Report on the Montgomery County – Town of Christiansburg Joint Economic Development and Growth Sharing Agreement

Commission on Local Government

Department of Housing and Community Development
Commonwealth of Virginia
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TABLE OF CONTENTS

I. Introduction and Background

A. Proceedings and chronology of events

On July 17, 2008, the Commission on Local Government received a joint submission from Montgomery County and the Town of Christiansburg requesting that the Commission review a proposed Joint Economic Development and Growth Sharing Agreement. Pursuant to § 15.2-1301 of the *Code of Virginia* and regulations of the Commission on Local Government 1 VAC §§ 50-20-382 and 50-20-612, the Commission must review and analyze such proposed growth sharing agreements before the localities involved may formally enter into them.

The filing before the Commission is the result of negotiations that the County and Town began at least two years ago.[1] These negotiations concerned a tract of 47.966 largely vacant acres just outside the town limits. The parties believe that this tract has high potential for desirable commercial growth. The negotiations resulted in an understanding that the County and Town would request the Montgomery County Circuit Court to approve a voluntary boundary adjustment[2] incorporating the tract into the Town of Christiansburg, to be followed in due course by the signing of an agreement to share future revenues from the Town's imposition of its meals and transient occupancy taxes within the tract.

The Circuit Court granted the joint petition for boundary line adjustment on August 13, 2007, and the new boundary became effective at midnight on September 1, 2007.[3] On June 17, 2008, the Montgomery County Board of Supervisors adopted a resolution requesting the Commission to review the proposed growth sharing agreement that it had reached with the Town. On June 23, 2008, the Christiansburg Town Council passed a resolution making the same request of the Commission. On behalf of the County and the Town, the Montgomery County Attorney submitted a joint filing to the Commission under a letter dated July 14, 2008. The filing contained responses to the information requirements set forth in 1 VAC § 50-20-612. Upon the request of the Commission, the parties provided further information in a supplemental filing dated September 5, 2008.

The Commission met in Christiansburg on November 17-18, 2008, to tour the proposed growth sharing area, receive testimony from the parties, and hold a public hearing.[4] The public hearing on November 17 was advertised in accordance with § 15.2-2907 of the Code of Virginia; however, no members of the public attended or spoke at the hearing. The Commission agreed to keep its record open until December 3, 2008 for the receipt of public comment, but received none.

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[1] Testimony of B. Clayton Goodman, III, Montgomery County Administrator, November 18, 2008.
[2] See §15.2-3106, et seq., of the Code of Virginia. The Commission has no jurisdiction over such voluntary boundary adjustments.
[3] Order, Case No. CL07002021, entered August 13, 2007; see Attachment 2, Joint Supplemental Submission, September 5, 2008. The total boundary adjustment comprised 49.816 acres, including the 47.966-acre tract that is the subject of the growth sharing agreement. The remaining 1.850 acres was a minor boundary adjustment in a nearby commercial area along the U.S. 460 Bypass.
[4] Commissioners Lawson, Bannister, Hodge, and Seefeldt attended the Commission's proceedings on November 17-18, 2008. Commissioner Parsons recused herself from the proceedings because she owns property in Montgomery County.

B. Scope of review

The instant review is one of first impression for the Commission. The Commission has not previously been requested to review an economic growth-sharing agreement such as the one submitted by the Town of Christiansburg and Montgomery County, which was negotiated under Va. Code § 15.2-1301.

Unlike other mandatory reviews conducted by the Commission, there is no requirement for the Commission to conduct a public hearing, to tour the affected area or to require oral presentations by the localities in the context of agreements negotiated under Va. Code § 15.2-1301. However, at its September 8, 2008 regular meeting, the Commission voted unanimously to engage in these additional activities in order to capture the best and most comprehensive information available with which to conduct their review.[5]

Va. Code § 15.2-1301 defines revenue, tax base and economic growth-sharing agreements as any agreement authorized by subsection A of that section "which obligates any locality to pay another locality all or any portion of designated taxes or other revenues received by that political subdivision, but shall not include any interlocal service agreement." Furthermore, if such an agreement contains any provision relating to boundary change, immunity from annexation, town incorporation, or governmental transition, it is subject to a different review process.

Prior to entering into voluntary economic growth-sharing agreements, Va. Code § 15.2-1301 requires the participating localities to submit their proposed agreement to the Commission, which is authorized by Va. Code § 15.2-2903 "to investigate, analyze, and make findings of fact, as directed by law, as to the probable effect" of the proposed agreement on the people residing in that area. Once the Commission has issued its findings, the governing body of each locality must hold a public hearing prior to approving the agreement.

While the Commission approached this review with respect for the collaborative efforts of the participating localities as well as their negotiated agreement, the Commission believes that the intent of the General Assembly in mandating the review of such agreements requires this body to conduct a thorough examination of the terms of the agreement and the supporting materials and data provided by both localities in order to adequately identify in its findings the probable impact the proposed agreement will have on the area's residents.

[5] In the absence of a statutory requirement that the Commission hold a public hearing or oral presentations in the instant case as well as any applicable statutory notice requirements, the Commission followed the notice requirements set forth in Va. Code § 15.2-2907, which address other mandatory Commission reviews. Accordingly, a Notice of Public Hearing and Oral Presentations appeared in the *Roanoke Times* and in the *News Messenger* on Wednesday, October 29 and again on Wednesday, November 5. In addition, a copy of the notice was provided to the following jurisdictions in addition to Christiansburg and Montgomery County: the Town of Blacksburg; Craig, Floyd, Giles, Pulaski and Roanoke counties and the City of Radford.

C. General background of Town and County

1. History

Montgomery County was formed in 1777 from territory formerly a part of Botetourt, Pulaski, and Fincastle counties. The County experienced slow population growth for most of its history, but the population doubled in the 1960-1980 period, reaching 63,516 in 1980. Population growth has been steady since that time, and stood at 83,639 in 2000. Approximately two-thirds of the population resides in the two incorporated towns, Blacksburg and Christiansburg.[6]

The Town of Christiansburg, the county seat, was established in 1792 and incorporated in 1833. Christiansburg experienced a period of population decline following the Civil War, but has grown steadily from the turn of the 20th Century to the present. Expansion of the Town's boundaries has played a role in its growth. Christiansburg consolidated with the Town of Cambria in 1964, and annexations occurred in 1966, 1975, and 1988.[7] Boundary adjustments in the 1990s also enlarged the Town. Christiansburg's population in 2000 was 16,947 persons, comprising 20 percent of Montgomery County's population.[8]

2. Economy

Montgomery County's economy is relatively diversified, with low unemployment relative to the state as a whole. Thirty percent of the County's non-farm jobs are in government, reflecting the presence of Virginia Polytechnic Institute and State University. This percentage has remained almost constant since 1970. Private sector jobs are concentrated in services, retail trade, and manufacturing, although manufacturing jobs have steadily decreased, from over 50 percent of jobs in 1970 to about 14 percent in 2000. The County has net in-commuting, meaning that more workers commute into the County for employment than commute out to other jurisdictions. Over 74 percent of the people who work in the County also reside there.[9]

Christiansburg is one of the County's major employment centers, and is comparably diversified, with all job sectors represented. Statistics are not available, but it is clear that there is significant in-commuting to the Town. For example, retail trade has a large presence in Christiansburg, although only 13 percent of Town residents in the workforce are employed in retail jobs. The Town issued 1,463 business licenses in 2002, 454 of which were for retail businesses, and taxable sales in the County that year exceeded $737 million. Since the majority of the County's retail businesses are located in Christiansburg, this figure is believed to correlate well with the Town's taxable sales.[10]

Median household income in the County was $32,330 in 2000, only 69 percent of the statewide median. This is reflective of the large number of Virginia Tech students, and analysis of income

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[6] Montgomery County Comprehensive Plan (adopted October 12, 2004), pp. 23-24.
[7] See Report on the Town of Christiansburg-County of Montgomery Annexation Action, Commission on Local Government, February 1987.
[8] Town of Christiansburg 2003 Comprehensive Plan, pp. 6-10, 93.
[9] Montgomery County Comprehensive Plan, pp. 89-98.
[10] Christiansburg Comprehensive Plan, pp. 24-36.

statistics at the block group level indicates that when likely student-dominated block groups are excluded, many of the remaining block groups are closer to the statewide median. The higher income block groups tend to be in or near Blacksburg or in southern Christiansburg. The lowest income block groups are those with concentrations of manufactured housing.[11] In the Town of Christiansburg itself, median household income was $40,851 in 2000, or 87 percent of the statewide median, but Christiansburg does not house as many Virginia Tech students as does the County as a whole. Even so, the median household income figure for the Christiansburg non-student block groups ($38,438) also exceeds the median for all the non-student block groups outside the Town ($35,861).[12] In other words, Christiansburg non-student household incomes tend to be higher than non-student household incomes elsewhere in the County.

