors and City Council--a pattern which was to continue throughout both the public and private phases of the negotiations.

The County Board members present were anticipating a formal proposal by the City calling upon the County to voluntarily transfer some territory to the City as the price of annexation immunity for some period of time. To the considerable surprise of the Supervisors, City Council had no such proposal. In fact, the City negotiators had no proposal at all and continued to urge the wide-ranging and unstructured discussion suggested in the December 12 meeting.

The only real results of this meeting were an agreement that negotiations would be without limitation as to subject matter or scope, and that there would be no commitment as to result except that both parties would agree to negotiate in good faith.

March 17, 1980--The County Demands a Proposal

At the March meeting the Board of Supervisors formally requested City Council to present a complete written proposal for discussion. The then City Mayor, Lawrence Brunton, was a sincere and kindly man who could be easily believed to have nothing but the best interests of both City and County at heart in opening these "friendly discussions", as he characterized them. Nevertheless, the Board was very aware of the potential strength of the City's position if the impending annexation legislation were adopted. Furthermore, most Board members believed that the City Manager, a man perceived to be influential with Council and a determined and astute advocate of the City's position, had less benign intentions with respect to the negotiations than did the Mayor. Therefore, while Board members approached initial discussions with the City with a sincere desire to seek a solution to the annexation "problem," none of the Board members were willing to negotiate in a completely unstructured setting with no formal statement of the City's goals having been made. The Board feared that to negotiate without a formal proposal on the table could lead the Board to unnecessarily reveal weaknesses and offer concessions.

The Board was also aware of the importance of appearing cooperative with the City in the negotiations. The draft of the Michie legislation contained provisions which penalized any jurisdiction which refused to enter into and continue "good faith negotiations" regarding annexation. Nevertheless, the County did feel safe in insisting that, as the City had initiated the discussions, the City be specific about what it wanted to discuss.

For these reasons, the Board demanded that the City make a formal proposal before the Board would agree to further discussions. The City requested time to respond to the County's demand.

April 24, 1980--The City Requests Time to Make a Proposal

After more than a month's delay, City Council agreed to make a proposal. Council requested that negotiations be suspended while such a proposal was formulated. The City indicated that its proposal would be available by August.

November 18, 1980--The City Makes Its First Proposal

The negotiating teams met in City Council Chambers to receive the City's first formal proposal, nearly a year after the City first initiated the talks with the County. The City had requested an extension of time to make this proposal from the August date first requested, to September, then again to October, and finally on November 18, 1980 the City's proposal was unveiled.

Why this delay? At some point in this early stage of negotiations, the City hired the consulting firm of Harland-Bartholomew, experts in annexation matters. It is likely that the consultants had been overly optimistic in estimating the amount of time required to assimilate information necessary to make a proposal to the County. The City (or consultants) also may have decided to gather as much information about the County as possible in the event that litigation over annexation became necessary. Certainly gathering information under cover of

preparing a County-requested proposal for negotiations would be easier than waiting until a suit was pending.

The proposal called for the City and County to proceed to immediately create a "Consolidation Study Commission." This Commission was to provide a "long-term" solution to the problem of City needs and to resolve the annexation conflict. As a short-term solution to the City's financial needs, the City offered the County two alternatives: (1) the voluntary transfer to the City of approximately eleven square miles of the County's urban area immediately adjacent to the City, or (2) a pooling and redistribution of sales tax revenues generated in the City and from an urbanized thirty-two square mile portion of the County adjacent to the City. The City estimated that this pooling and redistribution would result in a transfer of $789,000 from County to City in the first year. This second option also required that a joint City and County planning commission be established, that the County agree to a jointly planned and enforceable program for increasing public housing and housing assistance programs in the County, and that the County increase its support for public transportation. In exchange for the County's agreement to either (1) or (2) above, the City would grant the County twenty years of immunity from annexation.

Asking only a few questions for clarification, the County's negotiating team made no comment on the proposal. Subsequently, the Board met on several occasions in executive session to discuss the proposal. All of the Board members reacted negatively to the joint planning, housing, and transportation proposals, rejecting in principal the notion of City control over such County service prerogatives. Board members expressed anger and resentment at the "arrogance" of the City in proposing a plan

whereby City officials would participate in deciding what services County citizens needed.

Board members also reacted negatively to the transfer of nearly eleven square miles of the County's most valuable commercial land. In making this proposal the City had emphasized that it was trying to draw the proposed annexation boundary in such a manner as to avoid the transfer of County citizens to the City against their will. In fact, the County Board saw the proposed boundary line as having been deliberately drawn to include that land in the County producing the greatest net tax revenues.

County Board members also found it particularly objectionable that the eleven-square-mile area sought by the City included the recently constructed Fashion Square Mall. Board members believed that the developer of this project, Leonard L. Farber, had decided to locate in the County only after having been discouraged from locating in the City by restrictive planning requirements and the ambivalence of City Council. The County had absorbed the costs of planning and public controversy over the location of the Mall and Council was now trying to capture the benefits, or so it appeared to the Supervisors.

These attitudes were held by every County Supervisor to one degree or another. The most moderate position with respect to the City's requests was expressed by one Board member who argued that the County should attempt to assess objectively the City's real financial needs before rejecting its proposals. It was clear, he argued, that commercial development had shifted from the City to the County in recent years, taking with it substantial sales and real estate tax revenues. Furthermore, the University of Virginia (which is exempt from local taxation) had,

by acquiring prime commercial property in the City, been taking more and more of the City's valuable tax base from City tax roles. This Board member also argued that the City might be providing services to a higher proportion of the poor and elderly population of the region than the County, which was a benefit to the County. All of these things, it was argued, might justify the County in seriously considering and assessing the City's request for financial aid. Eventually the Board agreed to undertake such an assessment before responding to the City's proposal. In addition to responding to the altruistic arguments which had been made, undertaking an assessment of City needs offered the County the same opportunity to study the City which the City had had to study the County in preparing its proposal. The proposed needs assessment also bought the County time. The City's pleas of hardship gave the County all of the justification it needed to take time to analyze for itself the extent of that hardship.

There were also several members of the Board who favored the City's proposal for creation of a consolidation study commission. Consolidation of the City and County into one government was a popular idea with several citizens groups, particularly the League of Women Voters. Many citizens who had in the past supported the environmental and planning measures adopted by the Board, were also in favor of consolidation. It was natural for Board members who had been advocates of the environmental and planning measures to be susceptible to the influence of their old allies on this new issue of consolidation. Furthermore, the "5-C's" Committee seemed generally inclined toward consolidation as an alternative to annexation litigation. Two Board members were

also members of the "5-C's", and appeared to have been influenced in their view of consolidation by other "5-C's" members.

Not all of the Board members who had been supporters of environmental and planning legislation were receptive to the idea of consolidation, however. These Board members feared that the change in the political base which would result from consolidation might, in the long run, result in a reversal of many of the environmental and planning measures which they had been instrumental in developing.

In addition to concern over the ultimate consequences of consolidation itself, some Board members were skeptical that a commission established to study the feasibility of consolidation would really limit itself to the study of feasibility alone. The Board had previous experience with a committee of citizens jointly appointed by the City and County to study "City/County Cooperation." Several Board members felt that that committee had gone beyond the scope of inquiry with which it was charged. Furthermore, it was felt that members of the "City/County Cooperation" committee had displayed a determination approaching arrogance in pursuing matters beyond the committee's charge which could have publicly embarrassed the Board and restricted the Board's flexibility in negotiating with the City. A consolidation study commission such as that now proposed by the City might be predisposed toward consolidation which would bias its investigation of feasibility and result in a recommendation which the County would be hard put to reject without suffering disadvantage in any subsequent litigation over annexation. Thus, out of skepticism about consolidation and fear of being put in an awkward position by the possible recommendations of the proposed commission, the Board decided it could not agree to the

establishment of a Consolidation Study Commission until the Board had determined for itself that consolidation made sense.

On December 18, the day before the next negotiation session, Board members met for the first time with Robert Fitzgerald, the attorney hired to advise them in the negotiations and any possible litigation which might subsequently ensue. Board members made clear to Fitzgerald their desire to maintain complete control of their side of the negotiations with the City. The Board did not want Fitzgerald to take an active role in the negotiations, but to serve in a limited advisory capacity only.

The restrictions placed by the Board upon Fitzgerald's role as an advisor to the Board is another example of the Board's determination to retain total control over its side of the negotiations. The first such example was the Board's refusal to delegate independent authority to its own negotiating team. The second was the Board's unwillingness to join with the City in establishing the Consolidation Study Commission.

Much of the Board's unwillingness to delegate its authority was simply due to the personalities of the Board members, none of whom felt any lack of confidence in their ability to deal with the complex issues which were the subject of the negotiations and all of whom felt keenly about the outcome. There were at least two other reasons, however. One was a feeling by Board members that each had been elected to actively represent the citizens of the County and that no one else had that responsibility or would have the same insight which came with that responsibility. Secondly, Board members very much feared letting the negotiations get out of control. The majority of the Board shared a commitment to avoid litigation if at all possible and wanted to exert sufficient control over the course of negotiations to

prevent an inexorable hardening of positions which might unnecessarily result in a court battle. This latter reason not only inspired the restrictions placed on the Board's negotiating team, it had a lot to do with the limited role given to the Board's annexation legal consultant, Robert Fitzgerald.

An agenda had been provided for the Board's initial meeting with Fitzgerald and after Board members had established the ground rules of their relationship with Fitzgerald, they proceeded through the agenda. Discussion focussed upon a number of topics: the nature of state-enabling legislation pertaining to consolidation; what the Michie legislation offered in the way of additional options; the kind of information which would be required to assess the City's proposal as well as to prepare for litigation should that become necessary; and expected legal and accounting fees.

One of the most important and influential contributions made by Fitzgerald that afternoon was his assessment of consolidation. It was, he felt, something which needed to be seriously considered. However, he said, as the combined population of the consolidated jurisdictions approached 100,000, the economies of scale resulting from consolidation might be lost, particularly where the jurisdictions involved were already sharing in the provision of major public services. Fitzgerald asserted that a thorough economic analysis should be made in order to accurately assess whether consolidation would result in higher or lower governmental costs and an increase or decrease in the quality of services offered. Because the combined populations of Charlottesville and Albemarle were then very nearly 100,000 and because many services such as the provision of water and sewage treatment, health services, and library facilities were already

jointly provided, Fitzgerald's comments regarding consolidation strengthened the Board's skepticism about the value of such a solution to the problem.

December 19, 1980--The City and County Skirmish Over What to Study First

At the December 19 meeting, the County negotiators announced that the County was willing to discuss consolidation with the City. However, the County requested ninety days to conduct an internal assessment of consolidation before it would agree to establish a Consolidation Study Commission. This was consistent with the Board's private discussions on the topic of consolidation. During the consideration of consolidation, the County's representatives stated that the Board would be unable to discuss the City's other proposals of annexation or revenue sharing.

The City's team wanted to know why the County was not willing to study consolidation and one or the other of the City's "interim" proposals simultaneously. County negotiators responded that the County did not have sufficient staff or time to undertake the two studies simultaneously, particularly at a time when work was beginning on the 1981-82 County budget.

Another reason for the County's refusal to simultaneously negotiate both proposals was the Board's concern that it might be whip-sawed between the dual propositions of consolidation and annexation/revenue sharing. Furthermore, the County had no real incentive to rush through the negotiating process. Board members believed that the process of negotiating was likely to be considerably less expensive than the implementation of either a voluntary annexation or a revenue-sharing proposal.

Finally, it appeared that the City was favorably inclined toward consolidation. If this were true Board members believed that as long as consolidation remained a possibility, the City would be unlikely to take so hard a line in negotiations as to kill the possibility of consolidation.

The County's position forced the City either to agree to a considerable delay in consideration of the annexation and revenue-sharing proposals (from which the City was most likely to derive immediate financial benefit) while consolidation was studied, or to give up the strategic and moral high ground of its consolidation proposal. After a great deal of verbal sparring, and without ever directly conceding the point, the City acquiesced in the study of its annexation and revenue sharing proposals, doing its best to make it appear that the County was refusing to study consolidation.

January 20, 1981--The City Persists

At this meeting the City presented some of the data which had been requested by the Board so that the County could begin to assess the City's proposals for annexation and revenue sharing.

The City's negotiators once again stated their preference for the simultaneous study of their consolidation and annexation and revenue-sharing proposals. The City's negotiators explained that although the City truly felt consolidation to be the best answer for both jurisdictions and should therefore be studied, the City's needs for cash also required immediate study of the annexation and revenue sharing proposals.

Further emphasizing how important they felt this point was, the City's negotiators followed up this meeting with a letter reiterating their position that they could not suspend

negotiation of an interim solution to the City's needs pending discussion of the long-term solution of consolidation. The County never responded to this letter, which Board members considered purely self-serving.

February 25, 1981--The County Formally Responds to the City's Proposals

At the end of February, almost fifteen months after the City first initiated discussions with the County, the County formally responded to the City's proposals.

The County negotiating team felt that the City's demand for a consolidation commission remained unresolved so they began by discussing the consolidation proposal. The County had reviewed the enabling legislation found in the Code of Virginia pertaining to consolidation. According to the County's interpretation of the Code, it required that the governing bodies of the jurisdictions involved first decide to consolidate. After this decision had been made an independent commission could be created to study the implementation of the decision. The County felt that it would be contrary to law to establish the commission before the two jurisdictions actually had agreed to consolidate.

The County team again offered to study consolidation, but insisted once again that the Board first be given an opportunity to conduct an internal study of the proposition before creation of an independent Commission. The County's negotiators also insisted that the County not be expected to study consolidation simultaneously with the City's other proposals.

In responding to the County's position, the City team pointed out that one of the County's negotiators had been making appearances before the General Assembly attempting to alter the still pending Michie annexation package to make it more favorable

to counties. This, argued the City's negotiators, emphasized the uncertainty of the legislation. Due to this uncertainty and the City's pressing financial needs, the City repeated that it would not postpone negotiations of the annexation and revenue-sharing proposals while the County undertook a study of consolidation. With each side trying to make the other appear responsible for the move, further consideration of consolidation was put on the back-burner.[2]

After brief discussion of the County's statement, the City announced that it would give the County four and one-half months, until July 15, to come up with a specific counter-offer. This ultimatum was met with a great deal of hostility by County negotiators who called the City's request "extremely presumptuous" and who recited in detail the often postponed delivery by the City of its own first proposal.

The meeting, probably the most hostile of all of the negotiating sessions, public or private, ended with the following statement by one of the County negotiators:

> We have told you that our budget priority is to study consolidation. You have reacted. You do not like that. I want to know what you want us to do. In writing. Thank you.

On March 3, 1981, the City complied with the County's request in a letter from Mayor Frank Buck. The letter took full advantage of the opportunity to have the last word on the ill-fated consolidation study and reiterated:

> We urge you to take our revenue-sharing, joint-service, and boundary proposals seriously and to give us your agreement or a reasonable counter-proposal by July 15, 1981.

July 9, 1981--The County Makes Its Proposal and Considers Alternatives to Negotiations

The County's own consultant's studies complete, and numerous closed-door strategy sessions having been held by the County Board, the Board made its formal counter-proposal to the City on July 9, 1981. The complex counter-proposal, really a series of separate proposals, represented a change in attitude by several members of the Board. Although these Board members had been initially sympathetic to the City's financial plight, their perceptions had been changed by the results of a County consultant's study of the City's needs.

The County had hired (in addition to Robert Fitzgerald as legal counsel) the accounting firm of Robinson, Farmer & Cox as financial consultants specializing in public finance and annexation matters. The results of their studies of City government operations succeeded in convincing the Board that whatever financial plight the City had was primarily due to the kinds of choices the City had voluntarily made about the nature of its services and the kind of compensation it was willing to pay its employees for providing those services. Board members professed shock at the degree to which City salaries exceeded those offered by the County.

The results of the consultant's studies clearly changed the motivations of some Board members in formulating the County's counter-proposal to the City. Initially the Board had gone along with the City's request for negotiations because members believed that they had no choice and that refusal to negotiate might later be held against them under the Michie legislation. Once the City had made its proposal, arguing financial hardship as a justification, some Board members were willing to structure a

counter-proposal on the premise that the City really was in need of financial assistance. Such non-defensive non-strategic motivations were supplanted by purely defensive and strategic motivations after the consultants made their report. After receipt of the consultant's report, County Board members had one unanimous goal in structuring the County's counter-proposal. The goal was to keep the City talking without giving away too much. Thus the counter-proposal had to be strong enough to be taken seriously, but not so good as to be acceptable.

In spite of its rejection of the City's plea of financial need as a result of the consultant's studies, the Board did recognize that the City faced a shortage of raw land for development. Accordingly, the Board set about trying to locate land adjacent to the City which could be offered as part of a counter-proposal. Some sentiment was expressed by one Board member for giving the City the area along U.S. 250, east of the City of Charlottesville, known as "Pantops Mountain." This suggestion was quickly squelched by the other members of the Board, who felt that the area was too valuable to the County.

In addition to the Board's desire to limit any land transfer to essentially undeveloped land, there was a desire to avoid a transfer of any land containing significant concentrations of population. Not only was it unlikely that the City would be interested in land which might cost more to service than it would generate in revenues, no Supervisor wanted to publicly take the position of sacrificing his or her constituents to the City.

After much discussion an area of approximately two square miles south of the City was decided upon. It was largely undeveloped and unpopulated. Yet it had easy access to Interstate 64 and public utilities could be easily provided. The

City, of course, was later to point out the faults of this property, which were not insignificant.

