

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
21 August 2013**

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in Legislative Plaza Room 30 at 1:10 p.m., Chairman Mark NORRIS presiding.

Present 20	Absent 4
Mayor Tommy Bragg	Mayor Troy Beets
County Mayor Ernest Burgess	Mr. Charles Cardwell
Representative Mike Carter	Representative Gary Odom
Mr. Rozelle Criner	Councilmember Kay Senter
Ms. Paula Davis	
County Mayor Brent Greer	
Representative Ryan Haynes	
Senator Douglas Henry	
County Executive Jeff Huffman	
Senator James Kyle	
County Mayor Kenny McBride	
Mr. Iliff McMahan	
Senator Randy McNally	
Senator Mark Norris	
Mayor Tom Rowland	
Representative Charles Sargent	
Mr. Tommy Schumpert	
Senator Jim Tracy	
County Mayor Larry Waters	
Comptroller Justin Wilson ¹	

¹Phillip Doss represented Justin Wilson

1. Call to Order and Approval of the Minutes

Chairman NORRIS called the meeting to order at 1:10 p.m. and requested approval of the minutes. A motion to adopt the minutes was made by Mr. MCMAHAN, seconded by Mayor ROWLAND, and passed unanimously.

2. Commission Update

Chairman NORRIS, remarking on the death of Representative LOIS DEBERRY, spoke of her exceptional service to the citizens of Tennessee. He asked that everyone stand as TACIR's Deputy Executive Director, Dr. CLIFF LIPPARD, read a commission resolution recognizing the exemplary life of this extraordinary public servant and individual. Chairman NORRIS moved adoption of the resolution, saying it captured the essence of what we are otherwise unable to put into words. Mayor ROWLAND seconded the motion, and the resolution was adopted unanimously. Chairman NORRIS added that Representative DEBERRY'S husband and family would receive a copy of the resolution.

3. Presentation by Mr. Nathan SHAVER, Research Associate, of Background on Insurance and Surety Bond Legislation

Mr. SHAVER presented background information on Senate Bill 624, sent to TACIR by the Senate State and Local Government Committee with instructions to study whether insurance would be a suitable alternative to the public official surety bonds currently required. He indicated that the large majority of the positions that require surety bonds are at the county level. He provided definitions of common terminology, some of which is confusing, followed by a summary of the state's current law on surety bonds.

Mr. SHAVER explained how the price of a surety bond is determined. He said that the coverage provided by the bond is very broad and discussed how insurance compared as a substitute for individual surety bonds covering public officials as described in Senate Bill 624. He concluded the presentation with a brief explanation of Arkansas's and Idaho's systems, which have coverage methods other than surety bonds to cover their public officials. Arkansas has a mandatory "Self-Insured Fidelity Bond Program" while Idaho allows for optional insurance coverage in lieu of surety bonds.

Mayor HUFFMAN asked about the fiscal note on the bill. Mr. SHAVER replied that dollar amount was considered indeterminable by the Fiscal Review Committee staff.

Chairman NORRIS requested that the Commission hear from proponents of the bill and others parties such as Commerce and Insurance at the October meeting. Executive Director ROEHRICH-PATRICK noted that the staff would move the draft presentation of the report from the October agenda to the December agenda in order to be able to do that.

4. Municipal Boundary Changes and Comprehensive Growth plans, Public Chapter 441, Acts of 2013

Presentation by Ms. Leah ELDRIDGE, Research Manager, on other states' annexation laws:

Ms. ELDRIDGE presented preliminary information about annexation laws in other states. The majority of states require consent from voters or owners in areas where annexation is proposed. In some states, a third party must approve an annexation before it goes to the voters. Many of the annexation-by-consent states authorize annexation without consent in limited circumstances. Ms. ELDRIDGE also summarized other states' laws on notice and public hearings on annexations. Tennessee requires one public hearing before annexation and does not require any public informational hearings. Twenty-nine states require at least one public hearing.

