

OFFICIAL MINUTES OF THE MANASSAS PARK GOVERNING BODY MEETING
HELD ON TUESDAY SEPTEMBER 9, 2008 AT 7:00 PM AT CITY HALL, ONE PARK
CENTER COURT, MANASSAS PARK, VIRGINIA

1. Roll Call: Frank Jones, Mayor
Bryan Polk, Vice Mayor
Michael Bunner
Cyndi Gardner
William J. Treuting, Jr.
Keith Miller *

Absent: Fran Kassinger

Staff Present: Mercury Payton, City Manager
Dean Crowhurst, City Attorney

Addendums and Deletions to Approval of Agenda:

The Mayor stated that closed meeting on Personnel has been deleted and Section 3 and Section 7 Sale of public property and consultation with city attorney has been added.

2. Recognition:

2a Parks & Recreation Summer Extended Care:

By e-mail Melissa Fields was recognized for her exceptional efforts to make this program exciting and interesting for the children. She is well organized, accessible and participates whole heartedly in hands on activities with the kids.

*Councilmember Miller arrived at 7:10pm.

3. Resolution 08-1000-1062: FY09 State Performance Contract between the Prince William County Community Services Board and the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services: Tom Geib, Community Services Board was present.

Mr. Geib is asking for the adoption of the FY09 State Performance Contract. This document has remained consistent for years. There are significant changes this year having to do with mental health law reform. The General Assembly and Governor appropriated significant funding for mental health law reform. Prince William County has been awarded two nurse practitioners to work with the doctors to provide medication for people coming in for emergency services as well as being discharged from hospital. They received one additional emergency services worker to work with courts around the possibility of mandatory outpatient treatment which is the new section in the code. They will have two additional case managers to work with people coming out of the hospital and will have one additional children's therapist to work with Comprehensive Services Act in Juvenile Court.

Mr. Geib stated it was all state funded. The \$70,000 in the budget is designated for one individual who will now receive services in Prince William County which will change from year-to-year. This is a mandatory placement.

Addie Whitacre, Social Services Director, recommends approval.

MOTION: Councilmember Treuting moved to approve as presented.

SECOND: Councilmember Bunner

VOTE ROLL CALL: Yes: Treuting, Bunner, Gardner, Miller, Polk, Jones

3b. School Report: Superintendent of Schools: Copy of Report made part of the record:

Manassas Park is one of 17 school divisions that had all city schools accredited.

Pre-K is 95% complete and should open by end of October. Cougar Upper Elementary has a projected substantial completion date of March 27, 2008 with occupancy by end of April.

Student Enrollment: They are up nine student's enrollment from the September 2007 and enrollment for total enrollment of 2,325.

A Baptist camp in Maryland is interested in two of the modular classrooms. They have twenty one and the schools will work to get rid of all of them.

3c. HDR Report Parks & Recreation: Roger Solomen:

There is no written report tonight. Site plan has been submitted. They have received comments from School Board. Civil drawings are 100% complete and under review. No change orders.

3d. Update on Assessments:

Richard Sanderson, City Assessor, gave an update on the assessment. He completed an assessment of how assessments might change. This is a forecast of how assessment might change for 2009 after looking at the first six months of calendar year 2008 and what that might indicate for assessments changes for 2009. There are five different ways that tax base of the city can change:

How the Property Tax Base Changes

1. Property appreciation or depreciation for each class of property
2. Changes in the state tax laws
3. Physical changes to property, such as new construction and development or losses due to demolition, fire or similar damages (information from building department records)
4. As a result of assessments being challenged as part of the assessment review and appeal process
5. Changes in the taxable status of property: Certain properties such as government and church property is exempt and would only become taxable if sold to private entity.