In addition to the transfer of land, the County proposed a three-part financial package. The first part of the package was simply to agree to transfer to the City the County's share of what were known as House Bill 599 funds. These were additional funds made available to counties under Michie's annexation package and amounted to several hundred thousand dollars.

The second part of the financial package consisted of, in effect, an additional land transfer. The County proposed transferring the territory containing the main grounds of the University of Virginia to the City's jurisdiction. The effect of this transfer would be to shift to the City much of the University's student population. These students were considered County residents by the State. Because these students had little earned income, by including them in its population base, the City's per capita income would decline (statistically speaking, anyway) which would entitle the City to receive significantly more State aid for education. The anticipated increase from this transfer was estimated by the County to an additional several hundred thousand dollars.

The third part of the "financial package" offered to the City was the County's version of the sales-tax-sharing proposal first made by the City in its November, 1980 proposal. Under the County's proposal all sales tax revenues generated anywhere in the City or the County would be pooled and redistributed to the City and County on a per capita basis without regard to whether the taxes thus pooled originated in the City or the County. Although the County acknowledged that this would initially result in a reduction in sales tax revenues for the City, it made the

City a participant in all future sales tax increases resulting from commercial development in the County.

The total package, the County believed, would immediately generate for the City estimated additional revenues of $600,000 annually, not counting the revenues from the two square miles of developable land also proposed to be transferred. Because the City's revenue-sharing option, which was part of its initial proposal, was represented by the City as generating an additional $789,000 in annual revenues to the City, the County felt that its proposal was a reasonable first step.

The meeting ended with a few polite questions from the City team and a request to see the County's data, to which the County readily agreed.

The Effect of the Harrisonburg/Rockingham Annexation Decision

In spite of the County's arguments that its proposal was reasonable, and in spite of the apparently minor gap between the City and County proposals of only $189,000, the County feared that its proposal might be so far from what the City was looking for that the City would immediately reject the proposal and file suit for annexation.

If it appeared that the City was about to file suit, the County was prepared, as a last resort, to call upon the Commission on Local Government, created under the Michie legislation, to mediate between the City and County. Under the legislation such mediation, when requested by either party to a negotiation, became mandatory and could continue as long as both sides negotiated in good faith. Refusal to negotiate in good faith would be counted against the offending side in any subsequent annexation litigation. Such an option was only a last resort, however, because once the Commission was called in, both the City and the County would have found themselves with far less flexibility in the negotiations. An additional reason for the County's reluctance to call for formal mediation was County Board members' mistrust of anyone but themselves.

Nevertheless, the County felt that if it appeared that the City was about to break off negotiations, the County would have nothing to lose by calling for Commission mediation as the Commission was required by the provisions of the Michie legislation to review any annexation suit anyway. If litigation

proceeded, the matter would be taken completely out of local hands and placed in the hands of the three-judge panel established by the new annexation law. Of course, the new legislation was purportedly designed to give counties a fairer shake than they had received under the old laws prior to the 1972 moratorium. But this law was completely untried so the Board was very reluctant to take a chance in court or with the Commission.

The Board's skepticism regarding the likely consequences of the new annexation law for counties seemed confirmed by the first report of the Commission on Local Government published February 20, 1981. This report was a statement of the Commission's official findings regarding the annexation suit filed against Rockingham County by the City of Harrisonburg in May of 1975. The Harrisonburg annexation suit had been suspended as a result of the moratorium imposed upon annexation proceedings by the General Assembly in its 1975 session. Under the Michie legislation either locality could request that the three-judge panel refer the case to the Commission on Local Government for review prior to the formal determination of the matter by the Court itself. This motion was made by Rockingham County in the summer of 1980.

As the first annexation case to be referred to the Commission on Local Government, the Harrisonburg/Rockingham case was watched very carefully by all of the State's localities subject to annexation, and Albemarle was acutely aware of the importance of the Commission's proceedings.

The Commission's report on Harrisonburg/Rockingham was a shock to the County Board. The Commission's recommendation appeared to give the City of Harrisonburg much of what it had asked for, despite the report's finding that the City of

Harrisonburg was one of the most financially sound cities in the Commonwealth. Harrisonburg had requested a land transfer of 14.14 square miles of Rockingham County. The report recommended a transfer of nearly all of this territory--an area comprising over 14 percent of the County's total taxable property value and generating more than 60 percent of its sales tax revenues.

The report acknowledged that although the annexation of Rockingham land would be a severe blow to that County's tax base, Rockingham had much room for expansion and, in time, it could recover. Members of Albemarle's Board of Supervisors viewed the report as a clear indication of the Commission's preference of cities over counties, a preference which the Michie legislation was believed to have eliminated. The Board also saw the Commission as forcing the Rockingham County Board to actively seek and promote growth and development in Rockingham. The active promotion of growth and development by local government had been highly controversial in Albemarle County and was unpopular with at least half of Albemarle's Board members.

Although the three-judge panel had not rendered its decision at the time of the July 9, 1981 negotiating session, its opinion was handed down shortly thereafter on July 16, 1981. That decision essentially confirmed the Commission's report. The Board's worst fears of the Michie legislation were substantiated by these two decisions.

The outcome of the Harrisonburg/Rockingham dispute had a very sobering effect upon those members of the County staff who were actively working with the Board, as well as upon the Board itself. Much anger and frustration resulted from these surprisingly harsh decisions. Nevertheless, these decisions

resulted in an increased willingness to seek a negotiated settlement with the City by five of the Board's six members.

The decisions rendered in the Harrisonburg/Rockingham dispute not only encouraged the Board to seriously seek a settlement with Charlottesville, they also provided a basis for urging County voters to approve the settlement in the subsequent referendum. Opponents of the proposed settlement urged voters to ignore these decisions, suggesting that the Virginia Supreme Court would, in deciding the appeal of these decisions, reverse them and give the County a much stronger bargaining position. This, however, was not ultimately to be, for the Supreme Court sustained the decision of the three-judge panel and upheld the Harrisonburg annexation in a decision not rendered until well after the final revenue-sharing agreement had been approved by County citizens.

September 15, 1981--The County Consents to Conduct Future Negotiations Privately

The City's formal response to the County's proposal occurred at a meeting of the negotiating teams held in City Hall on September 15, 1981. One of the City's negotiators began by defending the City's initial proposal which had been rejected by the County. The City, he said, had a greater financial burden in providing governmental service to the urban areas of the region because urban services were more costly. He defended the salaries paid City employees which the County's studies had shown to be substantially higher than salaries for County employees, saying that the City salaries were comparable to salaries for other local governments of a similar size in Virginia.

While the City was favorable to the transfer of the University of Virginia grounds, it was critical of the other land proposed to be transferred to it, its team pointing out that it was not "in the path of development," that it was too steep for development under City ordinances, and that much of it was in a flood plain. The City also attacked the County proposal for the pooling and sharing of the sales tax revenues saying that it would result in a situation even more inequitable than the current distribution of such revenues. The City's response amounted to a flat rejection of the County's proposal.

The City negotiator then, with a tone of futility in his voice, once again reiterated the merits of the City's initial proposal. He repeated the City's disappointment at the County's failure to respond to the proposal for consolidation, again stating again that a consolidated government remained the best solution to the area's problems.

The City team then stated the City's desire to move ahead with negotiations on a more frequent--perhaps weekly--basis. City negotiators expressed disappointment at the slow pace of the negotiations and stated their feeling that the process was at fault. With a thinly-veiled threat of litigation if progress was not promptly made in the negotiations, the City team urged that any further discussion be done in private meetings. At this point the County team requested a separate room so that it could meet in executive session with the other County Board members present to discuss the request that negotiations be conducted privately.[3]

The Supervisors emerged from their room having unanimously agreed to private negotiations.[4] The press and public were

dismissed from the City's basement conference room, the door was closed. When the meeting reconvened the County team stated the conditions of the Board's agreement to meet privately: the meetings would be open to all members of the City Council and the Board of Supervisors, but only members of the negotiating teams could speak; no tape recordings or official notes of the meeting could be taken; if any information regarding the meetings found its way into the press the private sessions would be terminated immediately.

These conditions were designed to minimize the possibility that critical bits of information would be leaked by one side or the other to the media for the purpose of gaining some advantage in the negotiations. Furthermore, if the individual negotiators were to be able to fully explore a wide range of possible solutions without the risk of public censure, they had to be assured of absolute secrecy.

At the end of this first session of private negotiations, the County urged the City to consider a purely financial settlement with no land annexation.

September 28, 1981--The Private Negotiations Begin and the City Agrees to Fundamental Change in the Direction of Negotiations

The first completely private meeting of the negotiating teams occurred in the basement conference room of City Hall. The windows of the room had been taped over to insure the privacy of the proceedings after reporters had been found peeking through the windows during the previous session.

The City opened the meeting by agreeing to the County's request made at the previous meeting that the negotiations concentrate upon a purely financial settlement[5] involving no

annexation of County land, although the City stated that it would prefer a land transfer. This was a significant concession. From the viewpoint of the City, control of additional land area offered complete independence from the County once the transfer was made whereas a financial settlement would require annual payments so that the financial status of the City would be dependent each year of the agreement upon the County's good faith. In retrospect, the willingness of the City to forego annexation for a purely financial (now referred to as "revenue sharing") settlement may have had greater consequences for the future of the City and County, and for the success of the negotiations, than any other single action. The character of both the City and County would have likely been dramatically changed over the life of the subsequent agreement had the City insisted upon annexation as the only basis for settlement.

If there was surprise by County officials at this significant concession by the City, none was expressed officially or otherwise. The moment passed virtually unremarked.

Most of the time spent at this meeting was devoted to a written analysis of the County's July 9 proposal which had been prepared by the City. In urging County officials to review the City's analysis, the City negotiators seemed to be asking the County to agree with them that the proposal was unreasonable. In any event, the City had put some effort into making an official written record of its objections to the County's proposal. In addition, the City requested that Pen Park, which was owned and operated by the City, be annexed to the City. The City also requested that the University of Virginia grounds be annexed so that the City might have a stronger hand in its dealings with the University.

The County agreed to review the City's analysis and it also agreed to study the City's request for the transfer of the park and of the University of Virginia grounds.

October 15, 1981--Presentation of the Revenue-Sharing Formula to the City

Once it was agreed to create a purely financial settlement the issue remaining for the Supervisors was how much money the County should agree to transfer and how to build rationality into that determination. Various schemes involving differing formulas for the sharing of sales tax or property tax from designated areas of the County were tried and discarded. Not until one Board member suggested an ingenious formula which balanced various factors was the Board ready to proceed with the negotiations.

The beauty of the solution lay in the fact that it cloaked the very unpalatable reality that the County was going to be paying the City a lot of money in the seemingly neutral and scientific garb of a statistically-based formula. The formula was designed to be responsive to two major arguments, one the City's, the other the County's. The City's argument was that its need for additional revenues was demonstrated by the fact that its tax rate was significantly higher than that of the County, thus demonstrating a greater tax effort on its part. The County argued in response that it had a significantly greater population, and that its population growth rate was significantly higher than the City's, therefore its present and future revenue needs were greater and would become more so with the passage of time.

The proposal responded to these concerns by creating a "revenue-sharing pool" made up of a fixed percentage contribution

from each jurisdiction's real estate tax base and then redistributing the pool according to a ratio which incorporated both the relative City and County tax rates and the size of their respective populations.[6] The one aspect of the solution which guaranteed that the end result of the allocation of the fund would significantly favor the City was that the County's tax base was so much bigger than that of the City, it was a virtual certainty that the County's contribution to the revenue-sharing pool would always be significantly more than the amount allocated back to it through operation of the formula.

The proposal was a stroke of political genius--and it worked. The Supervisors, with the exception of the one Board member who consistently refused to have anything to do with a purely financial settlement, unanimously acclaimed the proposal.

The author of the formula for "revenue sharing" presented it to the City negotiating team at the October 15th meeting. In his proposal he based the contribution required to create the revenue-sharing pool upon an initial contribution from each jurisdiction equal to one-tenth of one percent of each jurisdiction's tax base. This was equivalent to ten cents of each jurisdiction's real estate tax rate.

The County also stated to the City team its unwillingness to further consider any land transfer to the City, except for Pen Park which contained no population whatever.

With the exception of a few technical questions regarding the operation of the revenue-sharing formula, the City team was quietly thoughtful and obviously intrigued. Both sides departed with some hope that a settlement might be close at hand.

October 30, 1981--Incremental Negotiations

The negotiating teams met again on October 30. The City expressed acceptance "in principal" of the revenue-sharing proposal, but wanted to see how the formula would operate using current tax rates and population statistics for the City and County. The City also requested that the population of the University of Virginia be included in the City's population for purposes of computing redistribution of the joint fund under the proposed revenue-sharing formula. The City went even further by offering to reduce its demand for compensation if the County would agree to let the City annex the University. Finally, the City proposed that the initial contribution from the City and County to create the joint fund be the equivalent of fifty cents of each jurisdiction's rate, rather than ten cents as included in the initial presentation of the revenue-sharing formula. The County team agreed to consider these points and discuss them with the full Board.

The full Board, predictably, objected to the City's proposal of an initial contribution to the joint fund equal to fifty cents of each jurisdiction's tax rate. It was calculated that such a contribution to the initial fund, when redistributed according to the revenue-sharing formula, would have resulted in an initial payment to the City of nearly $2 million and exceeded by $1,211,000 the gain to the City proposed in the City's very first proposal made in November of 1980. This was far more than the Board would agree to. The Board refused to alter its previously stated opposition to the transfer of land, including transfer of the University grounds. The Board also objected to manipulation

of the revenue-sharing formula by treating the University's student population as apart of the City.

November 13, 1981

On November 13, 1981, the County negotiators, pursuant to the Board's decision, formally rejected the proposal for annexation of the University grounds as well as the proposal that the University's population be included as part of the City populations for purposes of calculating allocations under the revenue-sharing formula. The County also rejected the City's proposal for a fifty cent contribution to the joint fund and countered with an offer to contribute twenty cents.

No agreement was reached at this meeting on anything except that the City and County staffs should meet to review the formula using current tax rates and population statistics. The negotiators also agreed that the so-called "true tax rate" developed annually by the State would be used in calculating that part of the revenue-sharing formula which depended upon the relative tax rates of the City and County. The use of the "true tax rate" would eliminate the possibility that either jurisdiction would manipulate its assessment process so as to gain advantage under the formula.

November 19, 1981

The staff's evaluation of the effects of the revenue-sharing formula was reviewed at this meeting. One member of the City's team pointed out that the City had calculated that the proposal made by the City at the very beginning of the negotiating process had been projected to realize for the City $30 million in additional revenues over the first 10 years of the agreement, whereas the revenue-sharing formula proposed by the County, even

funded at the rate of fifty cents of each jurisdiction's real estate tax rate, as initially suggested by the City, would only bring in $28 million over the same time period. Nevertheless, Council was willing to reduce its initial proposal regarding the amount of the contribution to the revenue-sharing pool to forty-five cents. The County team's response to this compromise offer was indignant sputtering.

December 4, 1981

After having discussed strategy privately with the full Board, the County team, with a great show of reluctance, increased the amount of its initial proposal for contribution to the revenue-sharing pool to twenty-five cents of each jurisdiction's real estate tax rate.

Hoping to break this frustrating pattern of incremental negotiations, the City team then countered with a proposal that the contribution to the joint fund be based upon an escalating schedule or "stair-step" approach. Under this proposal, during the first several years of the agreement each jurisdiction's contribution to the joint fund might be at the twenty-five cent rate then being offered by the County. Thereafter, the number would increase periodically.

The County team requested time to meet separately with the other Board members present to discuss this proposal. The City agreed and the County Board moved into the adjoining office of the County Executive.

The Board was very reluctant to an increase the amount of contribution to the joint fund. The City's "stair-step" or "agree now, pay later" approach, as it was characterized by one Supervisor, did not find any favor. Some of the Board members

felt that such an approach was of dubious integrity. They felt that the City was proposing a way of getting what it wanted by suggesting an approach which the Board might find politically palatable because it would appear to County citizens to be less expensive than it really was.

When the teams reconvened, the Board's negotiators rejected the stair-step proposal. Having thus failed in their bid to change the pattern of the negotiations, the City team responded that the City would agree to further reduce its proposal for contribution to the revenue-sharing pool to forty cents of each jurisdiction's real estate tax rate. In making this offer, Council's representatives made it clear that they were nearing their limit, which, of course, begged the question--just what was the City's limit?

December 10, 1981

The December 10 meeting provided the first breakthrough in negotiations since the acceptance of the concept of the revenue-sharing formula. At this meeting the City and County agreed upon the amount which each would contribute to the revenue-sharing pool. Neither side, however, found out what the other's "best offer" might have been, as the two sides came to agreement before either side ever flatly refused to negotiate the amount of the contribution further.

In classic negotiating fashion the City and County inched towards each other. The negotiations that day were interrupted by three separate caucuses. The County opened with the offer that each side contribute the equivalent of twenty-eight cents of its real estate tax rate. The City countered with thirty-eight cents. The City also gave the idea of a transfer of the

University one more try by suggesting it would agree to a joint contribution of thirty-five cents if the County would agree to let the City annex the University. The County declined the offer. The City then tried to revive the stair-step suggestion. The County declined, and requested the first separate caucus.

In the private caucus it was apparent that the County Board was increasingly inclined to end the negotiations. The seemingly insignificant difference between the County's twenty-eight cent offer and the City's thirty-eight cent request was threatening to lead to the complete breakdown of negotiations. The Supervisors felt that Council was being greedy. Remembering that the initial description of the formula provided for an initial contribution equal to ten cents of each side's real estate tax rate, the Board calculated that it had moved eighteen cents closer to the City's position while Council had only moved twelve cents toward the County.

