

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. §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 tax 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 multiplied by 37 cents per \$100 of valuation, yield the following respective contributions:

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:

| <u>Jurisdiction</u> | <u>Population</u> | <u>Index</u> |
|---------------------|-------------------|--------------|
| Charlottesville     | 39,916            | .4171        |
| Albemarle           | 55,783            | .5829        |
| Totals              | 95,699            | 1.0000       |

Step 2. Relative Tax Effort Indices:

| <u>Jurisdiction</u> | <u>True Tax Rate</u> | <u>Index</u> |
|---------------------|----------------------|--------------|
| Charlottesville     | .91510               | .6474        |
| Albemarle           | .49848               | .3526        |
| Totals              | 1.41368              | 1.0000       |

Step 3. Composite Indices:

| <u>Jurisdiction</u> | <u>Composite Index</u> |
|---------------------|------------------------|
| 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:

| <u>Jurisdiction</u> | <u>Composite Index</u> | <u>Distribution</u> |
|---------------------|------------------------|---------------------|
| 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:

|                | <u>City</u>       | <u>County</u>     |
|----------------|-------------------|-------------------|
| Distribution : | \$3,703,687       | \$3,254,207       |
| Contribution : | <u>-2,410,135</u> | <u>-4,547,759</u> |
| 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 governmental 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 §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 §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 invalid 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 March 15, 1982, and the Board of Supervisors has authorized its Chairman to sign it by resolution adopted Feb. 17, 1982, and pursuant to the results of a referendum of the qualified voters conducted May 18, 1982.

CITY OF CHARLOTTESVILLE

BY   
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Clerk of the Council

COUNTY OF ALBEMARLE

BY   
\_\_\_\_\_  
Chairman, Board of Supervisors



ATTEST:

Lettie E. Decker  
Clerk of the Board

STATE OF VIRGINIA  
CITY/COUNTY OF Albemarle, to-wit:

The foregoing instrument was acknowledged before me this 24  
day of May, 1982, by Francis L. Buck, Mayor, on behalf of  
the City of Charlottesville.

My commission expires 8-6-85

Judith S. Gaugh  
Notary Public

STATE OF VIRGINIA  
~~CITY~~/COUNTY OF Albemarle, to-wit:

The foregoing instrument was acknowledged before me this 18  
day of February, 1982, by Bernard E. Fisher, Chairman  
of the Board of Supervisors, on behalf of the County of Albemarle.

My commission expires August 6, 1985

Judith S. Gaugh  
Notary Public