D. Description of growth-sharing area and agreement

1. Location of area

Christiansburg is located at the crossroads of three major highways: Interstate 81, U.S. Route 460, and U.S. Route 11. Route 460 is a heavily traveled thoroughfare connecting Blacksburg, the location of Virginia Tech, to I-81. The "Mid-County Area" at the intersection of Route 460 Business and Peppers Ferry Road (State Route 114) has developed into the regional retail trade center for the New River Valley. Its growth was enabled by a 1986 land exchange between a developer and Virginia Tech, which exchanged the university's Horticulture Farm property between Blacksburg and Christiansburg for land out of the path of urban expansion. The first major commercial development in the area was the New River Valley Mall, built in 1988. The mall was followed by other shopping centers and big-box retail stores including the Market Place and K-Mart (1990), Lowe's and Wal-Mart (1995), Spradlin Farms Shopping Center (2000), and the Best Buy complex (2006).[13] The area also has numerous stand-alone retail, restaurant, and lodging establishments located on out-parcels.

The development of the Mid-County Area has shifted shopping patterns in the region. Chain retailers formerly located in downtown Christiansburg and Blacksburg have relocated there. In addition, shoppers from Montgomery, Giles, and Pulaski counties who formerly traveled to Roanoke for their major needs now patronize the Mid-County Area.[14] The construction of the limited-access Route 460 Bypass has given the area excellent regional access and, by giving through traffic an alternate route, has allowed Route 460 Business (North Franklin Street) to develop to its potential as a commercial thoroughfare.[15] The bypass also forms a clear edge for Christiansburg; it generally serves as the Town's northeastern boundary, and the intensity of development drops off markedly on the eastern side of the bypass. There is no water or sewer infrastructure on the eastern side and the County has no plans to develop any.[16]

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[11] Montgomery County Comprehensive Plan, pp. 96-97.
[12] Staff analysis of non-student block group data provided in Montgomery County Comprehensive Plan, p. 97. The $38,438 and $35,861 figures are the medians of the block group medians.
[13] Testimony of Steve Sandy, Montgomery County Planning Director, November 18, 2008.
[14] Montgomery County Comprehensive Plan, p. 92.
[15] The segments of Route 460 Business in the Mid-County Area carried over 40,000 vehicles per day in 2002, the highest traffic counts within the Town, with the exception of I-81. Christiansburg Comprehensive Plan, p. 73.
[16] Testimony of B. Clayton Goodman, III, November 18, 2008.

Christiansburg annexed the Mid-County Area in 1988, and has thus been responsible for meeting its immediate public service needs as the area develops. The Town provides water distribution service, sewage collection and treatment service, police protection, streetlights, garbage collection, and local street maintenance. The Town has sized its water and sewer infrastructure to handle the anticipated buildout of the entire Mid-County Area, and encourages its continued development as the regional retail destination for the New River Valley.[17]

The proposed growth sharing area is part of the Mid-County Area. As previously stated, it was incorporated into the Town through a voluntary boundary adjustment effective September 1, 2007. The 47.966-acre area is generally located in the southeast quadrant of the Route 460 Business/Peppers Ferry Road intersection, although it does not have any frontage on or access to Peppers Ferry Road. Farmview Road provides access from Route 460 Business and dead-ends in the vacant part of the site.[18] With the completion of the boundary adjustment, the entire western side of the Route 460 Bypass was brought into the corporate limits.

2. Current land-use status and population

There are approximately 22 parcels within or partially within the growth sharing area, only two of which are developed. One of these is the Wheatland Hills condominium retirement community and assisted living center, with 37 residents. The other is a private residence, estimated to have three occupants.[19] These two owners currently have no interest in further developing their properties;[20] however, it is anticipated that the land with the single-family residence will eventually be converted to commercial use.[21] Twelve of the parcels,[22] and approximately two-thirds of the land area, are owned by a local developer. The land belonging to the developer is entirely vacant, and he is actively marketing it for commercial purposes. The remaining parcels are appurtenant to other properties fronting Route 460 Business that are outside the growth sharing area.

Christiansburg has zoned the entire growth sharing area General Business (B-3). This zoning district provides for "the conduct of general business to which the public requires direct and frequent access, but which is not characterized either by constant heavy trucking other than stocking and delivery of light retail goods or by any nuisance factors other than occasioned by incidental light and noise of congregation of people and passenger vehicles." The district allows retail stores, restaurants, and hotels/motels by right, as well as many other commercial uses by right or by conditional use permit.[23]

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[17] Christiansburg Comprehensive Plan, p. 104.
[18] See Joint Submission, July 14, 2008, Exhibit 4 (survey plat, sheet 2 of 2).
[19] Joint Supplemental Submission, September 5, 2008.
[20] Testimony of B. Clayton Goodman, III, November 18, 2008.
[21] Testimony of Steve Sandy, November 18, 2008.
[22] Additional parcels owned by the developer are indicated in the County tax records; however, these have not been recently surveyed and their boundaries do not appear on the tax maps. The numbers 12 and 22 refer to the mapped parcels. Testimony of Steve Sandy, November 18, 2008.
[23] Christiansburg Zoning Ordinance, §§30-99 and 30-100, and Zoning Map dated September 1, 2007.

3. Rezoning case and proffers

Prior to the area's incorporation into Christiansburg, the Montgomery County Board of Supervisors rezoned nine of the twelve parcels owned by the developer (28.324 acres) from Agriculture (A-1) to General Business (GB). The Board approved the rezoning on December 18, 2006. A key issue in the case was the need to provide an accessway to the site from Peppers Ferry Road, for improved distribution of traffic. The applicant included a proffer to provide such a connection once the development produces an average of 10,000 trips per day on Farmview Road. The approval ordinance also instructed the County staff to forward to Town staff all concerns raised by citizens at the public hearing, including traffic flow, buffers, noise, lighting spillover, and dust control, for the Town's consideration when undertaking site plan and other reviews.[24] The applicant provided a concept plan as part of the rezoning case, but that plan, as well as others that have been discussed at various times, has no official status.[25] Development of the site, when it occurs, will be subject solely to the Town's site planning standards, and will be subject to the Town's B-3 zoning. However, the Town intends to enforce the proffer made to the County for a connection to Peppers Ferry Road.[26]

4. Provisions of agreement

The Joint Economic Development and Growth Sharing agreement is, according to the parties, "a joint effort to meet the new service demands in the Revenue Sharing area by sharing in some of the new tax revenue generated in the designated growth area."[27] The preamble to the agreement acknowledges that economic development in either the Town or the County represents a gain to both, that public water and sewer services are critical to stimulating economic development in a particular area, and that the growth sharing area lacks full development of these services.[28] The agreement then provides that, for a term of 20 years:

- The Town will provide water and sewer service to the growth sharing area on the same terms that it provides these services to other users within its boundaries.
- The County and Town will share revenues from the meals and transient lodging taxes collected by the Town from businesses within the growth sharing area, with the County receiving 35 percent and the Town 65 percent of the collected amount. However, the sharing of revenue from any particular business shall be limited to only the first ten years of that business's operation. All revenue sharing will terminate after 20 years from the date of execution of the agreement.
- The Town will bi-annually remit the County's share of the revenues by February 15 for the July 1 to December 31 tax collection period, and by August 15 for the January 1 to June 30 tax collection period.

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[24] Ordinance FY-07-09, Montgomery County Board of Supervisors, adopted December 18, 2006.
[25] Testimony of B. Clayton Goodman, III, November 18, 2008.
[26] Testimony of R. Lance Terpenny, Christiansburg Town Manager, November 18, 2008. Terpenny pointed out the need for the connection in comments on the rezoning case submitted to the County on October 2, 2006, and spoke in favor of the rezoning at the public hearing. See Montgomery County Board of Supervisors minutes, October 23, 2006.
[27] Joint submission, July 14, 2008, p. 23.
[28] Proposed growth sharing agreement, pp. 1-2. See Joint Submission, July 14, 2008, Exhibit 3.

- If the General Assembly repeals or limits the Town's authority to collect meals and transient lodging taxes but grants the Town authority to impose a new local tax applicable to the growth sharing area, then so long as the new tax can be used for general governmental purposes, the revenue derived from it shall be subject to sharing.
- The Town will create and maintain all records necessary to calculate the County's portion of the shared revenue, and will provide a copy of such records when remitting payment to the County.

The proposed agreement is subject to review and issuance of findings by the Commission on Local Government, as well as public hearings by the Town and County. After these events have taken place, the agreement will become effective when executed by the Mayor of Christiansburg and the Chairman of the Montgomery County Board of Supervisors.