In an attempt to diminish the significance of the initial starting point of ten cents, one Board member reminded the other Supervisors that the ten-cent figure was the private and arbitrary choice of the individual who first conceived of the revenue-sharing formula, not a figure discussed or agreed upon by the Board as a whole. Therefore it should not be considered by the Board as the Board's initial offer. This argument fell on deaf ears.

In fact, it was difficult to be very aggressive in arguing for the continuation of negotiations in that private caucus without feeling like an "appeaser." Board members were in a "hard-line" mood and were feeling antagonistic toward the City.

During this period of the negotiations, pressure upon the County to arrive at an amicable settlement with the City had been

maintained by the "5-C's Committee." One of the Committee's primary arguments was that the cost of litigation to both sides, should negotiations break down, would be unacceptably high.

A contrary line of thought, voiced by one Board member, and probably held by others, was that even though litigation would be expensive, it couldn't be as expensive as the annual cost to the County of the settlement proposals now being discussed. Furthermore, the Michie legislation permitted counties to file for partial immunity. At least one Supervisor believed that the County could use this technique successfully in protecting the heavily commercial 29 North corridor which generated substantial tax revenue to the County. This Supervisor further argued that the territory actually annexed by the City from the County in the past had never been very large and pointed out that the new annexation law required the City to pay the County for all public property which it took in an annexation, together with additional "reparations" in the form of five years of compensation for lost revenue. These arguments, together with the mood of antagonism generated by what was seen as the City's refusal to be reasonable in the negotiations, were the foundation of the Board's resistance to moving further in the City's direction.

Nevertheless, the proceedings in the Harrisonburg/Rockingham County annexation of fourteen square miles were a reminder to the Board that the consequences of a breakdown of the negotiations might not be as tolerable as the Board's "hard-liners" made them sound. Prompted by Rockingham County's dismal experience under the Michie legislation, the Board had earlier requested a study from the County's financial consultant of the possible cost to the County of a court-ordered annexation. This study had been requested at the insistence of one Board member who felt that the

costs of a negotiated settlement being estimated by the County staff and its computer were meaningless unless compared to the costs of a court-ordered annexation.

This Board member argued that the loss of revenues from any area likely to be transferred to the City in a court awarded annexation would far outweigh the cost of any of the settlements then being discussed in the negotiations. While the process of litigation might be cheaper than settlement, he argued, the end result would not.

The consultants' study included an analysis of each of the two areas identified by the City in its very first settlement proposal to the County made in November of 1981. One area contained thirty-two square miles and had been characterized by the City as the "urbanized area." This was the territory which the City had suggested ought to be under the unified control of the City and the County and from which sales taxes should be pooled. The other area studied by the consultants was the approximately ten square miles which the City had initially requested that the County voluntarily transfer to it. This area was believed to be a logical target of the City were it to file an annexation suit. The consultants' study concluded that even the loss of the ten-square-mile area would be by far more costly than any of the various settlement proposals then being considered by the Board, even adjusting for the amount of anticipated "reparations" the City would be required to pay to the County after a Court ordained transfer.

This study was quite compelling to the Board, although one member continued to insist that the County just couldn't lose that much. The pessimistic nature of the report seemed particularly believable because it was not in the consultants'

interest for the Board to settle (litigation would require the County to extend its use of the consultants' expensive services). Despite the Board members' disinclination to continue further talks, the reminder of this study's conclusions by the one Supervisor who was fighting to keep the negotiations alive turned out to be persuasive.

One other argument also seemed to persuade the Board to continue moving toward settlement. The overall cost to the County of the various settlement proposals then being discussed seemed monumental to the Board. The Board member who was urging continuation of the negotiations argued that the Board should consider the average annual cost of the settlement proposals for an individual County taxpayer, rather than the total annual cost, to fairly assess the value of continuing negotiations. Analyzed in this fashion, such costs for the owner of a $100,000 home equated to less than the annual cost of cigarettes for an average smoker, to use the example offered. In fact, viewed in such a way, the settlements being considered did appear much more manageable. This approach to evaluating the costs of settlement was so convincing to the Supervisors that they later used it to convince County voters to support the revenue-sharing proposal when it was finally presented in a County referendum.

The Board returned to the meeting room resolved to pursue the negotiations. Its negotiators proposed that each jurisdiction contribute the equivalent of thirty cents of its real estate tax rate--an increase of two cents over the Board's previous offer. The City moved down by two cents to thirty-six cents. Another County caucus ensued.

The Board returned to offer thirty-one cents. The City countered with thirty-five cents and the County team once again

requested the opportunity to meet privately with the other Supervisors.

These caucuses were rather perfunctory and more for the purpose of creating the impression that the County had reached its limit while giving the negotiators a chance to confirm their authority to continue, the Board having already overcome the greatest resistance to continuing negotiations.

The Board returned with an offer of thirty-two cents. The City responded with thirty-four and the two jurisdictions easily agreed to "split the difference" at thirty-three cents.

Two other issues which had been briefly discussed by the negotiating teams were those of "tax-parity" and future City/County consolidation. The tax parity issue had been raised by one member of the County's negotiating team who wanted to be certain that the City could not assess any tax upon County residents which the County could not or did not assess against City residents, such as a payroll tax, even if the General Assembly authorized such taxes. The "meals tax", recently imposed by the City and the state sales tax, a portion of which was returned to the City, were exempted from this "tax-parity" limitation.

The City continued to claim that consolidation with the County was its ultimate goal and it insisted that the agreement contain language laying the groundwork for the future consolidation of the City and County. The County Board as a whole continued to be very cool to consolidation.

It was agreed that these issues would be addressed at the next negotiating session. One Board member was assigned the task of drafting a proposed provision to be incorporated into the settlement agreement concerning consolidation for consideration

by the two negotiating teams. The City agreed to develop a proposed provision regarding tax parity. Both teams left the meeting in a celebratory mood, mistakenly believing they had cleared the last major hurdle to a final settlement.

December 17, 1981--An Unexpected Impasse

Initial discussion at this session centered on a provision proposed by the County regarding future consolidation of the two jurisdictions. The Board's proposal was to let each governing body conduct an independent study of consolidation for a period of six months. At the end of this time both governing bodies would meet jointly to discuss those areas which they had determined to be worthy of further study by staff or consultants. This proposal reflected the Board's continuing misgivings about consolidation.

The City objected to the initial six months of independent study and also questioned the advisability of directly involving elected officials in the negotiation of the details of consolidation following the study period. The City feared that the direct participation of the two governing bodies would make the discussion of consolidation political rather than pragmatic, thereby reducing the chances for a successful consolidation. The question for one of the City's negotiators was not whether there ought to be consolidation, but how the public could be involved in discussions so as to build a "constituency" for consolidation. The Supervisors were unwilling to try to build popular support for consolidation until they themselves were convinced of its advisability, so the question of consolidation was left unresolved.

Discussion then moved to the issue of tax parity. The City's proposal was reviewed and a member of the County negotiating team pointed out that it still did not cover payroll taxes. There then ensued a discussion of what was meant by "parity." Tentative agreement on this topic was reached which excluded the City's meals tax from the prohibition on the imposition of new taxes by either jurisdiction upon the other's citizens.

Up to this point the talks had proceeded smoothly. Although there had not been total agreement on the issues discussed, most significant differences appeared to have been resolved. But as the negotiations turned to the more fundamental issue of duration of the agreement itself, a chasm of difference opened between the two sides which threatened a complete breakdown in the negotiations.

One of the County's negotiators suggested a five-year limit on the duration of the agreement. The City responded by stating emphatically that there could be no time limit whatsoever. Annexation legislation, the City argued, could be amended or rescinded leaving the City with no benefit except a few years of revenue-sharing payments. Furthermore, if state annexation legislation was amended to be more favorable to counties, any incentive for Albemarle to respond to the City's needs in the future would be gone.

A caucus was proposed and the Supervisors once again gathered in the County Executive's office. Board members had never discussed the matter of a time limit on the agreement and each member of the Board had been operating on his or her own unspoken assumption regarding the agreement's duration. One member of the Board felt that he understood perfectly the City's

position and had assumed all along that there would be no time limit on the agreement. This member's arguments against a time limit were met with a score of "what-if" questions from another Supervisor. For example, what if the City were to become much wealthier than the County, would the County still have to pay? The answer to this was that the revenue-sharing formula was designed to be neutral and under circumstances where the City was wealthier than the County the formula would require the City to pay the County.

Another question raised concerned the impact of possible tax expenditure limitation legislation should the revenue-sharing agreement go into effect. Originating with California's "Proposition 13," these sorts of limits on local governments' ability to tax and assess real property had spread across the country. Were such a measure adopted by the Virginia General Assembly, the County could find itself having to pay a greater and greater percentage of legislatively restricted revenue to the City at the expense of services to the County's own citizens. Although he had no response to the concern about the impact of any possible tax expenditure limitation, the Board member who was arguing that the County should agree to the City's no-time-limit condition concluded the caucus by arguing that a City/County agreement with unlimited duration would also provide the County with permanent immunity from annexation regardless of the status of annexation legislation in future years. The benefits of such permanent immunity were worth risking the uncertainties of an unlimited duration agreement. The caucus ended with the Board having failed to arrive at a consensus.

The Board's negotiators re-entered the negotiating session with no proposal, asking what ideas the City negotiators had for

overcoming this unexpected impasse. The City team had none and stated firmly that this point was "non-negotiable"--the first time any subject considered in the negotiations had been so characterized by either side.

Staff members present briefly discussed how unexpected contingencies might be accommodated under an agreement with no time limit: whether a provision could be drafted which would trigger a renegotiation of the agreement in the event of a "substantial change" in circumstances (whatever a "substantial change" might be); whether a third party arbitrator could be provided for; and so on.

Discussion then reverted to the more manageable topic of future consolidation. City negotiators, having apparently considered the question further during the County's caucus on the time limit issue, suggested that instead of an independent consolidation commission, a consolidation study panel consisting of the City and County negotiators be established. A time schedule for meetings of the committee and a date for it to report back to the two governing bodies was also suggested. This compromise offer by the City, avoiding the creation of an independent commission, allayed the County's fears that somehow the concept of consolidation would take on a life of its own beyond the consent or control of the Board. For this reason, although the City's proposal was still not exactly what the County wanted, the County agreed to it.

With basic agreement on tax parity and future consolidation having been accomplished, the meeting adjourned. The very difficult issue of the duration of the agreement was left unresolved.

December 22, 1981--The Impasse Continues

This session was entirely devoted to a discussion of limiting either the duration of the agreement, or the amount of financial contribution either side would be required to make under the agreement.

The City's position was that no limitations were necessary because the revenue-sharing formula upon which the agreement would be based provided sufficient protection for each side. Because the formula was self-adjusting, being based upon an annual calculation of each jurisdiction's real estate tax base, tax rates and population, the formula would automatically correct for any change which might occur over the years. The City also argued that the effect of the formula would be to create an incentive for consolidation. If the formula over the years began to cost the County "too much", the County could always terminate the agreement by agreeing to consolidate with the City. This presumed, of course, that the City would always be receptive to consolidation.

Ironically, the revenue-sharing formula might discourage any "partial consolidation" of services between City and County. Under the formula each jurisdiction's tax rate affected the amount of the revenue-sharing pool which would be redistributed to the two jurisdictions. The greater a jurisdiction's tax effort (i.e., the higher its tax rate) the more that jurisdiction received in the redistribution of the pool. Therefore, if either jurisdiction realized substantial savings through the consolidation of a given service so that its tax rate could be lowered, the amount of the pool redistributed to that jurisdiction might decline, off-setting to some extent the economic benefit of the partial consolidation of services.

The County's primary concern at this meeting was perhaps best characterized by the rhetorical question "For a thousand years?" asked by one of its negotiators in response to the City's assertion that the revenue-sharing formula would automatically correct for changes in each jurisdiction's circumstances over time. The Supervisors concern was partly the practical political question of how their constituents would react to an agreement which had no termination date, particularly where the amount paid by the County to the City (or, improbably, vice versa) was also without limit. No one could foresee all of the changes which might occur: drastic changes in population, tax rates, or even the tax structure enabled by state legislation.

The two teams of negotiators explored time limits. City Council members feared that a revenue-sharing agreement involving a moratorium on annexation which might terminate after some legislative amendment had eliminated the option of annexation would be detrimental to the City. In response to the City's concern, the County proposed that the agreement have a fixed expiration date but automatically renew for an additional period if the annexation laws changed to the City's detriment while the agreement was in force. The City negotiators felt that this proposal would merely postpone, rather than solve, the problem which they foresaw. The City's position appeared so absolute that discussion of extending the initially proposed five-year term, even to one hundred years, seemed futile.

As the City team remained impassive, a sense of gloom began to descend upon the talks. The County team emphasized their sincere desire to resolve the impasse. In an effort to find some common ground, one member of the County team suggested that both sides would probably agree that there were some circumstances

which would make either, or both sides, desire to renegotiate the agreement. The question was: what should trigger such a renegotiation? And who should initiate the resulting discussions? Both sides agreed that any renegotiation discussions should not be arbitrated by a Court, or other third party, for this would result in both sides giving up control over their fate. Beyond this there was no consensus. The County team put forth one suggestion after another only to see them die for lack of any positive response from the City. The City's only response to the County's proposals was to suggest that the County run different variables through the revenue-sharing formula to see if any of the results would be as costly as the County feared.

Having gotten nowhere with its suggestions, the County team again asked the City for suggestions. A member of the City team asked whether a cap, or ceiling, on the amount of money to be transferred by one jurisdiction to another in any one year would satisfy the County's concerns. The limitation suggested was a ceiling on the amount either jurisdiction would be required to pay to the other stated as a certain percentage of each jurisdiction's tax base. The ceiling would operate so that the jurisdiction required to make a payment to the other would pay either the amount required by the revenue-sharing formula itself, or the ceiling amount, whichever was less.

Both sides recessed into separate caucuses. During the County caucus, one County negotiator suggested to the Board a cap of one-tenth of one percent of each jurisdiction's real estate tax base--or approximately ten cents of each jurisdiction's real estate tax rate. Although there was no agreement on the amount of the cap, there seemed to be general support by County Board

members for the concept. To keep things in perspective, one Board member again pointed out to the others that the consequences of an annexation lasted forever. For example, he pointed out, the substantial revenue generated by the Barracks Road Shopping Center had been lost to the County forever when the City annexed the shopping center in 1963--and there was no ceiling on the amount of that loss.

When the teams reconvened, the City team suggested that the agreement contain a cap which provided that at no time would either jurisdiction's payment to the other exceed one-quarter of one percent of its real estate tax base (twenty-five cents of the real estate tax rate). Although the revenue-sharing formula and proposed cap were theoretically neutral, both sides knew that the County would be paying the City.

With no notable response being made by the County to the City's proposed twenty-five cent cap, except a general "that's too high", both sides adjourned for the holidays.

January 5, 1982--The Jurisdictions Show Resolve To Reach Agreement

In January the County met the City with a slightly different negotiating team. The term of F. Anthony Iachetta as Supervisor for the Charlottesville District had expired and he had not sought re-election. He was replaced on the negotiating team by Jack Jouett District Supervisor C. Timothy Lindstrom.[7]

Although the City and County had not yet resolved the question of the agreement's duration, there was sufficient general agreement that the solution lay in some form of cap on the amount of any transfer that it had been decided at the previous meeting to proceed with rough drafts of the entire

agreement. The January 5 meeting was devoted primarily to a review of two rough drafts of different portions of the proposed agreement, one prepared by a member of each side's negotiating team. The City team's task had been to draft all of the portions of the agreement except those having specifically to do with the formula for determining the amount of revenue-sharing. A number of details of the City draft were discussed.

It was proposed by the County that language be added to the agreement providing that the City would oppose any voluntary petition for annexation presented by County property owners whose land adjoined the City. The County feared that such a petition, permitted by State law, could be a loophole through which the City could "have its cake and eat it too." The City agreed to this proposition.

The two teams also discussed the provision drafted by a County team member regarding "tax parity." The County, moving closer to a final settlement with the City, wanted to be certain that it did not inadvertently leave the City any access to County fiscal resources other than the revenue-sharing transfer specifically provided for through the formula. The County's draft of the tax-parity provision was not acceptable to the City and it was agreed that the City would try redrafting the provision for the next meeting.

The proposal regarding the consolidation study committee was revised to make the proposed study committee smaller. The initial draft proposal offered by the County on this topic was essentially agreed upon by both sides. The City continued to emphasize the importance of continuing to work toward the consolidation of the two jurisdictions. It was not clear whether the City still believed that consolidation would be possible, or

whether Council (or some individual members of Council) felt a need to at least give lip-service to the concept which had been so forcefully advanced by the City for so long.