Ms. ELDRIDGE summarized other states' laws on plans of service, addressing provisions in Senate Bill 1054. Twenty-four states require cities to provide plans of services before an annexation. Regarding Senate Bill 1316 and the annexation of agricultural land, Ms. ELDRIDGE noted that nine states limit the annexation of agricultural lands.

Public Chapter 441 directed TACIR to study not just annexation but also deannexation, mutual adjustment of boundaries, and city mergers. Ms. ELDRIDGE discussed how those issues are addressed in other states, as well as current Tennessee laws.

Mayor BRAGG asked whether staff had found other states that are currently going through the same type of study. Ms. ELDRIDGE replied that she was not aware of any, but that North Carolina had very recently made many changes.

Representative SARGENT asked why Tennessee was included in the chart showing states requiring referendum for annexation. Ms. ELDRIDGE clarified that Tennessee was included because cities may choose to put annexations to referendum.

Senator HENRY asked whether the National League of Cities or National Association of Counties had positions on this issue. [Neither group has a current policy or position available regarding the requirement of referendum for annexations.]

Senator McNALLY noted that Tennessee is on the low end for notice requirements and asked about mail notification. Ms. ELDRIDGE noted where the chart reflects mail notification and confirmed that Tennessee's requirements for notice are at the low end of all states.

At Mayor ROWLAND's request, Ms. ELDRIDGE explained that islands are areas of unincorporated territory completely surrounded by a city. Mayor BRAGG asked whether Tennessee law currently requires annexation of islands. Ms. ELDRIDGE responded that it does not and that some other states merely permit annexation of islands without consent. Ms. ELDRIDGE confirmed that it is possible to have an unincorporated island in Tennessee.

County Executive HUFFMAN asked whether, when a city proposes deannexation, it has to have approval by three-quarters of the entire city or just within the affected territory. [Tenn.

Code Ann. § 6-51-201 provides two methods for deannexation, one of which puts the matter to a vote by the entire city and requires three-fourths approval to pass. The other allows for a vote by only residents of the area to be deannexed. The city must provide notice and hold a public hearing for a deannexation ordinance. If the city legislative body approves the ordinance, then the voters within the affected area get 75 days to petition for a referendum. If the petition is signed by 10% of the registered voters in the area, then a referendum among just the voters in the affected area is held. In this case, a simple majority is all that is required to approve the deannexation.]

Presentation by Mr. Bill TERRY, Senior Research Consultant, on other states' laws related to growth boundaries and planning:

Mr. TERRY discussed and defined urban growth boundaries (UGBs). In general, an urban growth boundary is a line around a municipality that separates urbanization from rural areas, used to encourage growth inside the boundary area and discourage growth in the rural area. Mr. TERRY noted several unique aspects of Tennessee's growth boundary laws, including the designation of planned growth areas, county coordinating committees, and joint economic and community development boards.

Mr. TERRY also noted the 15-year tax benefit to the counties upon annexation of revenue-producing properties and explained that, while the law requires all counties to have a growth plan that incorporates UGBs and rural areas, and may include planned growth areas, there is no connection between that and the planning provisions of Tennessee Code Annotated, Title 13. Responding to a question from Chairman NORRIS, Mr. TERRY said that in 2014, Blount, Grainger, Madison, Robertson, Sevier, Tipton, and Washington counties will begin to lose revenue they have continued to receive from areas annexed in 1999. The total amount estimated by the Department of Revenue for those counties was a little over \$601,000. Mayor HUFFMAN asked whether that total included wholesale beer taxes. Mr. TERRY said no.

Chairman NORRIS asked where Tennessee's laws on home rule fit into the discussion. Mr. TERRY responded that there are two counties and 14 cities with home rule charters. He added that there is a provision in Tennessee that home rule powers cannot override general law. County Executive HUFFMAN asked whether a home rule city can extend planning and zoning authority beyond its UGB in the county if the county has zoning. Mr. TERRY said no.

Mr. TERRY then discussed processes to amend growth plans. Two bills referred to TACIR for study—Senate Bill 613 (House Bill 1035) and Senate Bill 732 (House Bill 231)—would have an effect on amending growth plans. Under current law, Tennessee may amend the growth boundaries as often as desired or not at all. Approximately 25 counties have revised their growth plans since their initial adoption.

