

**Report on the  
City of Franklin - County of Isle of Wight  
Revised Settlement Agreement**



**Commission on Local Government  
Commonwealth of Virginia**

**May 1986**

CITY OF FRANKLIN - COUNTY OF ISLE OF WIGHT  
REVISED SETTLEMENT AGREEMENT

Commission on Local Government

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CITY OF FRANKLIN - COUNTY OF ISLE OF WIGHT  
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By letter dated March 11, 1986 the Commission on Local Government was advised that the governing bodies of the City of Franklin and Isle of Wight County had negotiated certain revisions to the settlement agreement which had previously been the subject of a report issued by this body in July 1985.<sup>1</sup> The letter of March 11, 1986 requested the Commission to review the revised settlement agreement under the authority granted it by Section 15.1-945.3(I) of the Code of Virginia.<sup>2</sup> Under this statutory authority, the Commission would be enabled to review and offer comments on the revised interlocal agreement to the two jurisdictions without the necessity of additional and extended formal proceedings.<sup>3</sup>

By letter dated March 14, 1986 the Commission advised the parties of its agreement to review the revised settlement under the authority of Section 15.1-945.3(I) of the Code of Virginia and requested the two jurisdictions to be represented at a meeting scheduled for March 26 in Roanoke, Virginia.<sup>4</sup> The parties were requested to be prepared at that meeting to review in detail the various revisions which had been negotiated in the interlocal agreement. The Commission also advised that, subsequent to its review of the revisions at its meeting on

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<sup>1</sup>Carter Glass, IV, Special Counsel, City of Franklin, letter to staff of Commission on Local Government, Mar. 11, 1986. The letter advised that the governing bodies of the City of Franklin and Isle of Wight County had approved the revisions to the original agreement by resolutions adopted on March 11, 1986.

<sup>2</sup>Mr. Glass' letter of March 11, 1986 advised that both jurisdictions were in agreement that no additional review by the Commission was mandated under the provisions of Section 15.1-1167.1 of the Code of Virginia.

<sup>3</sup>Section 15.1-945.3(I) of the Code of Virginia permits the Commission to "conduct investigations, analyses and determinations . . ., for the guidance of local governments . . . upon the request of such local governments."

<sup>4</sup>M. H. Wilkinson, Executive Director, Commission on Local Government, letter to Carter Glass, IV and Myron C. Smith, Special Counsel for the City of Franklin and Isle of Wight County respec-

March 26, 1986, it would decide if additional formal proceedings would be required prior to its issuance of a report on the revised settlement.

At its meeting in Roanoke on March 26, 1986 the Commission received extended and detailed commentary from representatives of the City of Franklin and the County of Isle of Wight regarding the revisions which had been negotiated in the settlement agreement. In conjunction with the presentations made by representatives of the two jurisdictions on that date, the Commission was presented with illustrative material describing the salient features of the revised agreement.<sup>5</sup> Based upon the presentations of the parties and the nature of the revisions which had been negotiated, the Commission concluded that no additional formal proceedings were required as a prerequisite to its issuance of a report on the revised settlement.

#### PREVIOUS COMMISSION FINDINGS

In its report on the original City of Franklin - County of Isle of Wight settlement agreement submitted to the parties in July 1985, the Commission observed that "Isle of Wight County has a growing population, an expanding and diversifying economy, and a tax base which permits the County to minimize the local fiscal burden borne by its residents."<sup>6</sup> The Commission's report added, "In contrast, the City of Franklin presents a profile of a municipality, which, while still serving as a retail, service, and social center for its area, confronts a prospect of much more limited demographic and economic

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tively, Mar. 14, 1986.

<sup>5</sup>Thomas Muller, "Material to Describe and Illustrate the Revenue Sharing Agreement between City of Franklin and Isle of Wight County," presented to the Commission on Local Government, Mar. 26, 1986.