Certain members of the County Board continued to fear creating a consolidation study commission which might have a life of its own beyond the Board's influence or control. These members persuaded the Board to insist upon a committee made up of members of each governing body who would have no authority to act beyond making a recommendation to both jurisdictions as to how the study of consolidation itself should be conducted. This recommendation, whatever it might be, would then have to be passed upon by each jurisdiction separately, so that the essence of the proposal was not to study consolidation, but merely to study how to study consolidation. The Board felt comfortable with this. The City, for its part, insisted on a timetable for the study with January 30, 1985 as a deadline for a final report from the committee.[8]

The next topic addressed at the January 5 meeting was whether or not state law required the County to obtain the consent of a majority of County voters through a referendum before entering into the agreement. Because state law did not permit counties to undertake financial obligations for more than one year at a time without a public referendum and because the agreement being discussed would obviously obligate the County for a period of more than one year, the County legal staff believed that such a referendum was required. The City team questioned whether the obligations under the agreement in fact constituted a "future debt" within the meaning of the *Virginia Code* provision requiring the referendum. City negotiators wondered whether or not a declaratory judgment on the question could be obtained, or

at least a state Attorney General's opinion. The City was anxious to conclude the agreement and probably somewhat skeptical about the outcome of a County referendum. It is also likely that the City considered the referendum a ploy by the County to buy time either to prepare a defense to an annexation suit, or at least to postpone annexation.

The County Board's position was a mixture of a sincere belief that a referendum was required by law, some pleasure in seeing the City inconvenienced by the inequity of a state taxation system which limited the fiscal authority of counties in ways that it did not limit cities, and a desire to have the ultimate decision on this far-reaching agreement rest with the public. Additionally, an agreement approved by referendum would be nearly impossible to renegotiate to the disadvantage of the County once it had been approved at referendum. Furthermore, the County had no interest in any shortcut which might successfully be challenged in court leaving the County with no immunity from annexation after having paid several million dollars to the City under the terms of the agreement. The idea of a declaratory judgment was not favored by the County legal staff because it did not believe that a "friendly" suit could ever be as vigorous or as ironclad in its result as one truly contested. Staff believed that any agreement between the two jurisdictions not adopted by county-wide referendum would almost surely be subjected to legal challenge by some County residents. Although no conclusion was reached regarding the question of a referendum, it did not discourage the negotiators from continuing to discuss other aspects of the agreement.

The one major item remaining on this session's informal agenda was money. In dealing with money last, this negotiating

session was typical of many--beginning with polite skirmishing over details followed by the inevitable battle over money: money, of course, being what the negotiations were really all about.

The County's draft of the revenue-sharing provision incorporated 1980 statistics for the revenue-sharing formula's three variables. The City vehemently objected to the use of data from 1980. Its negotiators argued that the first year for a possible distribution under the agreement would be fiscal year 1983 at which time 1980 statistics would be nearly two and a half years old. During that two and a half years it was expected that the County's tax base would grow substantially, faster than any of the other variables in the formula. The City estimated that using data from 1980 rather than 1983 might cost the City as much as $250,000 in the first year's distribution. At this point in the negotiations it began to appear to some members of the County Board that the City had a specific dollar amount in mind for the first year's transfer to it under the revenue-sharing formula.

The use of 1980 statistics for the revenue-sharing formula's three variables was defended on the ground that that was the only year for which official figures were available for all three variables. An accurate picture of each jurisdiction's fiscal need required that the variables all be drawn from the same year.

The City's negotiators suggested that if 1980 statistics were used the amount of the initial contribution required of each locality to create the revenue-sharing fund be slightly increased from thirty-three cents to thirty-five cents. The County team didn't like this suggestion very much.

Another suggestion was for the two jurisdictions to agree upon a specific amount for the initial distribution from County

to City, regardless of the amount indicated using the revenue-sharing formula. The figure of $1.3 million was mentioned for the first year, with adjustments being made in subsequent years as more current statistics became available. This suggestion was not acceptable to the County either.

Notwithstanding the significant unresolved questions which still existed, the two sides were optimistic enough to briefly discuss the manner in which the final agreement might be presented to the public, and upon this hopeful note the long session ended.[9]

January 14, 1982--Discussion of the "Cap"

At the conclusion of the previous negotiating session, the negotiating teams had agreed that the City would work on a revision to the so-called tax parity provisions of the agreement and the County would work on some form of limitation on the agreement, now thought of by both sides solely in terms of a cap on the amount of transfer from one jurisdiction to the other. The City and County attorneys were beginning formal drafts of the proposed agreement. The negotiators spent the first minutes of the meeting reviewing the attorneys' work. It was obvious by now, however, where the real work lay and talk quickly turned to money.

After brief discussion, both sides reached tentative agreement that rather than use the most current statistics for the three variables in the revenue-sharing formula, the initial contribution to the revenue-sharing pool would be increased to thirty-five cents of each jurisdiction's real estate tax rate and the variables would be those for the most recent year in which statistics for all three variables were available.

The County team then presented three suggestions for a cap on the amount of contribution either side would be required to pay to the other in any one year: a $1.75 million cap to be adjusted annually by the Consumer Price Index; a cap equal to ten cents on the County (or City) real estate tax rate; a cap that would limit the amount either jurisdiction received under the formula to no more than twice the amount of that jurisdiction's contribution to the initial revenue-sharing fund.

The teams once again went into separate caucuses with their respective fellow Council and Board members. When they returned the City stated that it preferred a cap based upon twenty cents of the real estate tax rate of the "paying" jurisdiction.

At this point the County team asked the City if it would be willing to reduce the City tax rate by the amount of any County payment under the agreement. This question was prompted by the often stated City complaint that lack of room to expand its tax base was forcing it to raise its tax rate beyond a level that its poorer citizens could afford and leading its more wealthy citizens to move to the County with its lower tax rate. The County's question wasn't very warmly received by the City.

The County then asked what was wrong with the proposal for a cap equal to twice the amount of the receiving jurisdiction's contribution to the initial revenue-sharing fund. The County also asked if the City would agree to a ceiling where the County's contribution to the fund (always assumed to be a greater dollar amount than the City's contribution) would not exceed three or four times the City's contribution to the fund.

Rejecting all of the alternatives outlined by the County, the City stuck to its initial position of a cap on the amount actually transferred from one jurisdiction to the other based

upon a percentage of the paying jurisdiction's real estate tax base.

Brief discussion of the necessity of a referendum again ensued. The County felt that it was important that the City believe that the County's insistence upon a referendum was not just a ploy to gain some advantage over the City, but resulted from a sincere conviction that the referendum was both legally and politically imperative.

The meeting adjourned with the staff assigned to run computer projections on the impact of ten- and twenty-cent caps on the amount of money transferred from one jurisdiction to the other using a program based on the revenue sharing formula developed by the County staff.

January 21, 1982--Agreement is Reached

Seven days later the negotiating teams met again. The first order of business was to review the City staff's most recent draft of the agreement. After some minor questions about the draft, discussion turned to progress on legislation which had been introduced in the General Assembly authorizing the particular type of revenue-sharing agreement embodied in the proposal and authorizing the County referendum.

Before long, talk turned again to financial matters. One of the City's negotiators stated that the City's estimate that a joint contribution to the initial fund of thirty-five cents would result in an initial payment to the City big enough to meet the City's needs was inaccurate. Furthermore, the City negotiator stated that his estimate in an earlier telephone conversation with one of the County team members indicating that a thirty-six cent initial contribution would be sufficient was also wrong. In

order to generate a first year transfer of $1.3 million to the City (apparently the key to City acceptance of the revenue-sharing proposal), the two jurisdictions would need to make contributions to the initial fund of a little over thirty-seven cents.

What particular magic existed in the $1.3 million figure is not clear. However, in the later stages of the negotiations it became apparent that the City negotiators had a "bottom line" which they were committed to achieving. As the negotiations continued that day, it began to seem to the County that of all the numbers, caps, and contributions being discussed, the number uppermost in the minds of the City negotiators was the net gain to the City in the first year of the actual operation of the proposal. The City's goal appeared to be $1.3 million.

The County responded that it had already increased the amount of the agreed upon initial contribution to the revenue-sharing fund, an amount which had been doggedly fought over many weeks before, and it didn't see any reason to compromise further.

Argument continued until the topic was temporarily dropped and discussion turned to the issue of the cap on the amount of net transfer from one jurisdiction to the other. The County reiterated its insistence on a ten-cent cap.

Both sides then went into separate caucuses to discuss matters. The County had little to talk about as the County had stood its ground on both the thirty-five-cent contribution to the pool and the ten-cent ceiling on transfers.

When the two teams reconvened the City proposed that the cap be fifteen cents for the first ten years of the agreement and ten cents per year thereafter. The County emphasized the importance of the ten-cent cap, but said it might consider accommodating the

City's desire for an increase in the initial contribution, if the City would agree on the ten-cent cap.

The City responded that if the initial contribution of thirty-seven cents were agreed upon then the City might agree to a lower cap--provided it was waived for the first year of the agreement.

The staff departed to the County data processing center to compute the consequences of these changes. While the staff was working, the two teams discussed a timetable for the County referendum. The City appeared to be concerned that the County might delay a referendum on the premise that while the referendum was pending the City could not institute annexation proceedings, but the County would have no legal obligation to pay the City until the referendum was held and the agreement ratified by County voters. It was conceivable that the referendum could be delayed long enough to let the County off the hook for the 1983 transfer of funds. More of a threat to the City, however, was that County officials, sensing that the referendum might not be successful, would defer on the pretext of needing more time to convince County citizens--thus gaining even more time to prepare for annexation litigation and further postponing the day of financial reckoning. Even after the months of common effort, distrust between the two sides remained evident.

Another pressing factor for City negotiators may have been the Council elections to be held on May 4th of that year. Although it did not appear that City residents were as concerned about annexation and the outcome of the negotiations as were County residents, the upcoming elections must have made City Council members uncomfortably aware of how long they had been talking with very little apparent accomplishment. The City had

engaged in months of private discussion with virtually no information available to the public of what progress was being made. Emerging with an agreement which City voters would not be asked to ratify but County voters would, and which would not generate any additional revenues to the City until successful passage of the County referendum, did not place Council members in a particularly strong posture with their constituents. It is understandable that the City wanted results.

When the staff returned with their new computations, City Council and the County Board again retired to separate rooms to discuss the new information. Long after meaningful discussion had ceased in the County caucus, the City's emissary knocked on the door to the County Executive's Office signaling that the Board could return to the conference room.

The City suggested that there be no cap on transfers under the revenue-sharing formula for the first five years and thereafter a ten-cent cap. As an alternative, the City proposed an eleven-cent cap beginning in the first year. The County countered with no cap in the first year, and a permanent ten-cent cap thereafter.

The City asked again for a caucus.

After a very brief time, a member of the City negotiating team appeared at the door to the County Executive's office announced: "We accept."

Thus, at 5:15 p.m., January 21, 1982, after more than two years of negotiations, the City and County negotiating teams had arrived at a complete agreement. Future hurdles were ratification by the full Council and Board and then ratification by County voters. The City's work was virtually completed--in many ways the Board's job had just begun.

The two teams met briefly to discuss how the agreement should be announced to the public. It was agreed that no statements would be made until the final agreement had been completely reviewed and initialed by both teams and their staffs. Both sides were wary of a repeat of what had happened to the City of Williamsburg and James City County where an agreement had been announced with much fanfare, only to have the parties disagree over details in the final draft of the agreement, signaling many long months of additional negotiations.

January 27, 1982--The Final Meeting

The City and County negotiating teams met for their final executive session and face-to-face meeting on January 27, 1982. The meeting was brief. The final draft of the agreement was read and agreed to. After a short discussion of who should initial the documents, it was agreed that all members of both teams should do so. Two copies were initialed--one for each jurisdiction. The documents were not actually executed because that required formal ratification by both governing bodies and this had not yet occurred.

After agreeing that the Mayor and Chairman of the Board of Supervisors would make a joint statement to the press and public and that the Board Chairman would explain the formula upon which the agreement was based, the two teams adjourned for the last time.

Subsequent Events

Although the negotiating team reached final agreement on January 27, 1982, it was not until the evening of May 18 of that year that the agreement became binding upon the City and County. As a result of three and one-half months of vigorous campaigning by County Supervisors and others supportive of the agreement, it was approved by 63 percent of the County voters participating in the May 18 county-wide referendum. The breadth of support for the agreement which was supported in most of the County's precincts is remarkable given the fact that it required a 10-cent increase in County real estate tax rates--all of which was to be paid to the City. The extensive efforts in campaigning made by supporters of the agreement is the best evidence of their concern that the agreement would not be approved by County citizens. Yet in the end it was approved by five of the County's six magisterial districts. Only in the Whitehall District, the County's only district with no boundary contiguous to the City, and whose Supervisor, Joseph T. Henley, Jr., was the only Supervisor who did not support the revenue-sharing proposal, did the agreement fail to receive majority support.

The history of the campaign for approval of the revenue-sharing agreement is worthy of much more attention than can be devoted to it here. Suffice it to say that the Whitehall District most likely represented the attitude shared by many rural opponents of the agreement: an annexation might purge the County of some of the suburbanites whose demand for costly urban

services and support of land use regulations were anathema to many rural folks.

In January of 1983 the County made its first payment to the City under the agreement. The amount of $1,293,552 paid was less than $7,000 short of the $1.3 million figure which had seemed so significant to the City during the negotiations. That payment, by mutual agreement, was not subject to the cap imposed upon revenue-sharing transfers. Payments in all subsequent years through fiscal year 1991-1992, have been limited by the ten-cent cap. Albemarle County has now made a total of eleven payments to the City amounting to $23,787,287. The most recent payment made in January of 1992, amounted to $3,426,000--an increase of 124 percent over the first payment. Appendix C shows calculated payments, caps, actual payments and annual percentage increases through the 1991-1992 fiscal year.

At the time of its approval by County voters there was much public speculation about the consolidation negotiations provided for in the agreement. As both sides suspected, once the threat of annexation had passed, and the City began to enjoy the financial fruits of the agreement, interest in consolidation waned and the consolidation negotiations called for in the agreement were formally terminated without fanfare or journalistic recognition several years later. Although a number of meetings were conducted resulting in some increased cooperation in the area of vocational education, nothing ever really came of consolidation talks under the agreement.

The County had never been enthusiastic about the possibility of consolidation. Just how far the City has come from its vigorous advocacy of consolidation during the negotiations was evidenced recently by one of the City's strongest official

proponents of consolidation. When asked during a forum of local officials about the prospects of consolidation, he candidly admitted that he no longer felt the City had a financial need for consolidation, and he felt that the revenue-sharing agreement had freed the City from the problems of growth to concentrate upon enhancing the quality of life for City residents.

Relations between City and County have lost some of the edge of suspicion and animosity since the days of annexation. They are not yet what could be called warm, but rather seem characterized more by pragmatic (if not occasionally short-sighted) self-interest. Cooperation has continued. The creation of the joint City/County "Rivanna Park", the joint reservation of a substantial tract of land in northwestern Albemarle County for the future Buck Mountain Reservoir, negotiation of a nonbinding "understanding" with the University of Virginia regarding land-use and regulation, and taxation of real property owned by the University and its affiliates are some of the most notable joint achievements. Nevertheless, there remain glaring examples of each jurisdiction favoring its own interests at the expense of regional needs, and it is conceivable that if the number of regional issues which cannot be constructively resolved grow, consideration of consolidation may again come to the fore.

Frequently people ask whether the agreement will last or be challenged. It appears that some believe that either the City or County will someday realize that they struck a bad bargain and will try to back out of the agreement. It must be remembered in assessing the future of the agreement that it was the product of the coincidence of interests of two parties motivated by pragmatic self-interest rather than goodwill. Nothing has happened since the adoption of the agreement to alter that

motivation as is evidenced by the relations between the parties since that time. However, it seems unlikely that the agreement will be short-lived. Although each side benefited differently under the agreement, the benefits to each side were substantial and complex. Circumstances would have to change dramatically for either side to find it worth the public criticism political disruption, and risk of failure to breach the agreement. Nevertheless, were circumstances to change in such a fashion that one side felt itself significantly and consistently disadvantaged by the agreement, then it is likely that there would be an attempt to reopen negotiations, and failing that, a possible unilateral attempt to terminate the agreement.

Nevertheless, as the negotiations which lead to the agreement recede from memory and as City Council and the Board of Supervisors become dominated by members who did not participate in the creation of the agreement, the reasons which caused the two jurisdictions to undertake two and one-half years of vigorous effort and expense negotiating the agreement may seem less compelling. Evidence of this may be the increasingly frequent, yet informal, suggestions by some in the City that the agreement ought to be reexamined. Such a reexamination, however, would be an empty exercise without the sanction of a County-wide referendum as any revision of the agreement which was approved in the County by referendum, would itself require a referendum. Given that County voters have twice recently overwhelmingly rejected a meals tax, it is highly unlikely that voter sentiment would favor any change in the existing revenue-sharing agreement.

Since the experience of ten years under the agreement, it appears (to an admittedly biased observer) to be a success for both City and County. Most striking is what the agreement has

achieved for the City: in excess of $23 million in revenue for which no expenditures of any nature are required. Had the jurisdictions resorted to litigation and the City been awarded an annexation it is extremely doubtful that the City would even yet be realizing any "profit" from the annexation. Litigation itself would have been costly and could easily have taken three additional years. Once concluded, the City would have been required to pay for all public facilities it took in the annexation together with "reparations" to the County equaling five years of tax revenue from the annexed territory. In addition the City would have faced the financial cost of providing services to the annexed area as well as the political cost of absorbing an unwilling new constituency.

The County has avoided costly, and by most expert opinions, ultimately futile litigation. It has averted the almost certain loss of prime commercial tax base to the City and the corresponding increased demand upon its citizens to make up lost revenues. The County has been able to plan for its future land use and public services in an atmosphere of stability without the necessity of defensive maneuvering needed to minimize the impact of future annexation efforts. Finally, as the County continues to grow its political strength and influence in the region will also grow affording it enhanced influence in Richmond and a greater ability to provide benefits to its citizens.