Mayor HUFFMAN asked whether, under Senate Bill 613, the requirement remains for all cities and counties involved to approve the change. Mr. TERRY said yes, all members of the coordinating committee have to agree for LGPAC to approve the plan.

Mayor WATERS said that under the current law a city or county may propose amendments to the boundary and file notice but asked whether the law says what happens if a city or county

chooses not to respond to the notice. Mr. TERRY did not know of any consequence. [Section (d)(1) of Tenn. Code Ann. § 6-58-104 says that "...the county mayor or county executive *shall take appropriate action* to reconvene or reestablish the coordinating committee within sixty (60) days..." It also says, "It is the duty of the coordinating committee to submit the proposed amendment with its recommendation either for or against the amendment to the county legislative body and to the governing body of each municipality within the county for their approval or disapproval within six (6) months of the date of the coordinating committee's first meeting on the proposed amendment." No recourse is defined if the county executive fails to act.]

Mr. TERRY summarized other states' requirements for amending growth plans. Some states require periodic revision of plans, while others' laws are merely permissive and plans may be amended at any time.

Senator HENRY asked and Mr. TERRY answered that these bills would have no application to counties with a metropolitan form of government.

Representative SARGENT asked Mr. TERRY how many counties have planning commissions and how many zone land use. Mr. TERRY said approximately 70 counties have planning commissions and that approximately 47 counties have zoning. Representative SARGENT asked for the same information for cities. Mr. TERRY responded that most do have planning commissions and zoning but he would get the exact numbers on this. The ones that would not would be the very small cities. [Most counties (78) have active planning commissions, including the three metropolitan governments; 48 have adopted zoning. The majority of Tennessee's 347 cities are served by a municipal (266 including municipal-designated-regional), metropolitan (3), or joint city-county (5 commissions serving 10 cities including the Shelby-Memphis commission created by private act) planning commission, for a total of 279. Another 4 cities have agreements with other city or county planning commissions to represent them. Of these 283 cities, 266 have zoning ordinances—enforced by 261 different planning commissions.]

Presentations by County Government Panelists:

Shelby County Mayor Mark LUTTRELL

Mayor LUTTRELL spoke of the contentious annexation issues around Memphis in Shelby County. After talking to mayors and planners in his county, they agree that PC 1101 is solid but has some issues to address. He finds consensus there to support requiring referendums for annexation and supports that change. The mayor believes involuntary annexation deprives due process and is undemocratic. Requiring referendum for annexation would put that policy in line with laws for incorporating new cities.

Mayor LUTTRELL stressed the need for cities to be able to recoup infrastructure investments in unincorporated areas, as well as extraterritorial planning and zoning jurisdiction issues as they relate to growth boundaries.

Williamson County Mayor Rogers ANDERSON

Mayor ANDERSON began by saying PC 1101 is an improvement over past practices, lending predictability to future land use and infrastructure planning. It has fostered cooperation among the six municipalities in Williamson County. The main flaws in the law are the burden of amending growth boundaries coupled with a failure to establish reasonable boundaries. As plans age and cities grow, nobody wants to go through the revision process. He would also like some flexibility in projecting population growth when setting boundaries.

Addressing specific legislation sent to TACIR for study, Mayor ANDERSON noted the difficulty specifying "agricultural use" in different counties. He found the proposal for extended notice and three informational meetings to be excessive. The Mayor does not support the need to require referendums for annexations. He believes that the current system works for Williamson County and that perhaps problems with the system are more local than statewide.

When asked by Chairman NORRIS and Mayor WATERS to elaborate on his positions, Mayor ANDERSON reiterated the sense of cooperation and ability to communicate between Williamson County and city leaders. He stressed that things work well in his area.

Asked by Chairman NORRIS whether, if things work so well in Williamson County, that would not mean that referendums for annexation would be easy to pass, Mayor ANDERSON said he understood that view. Representative SARGENT added that it might make more sense for counties with annexation problems to look to Williamson County for guidance rather than change the system.