5. Division of service responsibilities between the local governments

The Town provided water and sewer service to the existing residences in the growth sharing area prior to the boundary adjustment, and continues to do so, although now at in-town rates.[29] The Town now provides police protection, local street maintenance, and garbage collection. The residents of the growth sharing area are also now eligible to use the Christiansburg Parks and Recreation Department's facilities and services.[30] Since the boundary adjustment, the County has no longer been obligated to provide primary law enforcement through the Sheriff's Department. The County continues to be responsible for general government services available to the residents, including public schools, courts, sheriff (duties other than law enforcement), animal control, and social services. Library services are available through the Montgomery-Floyd Regional Library System, which operates a branch in Christiansburg.

Fire and rescue are shared responsibilities. The heads of the Christiansburg Fire Department and the Christiansburg Lifesaving and Rescue Squad are Town employees, while the crews are volunteers. The Town owns both organizations' buildings, while the Town owns some of the equipment and the County the rest. Operating and capital costs are shared by the Town and County; they negotiate their respective contributions when preparing their annual budgets. Both the fire and rescue departments also serve some unincorporated areas surrounding the Town.[31] While the Town and County have separate E-911 services, they are actively working with Blacksburg and the City of Radford to regionalize the service.[32]

When the vacant land is developed for commercial purposes, the Town will assume ownership and maintenance of the public improvements constructed by the developer, including water and

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[29] Testimony of R. Lance Terpenny, November 18, 2008.
[30] The Town offers garbage pickup to both residential and commercial property owners, but they are free to use private haulers if they choose. The Town's Recreation Center is free to in-town residents while out-of-town residents must pay a membership fee. The Town's recreational programs are available to out-of-town residents but they must pay higher fees. Personal communication from R. Lance Terpenny to Commission staff, December 15, 2008.
[31] Christiansburg Comprehensive Plan, pp. 53-55; Montgomery County Comprehensive Plan, p. 194; personal communication from Martin M. McMahon, Montgomery County Attorney, December 17, 2008.
[32] Testimony of B. Clayton Goodman, III, November 18, 2008.

sewer lines, streets, sidewalks, and public street lighting.[33] The Town does not anticipate the need to expend any public funds to help build these improvements.[34]

II. Probable Impact of Agreement on Town and County

The Joint Submission contains estimates of the net annual revenues that the parties expect to derive from the Town's collection of meals and transient occupancy taxes within the growth sharing area. The parties have no plans to dedicate these revenues to specific projects or services that will directly benefit the area; the revenues will instead be deposited in the parties' respective general funds. Further, neither party plans to incur any debt related to projects or services directly benefitting the area.[35] The parties presently derive no revenue from the area other than real estate and personal property taxes, while in addition to these, the Town derives motor vehicle license taxes, BPOL tax from Wheatland Hills, and utility taxes and charges. These revenue sources are not likely to diversify until the vacant property is developed. The proposed agreement would not change the existing distribution of any current revenue sources. Only anticipated future revenues from meals and transient occupancy taxes are affected, and no current or planned projects are dependent on such revenue. Therefore, the only relevant questions at this juncture are whether the revenue estimates presented in the Joint Submission are reasonable, and whether the agreement as a whole represents a net benefit to the Town, the County, their citizens, and the Commonwealth.

A. Limitations of analysis

In analyzing the data presented, the Commission acknowledges that there are inherent uncertainties and limitations involved in estimating future revenues:

1. Uncertain number and type of new businesses

The only existing business-type use present in the growth sharing area is the Wheatland Hills retirement community, and it is not subject to meals or transient occupancy taxes. These taxes can only be applied to restaurants, hotels/motels, and variants thereof offering prepared foods or lodging for sale to the public. While the vacant land is zoned for general business use and will most likely be developed, the mix of uses is unknown. There is no official site plan. The estimates in the Joint Submission are based on informal discussions with the property owner, who is an experienced commercial developer.[36] However, there is no guarantee that the anticipated number and type of uses will materialize.

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[33] Testimony of R. Lance Terpenny, November 18, 2008.
[34] Joint Supplemental Submission, September 5, 2008, p. 1.
[35] The Town does in a general sense, however, expect its share of the revenues to help it service the debt it has incurred to build a new Aquatic Center, which is under construction. Testimony of R. Lance Terpenny, November 18, 2008.
[36] Testimony of R. Lance Terpenny, November 18, 2008.

2. Uncertain timing of development

Development is subject to prevailing market conditions and the individual circumstances of the property owner/developer and any business partners. There is no guarantee that businesses will be developed and begin generating revenues in the timeframe reflected in the Joint Submission.

3. Difficult to allocate general government costs to area

For the best accuracy, estimates of the agreement's impact would account for the general government costs attributable to the growth sharing area, such as administration, public education, courts, sheriff, emergency services, and social services, before and after the anticipated commercial development occurs. However, while businesses may benefit from the presence of such services, they do not necessarily "use" them in the same sense that individual citizens or households do.[37] There is no obvious basis for allocating use of these services, and thereby allocating the costs, to a commercial area. Moreover, these costs are largely fixed and only portions of the costs involved may vary with the number of businesses or citizens in a jurisdiction. Only the variable portions of these costs should be considered, but they can be difficult to separate from fixed costs. Lastly, the parties have assumed, as localities typically do with ample justification, that commercial development will produce large positive revenue flows.

The parties provided estimates of some of the recent service costs in the growth sharing area.[38] After due consideration, however, we conclude that the current and future cost of providing general government services to the growth sharing area is immaterial in this case.

B. Revenues subject to sharing over next 20 years

The Joint Submission provides a 20-year forecast of meals tax revenue generated within the growth sharing area, and for each year, provides the amount of revenue to be remitted to the County. The forecast is shown below.[39]

[37] For example, if a random crime occurs in a shopping center parking lot, it is not related to any one business in particular and therefore the response cost cannot legitimately be assigned to any particular business. Similarly, businesses benefit from a good public education system because it contributes to the overall well-being of the community, but they do not send children to the schools.

[38] For example, the County determined law enforcement, fire, and rescue service calls in the growth-sharing area for the past three years and estimated the associated expenses by prorating the total countywide cost for these functions over the same time periods. Personal communication to Commission staff from Angela M. Hill, Montgomery County Director of Financial and Management Services, December 9, 2008.

[39] Joint Submission, pp. 27-28.

Year	Town Meals and Transient Occ. Tax	Taxes to be Shared with County (35%)	Assumption
1	$0	$0	No new construction
2	$0	$0	No new construction
3	$95,000	$33,250	1 fast food with drive-through
4	$190,000	$66,500	2 fast foods with drive-through
5	$190,000	$66,500	2 fast foods with drive-throughs
6	$315,000	$110,250	2 fast foods with drive-throughs, 1 restaurant with bar
7	$465,000	$162,750	Full build-out: 2 fast foods with drive-throughs, 1 restaurant with bar, 1 hotel/motel
8	$465,000	$162,750	
9	$465,000	$162,750	
10	$465,000	$162,750	
11	$465,000	$162,750	
12	$465,000	$162,750	
13	$465,000	$129,500	Lose 1st fast food to 10-year revenue sharing limit
14	$465,000	$96,250	Lose 2nd fast food to 10-year revenue sharing limit
15	$465,000	$96,250	
16	$465,000	$52,500	Lose restaurant with bar to 10-year revenue sharing limit
17	$465,000	$0	10-year revenue sharing limit expires on all properties
18	$465,000	$0	
19	$465,000	$0	
20	$465,000	$0	
Total	$7,300,000	$1,627,500	

C. Analysis of information provided

The forecast indicates that the growth sharing agreement would provide the County with total revenues of $1,627,500 and the Town with $5,672,500 over the 20-year term. We infer from the forecast that a fast food restaurant is expected to annually generate $33,250 in meals taxes for the Town, a restaurant with bar $43,750, and a hotel/motel $52,500. The parties determined these amounts by studying the tax revenues from existing restaurants and hotels in Christiansburg.[40] The forecast anticipates no establishments opening for business in the first two years of the agreement, a fast food restaurant opening in each of years 3 and 4, a restaurant with bar opening in year 6, and a hotel/motel opening in year 7. Revenue sharing then ceases in year 11 of each establishment's operation, meaning that the County is forecast to receive no revenues beginning in year 17.

[40] Testimony of B. Clayton Goodman, III, November 18, 2008.

While the development of three restaurants and a hotel on a 48-acre site may seem like an underestimate, it is important to note that this accounting includes only those businesses that are subject to meals and transient occupancy taxes. Retail stores, which would predominate in an ordinary shopping center development, typically generate only sales, real estate, personal property, consumer utility and business license or merchants' capital taxes.[41] Given the uncertain status of development timing and business mix, any forecast at this stage can be no more than an educated guess. We can find no reason to disagree with the parties' assessment of either the build-out scenario for restaurants and hotels or the initial capacity of the establishments to generate meals and transient occupancy tax revenues.