Ironically, as the revenue-sharing agreement allows the bitter antagonisms and irrational (but necessary) strategic planning for advantage which characterized the annexation era to recede from memory, the advantages of the agreement seem less compelling. Nevertheless, the Charlottesville/Albemarle revenue-sharing agreement is likely to remain for years to come a

dominant feature of the political landscape of this region and a singular example of intergovernmental cooperation.

Monterey, 1985
Den Haag, 1988
Charlottesville, 1992

ENDNOTES

1. Some of the details regarding both the public and private phases of the negotiations were taken from notes made available to the author by Gerald E. Fisher, then Chairman of the Albemarle County Board of Supervisors,and a significant participant in the negotiations throughout.

2. Although several members of the Board seemed disposed toward a serious consideration of consolidation, the Board as a whole was not. Therefore, why the public espousal of at least a study of consolidation? For one thing, several members of the Board who were not inclined toward consolidation were at least willing to learn more about it. They also believed that the economic benefits of consolidation alleged by certain civic groups would be shown by a study not to be existent in the case of Charlottesville and Albemarle. They felt therefore, that a study which demonstrated this might lay the issue of consolidation to rest, at least for the time being. Although, as one Board member pointed out, consolidation was not simply a matter of economics, other benefits might also result from consolidation, even though a reduced cost of government might not be one of them.

   Furthermore, the maneuvering deferred more serious negotiations with the City. Board members never formally or informally discussed any deliberate plan to prolong the negotiations, although one member once stated what every Board member knew was true--that every day spent in negotiations was one more day County citizens did not have to pay the cost of an annexation.

3. From the very beginning of the negotiations there had been pressure for private negotiations. The County had resisted this pressure and had insisted upon public negotiations. As predicted, there had been much posturing by both sides, and in the eyes of the public and the media, little progress. On September 15, 1981, the negotiations had been going on for one year and nine months, with no tangible result.

   Increasingly strenuous demands that negotiations be conducted in private were being directed to the Supervisors, both publicly and privately, by members of the public, particularly representatives of the "5-C's" Committee. One County negotiator had, from the beginning, urged other Board members to agree that meetings be held privately. Thus there

was considerable pressure upon those Board members who met in executive session on the afternoon of September 15 to agree to make future negotiations private. As soon as the Supervisors began discussing the City's request it was immediately clear that a majority of Board members had made up their minds that negotiations should be private. The decision to conduct future negotiations in private was made easier, and was more defensible, because of the perceived threat by the City that failure to agree to private negotiations was likely to prompt the City to file suit.

4. September 15, 1981 marked the end of public negotiations. Many criticized the public meetings as wasted time and effort. However, the public phase of negotiations helped both sides accomplish a number of important things without which the negotiations might not have ultimately succeeded.

   First, neither the City nor the County was willing to enter into negotiations in which binding offers would be made which would materially affect the offeror's future position without some understanding of the fiscal and legal position of the other side. Regardless of the individual positions of members of the County Board and City Council, each realized that he or she would be held responsible for the outcome of the negotiations. In addition, the highly complex legal and financial setting within which the negotiations had to be conducted, and the recognition that whatever decision was made would bind the future of the region for years to come, combined to dictate that negotiations be conducted as cautiously as possible. Furthermore, because the alternative to a peaceful resolution of the negotiations was mandatory litigation, the negotiations were necessarily conducted by each side with an eye to how it would fare in Court should negotiations break down.

   All of these factors created a need for extensive professional study by each side of the other's fiscal strengths and weaknesses, the nature and location of land uses, regulations on development, and development potential. Without gathering and organizing such data in a fashion understandable to the elected officials and relevant to the issue of annexation, neither side would have understood its relative strengths and weaknesses sufficiently to have intelligently bargained with the other. The collection and analysis of this information took each side's consultants considerable time, time which would have been required whether or not the initial negotiations had been public.

   Second, in any negotiation, there is inevitably a period during which each side "sounds out" the other's position. This takes time. The more complex the negotiation and the higher the stakes, the more time each side needs to assess the other's position. Although this sounding out could have

been done in private as well as in public, it would in either case have taken considerable time.

Third, the opportunity for each side to "clear the air" in public before private talks began may have contributed significantly to the ultimately successful outcome of the negotiations. The County negotiators in particular were angry and frustrated at being confronted with annexation. Had negotiations begun in private before the participants had had the opportunity to release some of this animosity publicly and in a context where some restraint was required, the anger may have been expressed much more strongly, personally, and destructively.

Fourth, with a strong record of public statements and public evidence of each negotiator's willingness to stand up to the other side, the possibility that the public would think it had been sold out in private was lessened.

Fifth, the public negotiations educated the media and the public as to what was at stake in the negotiations and illustrated weakness of the County's position under the Michie legislation. The public and press also saw the difficulty of trying to conduct complex, sensitive negotiations in public. As a result, although the outcome of the private negotiations was criticized for a number of reasons, the fact that the negotiations producing that result had been conducted in private rather than in public was never an issue.

Finally, agreeing to private talks changed the pace of the negotiations. During the public session the ground work had been done and the two sides had established initial positions. By September, 1981, and there was a sense on both sides of readiness to proceed seriously. This change of pace may have been important in keeping the negotiations from bogging down.

5. The evolution of the Supervisors decision to seek a purely financial settlement with the City occurred over several months. The County Board had met several times to discuss the issue of what land area might be offered to the City in settlement. In one attempt at developing a consensus, the Board members were given large-scale County maps to take home and study with the hope that each member might outline areas he or she proposed be considered for transfer to the City. Few of the Supervisors ever seriously looked at the maps, so nothing came of this approach.

   Ironically, the resolution of the Board's dilemma was based upon very pragmatic political considerations argued by one of the Board's most idealistic members. This Board member argued that the Supervisors would never be able to agree among themselves upon a land area to be transferred which

would be acceptable to the City. Any land area likely to be of interest to the City would have to be of such value and inevitably contain so many County residents that no Supervisor whose district was affected would ever voluntarily agree to its annexation. Board members would also find it difficult to impose such a fate upon one of their members.

This Supervisor also argued that any annexation resulting in the shift of more than five percent of any one district's residents would trigger a County-wide redistricting under the Federal Voting Rights Act. Viewed in the context of redistricting, even the seemingly non-controversial transfer of the University of Virginia grounds could have a very significant political impact on the County. Although annexation of tax exempt University grounds would do little to alter the County's tax base, it would result in a nearly fifty percent reduction in the population of one of the County's magisterial districts, thus triggering a County-wide redistricting. The Board had recently been through one minor redistricting. Undertaking another significant redistricting was not something Board members cared to do. Support for a land transfer settlement began to dwindle.

Although never formally discussed by the Board as a whole, there was another obvious consequence to a settlement involving the transfer of land. Inevitably any land transferred to the City would be urban land because the land adjoining the City was mostly urban. At the time of the negotiations the political balance on the Board between those advocating "controlled growth" and those holding a less restrictive view was delicate. Anyone who thought seriously about the implications of transferring urban land to the City couldn't miss the fact that such a transfer would also transfer the urban County residents who lived on that land. As a result of such a transfer the remaining County population would be more rural and conservative and probably less willing to support the level of land-use regulation which had been undertaken by a majority of the Board's members since 1976. Furthermore, any redistricting required as the result of the annexation of urban County residents would be likely to increase the percentage of rural voters in each district. If the loss in population were as significant as would result from the annexation of the University grounds, each Supervisor's political base would likely change and the political character of the Board could have been significantly altered.

Eventually each of the five Board members whose districts adjoined the City agreed to pursue a purely financial settlement in future negotiations. Although no specific statement was ever made by any Supervisor of his or her reasoning, it is probable that one of more of the foregoing considerations was influential. Certainly a settlement which

did not require any transfer of County territory was politically the course of least resistance for those Supervisors whose districts were subject to annexation.

6. The Revenue Sharing formula works as follows:

Where:

Ap = current Albemarle population
Cp = current Charlottesville population
At = current Albemarle true tax rate (actual rate x state determined assessment ratio)
Ct = current Charlottesville true tax rate
A = Albemarle redistribution ratio
C = Charlottesville redistribution ratio
Atb = current Albemarle tax base/100
Ctb = current Charlottesville tax base/100
.37 = rate of contribution to pool
P = revenue sharing pool
Ad = Albemarle contribution to pool
Cd = Charlottesville contribution to pool
Ard = Albemarle redistribution from pool
Crd = Charlottesville redistribution from pool

.37 x Ctb + .37 x Atb = P

Ap/(Ap+Cp) + At/(At + Ct) = A

Cp/(Ap+Cp) + Ct/(At+Ct) = C

A/(A+C) x P = Ard

C/(A+C) x P = Crd

Ad - Ard = Albemarle net contribution
Cd - Crd = Charlottesville net contribution

An example of the actual computations for the 1992 distribution is shown in Appendix B.

7. If the County's negotiating team had been given more autonomy at the beginning, this change might have been significant. Not only did Iachetta and Lindstrom (who normally agreed on County matters) have different personal styles, they differed considerably in their attitude toward the City and the negotiations. Whereas Iachetta was viewed, accurately, as a "hard-liner" where the City was concerned, Lindstrom was more of a "moderate", willing to view the City with less suspicion in order to avoid the all out "war" of annexation litigation. But the County's negotiating team had accurately reflected the views of the entire Board and had consulted with the Board at every step of the negotiations. In fact, with the exception of White Hall District Supervisor Joseph T. Henley,

Jr., who remained absent from most of the negotiating sessions, the entire Board was almost always present (as was the City Council) at each negotiating session. During the numerous critical caucuses, each Board member had been influential in his or her own way in shaping the evolving agreement. Furthermore, most of the structure of the agreement had already been negotiated by January of 1982. For these reasons the change in the make-up of the County's negotiating team did not result in a change in the County's position or in the progress of the negotiations.

In addition to the change in the makeup of the County's negotiating team, there had also been a change in the composition of the County Board. As already noted, Iachetta had not sought re-election. The boundaries of the of the old Charlottesville District which he represented had been changed in the 1981 redistricting. The change had also affected the Rivanna District which had been served by Layton McCann. McCann had been appointed by County Circuit Court Judge David F. Berry to fill the unexpired term of William S. Roudabush who had retired from the Board earlier. The redistricting had not substantially changed the characteristics of the population of either District. Both retained a substantial urban population, and in fact, the Rivanna District had become more urban as a result of the change in boundaries. This may have also been significant in maintaining the County's course in the negotiations. Had either District been redrawn to give it a more rural character its newly elected Board representative might have been more likely to join White Hall District Supervisor Henley in opposing the agreement.

Iachetta was replaced by Patricia A. Cooke as representative of the new Charlottesville District. James F. Butler defeated McCann in the contest for the Rivanna District seat on the County Board. Both new Supervisors had been invited to sit in on the negotiating sessions subsequent to their elections in November. Neither had taken a stand against the trend of negotiations during their campaigns. Neither sought to change the course of negotiations once they had begun their terms. Because the negotiations were so far advanced at the time they took office, both expressed deference to the positions already taken. As a result the change in make-up of the Board itself, which could have resulted in a shift in Board policy, did nothing to alter the course of negotiations.

8. Although the consolidation study committee met, it never submitted the final report called for in the agreement. In fact, it never really studied how a study might be made, but began by studying the consolidation of various aspects of City and County governmental services. The City and County school systems actually did combine some programs as a result of the committee's recommendations, but not much ever came of

the committee and after a very quiet existence, the study committee was officially disbanded by the City and County at a joint public meeting held in the late summer of 1984. Ironically, the highlight of that meeting was a continuing debate over whether the City and County would agree to provide joint recreational facilities and whether the County would provide its "fair share" of local softball fields. The demise of the study committee was hardly noticed by the media which had once followed this topic with great interest.

9. On the surface it appeared that very little had been accomplished at this meeting. No agreement had been reached on any of the many facets of the agreement except for the structure of and charge to the consolidation study committee. The meeting did, however, offer evidence of real progress on a much deeper level--the attitudes of the participants. Both sides now appeared committed to successfully concluding the negotiations. Although significant issues remained unresolved both sides were willing to be flexible enough to find the necessary solution to these issues. Evidence of new flexibility could be seen in the County's reaction to the suggestion that the long fought-over initial contribution to the revenue-sharing fund of thirty-three cents of each jurisdiction's real estate tax base be increased. Earlier in the negotiations the two sides had fought tenaciously over every additional cent of the initial contribution. Now it appeared that this number might not be so concrete, if an adjustment was necessary to move ahead.

   The dynamics of the negotiations appeared to have changed when the two sides reached agreement on the amount of the initial contribution to the revenue-sharing fund. By that point so much effort had been put into the negotiations and so much real progress had been made that the two sides may have been more committed to the successful conclusion of the agreement than they were to the specific positions which they had so vehemently defended earlier.

   Another factor contributing to the apparent new flexibility of both sides may have been that the process of "incremental negotiation", whereby each side attempts to find the limits of the other before reaching its own limit, had been concluded. The cautious, nearly unyielding, tactics necessary to succeed in such negotiations had served their purpose and had yielded the agreement of the thirty-three cent initial contribution. That phase of negotiations was perfectly suited to the incremental tactic where the process sometimes obscures the substance of negotiations. Simply being free of such stylized bargaining allowed for greater flexibility.

   The danger in this change in attitude, particularly for County Board members, was that the very momentum of the process of "agreeing" would move the Supervisors beyond the

point acceptable to their constituents. The early public sessions between the City and County had not only been beneficial in educating the public, but may have been helpful in tying the two sides to positions which were acceptable to each side's particular constituency. Of course, the knowledge that a referendum awaited the final results of the negotiations also kept Board members from moving too rapidly toward a position which County residents might not agree with.

APPENDIX A

The Michie Legislation

taken from

Acts of the General Assembly

of the

Commonwealth of Virginia

Session 1979

APPENDIX B

COUNTY/CITY REVENUE SHARING AGREEMENT
COMPUTATION OF 1992/93 AMOUNT

Prepared January 22, 1992

FACTORS USED IN COMPUTATION

	Albemarle	Charlottesville
Population (1990)	68,040	40,341
Real Estate Tax Base (1990)	3,426,001,165	1,439,662,200
Nominal Tax Rate (1990)	0.74	1.11
Assessment Ratio (1990)	81.86	88.10
True Tax Rate	0.6058	0.9779
Growth Sharing Contribution (Based on .37/$100)	12,676,204	5,326,750

STEP 1. RELATIVE POPULATION INDICES

	Population	Index
Albemarle	68,040	0.6278
Charlottesville	40,341	0.3722
TOTAL	108,381	1.0000

STEP 2. RELATIVE TAX EFFORT INDICES

	True Tax Rate	Index
Albemarle	0.6058	0.3825
Charlottesville	0.9779	0.6175
TOTAL	1.5837	1.0000

STEP 3. COMPOSITE INDICES

	Combined	Average
Albemarle	1.0103	0.50515
Charlottesville	0.9897	0.49485
TOTAL	2.0000	1.00000

STEP 4. DISTRIBUTION

	Contribution	Index	Distribution
Albemarle	12,676,204	0.5052	9,094,192
Charlottesville	5,326,750	0.4949	8,908,762
TOTAL	18,002,954	1.0000	18,002,954

STEP 5. TRANSFER

	Contribution	Distribution	Net
Albemarle	12,676,204	9,094,192	(3,582,012)
Charlottesville	5,326,750	8,908,762	3,582,012
TOTAL	18,002,954	18,002,954	0

STEP 6. MAXIMUM PAYMENT

	Tax Base	Rate	Amount
Albemarle	3,426,001,165	0.0010	3,426,001

THEREFORE, the County of Albemarle shall pay the city of Charlottesville on January 31, 1993 per the Revenue Sharing Agreement date February 17, 1982 the amount of $3,426,001.

Robert W. Tucker
County Executive
COUNTY OF ALBEMARLE

Cole Hendrix
City Manager
CITY OF CHARLOTTESVILLE

WITNESSED BY:

DATE: _____

DATE: _____

APPENDIX C

CHARLOTTESVILLE/ALBEMARLE REVENUE-SHARING AGREEMENT
PAYMENTS FOR FISCAL YEARS 1982 - 1993

Fiscal Year	Calculated Payment	Cap	Amount of Payment	Dollar Increase	Percent Increase
82-83	1,293,552	Did not apply	1,293,552		
83-84	1,664,067	1,530,991	1,530,991	237,439	18.36
84-85	1,635,984	1,579,753	1,579,753	48,762	3.18
85-86	1,909,389	1,875,179	1,875,179	295,426	18.70
86-87	1,942,509	1,956,554	1,956,554	81,375	4.34
87-88	2,417,318	2,277,953	2,277,953	321,399	16.43
88-89	2,513,521	2,368,027	2,368,027	90,074	3.95
89-90	2,900,073	2,693,120	2,693,120	325,093	13.73
90-91	3,128,917	2,802,360	2,802,360	109,240	4.06
91-92	3,644,347	3,277,350	3,277,350	474,990	16.95
92-93	3,582,012	3,426,000	3,426,000	148,650	4.54

BIBLIOGRAPHY

Gerald E. Fisher, personal notes taken during the Charlottesville/Albemarle Revenue Sharing Agreement negotiations, 1979-1982.

C. Timothy Lindstorm, personal notes taken during the Charlottesville/Albemarle Revenue Sharing Agreement negotiations, 1979-1982.

Memorandum from the Albemarle County Executive's Office to C. Timothy Lindstrom, April 23, 1992.

Memorandum from Albemarle County Department of Finance to Albemarle County Executive's Office, January 22, 1992.