Rodney CARMICAL, Executive Director, Tennessee County Highway Officials Association

Mr. CARMICAL presented issues he and county highway officials have with how municipal boundaries are established and changed through annexation and deannexation and the effect that has on infrastructure maintenance. Highway officials generally are not concerned with how annexation is approved—by referendum or without—but PC 1101 failed to stop strip annexation and other irregularities. He presented five cases where cities have deannexed roads in need of repair, avoided annexing aging bridges, or used other means to annex desired properties while avoiding the cost of maintaining infrastructure adjacent to those properties. He had understood that PC 1101 was supposed to address these problems. Mayor ROWLAND and Mr. CARMICAL discussed how these boundary irregularities affect emergency services, making it often difficult to determine who should respond.

Fayette County Mayor Rhea "Skip" TAYLOR

Mayor TAYLOR noted that Fayette County has been very involved in growth and annexation issues. As they try to look to the future, they have had county zoning and planning. The county experienced a lot of migration from Memphis and Shelby County and was instrumental in the "Tiny Towns" law in 1997. Implementing PC 1101 was difficult in Fayette County; it was the only county to go through mediation and arbitration and have its boundaries set by a judge. While there are many issues to address, they are wary of opening up the amendment process.

Like Mayor ANDERSON, Mayor TAYLOR commented on the difficulty of defining and protecting agricultural land when different counties zone in many ways. Mayor TAYLOR supports extending notice for annexations but does not want too many meetings. The mayor expressed support for requiring referendums for annexation. He believes people deserve a say in the matter. Addressing the issue of cities extending utilities, though, is important.

Tennessee County Commissioners Association, David CONNOR, Executive Director

Mr. CONNOR said that city and county governments, though both local governments, are in some ways very different. Counties are a default level of basic government, while cities incorporate by choice. Annexation affects counties because they can lose revenue from situs-based taxes. The 15-year “hold harmless” provision in PC 1101 was important; it stabilized county revenue and took away cities’ incentive to annex for immediate financial gain. This timeframe is beginning to expire for some annexations, and counties need to be aware. Annexation affects counties’ ability to provide services. Irregular boundary lines, corridor annexation, and donut holes create inefficiencies. Mr. CONNOR noted that the method of annexation—with or without a referendum—might not matter to counties. Cities could still create irregular boundaries and corridors in order to annex only residents willing to support annexation.

Mr. CONNOR said that he experienced the conflicts that existed before PC 1101 and that most counties and cities get along better today. The desire for change is coming from counties where there is still frustration. Each county has its own priorities. He stressed the importance of being able to extend infrastructure efficiently for development.

Vice-Chairman ROWLAND asked Mr. CONNOR whether fire protection and ratings enter into annexation considerations for counties. Mr. CONNOR responded that he has not seen a lot of that. Many counties work with municipalities to extend fire protection into unincorporated areas.

Washington County Highway Superintendent John DEAKINS

Mr. DEAKINS presented the difficulties highway officials have dealing with annexation by cities around county infrastructure. He detailed inconsistent ways that Johnson City has annexed in Washington County. Sometimes cities annex county road rights-of-way to get to other areas, and that leaves county residents dependent on the city to maintain the road in front of their house though they do not pay taxes to that city to support road maintenance. Sometimes cities avoid annexing certain infrastructure to avoid maintaining it. Mr. DEAKINS noted that if the city wants to build its tax base, it should annex the property and roads in the donut holes where it has established infrastructure. Mr. DEAKINS showed six exhibits of inconsistent and unfavorable practices by Johnson City. He expressed frustration about lack of communication.

Chairman NORRIS thanked Mr. DEAKINS for his presentation and asked the commissioners whether anyone had questions for the panelists.