We do, however, question the apparent assumption that the meals and transient occupancy tax revenue per establishment will remain constant over the life of the agreement. Available data does not support this assumption. The taxable sales profile for food service businesses and drinking places in Montgomery County prepared by the Commission using data provided by the Virginia Department of Taxation[42] reveals 12 annual increases and five annual reductions in taxable sales per vendor during CY 1990 through CY 2007 (see Appendix D, Table 1). In addition, during the same time period, the profile reveals nine annual rates of change in absolute magnitude of five percent or more for such taxable sales and two annual rates of change in absolute magnitude of ten percent or more.

The taxable sales profile for lodging establishments prepared by the Commission using data provided by the Virginia Department of Taxation[43] reveals nine annual increases and eight annual reductions in such taxable sales per vendor during CY 1990 through CY 2007 (see Appendix D, Table 2). During the same time period, the profile reveals 13 annual rates of change in absolute magnitude of five percent or more for such taxable sales; nine annual rates of change in absolute magnitude of ten percent or more; and three annual rates of change in absolute magnitude of twenty percent or more.

D. Benefits and costs for Town and County

All towns and cities in the Commonwealth have the authority to levy meals and transient occupancy taxes, while counties' authority is more limited.[44] Montgomery County has meals and lodging taxes of 4.0 and 3.0 percent respectively, but is not able to levy them within town

[41] The general sales tax rate is 5% (4% state tax and 1% local option tax). The Commonwealth remits a 1% share of the 4% state sales tax only to counties and cities; see §58.1-638 of the Code of Virginia. All counties and cities also receive the proceeds of a 1% local option sales tax collected on their behalf by the state, and counties in turn distribute one half of such proceeds to their incorporated towns based on the school-age population residing in each town; see §58.1-605. Counties and towns both have authority to levy taxes on real estate. Localities can levy either BPOL or merchant's capital taxes on retail sales. Christiansburg has a BPOL tax while Montgomery County has a merchant's capital tax.

[42] Data Source: Virginia Department of Taxation, Taxable Sales in Virginia Counties and Cities, annual reports (1990-2004, 2006-2007) and quarterly reports (2005).

[43] Ibid.

[44] Towns can levy these excise taxes under the general taxing powers granted by their charters; see §58.1-3840 of the Code of Virginia. Counties are subject to various restrictions including referendum requirements and rate limits; see §58.1-3833 and 3819. Counties cannot levy excise taxes within town limits, unless authorized by the town; see §58.1-3711.

limits.[45] By virtue of the 2007 boundary adjustment, the Town of Christiansburg is entitled to levy these taxes on the growth sharing area and is under no current obligation to share the revenues with the County. The proposed agreement does not cost the Town any current revenue, nor does it impose any additional service costs on the Town.[46] It does carry an opportunity cost, because the Town is surrendering 35 percent of a category of future revenues that it expects to derive from the growth sharing area. The benefits to the Town are more speculative but potentially significant. By agreeing to the revenue sharing term in this case, the Town has established an incentive for the County to consider aiding the Town's growth by consenting to future boundary adjustments.

The County, for its part, should gain a significant revenue benefit at no cost. The intensive commercial development anticipated could not take place without water and sewer service, which the agreement obligates the Town to provide. The County is unable to provide the service in this location. The development of the growth sharing area for commercial use will provide the County with a 35 percent share of the Town's meals and transient occupancy tax collections, but will also generate additional real estate, local sales, personal property, merchants' capital, and consumer utility taxes that accrue directly to the County.

From a larger perspective, the expected revenues are welcome but not critical to the well-being of the County. The Commission evaluates a county's fiscal health by examining revenue capacity, revenue effort, and fiscal stress. Revenue capacity is the per capita revenue-raising potential of a locality. It measures jurisdictional wealth and indicates the collections that a locality could anticipate from taxes, service charges, regulatory licenses, privilege fees and various other governmental instruments (i.e., potential revenue) if the jurisdiction imposed levies on its resource bases at statewide average yield rates. During the period 1995-1996 through 2005-2006[47], Montgomery County experienced successive increases in its per capita revenue capacity (see Appendix D, Table 3), including in 1999-2000 when 51.1 percent of Virginia's localities (52 counties and 17 cities) experienced reductions in their per capita revenue capacity.

Revenue effort denotes the extent to which a particular county or city converts its revenue-generating potential into actual collections through the imposition of taxes and such other funding instruments as service charges, regulatory license fees and fines. Always greater than zero and positive in direction, the ratio score may exceed a value of one if a locality utilizes its various resource bases at yield rates greater than statewide average levels. In 2005-2006, Montgomery County's effort level was 0.7043, its highest level during the 1995-1996 through the 2005-2006 period (see Appendix D, Table 4). In other words, the actual revenue collected by the County represented just 70.43 percent of its potential revenue capacity so that the County collected slightly more than $0.70 for every dollar that it would have realized if it had tapped each of its resource bases at the relevant statewide average yield rate.

[45] Virginia Local Tax Rates 2007, Weldon Cooper Center for Public Service, p. 203. Christiansburg's rates are 6.0% and 7.0% respectively.
[46] As previously discussed, all necessary infrastructure improvements will be installed by the developer and dedicated to the Town.
[47] 2005-2006 is the most recent year for which revenue capacity, revenue effort and fiscal stress statistics are currently available.

Fiscal stress, as computed by the Commission, identifies the fiscal strain endured by counties and cities relative to one another during a specified time frame. Under the Commission's classificatory system, Montgomery County has been designated "above average stress" during each year of the 1995-1996 through 2005-2006 time period except in 1999/2000 when it was designated "below average stress" (see Appendix D, Table 5). However, during that time, the county's fiscal stress index score has deviated only marginally from the mean of 165.0. The County's lowest score was164.48 in 1999/2000 and its highest stress score was 166.54 in 1996/1997 – a range of only about one-half point below the mean to about one and one-half points above the mean. The county's 2005/2006 score was 166.24.

These three measures indicate that while the County experiences above average fiscal stress, it also has untapped capacity to raise its own revenues. To add further perspective, at their projected peak of $162,750, the County's annual revenues from the growth sharing area would represent only a 0.275 percent increase over the County's total FY 2007 tax revenues.[48] Thus, the revenues under the growth sharing agreement will be helpful but are not critical to the County's fiscal health.

E. Benefits and costs to residents/consumers of Town and County

Another way to assess the proposed agreement is to analyze its probable impact on the residents of the affected areas. Inasmuch as the agreement obligates the Town to provide water and sewer service to any new commercial development in the growth sharing area, it might be seen as catalyzing growth and thereby causing direct impacts on nearby residents. Some of these potential impacts were discussed at the October 2006 public hearing on the rezoning.[49] However, the previous zoning actions by the County and Town are separate matters neither mentioned in nor affected by the agreement itself. Furthermore, there is every reason to believe that the Town would provide the necessary utilities even without the agreement. The water and sewer lines are readily available to the site and there is ample capacity. By zoning the site for general business, the Town has already demonstrated its intent to provide water and sewer service.

Residents of the Town and County at large have an interest in the taxation matters covered by the agreement through their capacity as consumers. They will have to pay the meals and transient occupancy taxes if they patronize the establishments subject to them. However, the merits of imposing the taxes are not at issue here; only the division of the proceeds between the Town and County is covered in the agreement. The revenue-sharing element will have no effect on consumers. The agreement does require the Town, in the event that the General Assembly repeals or restricts the authorization for meals and transient occupancy taxes, to impose an equivalent replacement tax if such is authorized by the General Assembly. This provision, in the event it is exercised, is likely to have no net effect on local consumers.

[48] The County's FY 2007 revenues from taxes were $59,141,469. See Joint Submission, page 8.
[49] See Montgomery County Board of Supervisors meeting minutes, December 18, 2006; and Montgomery County Planning Commission minutes, October 18, 2006.

F. Impact on the interests of the Commonwealth

While the applicable statutes do not require the Commission to consider the interests of the Commonwealth in its review of growth sharing agreements, this has been a vital consideration in the Commission's prior work on interlocal issues. In our view, the Commonwealth's primary interests in this case are the viability of local governments and the promotion of orderly economic growth.

The viability of a local government is essentially measured by its ability to marshal the resources necessary to fulfill its obligations as a political subdivision of the Commonwealth and to provide adequate levels of service to its constituents. Revenue generation is of course critical to meeting these objectives. The proposed agreement will provide future revenues to Montgomery County that it would not otherwise receive. The Town of Christiansburg will for a time surrender a 35 percent share of revenues to which it is otherwise entitled. This concession is likely to be outweighed by the other future revenues the Town may gain through future boundary adjustments secured by maintaining a cooperative relationship with the County.