City has had remarkable change in market conditions starting last year and continuing to this year. The Number of foreclosure sales during six months of CY 2006 = 2 (individuals to banks). Number of foreclosure-related sales during six months of CY 2007 = 60 (59 foreclosures from individuals to mortgage holders and one was bank owned property that sold to individual). Number of foreclosure-related sales during six months of CY 2008 was 216. Seventy two sales were from individuals to lenders and one hundred forty four was bank owned property that sold to individuals (85.2% of the transactions during the first six months of 2008 were pre and post-foreclosure sales). In 2007, when foreclosures starting to come into the city, banks started to foreclose on people and banks are now starting to sell those properties. We have a lot of bank owned properties fore sale. The Mayor asked how many properties base against which that set of numbers compares. The city has roughly 4,000 residential properties. This has been pretty consistent from 2006-2008. City was averaging sales from 500-600 properties per year in 2005/2006. The city is down roughly one third for first half assuming an average sale each month. The sales are down in terms of total number and are reflective of some of the foreclosures and properties sold for less than lien against it. The Assessor believes the totals for 2007 was about 217 for the year and majority occurring during last quarter of the year. The City Assessor stated there have been more properties sold this year during the first six months than the prior six months of CY2007 however the average sale price has around \$200,000 where in previous was \$325,000. The market is active but the sales are less.

Changing Market Conditions –Prince William County (first six months 2008 which includes Manassas/Manassas Park): from Northern Virginia Board of Realtors:

- The median sale price of a single family detached home declined 27% (64% of the tax base for residential property is in single family detached homes) (54% of our entire tax base is single family detached homes)
 - The median sale price of all residential properties sold declined 34% (single family, detached townhomes and condominiums sold during first 6 months)
- The City Assessor stated the real property tax base would decline by 22% for 2009.

Measuring Market Conditions—2008 Sales Considered for 2009 assessments

85.2% of the transactions during the first six months of 2008 were pre and post-foreclosure sales

Actual foreclosure sales would be excluded as in the past

Pre-foreclosure sales and post-foreclosure sales would be considered (majority of sales over last 6 months) if such sales continue to be the prevailing market conditions through the study period. Pre-foreclosure is when it is a short sale still in the ownership of the person who owns the property now or third party approval where the bank has to say this person can assume my mortgage or take over the property. Foreclosure is when bank foreclosures because of lack of payment. Those are not included. In 2008, the majority of the property for sale today is bank owned property where the bank has taken it back and placed it on the market.

Market Conditions Require a Change in Assessment Process

Reflecting market changes of this magnitude within a fiscal year already in progress creates significant management challenges. Without a change in the assessment process excessive management actions would be needed to reconcile the cost of city services with revenues expected from the declining tax base.

The City has the ability under existing state tax law to align the assessment date with budget/fiscal year (i.e., align both to July 1). Today the assessment is based on calendar year and budget year is on the fiscal year (July1). Revenues at present are based on one known revenue and one unknown revenue.

Comparison of Change in Assessment Process –Current Process

Real property tax revenues for fiscal year (FY) 2009

(July 1, 2008 through June 30, 2009) were based on:

1. Known CY 2008 real property assessments
2. Effective date of January 1, 2008
3. Second half CY real estate tax bill due December 5, 2008); and
4. Estimated CY 2009 real property assessment (forecast from February 2008) (foreclosures did not impacted the estimate) Pre-imposed foreclosures did not impact the estimate.
5. Effective date of January 1, 2009
6. First half CY real estate tax bill due June 5, 2009

Comparison of Change in Assessment Process –Proposed Process

Real Property tax revenues for FY 2010 (July 1, 2009 through 2010) and after would be based on:

1. Known FY 2009 real property assessments
2. Effective date of July 1, 2009
3. Second half CY real estate tax bill due December 5, 2009); and
4. Known FY 2009 real property assessment
5. Effective date of July 1, 2009
6. First half CY real estate tax bill due June 5, 2009

Virginia Cities with July 1 Effective Date for Property assessments

- Chesapeake, Hampton, Harrisonburg, Lynchburg, Newport News, Norfolk, Portsmouth, and Virginia Beach.

The Assessor stated that according to Virginia Department of Taxation 53% of Virginia cities use an effective date of July 1st or 21 out of 40 cities. All have the same situation of trying to forecast assessment changes from year to year.