<sup>6</sup>Report on the City of Franklin - County of Southampton and City of Franklin - County of Isle of Wight Settlement Agreements, p. 75.

growth."<sup>7</sup> Adding to the Commission's concern, and noted in our previous report, was a study by the Joint Legislative Audit and Review Commission (JLARC) which indicated that the City of Franklin confronted a degree of fiscal stress exceeded by only 6 of the State's 136 counties and cities.<sup>8</sup> The demographic and fiscal profiles of the two jurisdictions constituted important considerations in the Commission's previous report on the original interlocal agreement negotiated by the two jurisdictions.

Under the terms of the original agreement, the City agreed to waive in perpetuity its authority to seek the annexation of 6.37 square miles of territory in the County of Isle of Wight in return for the County's agreement to contribute to the City annually a portion of the local tax revenues generated from within that area. The revenue-sharing provisions in the original agreement contained two principal components. First, the proposed agreement called for the County to contribute to the City, when the revenue-sharing provisions in the agreement reached maturity, 15% of the County's total local tax collections from within the proposed immunity area.<sup>9</sup> This component of the agreement, however, was qualified by provisions which severely limited the ability of the City to share in the County's consumer utility tax revenues, if such a tax were eventually imposed by the County.<sup>10</sup>

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<sup>7</sup>Ibid.

<sup>8</sup>Joint Legislative Audit and Review Commission, State Mandates on Local Governments and Local Fiscal Resources, 1984, Appendix G.

<sup>9</sup>Under the original agreement the percentage of the County's local tax revenue from within the proposed immunity area which would be contributed to the City would be increased gradually over a period of several years from 2.5% to 15%.

<sup>10</sup>See Section 2.3, Agreement (original).

Second, the original agreement called for the City and County to establish a joint economic development commission for the promotion of commercial and industrial growth in the two jurisdictions. This component of the agreement called for the City and County to share equally all local tax revenues and all net utility revenues generated by new commercial and industrial firms locating in the proposed immunity area during the existence of the joint commission.<sup>11</sup> Thus, under this element of the original agreement the County would pay the City 50% of all its local tax revenues from qualifying businesses, but it would receive from the City 50% of the net utility revenues generated by the City's sales of utility services (including electricity) to such firms. With respect to this component of the original revenue-sharing plan, the Commission noted:

The potential fiscal benefit to the City of this plan is unclear. Since the City presently extends electric service to the predominant portion of the proposed immunity area, and since it currently retains all net utility revenue derived from sales within that area, the proposed sharing of net utility revenue may well reduce the positive effect of this component of the plan on the City.<sup>12</sup>

Recognizing that the future fiscal ramifications of the two components of the revenue-sharing plan were impossible to determine, the Commission concluded:

In sum, the uncertain consequences of the various revenue sharing provisions in the proposed agreement, coupled with the current and prospective fiscal stress confronting the City of Franklin, are of considerable concern to this Commission.<sup>13</sup>

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<sup>11</sup>See Art. III, Agreement (original).

<sup>12</sup>Report on the City of Franklin - County of Southampton and City of Franklin - County of Isle of Wight Settlement Agreements, pp. 78-79.

<sup>13</sup>Ibid., p. 79.

The net benefit of the original revenue-sharing plan for the City of Franklin was also reduced by provisions in the agreement which committed the City to the provision of fire and rescue, sewer pump inspection, and fire hydrants stand-by services within the proposed immunity area without charge to the County.<sup>14</sup> Prior to the proposed agreement, and continuing to the current time, those services have been provided by Franklin within the proposed immunity area with the cost billed to the County. While the City's expenditures for the provision of these various municipal services have been relatively modest, the future development of the proposed immunity area could result in this service commitment by Franklin becoming more fiscally significant. Although the original agreement allowed the City to terminate its provision of fire and rescue services within the proposed immunity area, Franklin's exercise of that prerogative would have reduced the City's annual revenue-sharing receipts from the County by 3%.

