ARTICLES OF INTEREST

RTD 2/6/09

Dinwiddie

Outcry may lead county to reassess properties

Supervisors signal support; effort would not void '08 results, however

BY LUZ LAZO
Times-Dispatch Staff Writer

DINWIDDIE — The county could pay for another property assessment this year, in response to the 2008 reassessments that spurred public outrage and showed an average 50 percent jump in land value despite a sluggish economy and a struggling housing market in the country.

RT-D FIRST

Four of five county supervisors said this week that they would support paying for a new assessment, as proposed by County Administrator W. Kevin Massengill.

The assessment could cost about $350,000, and funds would come out of the county's undesignated fund balance, Massengill told the board during a special meeting Tuesday.

A new assessment would not replace the one released in November, Massengill said.

"We have a valid, legal reassessment," he said. But after listening to the concerns of the residents, it would be reasonable to study a shorter reassessment period, he said.

"The citizens feel that it was done incorrectly," said Massengill, who said he does not believe the assessments were incorrectly done but suggested a review would answer resident's concerns.

"If it comes back lower, so be it. If it comes the same, then we will have a better understanding," he said.

Dinwiddie assesses property values every four

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Property

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years, unlike most area localities, which do so every one or two years. Going four years between assessments is a factor in the values rising significantly, officials said in November. Residents in other localities saw big increases in the past four years, while Dinwiddie residents did not see their property values change.

In the days after the receipt of a letter stating the assessed property values, hundreds of residents crowded the county building to complain.

Charles Heermance, a retired Army sergeant, said he was shocked the county had valued his property at $156,200 last year, an increase of $41,700 from the 2004 assessment. Heermance, who since has managed to get a reduction of $7,000, said he thought something must have been wrong considering the current economic crisis in the country.

"The economy is real bad; people are losing their jobs and their houses. This is ridiculous," Heermance said this week in support a new assessment. "I don't mind paying taxes, but I am not paying for something I don't have."

Residents have complained that from the time the assessments were completed in July 2008 to the present, there have been a lot of financial changes, Massengill said.

Supervisors agreed to vote at the Feb. 17 meeting to authorize Massengill to do the new assessment. If they approve the new assessment, the administration could begin the bid process this summer and select a firm by September. An assessment could be conducted between October of this year and October 2010.

In turn, the county will be able to look at the tax rate in 2011, Massengill said.

All board members said they would like to change the assessment cycle from every four years to every two. To do that, however, the county — which currently hires an independent firm to conduct the estimates — would need to hire a full-time assessor or give the responsibility to the commissioner of revenue to conduct the assessment or to hire a firm to do it.

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Bloomberg.com

Municipal-Bond Offers, Costs May Be Cut by Stimulus (Update1)

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By Darrell Preston

Feb. 13 (Bloomberg) -- The U.S. federal government's $787 billion plan may allow state and local governments to reduce borrowing as much as 8 percent while providing lower interest costs for new municipal issues coming to market.

Bond sales may fall as much as $30 billion, said **Guy LaBas**, fixed-income strategist with **Janney Montgomery Scott**, a financial advisory firm based in Philadelphia. State and local borrowers sold $386.5 billion of debt in 2008, 9 percent less than in 2007, a record year, according to data compiled by Thomson Reuters.

A smaller supply of municipal bonds may raise prices and cut borrowing costs for state and local governments, said **Richard Ciccarone**, managing director of Oak Brook, Illinois-based McDonnell Investment Management, which manages $11.1 billion. Top-rated municipal borrowers of 10-year maturities paid interest rates of 3.28 percent on Feb. 12, according to Municipal Market Advisors data, down from a one-year high of 4.71 percent Oct. 16.

"The governments are so hard-pressed they just want to use the federal money to cover their losses" in revenue, Ciccarone said. "From their standpoint, less issuance should help them get a better deal on the money they do borrow."

State officials have whittled the deficit they face this fiscal year to $47.4 billion from $87.7 billion originally projected, according to the Denver-based National Conference of State Legislatures. California alone anticipates a $42 billion shortfall through June 2010. The national shortfall is due to reach $84.3 billion next year, the legislatures group said.

Stopping the Bleeding

Two-thirds of municipalities **surveyed** by the National League of Cities last year said they were less able to meet fiscal needs than in 2007.

"You need to stop the bleeding first," Ciccarone said. "To do that, you shift the cost to the federal government, which would be a huge help to state governments."