Recommendation: Consider aligning the effective date for assessments with budget year (to July 1) and continue to monitor prevailing market conditions and make routine updated reports on any guidance from the VDT or how other local assessors are adapting to these conditions

The Mayor stated that the city assessor is not the bad guy because he has a very specific set of guidelines he has to follow that is common across the assessment process across all of the jurisdictions across the Commonwealth. It is broadly based on code and very specifically based on a process. There are operational rules on how the Assessor does assessments. The recommendation of the City Assessors is an attempt to do the best he can in the terms of management discretion that will allow the city to not have to take some tough actions in terms of fiscal year and do some planning to allow the city to clear into the next fiscal year and align the fiscal year and the assessment year.

The Mayor reviewed management actions that the Governing Body is in the process of invoking and process city will take to deal with this challenge.

Governing Body Approach Real Estate Appraisal Consequences September 2008

Summary of issues

Assessor presented update on assessments

Extensive direct impact to City of Manassas Park because of size and number of residents that make up tax base of the city

Outline proactive City approach and begin to take management actions that will allow the city to deal with the difference in revenue that would be based on the 22% reduction we are talking about

Commitment to presenting data to citizens, develop plan for action, advertise impacts

Minimize financial impact to the citizens and the city --take action soonest

School Board Chair and Superintendent notified and onboard

Information Presented in this Briefing is based on Preliminary Estimates

Financial Impact

Projected 20% overall average reduction in assessments due to forced inclusion of foreclosures results in total assessed value in city declining by appx. \$323 million

- Reduction from \$1.612 Billion to \$1.290 Billion

- Projected financial impact to the budget, under revenue sharing agreement is reduced revenue; annual reductions estimated to be:

 - \$1.3 Million to schools

 - \$1.1 Million to city services

- Devastating in year of budget execution –25% of current FY –tough choices, no easy solutions

The Governor is talking about a 15% reduction in all state departments. The City does not know how this will impact the school system or social services.

Immediate Action-Now

Align Assessment Year with Fiscal Year –enables planning and improves response capability

In-depth study by City Staff

- Assessment Computation Options (Regional issue)

- Zero-Based review of all City-provided services

- Identification of Options –Cost, Alternatives, Impact

- Prioritized list of cost saving recommendations

Hiring to all vacant city positions halted (individual vacancies evaluated on case-by-case basis -impact to city welfare)

Curtail spending

Coordinate city's actions and response with surrounding localities

Continue to keep citizens informed

Closing the Gap-Long Term

- Limited Options –dollars versus services

- Change assessment date to align with FY

- Refine out-year assessment projections –real estate sales dependent

- Review and modify City services and staffing levels if appropriate

- Outsource and partner with other jurisdictions

- Use City's emergency reserve –1 time fix

- Re-baseline tax rate –not increase the tax bill to the citizens

- Cost versus delivery of services –sensitivity to economic conditions, impact to families
- Not realistic that any single option will make up shortfall

The Way Ahead

- Develop and continue to refine recommended action plan
- Initial options discussed at Governing Body meetings in September and October
- Public feedback to plan
- Initial implementation –October/November 2008
- Continue to monitor real estate sales, refine projections, and adjust actions/strategy
- No new tax costs to citizens, families and households

Summary

- Change in calculation of assessments –not a City-unique decision --requires re-base lining of city services cost model
- No change in city boundary, number of families, number of homes
- The Challenge –continue vital city services, while being sensitive to tough economic times
- Citizens will be kept informed on issues, recommendations, and solutions
- Firm management action required now to minimize impact to citizens and sustain long term city progress

Councilmember Polk: there is a benefit taxpayer because over the past couple of years as the market started to nose dive he has gotten the question of how come my assessed value is no where near what I can sell it for as the appraised values drop. Foreclosures are not included in this process so that is why citizens do not see their assessments decline as rapidly as your appraised value. This more equitably aligns your assessed value with the appraised value. First Governing Body must look at the different actions listed in the presentations, and then precede based on information presented. Prior to a budget year, Governing Body builds a budget based on estimates. This year those estimated did not include pre and post-foreclosures. They approve a mid-year budget amendment. This is not about truing up the estimate versus where we are going to be. This is a Fundamental business change. We are changing the way we value the entire city assets. It is more than just a budget shortfall. We need to align the budget year with the assessment year to be able to see more accurate assessments and more accurate budget process for a better execution year. Planning next year will be a challenge. The remainder of this year and next year is going to have an asterisk because we are going to have to rewrite the business rules by which the evaluation of the city is calculated and then how we cost apply the cost of city services to that rebase line. The Goal of this Governing Body is no additional dollars will be written in household checks.