As a result of its concerns regarding the uncertain prospective impact of the proposed interlocal settlement, particularly with respect to the City of Franklin, the Commission concluded in its previous report:

Given the current reality of Franklin's fiscal condition and the uncertain consequences of the proposed revenue sharing arrangements, the Commission recommends that the duration of the proposed agreement be limited initially to ten years. Continuation of the agreement beyond the initial ten-year period should be a matter of future negotiation between the City and the County and subject to any State-prescribed review process. In our judgment, the interest of the State in the protection and preservation of the viability of its localities requires that the proposed agreement be amended in accordance with this recommendation.<sup>15</sup>

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<sup>14</sup>See Art. V, Agreement (original).

<sup>15</sup>Report on the City of Franklin - County of Southampton and City of Franklin - County of Isle of Wight Settlement Agreements, p. 80.

PROPOSED REVISIONS

The revised settlement agreement between the City of Franklin and the County of Isle of Wight, which is now before this Commission for review, has been modified to address a number of concerns which were specified in our previous report. Excluded from the revised agreement are those articles in the original settlement which established the joint development commission and which called for the City to provide certain services without compensation in the proposed immunity area.<sup>16</sup> Due to the uncertain fiscal ramifications of the original provisions, we consider the excision of those components in the revised settlement agreement appropriate. This Commission notes that the City and the County have indicated their intention to continue their collaboration in economic development and in the provisions of urban services outside the scope of the revised agreement.<sup>17</sup> This Commission encourages such separate and collaborative action by the parties.

In addition, the parties have agreed to revise the principal revenue-sharing component of the settlement. First, we note that the previous limitations which would have restricted the City's sharing of the proceeds from any future consumer utility tax levied by the County have been deleted from the revised plan. As a result of this revision, at such time as the County may adopt a consumer utility tax as authorized by State law, the City would be permitted to share in its proceeds in the same manner and to the same extent as other revenues generated from other local tax sources. While this modification provides Franklin no immediate benefit, it increases the potential signif-

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<sup>16</sup>See Appendix A for the complete text of the revised Agreement.

<sup>17</sup>Glass, letter to staff of Commission on Local Government, Mar. 11, 1986.



icance of the revenue-sharing plan to the City. In our judgment, this modification is both pragmatically and conceptually appropriate.<sup>18</sup> Second, in response to the Commission's concern that the interlocal agreement be reviewed periodically in recognition of the changing fiscal needs and circumstances of the two jurisdictions, the parties have inserted in the revised settlement provisions which call for an adjustment in the revenue-sharing plan once in every ten-year period. This modification provides the settlement agreement with a desirable degree of flexibility and constitutes a beneficial adaptation. Under the terms of the revised agreement the City's share of the local tax revenue produced within the proposed immunity area would be initially (following a phase-in period) set at 20%, but that percentage would be subject to revision once every ten years based upon consideration of relative changes in each locality's fiscal needs and resources.<sup>19</sup> The percentage of local tax revenues from within the proposed immunity area which would be paid the City would be adapted once in each ten-year period, but that percentage would not be permitted to exceed 23% nor be less than 17% of the County's total local tax collections from within that immunity area.<sup>20</sup>

While it is not necessary for purposes of this report to review in detail each element of the proposed adjustment mechanism, it is important to note that the decennial adjustment in the County's payment to

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<sup>18</sup>The County's adoption of a consumer utility tax would reduce the impetus for increases in the tax rate applied to other local fiscal resources. Since Isle of Wight County's payment to the City is a function, in part, of the County's tax rates, the revenue-sharing plan should be structured to cover equally all sources of local taxation.

<sup>19</sup>The City's receipts under the revised revenue-sharing plan would be increased from 5% to 20% during the first three years of its operation. See Art. II, Agreement (revised).