Senator KYLE noted that there are two issues—one is people’s lifestyle, the other is economic. People do not want where they live to change. Cities also want to invest in development. We

need to be sure referendums will not harm that. Mayor TAYLOR responded that most cases with a willing landowner are easy. People who do not want to be in the city deserve a voice but should not prevent business from growing. Mayor LUTTRELL added that infrastructure investment was the key issue, but it was not a focus of PC 1101. Senator KYLE said that cities sometimes invest in infrastructure before knowing how that land will develop. If they are not able to annex that land, they will hesitate to extend services. Mayor LUTTRELL noted that rates and payment for delivery of services does recoup some of that expense, but the problem is the ability to plan.

Mayor WATERS said we need citizens' input, but there will still be problems with irregular annexation. He also urged balance between citizen input and economic development needs.

Mr. DEAKINS again stressed communication. He also noted that developers pay fees for infrastructure connection, and users pay rates, and that is how to recoup costs. He wants cities to take care of what they have before annexing more.

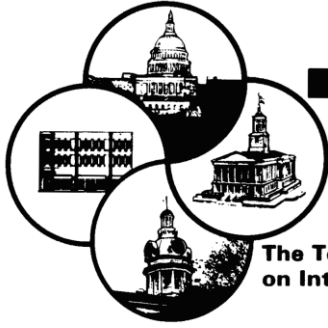
Chairman NORRIS asked Mayor ANDERSON to speak about cooperation in Williamson County. The Mayor talked about memoranda of understanding and mutual aid agreements with cities. They communicate regularly and focus on schools and education. He added that he does not disagree with what happens in different communities, he just knows what works in Williamson County.

Senator KYLE asked whether there are counties providing water and sewer. David CONNOR said that maybe one or two do so. Mayor WATERS said that Sevier County is one of them.

Mayor ROWLAND asked about animal control. Mayor ANDERSON said the county operates animal control both outside and in the cities. Mr. DEAKINS said Washington County animal control is governed jointly by the county and Johnson City. Mayor LUTTRELL said that three cities have animal control, but his county does not.

Senator McNALLY asked whether counties should get to approve deannexations from cities. Mr. CONNOR said yes, especially in cases of infrastructure. Mr. DEAKINS added that cities dodge their responsibility to repair infrastructure. Mayor ANDERSON then spoke about how Williamson County and the City of Brentwood came to an agreement over a bridge and railroad tracks and how the cities in his county make payments to the county school system as examples of how things work for them.

Chairman NORRIS thanked all the panelists and adjourned the meeting at 3:45 p.m.



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**MINUTES OF THE
TENNESSEE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
22 August 2013**

Meeting Called to Order

The Tennessee Advisory Commission on Intergovernmental Relations met in Legislative Plaza Room 30 at 8:35 a.m., Chairman Mark NORRIS presiding.

Present 18	Absent 6
Mayor Tommy Bragg	Mayor Troy Beets
County Mayor Ernest Burgess	Representative Gary Odom
Mr. Charles Cardwell	Representative Charles Sargent
Representative Mike Carter	Councilmember Kay Senter
Mr. Rozelle Criner	Senator Jim Tracy
Ms. Paula Davis	Mr. Justin Wilson
County Mayor Brent Greer	
Representative Ryan Haynes	
Senator Douglas Henry	
County Executive Jeff Huffman	
Senator Jim Kyle	
County Mayor Kenny McBride	
Mr. Iliff McMahan	
Senator Randy McNally	
Senator Mark Norris	
Mayor Tom Rowland	
Mr. Tommy Schumpert	
Mayor Larry Waters	

1. Call to Order

Chairman NORRIS called the meeting to order at 8:35 a.m. and invited the city panelists to begin their presentations on municipal boundary changes and comprehensive growth plans.

2. Municipal Boundary Changes and Comprehensive Growth Plans, Public Chapter 441, Acts of 2013 (continued)

Presentations by Municipal Government Panelists:

Jeff FLEMING, Assistant City Manager of Kingsport

Mr. FLEMING stated that Kingsport has annexed 20,000 people and invested tens of millions of dollars to provide efficient services to all neighborhoods. People find Tennessee affordable to move to, and growth policy helps that. Requiring referendums may cause harm by complicating the growth process and increasing the cost to provide services. All residents were represented when the growth plans were created, and PC 1101 has worked well for most places. He believes that giving people the right to vote on every growth issue will cripple the Tennessee's economy.