Virginia, *Acts of the General Assembly of the Commonwealth of Virginia* (1979), Volume 1, Chapter 85.

A regular meeting of the Board of Supervisors of Albemarle County, Virginia, was held on February 17, 1982, at 7:30 P.M. in the Auditorium of the County Office Building, 401 McIntire Road, Charlottesville, Virginia.

PRESENT: Mr. James R. Butler, Mrs. Patricia H. Cooke, Messrs. Gerald E. Fisher, J. T. Henley, Jr., C. Timothy Lindstrom and Miss Ellen V. Nash.

ABSENT: None.

OFFICERS PRESENT: County Executive, Guy B. Agnor, Jr. and County Attorney, George R. St. John.

Agenda Item No. 1. The meeting was called to order at 7:35 P.M. by the Chairman, Mr. Fisher.

Agenda Item No. 2. Public Hearing: Proposed Annexation and Revenue Sharing Agreement. (Notice of this public hearing was advertised in the Daily Progress on February 3 and February 10, 1982.)

ANNEXATION AND REVENUE
SHARING AGREEMENT

This Agreement is between the COUNTY OF ALBEMARLE, acting through its Board of Supervisors, and the CITY OF CHARLOTTESVILLE, acting through its City Council:

SECTION I. PURPOSE.

This agreement arises out of the annexation statutes found in Title 15.1 of the Code of Virginia. The Board of Supervisors recognizes that those statutes permit the City to initiate court proceedings to annex County territory; however, the Board believes annexation to be ineffective as a solution to the social and financial problems of cities, and generally opposes the concept of annexation on philosophical grounds. The City Council believes that annexation has been historically effective as a method for cities to increase their tax bases and provide for effective delivery of urban services and that the City would be justified in asking to annex parts of the County at this time.

In spite of these philosophical differences, the City Council and the Board of Supervisors realize that their jurisdictions have much in common and that the interests of their citizens often extend across jurisdictional boundaries. They are proud of many instances in which their two governments have cooperated to serve the interests of those citizens, and they share the hope of a future filled with more cooperative measures, perhaps ultimately resulting in the combination of the two jurisdictions into one.

Whatever the merits of annexation might be, an annexation suit initiated by the City at this time would threaten the spirit of cooperation now existing between the City and County governments. It would involve great expenditures of time and money, and it would introduce an element of uncertainty into the political and governmental processes of both jurisdictions which both the City Council and the Board of Supervisors would prefer to avoid.

Recognizing all of these circumstances, the Board of Supervisors and the City Council have sought through negotiations to find a solution which would lessen the City's need to annex County territory and thereby permit the County to proceed with its planning and other governmental processes free of the threat of annexation. Both bodies believe that the revenue and economic growth sharing plan described in this agreement is an equitable solution, which permits both jurisdictions to share fairly in the property tax revenues created by future economic growth in the community regardless of whether that growth occurs in the City or County.

SECTION II. REVENUE AND ECONOMIC GROWTH SHARING PLAN.

A. Agreement to Contribute and Share.

Pursuant to Va. Code Ann. Section 15.1-1166, for as long as this agreement remains in effect, the County and City agree annually to contribute portions of their respective real property tax bases and revenues to a revenue and economic growth sharing fund as described in this Section. Each agrees to transfer to the other the net amount determined by applying the calculations described in this Section to the fund so created.

B. Determination of Contributions to Fund.

The City and the County will each annually contribute to the revenue and economic growth sharing fund, from their respective real property revenues, thirty-seven cents for each one hundred dollars of value of locally assessed taxable real property, improved and unimproved, within their respective political boundaries.

The city manager and county executive, or their designees, shall meet in the month of January in each year in which the agreement is in effect to determine the amount each jurisdiction will contribute to the fund in the ensuing fiscal year. The sum of the contributions of the City and County shall constitute the "fund" as referred to below.

In each year that this agreement is in effect, the assessed values used to calculate the respective contributions shall be those reflected on the land books of the two jurisdictions for the most recent year for which population and true tax rate figures are also available, as provided in Subsection D. However, for any year in which one jurisdiction conducted a general reassessment and the other did not, the contributions of both jurisdictions shall be based on the assessed values for the most recent year in which both conducted a general reassessment, plus subsequent new construction and less subsequent demolitions in both jurisdictions.

C. Determination of Distribution of Fund.

After computing the total contributions to the fund, the designated officials, using the steps set forth in Subsection D, shall determine the distribution of the fund for the ensuing fiscal year. This determination shall be used by the two jurisdictions in the preparation of their budgets and for fiscal planning purposes.

The distribution of the fund and the resulting net transfer of funds shall be made initially on January 31, 1983, and on each January 31 thereafter that this agreement remains in effect.

D. Procedure for Computing Distribution.

The procedure to compute distribution of the fund requires the determination of the following figures:

Population of the City
Population of the County
True Real Property Tax Rate of the City
True Real Property Tax Rate of the County

The population figures shall be determined by official United States Census figures for years in which a census has been taken. For years between censuses, the population figures shall be the final population estimates of the Tayloe Murphy Institute of the University of Virginia.

True real property tax rates shall be as determined by the Virginia Department of Taxation.

In the event the Tayloe Murphy Institute or the Department of Taxation ceases to make such determinations, the city manager and county executive shall jointly select another source for such figures.

The distribution shall be computed as follows:

Step 1. Compute relative population indices for both jurisdictions by dividing each jurisdiction's population by the sum of the populations for both jurisdictions.

Step 2. Compute relative tax effort indices for both jurisdictions by dividing each jurisdiction's true real property tax rate by the sum of the true real property tax rates for both jurisdictions.

Step 3. Compute a composite index for each jurisdiction by averaging the relative population index and the relative tax effort index for the respective jurisdictions.

Step 4. Multiply the composite index of each jurisdiction by the total contributions to determine each jurisdiction's share of the fund.

Step 5. Compute the net transfer by finding the difference between each jurisdiction's contribution and its share of the distribution.

Each time the contribution and distribution are computed the computation shall be based on the assessment, population and true tax rate figures for the most recent year for which all three such figures are available.

EXAMPLE

This example shows how such a computation would be made for the Fiscal Year 1983 (July 1, 1982-June 30, 1983), using the figures for the most current year for which all three elements are available, 1980.

Contributions to Revenue and Economic Growth Sharing Fund Total Assessed Values of Taxable Property (Jan. 1, 1980):

Charlottesville: $651,387,930
Albemarle : $1,229,123,396

These multipled by 37 cents per $100 of valuation, yield the following respective contriubtions.:

Charlottesville : $2,410,135
Albemarle : $4,547,759
Total Contributions: $6,957,894

Distributions (based on 1980 populations and true tax rates for 1980):

Step 1. Relative Population Indices:

Jurisdiction	Population	Index
Charlottesville	39,916	.4171
Albemarle	55,783	.5829
Totals	95,699	1.0000

Step 2. Relative Tax Effort Indices:

Jurisdiction	True Tax Rate	Index
Charlottesville	.91510	.6474
Albemarle	.49848	.3526
Totals	1.41368	1.0000

Step 3. Composite Indices:

Jurisdiction	Composite Index
Charlottesville	.5323
Albemarle	.4677
Total	1.0000

Step 4. Actual Distribution:

Multiply Composite Indices by amount of Total Contributions ($6,957,894) to obtain the following distribution of the pooled amount:

Jurisdiction	Composite Index	Distribution
Charlottesville	.5323 x $6,957,894=	$3,703,687
Albemarle	.4677 x $6,957,894=	$3,254,207
Total		$6,957,894

The net transfer of funds which will result from this formula is the difference between each jurisdiction's contribution and its distribution. The 1980 figures yield the following net transfer from Albemarle to Charlottesville from this example:

	City	County
Distribution:	$3,703,687	$3,254,207
Contribution:	-2,410,135	-4,547,759
Net Transfer:	+$1,293,552	-$1,293,552

As can be seen from this example, the contribution of each jurisdiction will rise or fall as the tax base rises or falls, and the distribution will increase or decrease as a combination of relative populations and relative tax rates.

E. Limitation on Distribution.

The contributions, distributions and the net transfer of funds for fiscal year 1983 shall be as shown in the example in subsection IID above. In all subsequent fiscal years, the amount transferred to either jurisdiction for any year shall not exceed one tenth of one percent (.1%) of the total locally assessed value of taxable real estate used to compute the contribution of the other jurisdiction for that year.

F. Disputes About Computations.

In the event the city manager and county executive cannot agree with regard to any computation made under this agreement or any figure to be used in such computations, they shall jointly select a person knowledgeable about government finances to resolve the dispute.

SECTION III. ANNEXATION.

During the time this agreement is in effect, the City will not initiate any annexation proceedings against the County, with the exception that the City may, if it chooses, petition for annexation of that property presently owned by the City, adjacent to its corporate limits, known as Pen Park. A plat of the Pen Park property is attached to this agreement and marked as Exhibit A. If the City decides to petition for annexation of Pen Park, the County agrees that it will not oppose that annexation. The City further agrees that while the agreement is in effect it will oppose any petitions filed by County residents or property owners seeking to have territory annexed by the City.

SECTION IV. DISCRIMINATORY TAXES.

The County and City agree that, except for ad valorem property taxes, taxes on restaurant meals, transient lodgings or admissions to public places or events and other general or selective sales or excise taxes, neither jurisdiction will, during the life of this agreement, impose or increase any tax that would affect residents of the other jurisdiction if the other jurisdiction is not legally empowered to enact that tax at the same rate and in the same manner. This provision is specifically intended among other things to ensure that neither jurisdiction will enact a so-called "commuter" or payroll tax unless the other jurisdiction has the legal authority to do so.

SECTION V. CONSOLIDATION STUDY.

The City Council and Board of Supervisors agree that immediately after the approval of this agreement pursuant to Section VII they will appoint a committee to study the desirability of combining the governments of the two jurisdictions, or some of the services presently provided by them, either in a consolidation as provided in Va. Code Section 15.1-1131, or in some other manner for which special legislation might be requested.

The study committee will be comprised of two members of City Council, two members of the Board of Supervisors, the city manager and the county executive. Each governing body shall select the members to represent it on the committee. The city and county attorneys will attend the meetings of the committee and advise it, but will not be voting members.

The committee will begin meeting as soon as possible after its appointment and will make a preliminary report to the Board of Supervisors and City Council within six months after its first meeting to set forth the manner in which it thinks the study should proceed, including a request for whatever staff or other assistance it anticipates will be needed. The City Council and Board of Supervisors agree to act on the preliminary recommendations within thirty days after receiving them.

A full public report of the final conclusions and recommendations of the study will be made to both governing bodies not later than January 30, 1983. However, the Board of Supervisors and City Council may jointly agree to extend this time limit.

SECTION VI. DURATION OF AGREEMENT.

This agreement will remain in effect until:

A. The City and County are consolidated or otherwise combined into a single political subdivision; or

B. The concept of independent cities presently existing in Virginia is altered by state law in such a manner that real property in the City becomes a part of the County's tax base; or

C. The City and County agree to cancel or change the agreement.

SECTION VII. APPROVAL OF AGREEMENT.

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 after publication of notices and public hearings, as required by Va. Code Section 15.1-1167, and in the case of the County, following approval by the qualified voters of the County in a referendum conducted pursuant to state law.

SECTION VIII. SEVERABILITY.

The provisions of Sections II and III of this agreement are not considered severable, and any determination by a court of competent jurisdiction that the revenue and economic growth sharing plan or the City's agreement not to initiate or support annexation petitions (except for Pen Park) is valid shall cause this entire agreement to be null and void. All other provisions are considered severable, and a determination that any of them is invalid shall not affect the remaining provisions.

SECTION IX. BREACH OF AGREEMENT.

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 60 days to remedy the breach. In the event remedial action has not been taken within the 60 day period, the aggrieved party shall be entitled to seek specific performance of the agreement in the circuit court of the City or County.

IN WITNESS WHEREOF the City Council has authorized the Mayor to sign this agreement by a resolution adopted _____, 1982, and the Board of Supervisors has authorized its Chairman to sign it by resolution adopted _____, 1982, and pursuant to the results of a referendum of the qualified voters conducted _____, 1982.

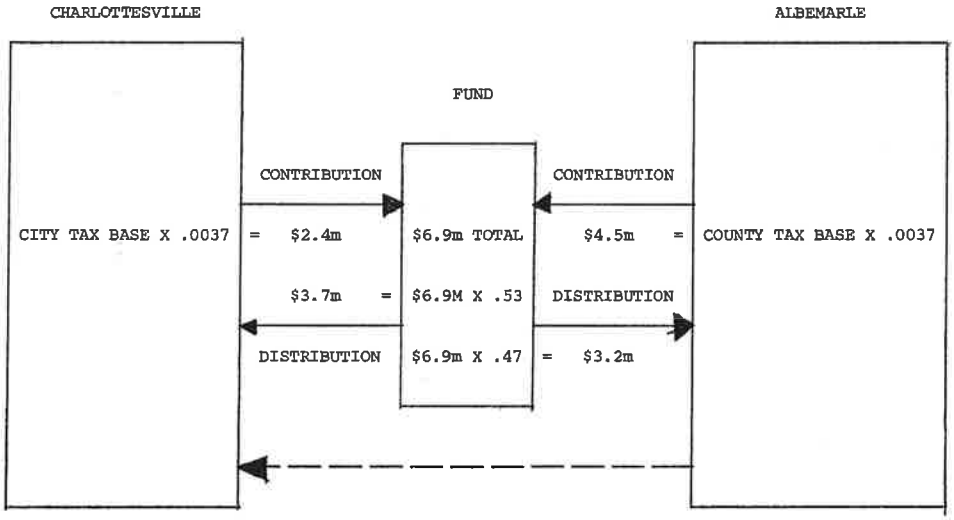
Mr. Fisher said that over two years ago, City Council had approached the Board of Supervisors saying that it wanted to begin negotiations on the question of transferring either land or money from the County to the City or the City would proceed with annexation in court. Discussions began with a negotiating team composed of Dr. F. Anthony Iachetta, Mr. Fisher, the County Executive and the County Attorney. When Dr. Iachetta's term on the Board expired at the end of 1981, he was replaced by Mr. C. Timothy Lindstrom. The negotiating team has arrived at the agreement which is presented for public hearing tonight. The agreement that the negotiating team presents to the other members of the Board of Supervisors and to the public tonight is based on the following conclusions: (1) If this agreement is not consummated, the City of Charlottesville will probably take steps to annex parts of Albemarle County, its people and its tax base. (2) The cost of annexation, both in money and in prolonged conflict, may well exceed the cost of this agreement. (3) If this agreement is not consummated and there is an annexation, that annexation will not end the matter since the Michie legislation permits annexations at ten year intervals. (4) The protection of present and future tax bases is of value to all county taxpayers in all future years. (5) There is no commitment to consolidate the two areas, only that a study be conducted of the idea. (6) The limitation on cost to the taxpayers is known and predictable in this agreement. (7) Disruption of school systems is unlikely to benefit anyone.

Mr. Fisher said that the concept of sharing revenues is new to the state of Virginia. If it is accomplished in the manner outlined in the agreement, there will be no more annexations of Albemarle County by the City of Charlottesville. The growth which is occurring in the County will generate a permanently enlarged tax base for the County. The City will share in some of the revenues generated by the growth in the County but will have no responsibility for services in the County. Citizens now living in the County will remain permanent citizens of the County. Mr. Fisher said that the tax rate on real property in the County will rise by ten cents on each one hundred dollars of assessed value in the first year of the agreement. The cost of funding the agreement in future years is expected to decline slowly to eight cents per one hundred dollars during the next ten year period and to continue to decline beyond that time. Mr. Fisher said that while there is no commitment to combine services or to consolidate the two localities into one locality, there is a commitment to begin preliminary study to see if there are any advantages to pursuing such a course. If the preliminary study shows that there are advantages in either combining services or in consolidation, those recommendations would have to be taken up at a later date and would be subject to public hearings; also, if there is to be a consolidation, by a referendum in both localities.

Mr. Fisher then explained the following chart:

REVENUE SHARING AGREEMENT

FY 83 (EXAMPLE):



NET TRANSFER = $1.3m

Mr. Fisher explained that the City of Charlottesville would set aside an amount of money equivalent to thirty-seven cents on its tax base which would be a total of 2.4 million dollars. Albemarle County would set aside an amount of money equivalent to thirty-seven cents on its tax base or 4.5 million dollars. This 6.9 million dollar fund would exist only as calculations on a sheet of paper. There is no actual transfer of cash. The 6.9 million dollars would then be distributed back to the localities as per the above chart. Fifty-three percent of the money (3.7 million dollars) would go back to the City of Charlottesville. The remainder of the money or forty-seven percent would be distributed back to the County for a total of 3.2 million dollars. The County's loss is the same amount of money as the City's gain, or 1.3 million dollars. If the Annexation and Revenue Sharing Agreement is approved by the voters in a referendum, then on January 31, 1983, a check will be written by the County and sent to the City for 1.3 million dollars. The contributions of the two localities will always be thirty-seven cents on their respective tax bases. The number will not change since it is a negotiated number. The City's tax base will change with time as will the County's. The tax bases will show the effect of inflation, of growth, of demolitions, and in the event that there is a serious depression or decline in property values, that will also be reflected in both tax bases. Mr. Fisher said this is an indication of the wealth of the community adjusted for its growth and for the inflation that is taking place. The distribution formula will change from year to year.