The stimulus funds may help states avoid rating cuts on their debt, Moody's Investors Service, the New York-based company that evaluates municipal debt, said in a report today. Moody's has a negative rating outlook on all 50 states, meaning it's more likely to lower them.

"How effectively the states deploy stimulus funds and close large projected budget gaps will affect the likelihood of negative rating actions," Moody's vice president **Edie Behr** said in the report.

Already Falling

Even before the federal economic plan was unveiled, municipal bond issuance was projected to drop more than 6 percent to about $364 billion, the least since 2004, based on an average of estimates from London-based Barclays Plc, Loop Capital Markets LLC. in Chicago and Bank of America's New York-based Merrill Lynch & Co.

In October, as the seizure in the credit markets made investors hesitant, **yields for municipal bonds** rose to an eight- year high of 6.01 percent from a low last year of 4.15 percent, reached in January. Yields exceeded Treasuries, peaking on Dec. 18 at more than 2 percentage points. Traditionally, municipals paid less than Treasuries because investors benefited from a tax exemption on their dividends.

The prospect of the stimulus legislation under President Barack Obama has helped narrow the **difference**, or spread, between municipal bonds and U.S. Treasury securities to 0.49 percentage points Feb. 12 from 2.02 percentage points Dec. 18.

The compromise stimulus package provides about $224 billion to states, including $87 billion to help with the cost of Medicaid, health insurance to the poor; $53.6 billion for education, and $63.4 billion for infrastructure, including roads and bridges, transit and high-speed rail systems and clean water, according to data from U.S. House Speaker **Nancy Pelosi**, posted on the Web site of the National Conference of State Legislatures.

Struggling to Sell

As the credit market freeze lengthened following the collapse of Lehman Brothers Holdings Inc. on Sept. 15, some municipal borrowers struggled to sell bonds. California, shut out of the municipal bond market as it ran out of cash amid a record deficit, is considering selling infrastructure bonds to the Bay Area Toll Authority, which operates bridges in the San Francisco area.

The stimulus package "may help the creditworthiness of the states because it would supply operating cash," said **Bill Walsh**, president of Parsippany, New Jersey-based Hennion & Walsh Asset Management, a municipal bond trading firm that manages about $151 million. "This would enable the states to close their short-term budget gaps" and support existing creditworthiness, he said.

California, Florida

Standard & Poor's cut California's rating on $46 billion of debt to A from A+ on Feb. 2, making it the lowest-rated state behind Louisiana. In January, S&P changed Florida's AAA outlook to "negative" as falling sales-tax revenue contributed to a budget deficit. Illinois received a "negative" outlook in December.

Besides substituting the Treasury financing for their own, some governors plan to use part of the money to balance budgets or fund projects that couldn't begin as credit dried up. Southampton County, **Virginia**, which sold $32 million of municipal bonds in October for sewer system improvements, wants to use stimulus funds to repay the debt and avoid raising taxes.

"Prepaying debt service will have a significant impact on our taxpayers," said Michael Johnson, Southampton County's administrator. "Mitigating the effect on taxpayers would stimulate our local economy."

Ohio Governor **Ted Strickland**, a first-term Democrat, said on Jan. 28 he would use an estimated $3.4 billion of stimulus funds to help close a $7.3 billion deficit. Minnesota's second-term Republican governor **Tim Pawlenty** proposed using federal aid to help cut his state's projected $4.8 billion shortfall for 2010-2011.

U.S. voters approved issuing $74.6 billion of new municipal bonds last year, according to Ipreo and the Bond Buyer newspaper.

State Appropriations

States "want to appropriate that money even though they don't have it yet," said Michelle Blackston, spokeswoman in the Washington office of the legislators' group. "A lot of projects have been stalled or postponed because they don't have the money."

The **SouthField** project in Massachusetts envisions 2,855 housing units, 2 million square feet of commercial development and a public golf course at the site of the former South Weymouth Air Station, south of Boston.

Local officials' attempts to sell unrated municipal bonds to fund $40 million of roads, water lines, sewers and a wastewater treatment plant failed last year, said Eric Kfoury, interim executive director of the **South Shore Tri-Town Development Corp.**, a redevelopment agency on the project.

"Now, we see a chance to do something that will create construction jobs and keep this redevelopment on pace," Khoury said.

---With reporting by Joe Mysak and Jeremy Cooke in New York. Editors: **Michael Weiss**, **Michael** Nol

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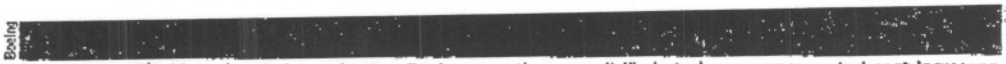
Last Updated: February 13, 2009 13:23 EST



Boeing

Because the F/A-18 is already in production, Boeing says there aren't likely to be any unexpected cost increases.