<sup>20</sup>Ibid.

the City will be based upon changes in the relative "fiscal stress" of the two jurisdictions. The fiscal stress of each locality will be measured by the relationship of its total governmental expenditures for operations and debt service to the (1) true value of its locally taxed real estate and public service corporation property, (2) the adjusted gross income (AGI) of its residents, and (3) its taxable retail sales.<sup>21</sup> It is relevant to note that in the determination of comparative "fiscal stress" the parties propose to assign varying weights to the three categories of local tax resources consistent with the weights assigned similar elements in the State's basic school aid formula. Accordingly, the resource measures derived from true property values, resident income, and taxable retail sales are assigned weights of 0.5, 0.4, and 0.1 respectively.<sup>22</sup> While alternative measures of local fiscal effort and capacity are available for use, in our judgment, the elements proposed for utilization in the revised City of Franklin - Isle of Wight County settlement agreement are, in the context of this case, reasonable and appropriate.<sup>23</sup>

The various revisions which have been made in the proposed City of

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<sup>21</sup>These terms are identified in Art. I, Agreement (revised).

<sup>22</sup>The State's basic school aid formula utilizes the measure of "personal income" rather than the measure of "adjusted gross income" which is proposed for use in the revised City of Franklin - Isle of Wight County settlement agreement. These terms do encompass different elements and give differing measures of resident income for jurisdictions. The measure of "personal income" is comprised principally of wage and salary disbursements, proprietors' income, rental income of persons, dividends, personal interest income, and transfer payments. The measure of "adjusted gross income" is derived from State and federal income tax returns and, accordingly, excludes from consideration most Social Security benefits and other transfer payments, as well as all income below the filing requirements. Due to errors made by the U. S. Bureau of the Census in recent years, the "personal income" statistics for Virginia cities and counties have been subject to error.

<sup>23</sup>In the measurement of fiscal effort in revenue-sharing proposals, localities might consider the utilization of "local-source

Franklin - Isle of Wight County settlement agreement are desirable modifications. From our perspective, they increase the equity of the settlement, and they give the instrument the capability of adjusting to changing needs and circumstances.<sup>24</sup> While this Commission commends the City of Franklin and Isle of Wight County for their efforts in negotiating these significant revisions, and while this Commission will recommend judicial endorsement of the revised settlement, there remains a conceptual concern which we are obliged to raise in this review. The Commission notes that the County's annual contribution to the City is constrained by a "ceiling" of 23% and a "floor" of 17% of the total local tax revenues from within the proposed immunity area. As an alternative to this arrangement, the "ceiling" on the proposed revenue-sharing plan might have been based on the County's general fiscal ability, and the "floor" might have been founded on the City's overall fiscal needs.<sup>25</sup> While in this instance the revised revenue-sharing plan negotiated by the City of Franklin and Isle of Wight County may reasonably be expected to function equitably for the foreseeable future, in theory the proposed immunity area could eventually embrace an inordinate concentration of the County's resources resulting in an excessive annual payment to the City, or the area might become devoid of fiscal resources resulting in inconsequential fiscal support for the City. Theoretically, the establishment of a "ceiling" and a "floor" based on the overall fiscal resources and needs of the affected jurisdictions would tend to prevent disproportionate interlocal payments.

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revenues" as an alternative to "governmental expenditures for operations and debt service."

<sup>24</sup>In order to obtain an understanding of the fluctuation which would result from the application of the adjustment mechanism in the revised agreement, the Commission has applied the mechanism to data for the City and County for two decennial periods: 1970-1980 and 1973-1983. The Commission's calculations are set forth in Appendix B.