The Mayor stated we have seen a dramatic change in the real estate market. In years past the foreclosure actions were only about 1-3%. The foreclosure actions now represent about 85% of the total business. This means the preponderance of the business in the market place unlike years past is associated with this pre and post foreclosure. If a person wishes to sell their property they must take the pre and post foreclosures into consideration and must compete with the prevailing market that is there at the time of sale and at this time that is mostly bank owned properties.

Councilmember Gardner stated the decisions we make are in the best interest of the city. Both the Governing Body and the citizens are the city. When we make a decision it affects the Governing Body just like everyone else and they will not make a decision that will hurt the citizen.

The Mayor stated he has absolute upmost confidence in our City Assessor and the job he is doing and the accuracy of the job he is doing.

Councilmember Treuting stated it is frustrating when looking at this situation. State rules have arbitrarily changed after we started the budget year. The option we are looking at basically when you look at the dollar value of the impact on city services and schools. How can you arbitrarily cut that much without drastically impacting services, personnel and the way we do business. The last couple of years we have always run into the issue we know pretty much what is going to happen from the initial assessment in January. The first tax bill in June is going to be pretty much right on. The second part is a guess. In reality we are always doing it a year late in the tax rate. Changing the assessment date will put us in a position where we will not have this problem in the future. It gives the city time to look at some options and maybe there are some city services we can do without or some purchases we can put off. It will give us some breathing room to do things that won't have a massive impact in the way we do business and won't require an increased tax check for homeowners. The Governing Body will continue to provide updates to the citizens on this very important issue.

MOTION: Councilmember Miller moved to direct staff to begin the preparation work to draft the code change to schedule a Public Hearing to move the assessment from its current process of calendar to bring it in line with city fiscal year and state fiscal year.

SECOND: Councilmember Bunner

VOTE ROLL CALL: Yes: Miller, Bunner, Gardner, Treuting, Polk, Jones

The Governing Body concurs that the measures outlined by the Mayor and with the feedback from Governing Body that was associated with immediate action taken by city side, that staff be directed to look at the development of long term plan and continue actions as outlined on the slide.

The City Manager stated that both presentations will be on the city website tomorrow. Call may be directed to Julia Drake at 703-335-8813.

4. Closed Meeting State Code of Virginia Freedom of Information Act: Section 2.2-3711A of the Code of Virginia Sec. 3 Sale of Public Property and Sec 7 Consultation with City Attorney: 9:40pm

MOTION: Councilmember Polk moved that the Governing Body go into closed meeting to discuss and consider the disposition of publicly held real property where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the city and to consult with the City Attorney regarding a specific legal matters requiring the provision of legal advise and discuss plans to protect public safety and receive briefing from city staff and City Attorney concerning actions taken to respond to threats to public safety pursuant to Paragraphs (3) and (7) of SubSection 2.2-3711a of the Code of Virginia.

SECOND: Councilmember Bunner

VOTE ROLL CALL: Yes: Polk, Bunner, Gardner, Miller, Treuting, Jones

5. Return to Open Session: 10:08 PM

6. Certification & Action out of Closed Meeting if Necessary

MOTION: Councilmember Miller moved the following Resolution:

WHEREAS, the Governing Body of the City of Manassas Park has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712(d) of the Code of Virginia requires a certification by this public body that such closed meeting was conducted in conformity with Virginia law.

NOW THEREFORE BE IT RESOLVED that the Governing Body of the City of Manassas Park hereby certify that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered in the meeting by the public body.

SECOND: Councilmember Treuting

VOTE ROLL CALL: Yes: Miller, Treuting, Bunner, Gardner, Polk, Jones

14. Adjournment at 10:09 pm:

With consensus of Governing Body, the Mayor adjourned the meeting.

Approved October 21, 2008

Francis C. Jones, Jr., Mayor

Lana A. Conner, City Clerk