Orderly economic growth occurs when such growth has adequate public services, enhances the value of the surrounding community, and does not inspire neighboring jurisdictions to engage in destructive competition. In the present case, the actions of both the Town and the County demonstrate their commitment to orderly economic growth. The Town is positioned to provide water and sewer service for the entire Mid-County Area, including the growth sharing area. The jurisdictions have reached agreement on desired land use in the growth sharing area, as evidenced by their zoning decisions. The County has facilitated the Town's efforts at service provision, and helped maintain the Town's community of interest, by agreeing to a boundary adjustment. The proposed agreement should therefore only encourage orderly economic growth in the Mid-County Area.

III. Summary of Findings

The Mid-County Area in the Town of Christiansburg is the retail trade center of Montgomery County and the New River Valley, and the Town is the primary service provider to this development. The proposed growth sharing area consisting of 47.966 acres is a lightly developed corner of the Mid-County Area adjacent to major commercial development. The majority of the growth sharing area is vacant, owned by a commercial developer, zoned for general business, and has Town water and sewer lines with ample capacity at the edge of the site. The phased development of the growth sharing area would represent a natural evolution of the Mid-County commercial area.

The growth sharing area was incorporated into the Town by a voluntary boundary adjustment that became effective in September 2007. The proposed growth sharing agreement submitted to the Commission requires the Town to share with the County, for a term of 20 years, 35 percent of the Town's meals and transient occupancy tax revenues from the growth sharing area, with no single taxed business subject to revenue sharing for more than 10 years. No businesses in the area are currently subject to these taxes; only future restaurants, hotels/motels, and variants thereof will generate them. The parties estimate that implementation of the agreement will generate $5,672,500 for the Town and $1,627,500 for the County over the life of the agreement.

The Commission is authorized by Va. Code § 15.2-2903 “to investigate, analyze, and make findings of fact, as directed by law, as to the probable effect” of the proposed agreement on the people residing in that area. Accordingly, the Commission makes the following findings:

- The agreement will have no effect on the residents of the growth sharing area, since they are not subject to the taxes proposed for revenue sharing.
- The agreement will have no effect on County residents as a whole (including the towns) in their capacity as consumers. Although local consumers may pay part of the meals and transient occupancy taxes, the sharing of the resulting tax revenues between the localities has no impact on the consumer tax burden.
- The total revenues over the life of the agreement may vary significantly from the parties’ forecast. In their Joint Submission, the Town and County assumed annual constancy in the pertinent town tax rates as well as the dollar volume of taxable retail sales that will be logged by each of the projected businesses in the growth-sharing area. To the contrary, historical data for Montgomery County demonstrates that taxable sales per vendor generated by food service businesses and drinking places as well as by lodging establishments during CY 1990 through CY 2007 have not been constant. Consequently, the revenue projections provided in the parties’ joint submission, which assume annual constancy in the dollar volume of taxable retail sales generated by each business that locates in the proposed growth-sharing area, are not likely to be reliable. Furthermore, the parties’ projections assume a constant Town tax rate over the course of the agreement, and any changes to the tax rate would further undercut the reliability of their projections. As such, both parties to the agreement should exercise prudence with respect to future budgeting based on these projections.
- For the Town, the agreement has an opportunity cost, because for 20 years (subject to a 10-year limitation on each taxed business), it will collect less revenue from meals and transient occupancy taxes in the growth sharing area—a difference that it would be entitled to keep in the absence of the agreement. However, this cost is likely to be outweighed in the long run by the benefits of maintaining a cooperative relationship with the County. By agreeing to the growth sharing arrangement, the Town has established by precedent an incentive for the County to consider future boundary adjustments.
- The expected direct revenue benefits under the agreement contribute to the County’s fiscal health but are not critical to it. The indirect revenue benefits are likely to be more significant. Montgomery County retains independent revenue-raising authority within the proposed growth sharing area, including real property, personal property, local sales, and merchants’ capital taxes, which, in the aggregate, may produce significantly more revenue than that which will be collected under the proposed agreement with Christiansburg. Little commercial development would happen, however, without the Town’s commitment to provide public water and sewer service under the agreement. The Town likely would provide such service even in the absence of the agreement, but the agreement guarantees it.
- Since the County’s fiscal stress scores have hovered around the statewide average and the County has recorded successive increases in its per capita revenue capacity,

Montgomery County should be able to meet its public finance requirements regardless of whether the growth sharing area produces revenue.

- Maintaining the current general business zoning is critical to the revenue generating potential of the growth sharing area. The County made the initial zoning decision, but zoning authority now lies solely with the Town. The agreement does not require the Town to retain the current zoning. The Town has no apparent reason to downzone the growth sharing area, but the County may wish to include a provision in the agreement discouraging the Town from pursuing any downzoning actions on this property.[50]

[50] It should be noted that, as previously discussed, the Town is relying on a proffer made by the current property owner/developer to the Montgomery County Board of Supervisors that the developer will build a road to provide for additional ingress and egress into and from the growth sharing area once the development in that area produces an average of 10,000 trips per day on Farmview Road. This additional access is critical to addressing concerns raised by citizens currently residing in the area, including traffic flow, buffers, noise, lighting spillover, and dust control.

The Commission on Local Government recognizes the significant efforts put forth by the officials of the Town of Christiansburg and Montgomery County and commends the officials for working together in the spirit of cooperation to negotiate and achieve the economic growth sharing agreement we have herein reviewed. Provided that the parties take into consideration the foregoing findings, the Commission sees no reason why the parties should not adopt the agreement.

Respectfully submitted,

__/s/________________________________
Vola T. Lawson, Vice Chairman

__/s/________________________________
Harold H. Bannister, Jr.

__/s/________________________________
Elmer C. Hodge, Jr.

__/s/________________________________
Kathleen K. Seefeldt

APPENDIX A
Growth Sharing Agreement

JOINT ECONOMIC DEVELOPMENT AND GROWTH SHARING AGREEMENT

This Agreement, made and entered into this ________ day of ________________, 2008, by and between MONTGOMERY COUNTY, VIRGINIA (hereinafter, the "County"), and THE TOWN OF CHRISTIANSBURG, VIRGINIA (hereinafter, the "Town").

WITNESSETH:

WHEREAS, the County and the Town historically have provided some public services for their respective citizens through joint contracts and other cooperative arrangements, including water and sewer service; and

WHEREAS, the Board of Supervisors of the County and the Town Council of the Town are aware that the economic vitality of the Town and adjoining areas of the County are tied together and that economic and industrial expansion in either the Town or the adjoining area of the County provides increased employment opportunities and economic vitality for the citizens of both jurisdictions; and

WHEREAS, the availability of public water and public sewer services is a particularly critical factor in the commercial and industrial development of an area, and the County and Town both perceive that the unavailability of these services in the area of the County adjoining the Town known as the Woody/Wheatland/Hairston and Arbor View Lands and more fully described in the attached legal description for the 47.966 Acre Parcel and by the plat entitled "Plat of Survey of Revised Corporation Line For the Town of Christiansburg Located in Shawsville Magisterial District Montgomery County, Virginia (Sheet 2 of 2)" dated February 22, 2007, and incorporated as a part of this Agreement and attached hereto as Exhibit A (hereinafter referred to as "the Area") may have restricted development in the Area; and

WHEREAS, the County and the Town have determined that desirable commercial and industrial development in the Area can only be accomplished successfully through joint efforts to provide utility services to the Area.

NOW THEREFORE, in consideration of the recitals herein and mutual covenants, policies and agreements herein contained, and for the purposes of joint economic development and distributing equitably the revenues produced from such projects, the parties agree as follows:

1. Term. The term of this agreement is 20 years.

2. Revenue Sharing Area. The County and the Town agree that the sharing of tax revenue pursuant to this Agreement shall apply to the Area more fully described as the 47.966 acre parcel described in the attached Legal Description for the 47.966 Acre Parcel and the plat entitled, "Plat of Survey of Revised Corporation Line For the Town of Christiansburg Located in Shawsville Magisterial District Montgomery County, Virginia, (Sheet 2 of 2)" dated February 22, 2007.

3. Water and Sewer Development. The Town will provide water and sewer utilities to the Area on the same terms that it provides water and sewer utility service to users within the Town's current boundaries.

4. Sharing of Tax Revenues. The County and the Town agree to share revenues from the meals and transient lodging tax collected pursuant to Town Code Section 11- 96 *et. seq.* and Section 11-126 *et. seq.*(hereinafter the "Shared Taxes") in the Area for the term of this Agreement. The County will receive 35% of the Shared Taxes and the Town will receive 65% of the Shared Taxes commencing after final adoption of the Agreement. The Shared Taxes for each individual taxpayer shall be limited to the first 10 years of its operation within the term of the Agreement. For example, if a taxpayer opens in the 13th year of this Agreement, the County

will receive its share only for 7 years to the end of the Agreement. In no event will the County be entitled to receive a portion of Shared Taxes paid by any taxpayer in the area for more than 10 years after the taxpayer commenced operation. In no event will the County be entitled to a portion of Shared Taxes paid by any taxpayer in the area more than 20 years from the date of this Agreement. The Town agrees to bi-annually remit the County's share of the taxes with the first payment due on or before February 15th for receipts collected by the Town from July 1st through December 31st and the second payment due on or before August 15th for receipts collected by the Town from January 1st through June 30th. The County and Town will share no other revenues, tax or otherwise, from the Area. In the event the General Assembly repeals or limits the authority of the Town to collect meals and/or transient lodging taxes but grants the Town the authority to impose a new local tax, then revenue collected from the new tax shall constitute part of the Town revenue subject to the sharing provision as long as the new tax may be used for general governmental purposes. The Town agrees to create and maintain all records necessary to determine and calculate the County's 35% portion of the shared tax revenues and provide a copy of such records to the County when remitting payment.