<sup>25</sup>Such an arrangement might establish as a "ceiling" in a

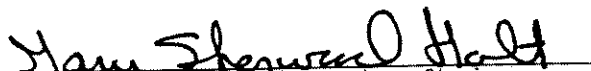
RECOMMENDATIONS

In our judgment, the City of Franklin and Isle of Wight County have negotiated significant and beneficial revisions in their settlement agreement. The decennial adjustment mechanism by which the County's payments to the City would be modified in accordance with the changing fiscal needs and conditions of the two localities is a notable achievement. We believe that the agreement equitably addresses the concerns of both jurisdictions and, accordingly, is in the best interest of the Commonwealth. The Commission recommends the court's approval of the revised settlement agreement.

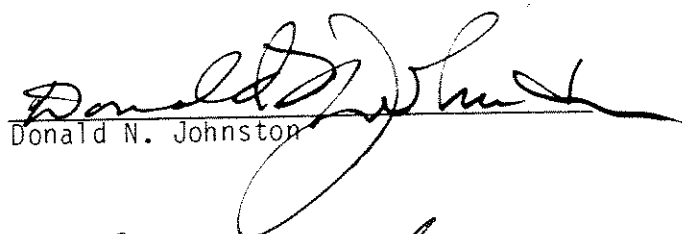
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revenue-sharing agreement a specified percentage of the donor locality's locally produced revenue, while the "floor" might be established as a specified percentage of the recipient locality's locally funded expenditures.

Respectfully submitted,

  
Mary Sherwood Holt, Vice Chairman

  
William S. Hubbard

  
Donald N. Johnston

  
Benjamin L. Susman, III

AGREEMENT

THIS AGREEMENT DATED the \_\_\_\_ day of \_\_\_\_\_, 1986, and entered into by the parties on the dates hereinafter stated, by and between the City of Franklin, hereinafter called "the City" and the County of Isle of Wight, hereinafter called "the County."

The City and the County by action of the governing body of each under authority granted by Section 15.1-1167.1, Code of Virginia, 1950 as amended, pursuant to said statute, to provide for the orderly growth and continued viability of both jurisdictions, agree and bind the City and the County as follows:

ARTICLE IDefinitions

Section 1.1 The following words and phrases as used in this Agreement shall have the meanings as herein set forth:

- a. "local tax revenues" - All revenues raised by the County from taxes presently or in the future classified by the State Auditor of Public Accounts as "general property taxes" and "other local taxes" pursuant to the Uniform System for Comparative Cost Reporting. In addition, "local tax revenues" shall include any other local taxes that the County may levy or impose in the future.

- b. "designated area" - The area of Isle of Wight County adjacent to the City of Franklin as described in Appendix "A" attached and as shown in Appendix "B" both attached to and a part of this Agreement.

ARTICLE II

Revenue Sharing

Section 2.1      Revenue Shared - The County agrees to share with the City all local tax revenues as defined above collected by the County from within the "designated area."

Section 2.2      Percentage Shared - The percentage of local tax revenues to be paid to the City shall be as follows:

- a. Five (5) percent of local tax revenues collected between July 1, 1985 and June 30, 1986.
- b. Ten (10) percent of local tax revenues collected between July 1, 1986 and June 30, 1987.
- c. Twenty (20) percent of local tax revenues collected between July 1, 1987 and June 30, 1995 and during all succeeding fiscal years subject to adjustment as provided in subsection (d).

d. An adjusted percentage of local tax revenues collected after June 30, 1995 of not less than 17.0% and not greater than 23.0% as determined in Article III below.

Section 2.3 Time Of Payment - On or before August 1, 1986 and thereafter on or before August 1 of each succeeding year in perpetuity, the County will pay to the City the City's share of revenues, as provided herein, collected by the County during the fiscal year (July 1 to June 30) immediately preceding the date of each payment. Adjustment shall be made in each subsequent year to account for refunds and abatements of prior years. If this Agreement is not approved by the Special Court before August 1, 1986, then the first payment under this Agreement shall be due 30 days following such approval. Subsequent payments under this Agreement shall be made on or before August 1 of each year.