CALCULATION OF COMPOSITE INDEX

FOR DISTRIBUTION

1. Calculate Relative Population Index:			
Charlottesville:	$\frac{40,000}{40,000 + 56,000}$	=	.42
Albemarle:	$\frac{56,000}{40,000 + 56,000}$	=	.58
	TOTAL		1.00
2. Calculate Relative Tax Effort Index:			
Charlottesville:	$\frac{.92}{.92 + .50}$	=	.65
Albemarle:	$\frac{.50}{.92 + .50}$	=	.35
	TOTAL		1.00
3. Calculate Composite Index (Average of Above Two):			
Charlottesville:	$\frac{.42 + .65}{2}$	=	.53
Albemarle:	$\frac{.58 + .35}{2}$	=	.47
	TOTAL		1.00

Mr. Fisher said that in 1980 the City of Charlottesville made a proposal for revenue sharing with the County that was quite different from this proposal being presented tonight. The City felt that the revenues from a pooled amount of money should be distributed back to the two localities on the basis of the localities' relative tax rate. Since the City's tax rate was higher than the County's, the City would have received a bigger percentage of the total amount of money.

Mr. Fisher said that in the summer of 1981 the County made a counterproposal to the City for sharing sales tax revenues in which the share would have been distributed not on the basis of tax rates but on the basis of population. The County's population is larger than the City's and that distribution would have favored Albemarle County. What has been done in this proposal is to take the average of those two factors. Mr. Fisher said that in the example given above, using approximate population figures for 1980, it gives Charlottesville forty-two percent and Albemarle County fifty-eight percent. In No. 2 above, the relative tax effort index is calculated using not the published tax rates but the true tax rates developed by the State. The State gives Charlottesville's true rate at about ninety-two cents and Albemarle's at about fifty cents. Mr. Fisher indicated No. 3 above, the basis on which the revenue sharing agreement is calculated, which gives Charlottesville fifty-three percent and Albemarle forty-seven per cent. What this index does is to effectively say that the needs of the communities are based partly on the number of people in the community and partly on how hard the community is taxing itself to meet the needs of those people. These two factors are given equal weight. With Albemarle County's population growing faster than Charlottesville's, the County's relative population will continue to rise rapidly. It is also probable that as the area urbanizes, as it has been doing for the last twenty years, Albemarle's percentage of the relative tax effort will go up in relation to the City's. This means that in future years Albemarle County's share of the distribution can be expected to increase slowly with time. The negotiating team expects it to exceed fifty percent within a few years and climb gradually toward sixty percent over the next decade. Mr. Fisher said he would now turn the meeting over to the County Executive to explain how the negotiating team made its comparisons of numbers, the numbers on which the decision to recommend this agreement was made.

Mr. Agnor said that the cost estimates projected for the proposed agreement and for the two potential annexation areas include a number of assumptions made by the County's staff and its consultants. These estimates were made using historical data such as County financial records and records of annexation cases in this community and other areas of the state. The negotiated agreement formula includes such things as the locally assessed real estate tax base, the population and the true tax rate on real property. The tax base was examined for historical trends, expansion from growth and expansion of value from the market assessment process. The projected tax base data includes an annual growth factor from new construction of 2.2 percent and an annual inflationary factor of eight percent for the County. The population estimates were based upon projections of the State Department of Planning but were adjusted slightly by the County Planning staff to reflect recommendations in the County's Comprehensive Plan and also in the City's plan. The County's population is projected to increase two percent per year while the City's population is projected to decline over the ten year period by about six tenths of one percent.

Mr. Agnor said the third factor in this negotiated formula, the real estate tax rate, was also examined from historical information and adjusted incrementally to reflect the dependency of the County and City to finance increases in annual budget operations. Both the City and the County's tax rate are projected to increase at a cost of one cent per year over the ten year period of time on which projections were made.

Mr. Agnor said that two potential annexation areas were examined. One, a thirty-two square mile area, and two, an area of approximately ten square miles. These areas were examined by the County's staff and its consultants as to the impact annexation would have on the County's operational budget should an annexation be successful. The loss of revenues was estimated to be greater than the reduction of expenditures. Historically, annexations throughout Virginia have been designed to acquire for the city or the town, major areas of industrial and commercial tax revenues. The County's operational cost did not diminish proportionately to the revenue losses because the major portion of the County's annual budget is for operation of the school system. In the ten square mile area, revenues were estimated to decline as a result of annexation by sixteen percent while expenditures would decline only five percent. In the thirty-two square mile area, revenues were estimated to reduce by forty-six percent while expenditures would reduce by only nineteen percent. Mr. Agnor said that if an annexation suit were successful, the reduced tax base in the County would have to finance all expenditure needs. Tax rate adjustments would increase almost annually, because the smaller revenue base would not increase as rapidly as the expenditure side of the budget. Mr. Agnor said that the historical studies made, the estimates of budgetary changes, as well as the projections for a ten year span of time were prepared using the knowledge and experience of the County staff and the knowledge and experience of the consultants who were employed to study these statistics. He then turned the meeting over to Mr. Lindstrom.

Mr. Lindstrom said that if this negotiated agreement is accepted by the Board of Supervisors and the County citizens, it will be the first time in more than two hundred years that County boundaries will be permanent. It is the belief of the negotiating team that this stability will benefit the citizens of the County. Mr. Lindstrom said that it is almost impossible to know what a city will request and receive from an annexation court. The City of Charlottesville has identified on numerous occasions two particular areas of interest. The smaller area contains approximately ten square miles and was proposed by the City in its November 1980 proposal to be ceded to the City as a settlement of differences under the Michie legislation. The second area contains approximately thirty-two square miles and encompasses almost all of the residential areas that surround the City in the urban/suburban area of the County.

Mr. Lindstrom said the ten square mile area takes in most of the commercial properties to the north of the City. It also takes in Carrsbrook, Ivy Farms, Colthurst, Farmington, Flordon, Ednam Forest, Bellaire, then to the south of the City past Lake Reynovia, to Monticello on the east, Key West on the northeast and then back northward to take in Northfields and Westmoreland Subdivisions. Mr. Lindstrom said that although the negotiating team does not concede that these areas could be won by the City, the team recognizes that the results of an annexation suit are decided by judges who do not live in the area and have little familiarity with this area. The negotiating team believes that the successful annexation of any part of

the County by the City, in addition to the political, financial and psychological cost of defending a major law suit, will have two additional impacts. The first of these impacts would be on the County citizens who would be transferred against their will into the City. It was because of a desire to avoid transferring these persons that revenue sharing was approached as a solution to the problem. There are also other ramifications when land is annexed. There would definitely be a need for redistricting of the County's magisterial districts and a need for new elections. This would obviously have an impact on the school system by redistricting of school boundaries.

Mr. Lindstrom said that the second major impact would be on the citizens remaining in the County. It is a mistake to assume that a loss of land and people through annexation would not impose a significant cost on the citizens remaining in the County. Mr. Lindstrom said that the County's staff and consultants had been asked to make an objective estimate for a ten year period of the comparative cost of the settlement that is being suggested tonight as compared to the annexation of the ten square mile area and also the cost if the County were to lose the thirty-two square mile area that the City has identified. In calculating these costs, the money that the County might expect to receive during the first five years after a court-ordered annexation from the City has been taken into consideration.

COMPARISON OF NET COSTS TO COUNTY

REVENUE SHARING VS. ANNEXATION

TOTAL NET COSTS (In Millions of Dollars)	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90
REVENUE SHARING PROPOSAL	$1.29	$1.45	$1.44	$1.61	$1.71	$ 1.89	$ 2.01	$ 2.22
ANNEXATION:								
10 Square Mile Area	$0.02	$0.31	$0.63	$0.96	$1.33	$ 5.30	$ 5.73	$ 6.19
32 Square Mile Area	$2.41	$3.21	$4.07	$5.00	$6.01	$14.65	$15.83	$17.09

	90-91	91-92	Total Ten Years
REVENUE SHARING PROPOSAL	$ 2.36	$ 2.61	$ 18.59
ANNEXATION:			
10 Square Mile Area	$ 6.68	$ 7.22	$ 34.37
32 Square Mile Area	$18.46	$19.94	$106.67

ESTIMATED INCREASES IN REAL ESTATE TAX RATE	82-83	83-84	84-85	85-86	86-87	87-88
To Finance Revenue Sharing Proposal	10¢	10¢	10¢	9¢	9¢	9¢
To Offset Annexation Loses:						
10 Square Mile Area	-0-	2¢	4¢	6¢	7¢	27¢
32 Square Mile Area	28¢	34¢	40¢	46¢	51¢	$1.16

	88-89	89-90	90-91	91-92	Ten Year Average
To Finance Revenue Sharing Proposal	9¢	9¢	8¢	8¢	9.1¢
To Offset Annexation Loses:					
10 Square Mile Area	27¢	27¢	27¢	27¢	15.4¢
32 Square Mile Area	$1.16	$1.16	$1.16	$1.16	77.9¢

Mr. Lindstrom brought everyone's attention to the 87-88 Fiscal Year which would be the fifth year after a court-ordered annexation of land when the cost to the County increases tremendously. These are costs which would have to be compensated for through the tax rate. The County's staff and consultants expect the Revenue Sharing proposal for ten years to cost 18.59 million dollars. It is projected that if the County did not settle with the City, but lost the ten square mile annexation area in court, that the aggregate cost for ten years would be 34.37 million dollars. Finally, the cost to the County if the thirty-two square mile area were lost through annexation would be 106.67 million dollars.

Mr. Lindstrom said that the negotiating team had a great deal of trepidation about the size of some of the projections. However, they are based upon an objective analysis and the team was concerned that if it did not show the public what the City might possibly win in an annexation court, the public might believe the Board was trying to pull the wool over its eyes and the public relying on those figures would vote against the Revenue Sharing proposal. These figures are designed to give the public the best estimates of what the City might ask for and what they might possibly win in court.

Mr. Lindstrom said the next portion of the chart explains what might happen in terms of the tax rate. He emphasized that the numbers shown are not cumulative numbers. In the first year there would be a ten cent tax increase to finance the revenue sharing proposal. There would never be another tax rate increase added to finance this proposal above the ten cent increase. Actually, the rate will be reduced slightly over the terms of the agreement. However, to offset revenues lost through either the ten square mile area or the thirty-two square mile area, it would cause a great increase in the tax rate particularly at the end of the five year compensation period.

Mr. Lindstrom said he would like to emphasize that although the formula is fluid, with the money going either to the City or the County, the County's team insisted and the City's team agreed to accept a ten cent limit on the revenue sharing proposal. What this means is that the County would never have to add more than ten cents to the tax rate to fund the revenue sharing proposal regardless of what the calculations under the formula might indicate.

Mr. Lindstrom then proceeded to explain the cost to real estate property owners under both a revenue sharing agreement or an annexation as set out in the following chart:

ESTIMATED COSTS TO REAL ESTATE PROPERTY OWNERS (In Dollars)

REVENUE SHARING VS. ANNEXATION

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90
PROPERTY VALUE $40,000								
Costs to All Property Owners: Revenue Sharing Proposal	$ 40	$ 40	$ 40	$ 36	$ 36	$ 36	$ 36	$ 36
Costs to Property Owners Outside Annexed Area:								
10 Square Mile Area	$ 0	$ 8	$ 16	$ 24	$ 28	$ 108	$ 108	$ 108
32 Square Mile Area	$ 112	$ 136	$ 160	$ 184	$ 204	$ 464	$ 464	$ 464

	90-91	91-92	Total Ten Years
Costs To All Property Owners Revenue Sharing Proposal	$ 32	$ 32	$ 364
Costs to Property Owners Outside Annexed Area:			
10 Square Mile Area	$ 108	$ 108	$ 616
32 Square Mile Area	$ 464	$ 464	$3,116

	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90
PROPERTY VALUE $100,000								
Costs To All Property Owners: Revenue Sharing Proposal	$ 100	$ 100	$ 100	$ 90	$ 90	$ 90	$ 90	$ 90
Costs To Property Owners Outside Annexed Area:								
10 Square Mile Area	$ 0	$ 20	$ 40	$ 60	$ 70	$ 270	$ 270	$ 270
32 Square Mile Area	$ 280	$ 340	$ 400	$ 460	$ 510	$1,160	$1,160	$1,160

	90-91	91-92	Total Ten Years
Costs To All Property Owners: Revenue Sharing Proposal	$ 80	$ 80	$ 910
Costs To Property Owners Outside Annexed Area:			
10 Square Mile Area	$ 270	$ 270	$1,540
32 Square Mile Area	$1,160	$1,160	$7,790

Mr. Lindstrom said that the negotiating team recommends this settlement to the Board of Supervisors and the citizens of Albemarle County believing that it is the best settlement achievable. A number of people have asked why the County must pay the City anything. Mr. Lindstrom said the alternative to this revenue sharing agreement is not the status quo. The Michie legislation makes it very clear what will happen. This agreement is based upon the best, most objective estimates of the cost of the alternatives and of the cost of litigation. Mr. Lindstrom says he thinks it is very appropriate that the citizens of the County make the final decision on this subject. He personally feels that it is the best recommendation that the team could make. If there were a cheaper alternative, this would not be the recommendation. Mr. Lindstrom said he thinks this is a solution which offers the County the opportunity to permanently put to rest one of the most persistent threats to the welfare of the County's citizens at a reasonable and predictable cost.

At this time, Mr. Fisher opened the public hearing. The first to speak was Mr. John Carter from Earlysville who asked what is meant by the true tax rate. Mr. Fisher said this is a recognition that the appraised value of property is not necessarily its market value. The County sets the tax rate on real property at sixty-seven cents per $100 and that tax rate generates a certain number of dollars in revenues. As an example, if a piece of property were appraised at $40,000, it would generate a certain amount of money at 67¢ per $100 of assessed value. However, if that piece of property sold for $50,000, if the County had appraised the property for $50,000 instead of $40,000, the tax rate could have been lowered to generate the same amount of revenue. The State of Virginia, studies each locality each year and publishes a true tax rate which is the rate that could have been charged if all property in the ~~State~~ locality had been appraised at its market value. Mr. Fisher said it is not a perfect number, but it is a better number than just using published tax rates. In this agreement, that number was used so that neither locality could dicker with the appraised values.

Mrs. Opal David said she would like to hear more about how the land use tax rate is affected by this agreement. Specifically, (a) What percentage of land in the County is subject to the land use tax rate? (b) Was the fair market value of that land used in arriving at the value of the total county tax base, or was the lower assessed value on which the owners pay the land use tax rate used? and (c) If the fair market value of that land was used in arriving at the value of the county tax base, how does this affect the future tax rates of both the people eligible for the land use rate and those who are not eligible? Mr. Fisher said that nearly sixty percent of the total land area of Albemarle County is in one form or another of this deferred taxation. The deferred tax applies only to the land and it is not for any structures. The ordinance was designed to permit land to continue to be used for agricultural and forestry uses. The tax base that is used in the calculations in this revenue sharing agreement is the full fair market value of locally assessed property which means that a farm under land use tax is considered at its fair market value and not at its use value. Mr. Fisher said that the land use tax is one of three deferred tax programs in the County. There is also a tax exemption for the elderly and the handicapped. The City did not want the amount of the tax base going in the formula to depend on whether there was or was not a land use tax ordinance or whether the County exempted elderly or the handicapped. So both localities agreed to use the full fair market value of locally assessed real property. The real question is what happens to the person who owns property and the answer is very simple. If this agreement is approved, every person paying taxes will pay an amount equivalent to a ten cent tax increase whether or not the land is taxed on its land use value or its fair market value. Mrs. David asked if she were not right in saying that landowners who are not eligible for land use tax are in effect carrying a heavier part of the tax burden in the County. Mr. Fisher said it is clear that persons owning residential, commercial and industrial property pay taxes assessed at the full fair market value of the property while approximately sixty percent of the owners of land in the County are not paying taxes on the full fair market value, but on a lower assessment.

An unidentified man said Mr. Lindstrom had earlier noted that the tax base would not increase more than ten cents to fund this agreement. He asked if the ten cents will generate enough revenue to cover the cost of the agreement and if not, where the money would come from. Mr. Lindstrom said he had not stated that the "tax base" would not increase but that the "tax rate" would not increase more than ten cents. If that were not enough money to cover the cost of the agreement, the County would not pay any more than what the ten cents on the tax rate would generate. In other words, the County would pay whichever is less. If the formula generated less than ten cents on the tax rate, that is what the County would pay. If the ten cents on the tax rate was less than what the formula would require, the County would pay the ten cents on the tax rate.

The gentleman also asked a question relating to the chart entitled "Estimated Cost of Real Estate Property Owners". Under a property valued at $100,000 where it shows $910 as the total cost of the revenue sharing proposal in a ten year period of time, he asked if any increase in assessment had been taken into consideration to arrive at that $910. Mr. Lindstrom said no. The figures were designed to show what the cost of the agreement itself would be. Any increase in assessment would mean that the ten cents would generate more because there would be more $100 worth of value in the pot. Mr. Fisher said if there is inflation, the $910 would increase; if there were deflation, it would decrease. The gentleman said he felt the total figures used on this chart are a little misleading. There is another factor which he did not think had been taken into consideration and that is the cost of interest on money. The cost of the revenue sharing package is most heavily set up in the first five years against an annexation. But if an interest rate is compounded on those first five years, the difference in costs between the revenue sharing package and the cost of a ten square mile annexation package is a greater amount of money. Mr. Fisher said he did not disagree that the value of money is critical and should be considered. Mr. Lindstrom said this had been discussed. The negotiating team recognized that one of the factors that was not built into the cost of an annexation proceeding was the cost of litigation. That would be a substantial cost which would to some extent offset the decrease shown after the first five years of the revenue sharing proposal.