5. <u>Commission on Local Government.</u> The parties recognize that this Agreement is subject to review and the issuance of findings by the Commission on Local Government pursuant to Va. Code § 15.2-1301. The County and the Town agree that this Agreement shall be contingent upon review and findings made by the Commission on Local Government pursuant to § 15.2-1301 of the Code of Virginia, 1950, as amended and the Town and County each holding a public hearing advertised once a week for two successive weeks. The Town and the County have promptly initiated the steps necessary and required to obtain review of this Agreement by the Commission.

6. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the County and the Town and each of the future governing bodies of the County and the Town and upon any successor to either the County or the Town.

7. Amendments. This Agreement may be amended, modified, or supplemented in whole or in part, by mutual agreement of the County and the Town, prior to affirmation, by a written document of equal formality and dignity, duly executed by the authorized representatives of the County and the Town.

8. Enforceability. This Agreement shall be enforceable in the same way and manner as any other agreement between the County and the Town.

9. Standing. The County and the Town agree that each shall and thus have standing to enforce any of the provisions, covenants, conditions, and terms of this Agreement.

10. Execution. The parties agree that this agreement may be executed in counterparts.

WITNESS the following signatures and seals.

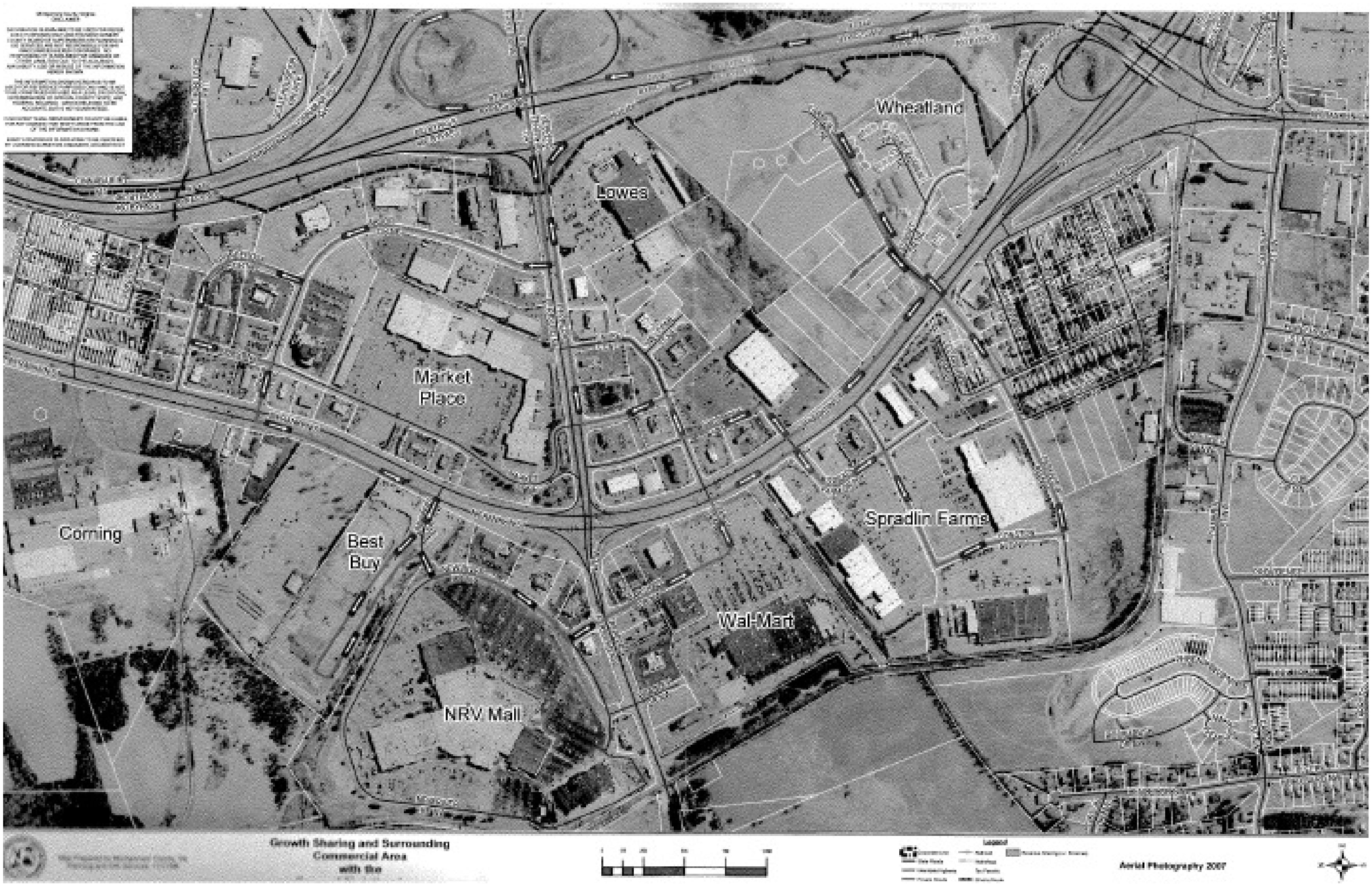
TOWN OF CHRISTIANSBURG, VIRGINIA

By: ______________________________
Mayor

MONTGOMERY COUNTY, VIRGINIA

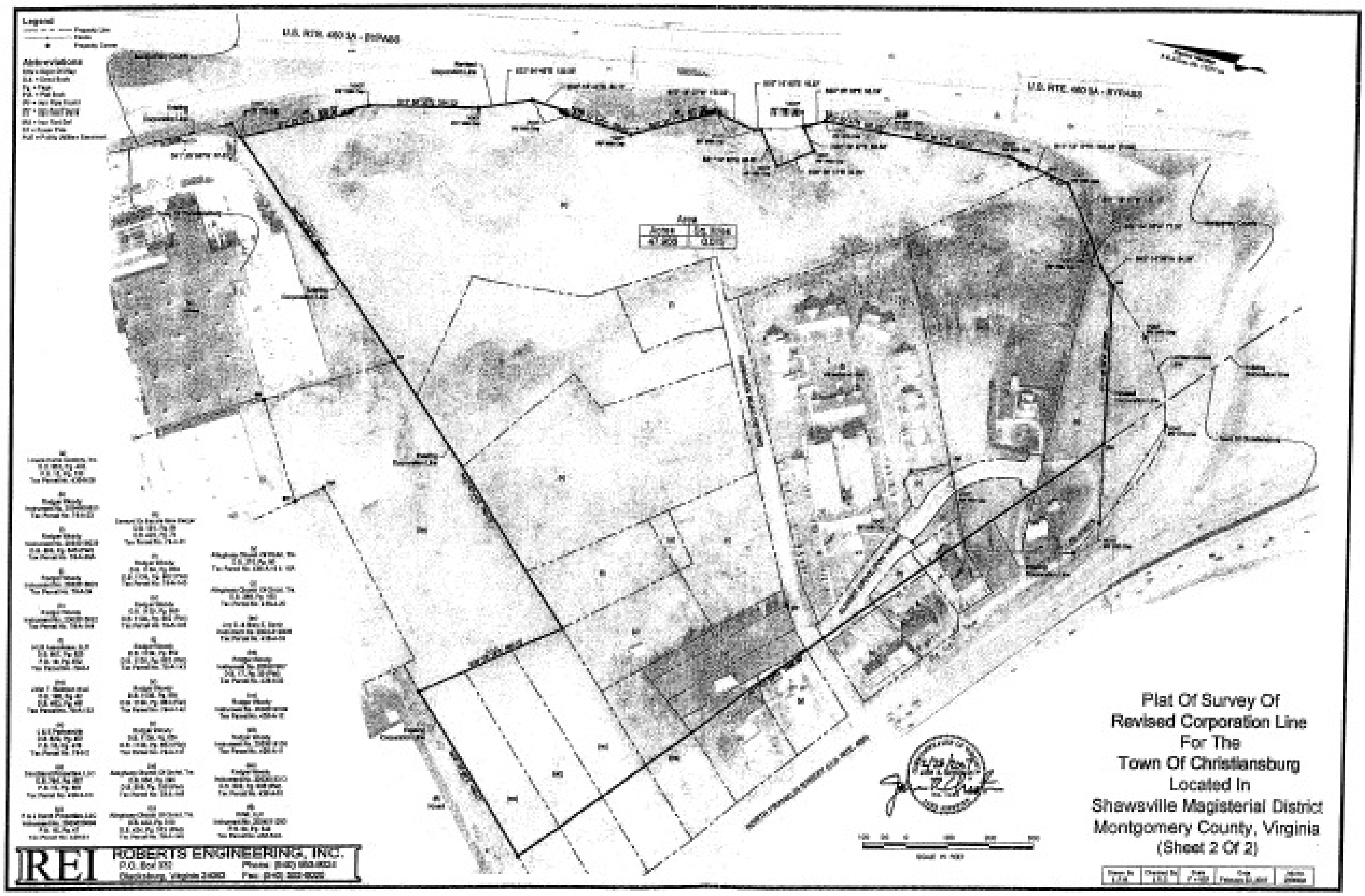
By: ______________________________
Chairman, Board of Supervisors