### ARTICLE III

#### Adjustment of Percentage of Local Tax Revenues Shared After June 30, 1995

Section 3.1 Purpose - The percentage of revenue sharing shall be adjusted once every ten years. This "Adjusted Percentage" is based upon the formulas described below. The purpose of the adjustment is to alter



the percentage of revenue sharing, within defined limits, to reflect changes in various fiscal conditions experienced by the County and City.

Section 3.2 Initial Review And Adjustment - During the first six (6) months of the calendar year 1996, a review and calculation of the Adjusted Percentage will be made by the parties in accordance with the method hereinafter set forth.

Section 3.3 Frequency of Reviews - Ten (10) years from the year of the initial review and every tenth year thereafter the parties will cause a review to be made in accordance with the provisions hereof and adjustments, if any required, made accordingly.

Section 3.4 Adjusted Percentage -

- a. The Adjusted Percentage shall be equal to the "review period composite relative fiscal stress factor" (as computed in accordance with Section 3.10) divided by the "baseline composite relative fiscal stress factor" (as computed in accordance with Section 3.9) multiplied by 20.0%. This calculation is represented by the following equation:

$$\text{Adjusted Percentage} = \frac{\text{review period composite fiscal stress factor}}{\text{baseline composite fiscal stress factor}} \times 20.0\%$$

- b. The Adjusted Percentage shall not be greater than 23.0% or less than 17.0%.
- c. The Adjusted Percentage, as calculated, according to subsection (a), above, shall be rounded to the nearest one-tenth of one percent.

Section 3.5      Composite Fiscal Stress Factors - The "baseline composite fiscal stress factor" and the "review period composite fiscal stress factor" shall each include three indices of fiscal stress for each jurisdiction as follows:

- a. Income Index ("SI") -- Governmental Expenditures for Operations and Debt Service ("E") divided by Adjusted Gross Income ("I").
- b. True Value Index ("SP") -- Governmental Expenditures for Operations and Debt Service ("E") divided by the total of the True Value of Locally Taxed Real Estate and Public Service Corporation Property ("P").
- c. Taxable Sales Index ("ST") -- Governmental Expenditures for Operations and Debt Service ("E") divided by Taxable Retail Sales ("T").

These indices shall be weighted in the calculation of the composite stress factors. The True Value

Index shall be multiplied by .5; the Income Index by .4; and the Taxable Sales Index by .1.

Section 3.6 Data Sources - The source documents for data used in connection with the determination of the respective indices of fiscal strain shall be as follows:

- a. Governmental Expenditures for Operations and Debt Service: "Comparative Report of Local Government Revenues and Expenditures," published annually by the Auditor of Public Accountants, Commonwealth of Virginia.
- b. True Values of Locally Taxed Real Estate and Public Service Corporation Property: "Virginia Assessment/Sales Ratio Study," published annually by the Department of Taxation, Commonwealth of Virginia.
- c. Adjusted Gross Income: "Annual Report, Department of Taxation," published annually by the Department of Taxation, Commonwealth of Virginia.
- d. Taxable Retail Sales, "Taxable Sales in Virginia Counties and Cities," published annually by the Department of Taxation, Commonwealth of Virginia.

In the event that any of the above documents cease to be published or the terms in subsections (a)-(d) cease to be defined in such documents as they are on the date of this agreement, such other official publications of the State of Virginia that provide comparable data (or comparable data from the documents in subsections (a)-(d)) shall be used. Where published data is on a fiscal year basis, data used will be for the fiscal years ended June 30 for such years. Where published data is on a calendar year basis, the data used will be for those calendar years.

Section 3.7 Baseline Period Data - The data used in the calculation of the "baseline composite fiscal stress factor" shall be the data for years 1984, 1985, 1986, 1987, and 1988.

Section 3.8 Review Period Data - The data used in the calculation of the "review period composite fiscal stress factor" shall be the data for the five-year period immediately preceding the date of the review for which all data elements are available.