Mr. Henley said he would like to have some equal time to speak. The Board last week appropriated about $183,000 and this money went toward working on the revenue sharing proposal. Mr. Henley said he believes that all of the citizens realize that the Board is not sitting back and letting the City threaten to annex the County and not doing anything about it. He also does not believe the City is just sitting back and not doing anything because there is always a possiblity that this revenue sharing proposal will not pass. So the City has already spent money and the County has already spent money on revenue sharing and he cannot see how an annexation would cost as much as some people are saying it would cost.

Next to speak was Mr. Harold Pillar who asked if the Michie legislation has ever been tried in the Supreme Court or a State court to see if it is legal. Mr. Fisher said it is posed for consideration by the State Supreme Court at the present time, but he does know when the case will be heard. Mr. Pillar said he felt that the revenue sharing proposal might be a little premature until after the results of that case are known. Mr. Fisher said he did not know what the Supreme Court would do, but there is a case pending and there is some likelihood that it could be heard before the referendum. Mr. St. John said he felt it was a mistake to say that the case pending in the Virginia Supreme Court is going to test the legality of the annexation laws. The annexation laws were not changed that much by the Michie legislation and that is not what is being appealed. Mr. St. John said he did not think there is the slightest chance the Supreme Court is going to say that the laws giving the City the power to annex are illegal since they are the same laws that have already been declared legal for years by the Supreme Court. Also, he did want to contradict the Chairman but he did not believe there is the slightest chance that the case will be heard before the date set for the proposed referendum.

Mr. Pillar said he did not see any advantage to the people living in the County sharing revenue with the City unless they live right in the area that would possibly be annexed. The people who live in the more remote areas of the County certainly have questions about why the Board does not just let the City go ahead and annex that area. Mr. Lindstrom said the point of the charts is to point out that the number shown for the cost to property owners outside of the annexed area after an annexation of either the ten square mile area or the thirty-two

square mile area is the amount that would have to be paid by the people who are left in the County after an annexation occurs. Mr. Pillar asked what advantage it is to live in the County over the City. Mr. Lindstrom said he believes that people have chosen where they want to live and for the Board to just arbitrarily move them without giving them a chance to vote on the question about where they want to live is somewhat unfair. Mr. Fisher said Mr. Pillar had certainly not heard the pleas that the Board has heard from some of the citizens who live in the suburban area who are saying "don't throw us to the wolves". Mr. Lindstrom asked if Mr. Pillar understood the figures to show that even if he lived on the Greene County border and was no where near the area that might be annexed, that if the area were annexed there is the possibility of his paying higher taxes just because the County would not have as much revenue coming in.

Mr. Henley said the Board had a study made of six other counties and what happened to their tax rates after an annexation. He personally could hardly see any significant difference in the tax rate. In fact, in some of the counties, the rate went down. He said he feels you can take figures and do most anything you want to with them.

Mr. Lindstrom said he did not think it was the Board's purpose to argue with each other here, but he would like to respond that the annexation that occurred in Harrisonburg was of a substantially greater amount of land than that referred to in these charts. The negotiating team was going on the new legislation and what seems to be a tendency by the court to grant greater areas of land than they have in the past. Mr. Fisher said ten square miles would double the size of the City of Charlottesville. Mr. Lindstrom said the annexation in Harrisonburg was of a fourteen square mile area. He believes that it was almost the same amount of land as what Harrisonburg had requested in its petition to the court.

Mr. Don Reid from the Rivanna District asked if the negotiating team believes that if this agreement is not consummated that an annexation proceeding will take place. Mr. Fisher said if this agreement is not consummated, the City will almost certainly take steps to annex portions of Albemarle County, its people and its tax base. Mr. Reid asked if that statement meant that the agreement is not subject to modification. Mr. Fisher said if the team had not spent five months negotiating with the City, he believes the County would be in court right now. He does not believe the City of Charlottesville is willing for the County to reopen negotiations and begin all over again. Mr. Reid said one of the reasons he is present tonight is because he had read in the Daily Progress that the agreement is still subject to changes, yet Mr. Fisher's statement indicates that that is not true. Mr. Lindstrom said he does not believe the Board has ever been invited to write editorials for the Daily Progress. Mr. Reid said that if it is not possible to make changes in the agreement, then he will not be able to support the proposed agreement. Mr. Reid said he believes the City can get out of this agreement sometime in the future by paying net revenue to the County because the City is not holding a referendum on the agreement. He asked if the City could pay a net return to the County and thereby void the agreement. Mr. St. John said the Virginia Constitution treats a city differently from a county. A county cannot incur an obligation to pay money beyond the current fiscal year without holding a referendum and without such obligation being approved by the voters. A city can incur that kind of obligation without a referendum of the voters. This contract says on its face that it is perpetual except that both parties can mutually agree to terminate the agreement under certain conditions. Except for that, the City cannot get out of the agreement anymore than the County can get out of it once it is entered into. Mr. Reid said that unless Albemarle County residents can unilaterally vote themselves out of the revenue sharing agreement, then he will vote against the referendum. He personally cannot agree to not being able to get out of something that might become distasteful in the future. He said if there is no possibility of making changes in this proposal, he would urge everyone to vote against the proposal.

Ms. Elizabeth Samuels, representing the Charlottesville-Albemarle League of Women Voters, was present. She said the League would like to commend the City and the County for their successful effort to reach a negotiated agreement as an alternative to a devisive and costly annexation confrontation. Now that an agreement is before the public it is essential that the substance and implications of the recommended agreement be fully and accurately understood. Although the League is not in a position to support the agreement until it has been more thoroughly studied by League members, the League thinks that most reasonable people will accept the fact that the elected representatives would not have put themselves through this time-consuming and physically exhausting exercise unless they were convinced of its necessity and usefulness. The League thinks that every citizen has an obligation to evaluate the proposal, not just in personal short-range terms, but in the context of realistic alternatives and the long-range economic health and stability of the community.

Mr. Lynn Coffman said he would like to register his strong opposition to the proposed revenue sharing proposal in the belief that it is not in the best interest of Albemarle County or of Virginia. Mr. Coffman said it has been suggested that there will be some change in City County relations whether by agreement or by the courts. He does not necessarily feel that is the whole picture. The Fourteenth Amendment of the U. S. Constitution requires that no state shall make or enforce any law which shall abridge the privileges or immunities of any citizen of the United States nor shall any state deprive any person of life, liberty or property without due process of law nor deny to any person within its jurisdiction the equal protection of the law. He thinks that the Michie legislation is in violation of the equal protection of the law requirement since it provides full annexation immunity to citizens of certain urban counties in Virginia, denies full annexation immunity to citizens of Albemarle and twenty-six other non-urban counties in Virginia. Mr. Coffman said he would strongly urge the citizens of Albemarle County to defeat this dishonorable, blackmailing revenue sharing scheme and urged the Board of Supervisors to have the matter brought before the Federal court where it can be examined for compliance with the Fourteenth Amendment of the U. S. Constitution.

Next to speak was Mr. J. Harvey Bailey who said that he was just exactly the type of citizen the City is looking for. He has no children to educate, he lives on a private road that will not have to be served by trash removal: he just will be no expense to the City at all, however his tax rate will not reflect that fact. Mr. Bailey said County citizens are being offered a device which will save the County from the hazards and costs of an annexation suit. For his part, however, before he reaches an intelligent conclusion as to whether he should accept or reject the offer, he needs more data and expression of opinion from others as to the probable cost the County may be forced to pay over an indefinite time for this immunity.

Also Section 6 of the agreement defines three circumstances by which the agreement may be terminated. One of these is by mutual agreement. There is no perpetual protection from annexation suggested. If the City and County were to dissolve the agreement, immunity from annexation would dissolve with it. If the County at some future date concludes that operation of the agreement is contrary to its interests, and if the County could persuade the City to accept this solution, the County would be in the same position it now occupies less whatever sums of money have been paid out during the intervening years.

Mr. Lindstrom said he would like to comment to a couple of the statements made about the perpetual nature of the agreement. He said there is absolutely no question that if any land is annexed or transferred to the City, that land will be lost in perpetuity and any revenues that would have been generated by that land will also be lost in perpetuity.

Mr. Charles T. Lebo was present to speak as president of the Blue Ridge Home Builders Association. He placed on file for the record a copy of a resolution adopted by the Association at its Board meeting held on February 10, 1982.

> NOW, THEREFORE, BE IT RESOLVED that the Blue Ridge Home Builders Association, in furthering its long advocated position of encouraging actions by local government which would through cooperative efforts, stabilize the local economy and thereby lower the cost of home ownership, does commend the City/County negotiating team for assuming a leadership roll in the Commonwealth of Virginia by their development of the proposed Revenue Sharing plan as an alternative to annexation, and, further resolved that Albemarle County voters are urged to support the proposal in the scheduled May referendum as an alternative much preferable to the otherwise inevitable annexation suit.

Mrs. Grace Carpenter, Chairman of the Board of Directors of the Chamber of Commerce, was present. She noted that the Chamber in the fall of 1980 had sponsored the development of a citizen's committee on City/County cooperation, known as the Five C's Committee. The idea of the committee was to reach a negotiated settlement of annexation issues facing Charlottesville and Albemarle County. She noted that the committee applauds the efforts of the negotiating team and emphasized their support of a negotiated settlement. She said that they encourage and promote a sensible and reasonable culmination of this revenue sharing agreement.

Mrs. Peggy Van Yahres was present to speak as the local coordinator for the Piedmont Environmental Council. She complimented the City/County negotiating team on the process of negotiations that has reached this agreement stating that it demonstrates a spirit of compromise and cooperation instead of a spirit of confrontation and division that a court battle would cause. She also said the Council feels that this agreement promotes good land use planning as suggested in the Comprehensive Plan. They also feel the agreement will end disruptive boundary changes and give the community a future of cooperation and harmony.

Mr. Donald Holden, a resident of Montvue, said he would like to commend the negotiating team on the agreement. He feels that it is a reasonable solution and he has spoken to a number of people who also support the agreement. He just wanted to say that he thinks the team has done a good job.

Mr. John Carter said he was concerned about the perpetual aspect of the agreement. He wondered how certain items in the agreement would be interpreted fifty to one hundred years from now. He also felt that paying the money to the City would be taxation without representation.

Mr. Harold Pillar said the results of the negotiating team's work are questionable. There are several things which have not been taken into account. One of these is the interest rate. He also felt that payment of money under this agreement would be taxation without representation.

Mr. Leigh Middleditch, Chairman of the Citizens' Committee on City/County Cooperation, was present. He said the committee was composed of thirty people representing a cross section of City/County persons. He said that this group is very pleased that a negotiated settlement has been reached. It is a tribute to the people who were on the negotiating teams. His group recognized from the beginning that there would be a tax impact on the County if a negotiated settlement were reached, but it was their view that if that agreement was deemed by the negotiating team to be fair, then they were willing not only to accept the team's view of the equitable nature, but to support that decision.

Mr. Forbes Reback said he felt that it was in the interest of everyone in the County to come to these meetings and participate in these discussions.

With no one else from the public rising to speak, the public hearing was closed. Mr. Fisher said he would like to thank all of the persons who had come out and attended this meeting on a night when the weather was so bad.

Miss Nash said in the beginning she had wanted to fight annexation but that is a big gamble. She had decided that if there were an agreement which was negotiated and which was reasonable in itself as compared to an annexation law suit, that there should be an agreement and she will support the agreement proposed.

Mrs. Cooke said she sat in on the latter part of the negotiations as an observer and she feels that the best agreement was reached that could be reached between the City and the County. She will vote to support the agreement as far as presenting it to the voters of Albemarle County for their consideration. She would urge all the people in Albemarle County to thoroughly educate themselves on the agreement as well as the possible ramifications of annexation. Then, when the citizens go to the polls to vote, vote their conviction.

Mr. Butler said he plans to support the agreement. He said that during the last several years in which he worked as an extension agent, he had a chance to attend sessions that dealt with governmental concerns relating to annexation and agreements. These sessions proved that court battles over annexation were an activity that did not serve any particular governmental purpose. It was an exercise that did not solve the annexation problems for cities or counties. After becoming a member of this Board and having an opportunity to observe the process by which the negotiating teams for the City and County worked through their problems in trying to avoid an annexation suit, he feels that a good agreement was reached although it does not contain all of the things which would satisfy him. Mr. Butler said that thinking about the whole community, he will have to support the agreement as presented tonight.

Mr. Henley said he had been willing from the beginning to negotiate but he has never felt that the County should negotiate revenue sharing. He feels that if there are going to be two separate governments, they should develop their own tax bases. He does not feel that one locality should make a gift to the other just so the other locality can be viable. The main problem he has with the revenue sharing agreement is that there were too many assumptions made. The Board does not know what the State or the Federal government is going to do. They may make it almost impossible to live with the agreement. Also, he does not see any incentive in this agreement to control the cost of government. As the tax rate increases, contributions decrease. So it is an incentive for both localities to increase the cost of government. Also the Board has been presenting only two alternatives to the people, annexation or revenue sharing. There is a third alternative, the right of the County to sue the City for partial immunity. Nobody has mentioned this and he feels the people need to know this if they are to make a decision on which way they want to vote. Even the City admits that an annexation case would be in court for two or three years and every year that the case would be in court the County would not have to pay the 1.3 million dollars. Mr. Henley said that he feels the County should be run just like a business and it is not good business to make a gift like this to the City. Also, the City does not have to show a need for the money. All they have to do is say they are going to annex. The City has a triple A credit rating and the County has a double A credit rating just because of annexation. Mr. Henley said he does not personally plan to support the proposed agreement, but he will support sending it to a referendum of the County voters.

Mr. Lindstrom said he believes there are rational, logical and reasonable answers to every question that has been raised tonight about the agreement. He believes it is a sound agreement and the best of a set of very bad alternatives. For that reason, he offered motion that the Board itself endorse the Annexation and Revenue Sharing Agreement that was negotiated and concluded on January 27, 1982. The motion was seconded by Mr. Butler.

Mrs. Cooke asked if the motion could include that the agreement be adopted to present to the voters of Albemarle County for their approval in a referendum. Mr. Lindstrom said that his motion was that the Board of Supervisors setting in office tonight endorse the agreement. Although he feels the agreement must be sent to the public for a referendum, he does not condition his support of the agreement on what happens in that referendum and that is not his motion. He said he feels that the Board members need to state how they feel about the agreement. He respects Mr. Henley's position since it is perfectly clear. However, he believes that the individual Board members, if they support the agreement, should support it now, and if they disagree with the agreement, should disagree now. Mrs. Cooke said she would like to restate what she had said earlier that while setting in on the latter stages of the negotiations, she felt the agreement that was reached was the very best agreement that could be reached by the City and the County, however her support of the agreement is to offer it to the people of the County for their approval. Mr. Lindstrom said he would just like to state that that was not the motion. He will make a separate motion to send the agreement to the public for a referendum.

Miss Nash called for the question. Roll was called and the motion carried by the following recorded vote:

AYES: Mr. Butler, Mrs. Cooke, Mr. Fisher, Mr. Lindstrom and Miss Nash.
NAYS: Mr. Henley.

Mr. Lindstrom then offered motion to adopt the following resolution:

WHEREAS, the Board of Supervisors of Albemarle County finds it advisable to enter into an Annexation and Revenue Sharing Agreement with the City of Charlottesville that provides for the sharing of Albemarle County's present and future tax bases;

BE IT RESOLVED by the Board of Supervisors of Albemarle County, Virginia:

1. It is hereby determined that it is advisable for Albemarle County to enter into an Annexation and Revenue Sharing Agreement with the City of Charlottesville that provides for the sharing of Albemarle County's present and future tax bases, the terms of which agreement are set forth in a document entitled "Annexation and Revenue Sharing Agreement," attached hereto as Exhibit A and made a part of this resolution.

2. The Circuit Court of Albemarle County, or the Judge thereof, is hereby requested to order an election upon the question of Albemarle County's entering into such agreement, such election preferably to be held on May 18, 1982.

3. The Clerk of the Board is hereby authorized and directed to cause a certified copy of this resolution to be presented to the Circuit Court of Albemarle County.

4. This resolution shall take effect immediately.

The motion was seconded by Miss Nash and carried by the following recorded vote:

AYES: Mr. Butler, Mrs. Cooke, Messrs. Fisher, Henley, Lindstrom and Miss Nash.
NAYS: None.

Mr. Lindstrom then offered motion to authorize the Chairman of the Board of Supervisors to sign the Annexation and Revenue Sharing Agreement as proposed and endorsed by this Board of Supervisors this evening; the agreement dated January 27, 1982. The motion was seconded by Miss Nash and carried by the following recorded vote:

AYES: Mr. Butler, Mrs. Cooke, Mr. Fisher, Mr. Lindstrom and Miss Nash.
NAYS: Mr. Henley. (Mr. Henley said he would vote aye as a means of getting the proposal to referendum, but he did not want to vote aye and indicate that he was in favor of the agreement.)

Agenda Item No. 3. Other Matters Not on the Agenda. Mr. Lindstrom said he would like to nominate for the at-large position on the Albemarle County Planning Commission, Mr. Carl V. Williams, with said term to take effect immediately and expire on December 31, 1983. The motion was seconded by Mr. Butler and carried by the following recorded vote:

AYES: Mr. Butler, Messrs. Fisher, Henley, Lindstrom and Miss Nash.
NAYS: Mrs. Cooke.

Agenda Item No. 4. Adjournment. At 10:25 P.M., the meeting was adjourned.

Gerald E. Fisher
Chairman

Approved by B.C.S. 2-15-82 ca