APPENDIX B
Mid-County Area Map



Source: Montgomery Co. Planning Department

APPENDIX C
Growth Sharing Area Map



Source: Joint Submission

APPENDIX D
Supplementary Tables
and Graphics

Table 1

Taxable Sales Profile of Food Service Businesses and Drinking Places

in

Montgomery County

Calendar Years 1990-2007

Calendar Year	Total Taxable Sales	Total Number of Vendors/1	Taxable Sales Per Vendor	Annual Percentage Change in Taxable Sales Per Vendor
1990	$52,516,698	142	$369,835.90	---------
1991	$51,500,268	148	$347,974.78	-5.91%
1992	$52,796,599	143	$369,206.99	6.10%
1993	$57,658,848	159	$362,634.26	-1.78%
1994	$58,649,041	162	$362,031.12	-0.17%
1995	$62,838,704	154	$408,043.53	12.71%
1996	$67,637,052	160	$422,731.58	3.60%
1997	$74,012,034	159	$465,484.49	10.11%
1998	$81,841,294	163	$502,093.83	7.86%
1999	$88,129,919	175	$503,599.54	0.30%
2000	$94,000,446	172	$546,514.22	8.52%
2001	$93,273,344	177	$526,968.05	-3.58%
2002	$97,839,128	176	$555,904.14	5.49%
2003	$102,475,473	185	$553,921.48	-0.36%
2004	$111,548,530	194	$574,992.42	3.80%
2005	$96,024,410	158	$607,749.43	5.70%
2006	$109,898,828	180	$610,549.04	0.46%
2007	$125,299,357	187	$670,050.04	9.75%

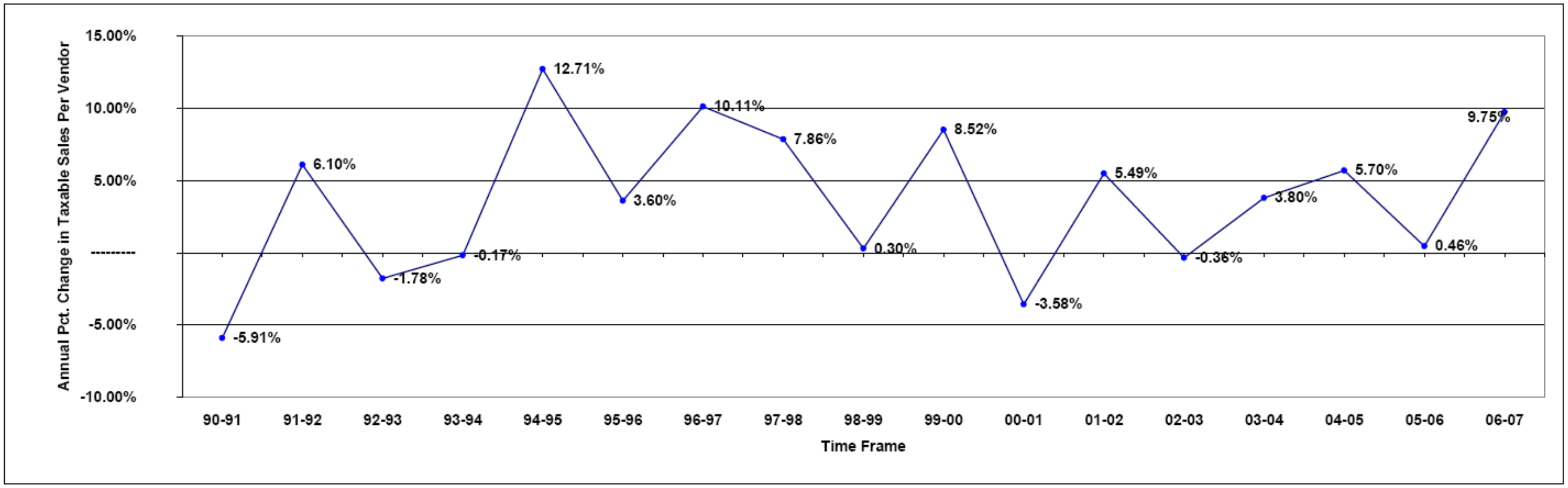
1

The "total" for 2005 is actually an estimate reflecting the median number of vendors as computed from quarterly statistics released by the VA Department of Taxation.

Data Source: VA Department of Taxation, Taxable Sales in Virginia Counties & Cities, annual reports (1990-2004, 2006-2007) and quarterly reports (2005).

Staff, Commission on Local Government

Chart 1
Annual Percentage Change in Taxable Sales Per Vendor for Food Service Businesses and Drinking Places in Montgomery County
Calendar Years 1990-2007



Staff, Commission on Local Government

Table 2
Taxable Sales Profile of Lodging Establishments
in
Montgomery County
Calendar Years 1990-2007

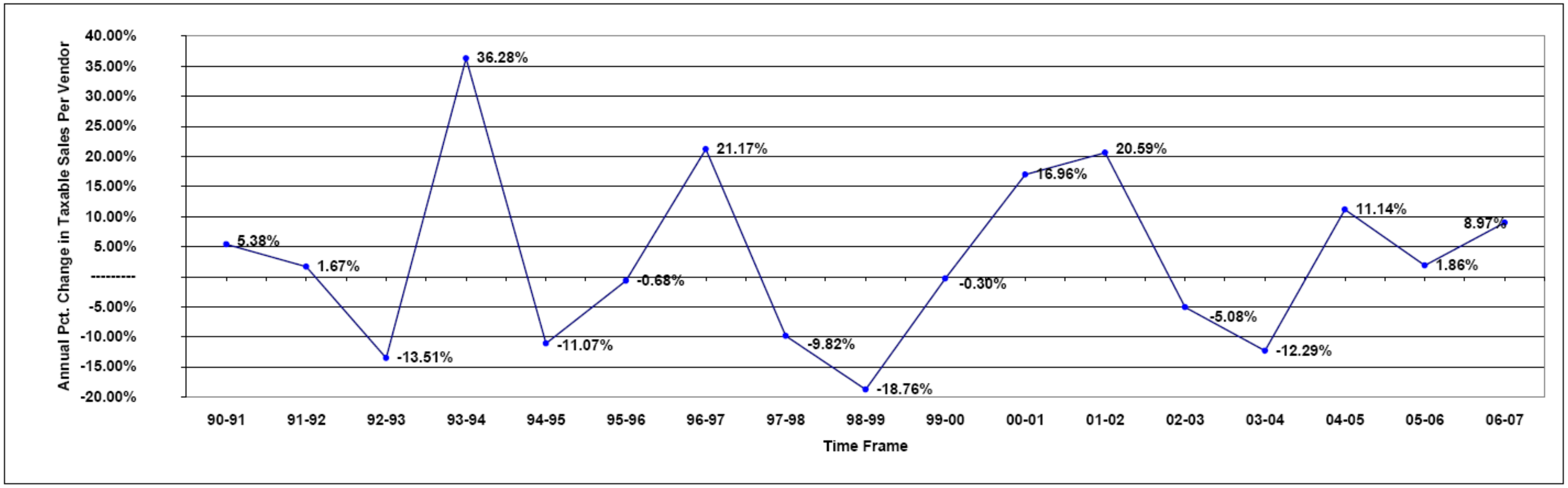
Calendar Year	Total Taxable Sales	Total Number of Vendors/1	Taxable Sales Per Vendor	Annual Percentage Change in Taxable Sales Per Vendor
1990	$11,422,549	24	$475,939.54	---------
1991	$12,539,088	25	$501,563.52	5.38%
1992	$12,238,758	24	$509,948.25	1.67%
1993	$12,349,746	28	$441,062.36	-13.51%
1994	$14,426,254	24	$601,093.92	36.28%
1995	$13,363,264	25	$534,530.56	-11.07%
1996	$13,803,113	26	$530,888.96	-0.68%
1997	$15,438,629	24	$643,276.21	21.17%
1998	$15,082,541	26	$580,097.73	-9.82%
1999	$11,311,049	24	$471,293.71	-18.76%
2000	$12,686,984	27	$469,888.30	-0.30%
2001	$13,189,462	24	$549,560.92	16.96%
2002	$15,905,100	24	$662,712.50	20.59%
2003	$15,096,913	24	$629,038.04	-5.08%
2004	$13,792,481	25	$551,699.24	-12.29%
2005	$12,876,514	21	$613,167.33	11.14%
2006	$13,740,644	22	$624,574.73	1.86%
2007	$17,694,895	26	$680,572.88	8.97%

1
The "total" for 2005 is actually an estimate reflecting the median number of vendors as computed from quarterly statistics released by the VA Department of Taxation.