David GORDON, Mayor of Covington

Mayor GORDON said that questions have arisen from the lack of clarity in the language of the moratorium. He believes that the certainty provided under PC 1101 benefits everybody. We succeeded in creating an environment of planned, responsible, intentional, and orderly growth. It helps cities plan ahead for growth. With referendums, municipal limits would be determined by unwilling property owners. Cities would be reluctant to invest outside their borders. Property owners seeking annexation would face difficulty if unwilling owners separated them from the city.

Tom BICKERS, Mayor of Louisville

Mayor BICKERS stated that PC 1101 is much better than what we had before. He presented six common arguments against the current way of annexation and explained why those arguments are incorrect. Annexation is not a "taking". There is no due process right to vote on whether you are annexed. Property owners within the UGB were notified that their property was subject to annexation 15 years ago. The legislative body of the county approved the plan. They had representation and avenues in court. Governments should protect some individual rights. Government authority should also protect the many from the few. We should do only what we need to do to solve the problem; he described PC 1101 as "using a sledgehammer to kill a gnat."

Bill HAMMON, Assistant City Manager of Alcoa

Mr. HAMMON spoke about issues with properties straddling UGBs. The process for amending the boundary is too cumbersome for these simple cases. He expressed difficulty with cities that straddle county lines being able to grow in the county in which they have a smaller

presence. There should be a way for two cities to change urban growth boundaries if it does not affect another municipality. City influence over zoning outside the city is a key to preparing property for development. Public and private utilities should anticipate needs. Cities need as broad a tool kit as possible to make them as flexible as possible. Mr. HAMMON said that his city works well with the county.

Ken WILBER, Mayor of Portland

Mayor WILBER asked what makes things different now from referendum bills considered in the past? PC 1101 took cities and counties out of constant strife. The lawsuits have ended. He stated that corridor annexations, sprawl, donut holes, and disparate levels of service are less common now than before PC 1101. Cities can coordinate and plan efficiently, and this makes Tennessee more competitive for private investment. Mayor WILBER said that there is no issue with the taking of land. There is no taxation without representation under the law. The law does not violate rights. Every county commission represented their county's residents when they adopted the growth plan. Many cities conduct annexations the right way. Critics of the law point out a few bad actors.

Following Mayor WILBER'S presentation, Chairman NORRIS opened the floor for questions. He reminded the commissioners that this process is intended to be a thorough review of all aspects of the law and how to improve it. He asked about the possibility of creating a right to deannex by referendum. Mr. FLEMING said that people tend to fear the unknown and say they would vote against being annexed. Once they have been, they are generally satisfied. Cities should be held accountable for providing services.

Chairman NORRIS said that one of the precepts for passing PC 1101 was to eliminate annexation out of fear. Senator KYLE spoke of the reasons people choose to live where they do. New municipalities were created by people who didn't want to live in bigger cities. It did not have to do with services. The issue needs to be addressed without harming growth in mid-sized cities. We have one law but two kinds of communities, he said.

Representative CARTER said Williamson County is doing it right and no one wants to harm them. Adding that laws have to work for everyone, he asked the panelists a series of questions, starting with "Why do cities always choose to annex by ordinance?" Mayor GORDON responded that Covington has annexed twice in the past eight years. One was a non-consensual annexation of a subdivision. They had septic issues, and the city could provide sewer. Some opposed it, but most peoples' expenses decreased after the annexation. Representative CARTER asked whether that was why they were not allowed to vote; did the city know what was better for them? Mayor GORDON said they told them we will annex you if we put the services in.

Representative CARTER then asked Mayor BICKERS why he did not grant a vote on an annexation. Mayor BICKERS said they annex to close holes. He said they wanted certainty and that allowing a vote does not bring certainty. He further said that the annexations were in the

interest of the residents; sometimes a government must act to benefit the many even if it affects the few.