Section 3.9 Baseline Composite Fiscal Stress Factor - The "baseline composite fiscal stress factor" shall be computed in accordance with the following four equations. In the first three equations "f1" indicates that the factors in the numerators are

figures for the City for 1984; "f2" for 1985; "f3" for 1986; "f4" for 1987; and "f5" for 1988. Likewise, "w1" indicates that the factors in the denominators are figures for the County for 1984; "w2" for 1985; "w3" for 1986; "w4" for 1987; and "w5" for 1988.

$$SI = \frac{\frac{(E/I) f1}{(E/I) w1} + \frac{(E/I) f2}{(E/I) w2} + \frac{(E/I) f3}{(E/I) w3} + \frac{(E/I) f4}{(E/I) w4} + \frac{(E/I) f5}{(E/I) w5}}{5}$$

$$SP = \frac{\frac{(E/P) f1}{(E/P) w1} + \frac{(E/P) f2}{(E/P) w2} + \frac{(E/P) f3}{(E/P) w3} + \frac{(E/P) f4}{(E/P) w4} + \frac{(E/P) f5}{(E/P) w5}}{5}$$

$$ST = \frac{\frac{(E/T) f1}{(E/T) w1} + \frac{(E/T) f2}{(E/T) w2} + \frac{(E/T) f3}{(E/T) w3} + \frac{(E/T) f4}{(E/T) w4} + \frac{(E/T) f5}{(E/T) w5}}{5}$$

$$\text{Baseline Composite Fiscal Stress Factor} = .4(SI) + .5(SP) + .1(ST)$$

Section 3.10 Review Period Composite Fiscal Stress Factor - As hereafter described, the "review period composite fiscal stress factor" shall be computed by using data for the review period in the same four equations described in Section 3.09. In the first three equations, "F1" indicates that the factors in the numerators are figures for the City for the first year of the appropriate review period; "F2" for the second year; "F3" for the third year; "F4" for the fourth year; "F5" for the fifth year. Likewise, "W1" indicates that the factors in the

denominators are figures for the County for the first year of the appropriate review period; "W2" for the second year; "W3" for the third year; "W4" for the fourth year; and "W5" for the fifth year.

$$SI = \frac{\frac{(E/I)F1}{(E/I)W1} + \frac{(E/I)F2}{(E/I)W2} + \frac{(E/I)F3}{(E/I)W3} + \frac{(E/I)F4}{(E/I)W4} + \frac{(E/I)F5}{(E/I)W5}}{5}$$

$$SP = \frac{\frac{(E/P)F1}{(E/P)W1} + \frac{(E/P)F2}{(E/P)W2} + \frac{(E/P)F3}{(E/P)W3} + \frac{(E/P)F4}{(E/P)W4} + \frac{(E/P)F5}{(E/P)W5}}{5}$$

$$ST = \frac{\frac{(E/T)F1}{(E/T)W1} + \frac{(E/T)F2}{(E/T)W2} + \frac{(E/T)F3}{(E/T)W3} + \frac{(E/T)F4}{(E/T)W4} + \frac{(E/T)F5}{(E/T)W5}}{5}$$

Review Period  
Fiscal Stress Factor = .4(SI) + .5(SP) + .1(ST)

Section 3.11 Effective Date Of Adjustment - Any adjustment made in the percentage of revenue shared in accordance with a review shall be used in the calculation of the next payment to be made hereunder and each year thereafter until subsequent review.

Section 3.12 Delinquent Taxes - Taxes which become delinquent during the effective term of this Agreement shall be included in shared revenues when collected except that the cost of collecting such shall be deducted prior to determination of the amount to be shared.

ARTICLE IV

Section 4.1     Tax Exempt Status - In the event the County should, at any time in the future, collect tax on real property from the City on City-owned land at the municipal airport facility, the County shall pay to the City an amount equal to the tax collected in addition to any other shared revenues referred to in this Agreement. Such payment will be made at the same time as the shared revenue payments provided in Article II herein.