Data Source: VA Department of Taxation, Taxable Sales in Virginia Counties & Cities, annual reports (1990-2004, 2006-2007) and quarterly reports (2005).

Staff, Commission on Local Government

Chart 2
Annual Percentage Change in Taxable Sales Per Vendor for Lodging Establishments in Montgomery County
Calendar Years 1990-2007



Staff, Commission on Local Government

Table 3

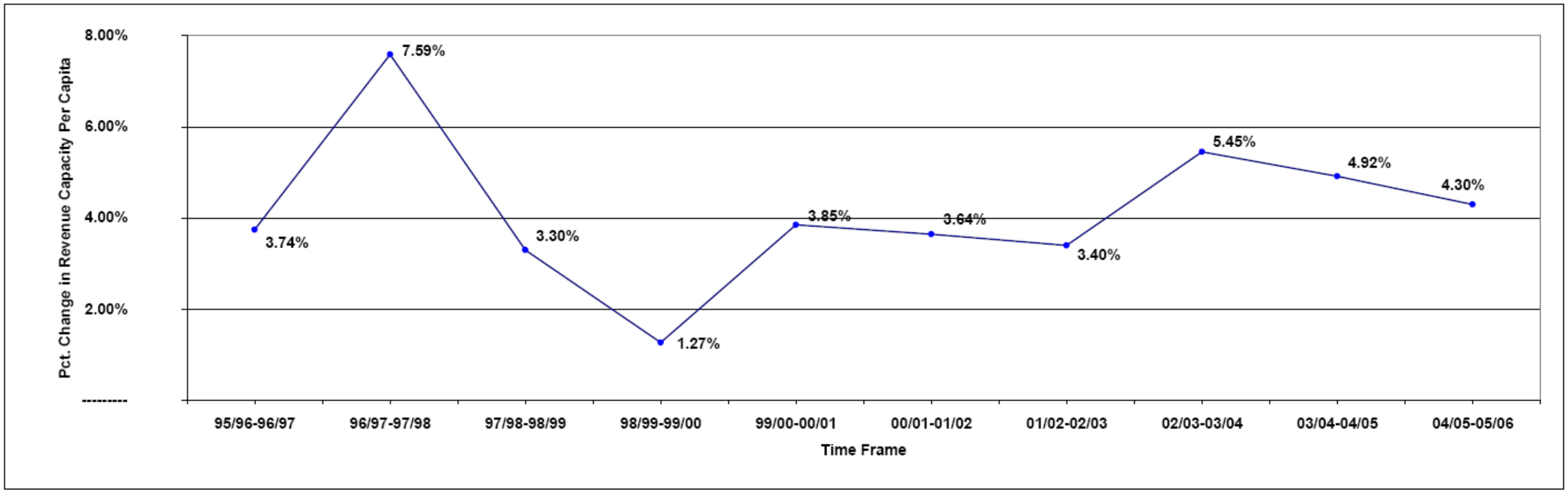
Revenue Capacity Per Capita: Montgomery County Profile

1995/1996-2005/2006

Fiscal Period	Revenue Capacity Per Capita	Periodic Rate of Change in Revenue Capacity Per Capita
1995/1996	$724.63	---------
1996/1997	$751.74	3.74%
1997/1998	$808.77	7.59%
1998/1999	$835.44	3.30%
1999/2000	$846.03	1.27%
2000/2001	$878.59	3.85%
2001/2002	$910.58	3.64%
2002/2003	$941.52	3.40%
2003/2004	$992.83	5.45%
2004/2005	$1,041.64	4.92%
2005/2006	$1,086.40	4.30%

Staff, Commission on Local Government

Chart 3
Periodic Rate of Change in Revenue Capacity Per Capita: Montgomery County Profile
1995/1996-2005/2006



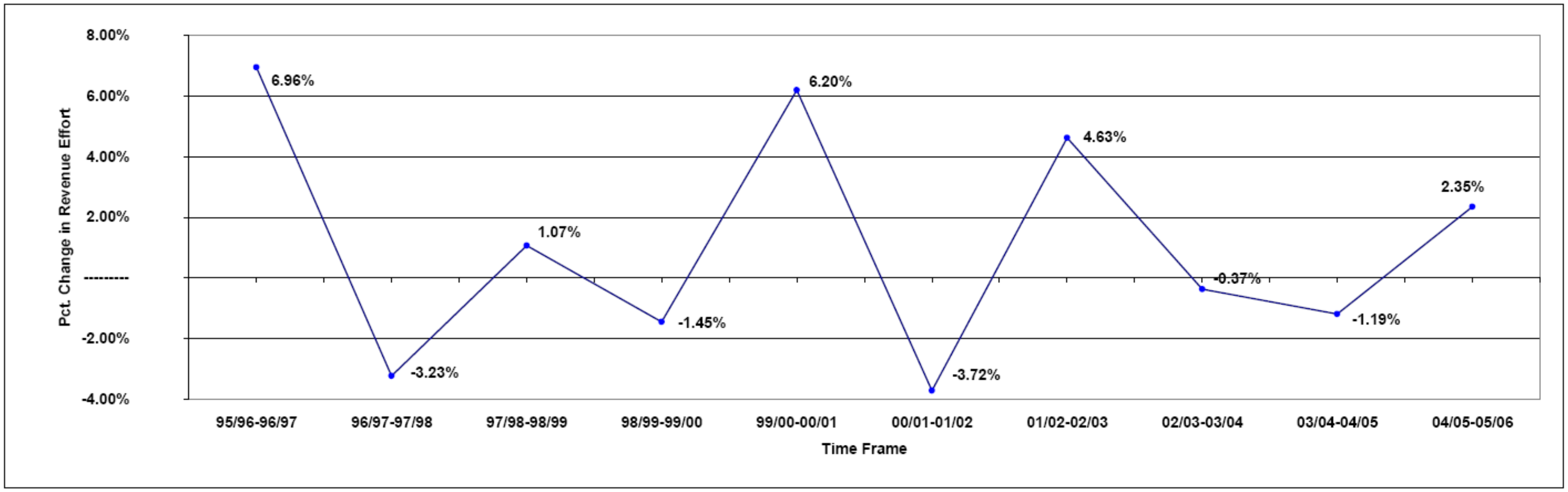
Staff, Commission on Local Government

Table 4
Revenue Effort: Montgomery County Profile
1995/1996-2005/2006

Fiscal Period	Revenue Effort	Periodic Rate of Change in Revenue Effort
1995/1996	0.6338	---------
1996/1997	0.6779	6.96%
1997/1998	0.6560	-3.23%
1998/1999	0.6630	1.07%
1999/2000	0.6534	-1.45%
2000/2001	0.6939	6.20%
2001/2002	0.6681	-3.72%
2002/2003	0.6990	4.63%
2003/2004	0.6964	-0.37%
2004/2005	0.6881	-1.19%
2005/2006	0.7043	2.35%

Staff, Commission on Local Government

Chart 4
Periodic Rate of Change in Revenue Effort: Montgomery County Profile
1995/1996-2005/2006



Staff, Commission on Local Government

Table 5
Fiscal Stress: Montgomery County Profile
1995/1996-2005/2006

Fiscal Period	CLG Fiscal Stress Index Score	CLG Fiscal Stress Rank Score	CLG Fiscal Stress Classification
1995/1996	165.80	59.0	Above Average Stress
1996/1997	166.54	56.0	Above Average Stress
1997/1998	165.37	63.0	Above Average Stress
1998/1999	165.12	66.5	Above Average Stress
1999/2000	164.48	74.0	Below Average Stress
2000/2001	165.17	70.0	Above Average Stress
2001/2002	165.28	70.0	Above Average Stress
2002/2003	165.77	68.0	Above Average Stress
2003/2004	165.92	69.0	Above Average Stress
2004/2005	166.13	66.0	Above Average Stress
2005/2006	166.24	66.0	Above Average Stress

Staff, Commission on Local Government