Boeing Pushes Price in Its Pitch To Sell Fighter Jet to Pentagon

By August Cole

Boeing Co. is trying to sell a fighter jet to the Pentagon by employing an increasingly effective weapon in the defense industry: price.

The F/A-18 Super Hornet isn't exactly the most cutting-edge weapon on offer. The Navy began flying the newest version of the plane 10 years ago. But today, Boeing believes the jet has a new appeal by virtue of a price that runs as low as $49.9 million.

Boeing's pitch for an updated version of a plane that was first developed in the 1970s reflects a shift in the way both the Pentagon and defense contractors are thinking about weapons in an era of trillion dollar deficits.

The company says that if the Navy places a large enough order for more F/A-18s, the price will drop by as much as $4 million per plane from the Pentagon's last big order in 2003. And because the plane is already in production, there aren't likely to be any unexpected cost increases. "Once we tell them a price, it's not going to change," said Dan Korte, vice president and general manager of Global Strike Systems at Boeing's Integrated Defense Systems unit.

While most government departments are routinely under pressure to save on everything from copy paper to subcontractors, the Defense Department, with its budget has always represented something of an exception. Even in tight times, Pentagon officials have argued that developing the most sophisticated weapons was a crucial component of maintaining American power and security.

But that might be about to change. Recent comments by top Pentagon officials indicate that the military may be willing to retreat on firepower if it means advancing on cost. "We will pursue greater quantities of systems that represent the 75% solution instead of smaller quantities of 99% exquisite systems," said Defense Secretary Robert Gates at a Senate hearing last month.

Robert Gates

That equation will be tested by the Obama administration as the Pentagon moves forward with its plan to replace much of its aging fighter fleet with a single new design made by **Lockheed Martin** Corp.

Lockheed bested Boeing in 2001 to win the contract to build the the F-35 Lightning II, also called the Joint Strike Fighter. Involving more than 2,400 planes, the contract is the biggest Pentagon contract award ever. It could also leave Lockheed as the lone U.S. fighter maker if Boeing isn't able to find new avenues for its F/A-18.

The Air Force, Navy and Marines will each get a different version of the F-35 at a total cost currently expected to be just under $300 billion. U.S. allies will buy hundreds, perhaps thousands, more. The Marines are scheduled to receive their first operational jets in 2012, the Air Force in 2013, and the Navy in 2015.

Lockheed estimates the fighter will cost about $65 million apiece for the Navy version. The company argues that the F-35 is actually more cost effective because it includes electronic warfare technology and other advanced systems and sensors that don't come with planes such as Boeing's F/A-18. In addition, the F-35 requires less maintenance and is designed to last 33% longer than current fighters, the company contends.

Although the F/A-18 isn't a direct substitute for the stealthier and far more computerized F-35, every cost increase or hiccup on the Lockheed program makes Boeing's proposed solution look even better. Already, the costs for the Lockheed plane have ballooned by more than $69 billion, according to a recent memo by the Defense Department's top weapons buyer, who criticized insufficient prototyping. In the Pentagon's 2009 budget, more than $6 billion is going to the F-35 program.

Boeing's push is tied in part to concern in the Navy and in Congress about having sufficient numbers of fighters to fill out the Navy's carriers. To address the shortfall of fighters that will peak in 2017, the Navy is considering alternatives ranging from keeping old F-18s in the air thousands of hours longer to buying new ones, said Thomas Laux, Assistant Secretary of the Navy for Air Programs.

The decision whether to buy new F/A-18s will be one of the first that the new administration must make as it formulates its budget for 2010. Mr. Laux said the F-35 is "fundamental to our future force structure" but it is important for the program to stay on track through development and into production.

WSJ 2/9/09

Schaeffler Seeks Aid, An Investor

By Christoph Rauwald

FRANKFURT — **Schaeffler Group** said it hasn't found an investor yet for its tie-up with German auto-parts supplier and tire

American Jets Inspected After Damage to Slides

By Andy Pasztor

Maintenance slip-ups have damaged rear evacuation slides on several American Airlines jets, forcing the carrier to swiftly inspect and start fol- prompt the FAA to launch an enforcement action and propose civil penalties against the carrier. And the episode, which hasn't been reported before, raises questions about American's internal safeguards when