Representative CARTER said that people in his district do not agree that annexation has no effect on their property rights. He told of a landowner operating a shooting range and a farmer raising special cows. They are being annexed and told they cannot continue their operations. Mayor BICKERS said some things are not in the interest of the community. Governing is not easy. You have to make hard choices. Mr. HAMMON said it is standard practice in his area to grandfather nonconforming uses as long as they continue in that use.

Representative CARTER said that Louisville was a defensively created city and asked Mayor BICKERS why he opposed being annexed then and now supports it. Mayor BICKERS answered that it is somewhat correct. There were people 20 years ago who wanted to be Louisville rather than Knoxville or Alcoa. They are one of the few with a home rule charter.

Representative CARTER said 35 states require referendum. Forty-seven have extreme restraints, yet cities there grow. Why not Tennessee? Mr. FLEMING responded by noting that Tennessee's low property taxes are a good deal when people move here. The certainty of having growth boundaries keeps costs down and keeps Tennessee competitive.

In further discussion, Vice-chairman ROWLAND said the cookie cutter approach does not fit everybody in the state, but PC 1101 has been fair. He recently considered an annexation and decided not to proceed with it because most of the people did not want it. Chairman NORRIS said we are at year 15 of the 20-year growth plans, and asked what should happen at 20 years. We have an opportunity to review the 20-year growth plans. PC 1101 depends on an engaged and informed electorate; maybe everybody should be reminded. Mayor GORDON said we should look at our urban growth boundaries and go through that process again, but not as the process exists. He added that the two people in Representative CARTER's example should be allowed to continue what they are doing.

Mayor WATERS asked what the reaction would be to a three- to five-year phase-in of the loss of counties' 15-year hold harmless revenues. Mr. HAMMON said the 15-year period was the phase in. Cities are counting on that money. Mr. FLEMMING added that the 15 years is after each individual annexation. He is willing to discuss a transition.

Representative CARTER said PC 1101 is a great bill. We have heard about keeping the cities and counties at the table. I would add the people—voters—to the table. Some cities are doing great. That is why referendums will work. Vice Chairman ROWLAND said that public hearings give people their opportunity to be listened to.

In a final bit of discussion, Senator KYLE said that annexing an industrial site is entirely different from annexing voters and that there should be two paths. Senator HENRY recommended that more counties look at the metropolitan form of government. Before becoming metropolitan, aggressive annexation was carried out by the city government. It has been good because everyone participates in what the government does.

3. **Presentation by Ms. Ethel DETCH, Senior Research Consultant, on State and Local Government Transparency—Draft Report for Review and Comment**

Ms. DETCH presented a draft of the report on government transparency resulting from two bills sent to the Commission by the 107th General Assembly. **Senate Bill 2831 (Ketron) [House Bill 3327 (Carr)]**, known as the Taxpayer Transparency Act, would have required the state Department of Finance and Administration to create and maintain a searchable budget database website detailing where, for what purpose, and what results are achieved for all taxpayer investments in state government. **House Bill 3328 (Carr), [Senate Bill 2832 (Ketron)]** known as the Local Government Transparency Act, would have required each county, city, and school district to post certain financial information online. Both bills require such features as searchability, historical data, and information about “checkbook level” expenditures and contracts.

Senator NORRIS commented that a great deal of information is already available, but perhaps people need to be more aware of it. Senator KYLE asked whether staff had looked at the data on usage. Ms. DETCH indicated that the final report would include information on usage.

County Executive HUFFMAN asked whether newspapers are required to publish public notices in their digital editions. Ms. DETCH responded that she did not know but would find out.

Director MCMAHAN commented that in small communities, government meetings often get posted as a story rather than a notice. He added that having information online for people to access directly can help make more effective use of staff resources. Mayor WATERS noted that the fiscal note for local governments could be a burden. Senator HENRY commented that, if government transparency legislation were introduced, the smallest governments would need to be exempt from the requirements.

Senator NORRIS requested that members submit any changes or additions they might want to see in the report.

Next meeting

The next meetings are scheduled as follows:

- 23-24 October 2013
- 4-5 December 2013

Chairman NORRIS adjourned the meeting at 11:17 a.m.