Section 4.2     Exception To Tax Exemption - In the event any privately owned entity shall be established or located on City-owned property, then such improvements or other assets and the land utilized thereby shall be assessed and taxed in the same manner as similar properties in the County.

ARTICLE V

Section 5.1     County Immunity From Annexation - The City agrees and does hereby waive any and all of its rights and power to seek the annexation of the County territory within the designated area. The execution of this Agreement shall be a bar to the initiation, prosecution or support of any annexation of any part of the designated area by the City.

Section 5.2      Effect Of Annexation - In the event that any of the designated area should by Court order be annexed to the City, the County shall have the option of terminating the revenue sharing provisions of this Agreement.

ARTICLE VI

Section 6.1      Effective Date - This Agreement shall become effective when it has been approved by the Court pursuant to Section 15.1-1167.1 of the Code of Virginia.

Section 6.2      Duration - Except as otherwise provided herein, this Agreement shall remain in effect in perpetuity unless modified or terminated by the City and County.

ARTICLE VII

Section 7.1      Commission's Recommendations - The City and the County agree to oppose those recommendations by the Commission on Local Government which are contrary to the terms of this Agreement, unless any such recommendation is agreed to by both the City and the County.

Section 7.2      Referendum Requirement - The City and the County agree that Article VII, Section 10 of the Virginia



Constitution and Section 15.1-1167.2 of the Code of Virginia (1950), as amended, require that the provisions of this Agreement providing for annual payments by the County to the City be approved by a majority of the qualified voters in the County voting in an election on the question of contracting such debt.

Section 7.3 Scheduling - The County shall submit this question to its qualified voters at an election to be conducted as soon as practicable in accordance with the requirements of Section 15.1-1167.2 of the Code of Virginia (1950), as amended.

Section 7.4 Petition to Court - The City and the County agree to take all necessary actions and cooperate in petitioning the Court as provided by statute for the ratification and approval of this Agreement.

Section 7.5 Costs Incurred in Presentation and Petitioning - The County and the City agree to pay their own costs incurred in petitioning the Court for the approval of this Agreement.

Pursuant to the authority granted by Section 15.1-1167.1, the governing body of the City of Franklin and of the County of Isle of Wight execute this Agreement pursuant to resolution duly adopted on \_\_\_\_\_, 1986 by the City

Council of the City of Franklin, and on \_\_\_\_\_, 1986  
by the Board of Supervisors of Isle of Wight County.

THE CITY OF FRANKLIN

By \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
Its Clerk

THE COUNTY OF ISLE OF WIGHT

By \_\_\_\_\_  
Chairman,  
Board of Supervisors

Attest:

\_\_\_\_\_  
Its Clerk

Exhibit 1  
Franklin/Isle of Wight Revenue-Sharing Statistics

Period	Exp./True Value	Average City/County Ratio Score	Exp./Adj. Gross Income	Exp./Retail Sales
Review (1976-80)	3.323	1.683		0.918
Baseline (1970-74)	3.362	1.764		0.817

Composite  
Fiscal Stress  
Score

Review (1976-80)	2.426
Baseline (1970-74)	2.468

Adjusted Revenue-Sharing Percentage: 19.7

Note: The computed results shown in this exhibit are based upon data from official State sources as specified in the interlocal agreement.

Exhibit 2  
Franklin/Isle of Wight Revenue-Sharing Statistics

Period	Exp./True Value	Average City/County Ratio Score	Exp./Adj. Gross Income	Exp./Retail Sales
Review (1979-83)	3.121	1.811		0.959
Baseline (1973-77)	3.336	1.733		0.890

Period	Composite Fiscal Stress Score
Review (1979-83)	2.381
Baseline (1973-77)	2.451

Adjusted Revenue-Sharing Percentage: 19.4

Note: The computed results shown in this exhibit are based upon data from official State sources as specified in the interlocal agreement.