

**MINUTES OF BUDGET PUBLIC HEARING
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE MARY PASSAGE MIDDLE SCHOOL AUDITORIUM
400 Atkinson Way
April 16, 2009
7:30 P.M.**

PRESENT: Sharon P. Scott; Tina L. Vick; Joseph C. Whitaker; Dr. Patricia P. Woodbury;
Herbert H. Bateman, Jr.; Joe S. Frank; and Madeline McMillan-----7

ABSENT: None-----0

I. Call to Order

Mayor Frank advised this was the second of two public hearings that City Council was conducting on the City Manager’s Fiscal Year 2010 Recommended Operating Budget. He advised, on Tuesday, April 28, 2009, City Council would hold a Work Session to discuss the comments, suggestions, and recommendations received from the public, and communicate its thoughts and concerns to the City Manager. He advised, on May 12, 2009, City Council planned to adopt the Newport News Public Schools (NNPS) FY 2010 Operating Budget, and the City’s FY 2010 Operating Budget. Mayor Frank asked City Manager Randy Hildebrandt to provide a brief overview of the FY 2010 Recommended Operating Budget.

City Manager Hildebrandt stated that his Recommended Operating Budget for Fiscal Year 2010 totaled \$776.8 million, which represented a decrease of \$38.7 million, or 4.7%, from the adopted FY 2009 Operating Budget. The Operating Budget included several major funds: (1) General Fund, which totaled \$421.4 million, a decrease of 2.6% from the FY 2009 Budget; (2) Public Utilities Fund, which totaled \$83.7 million, an increase of 2.4%; (3) Schools Operating Fund, totaled \$300.6 million, a 4.9% decrease; (4) Vehicle and Equipment Services, totaled \$10.1 million, a decrease of 11.4%; less (5) Inter-fund Transfers, totaling \$137.7 million; all of which totaled \$678.1 million, or a 3.5% decrease, together with Other Operating Funds, of \$98.7 million, a decrease of 12.5%; for a Total Operating Budget of \$776.8 million.

City Manager Hildebrandt indicated, for the first time since 1992, the City government had to contend with a decline in the General Fund revenues from one fiscal year to the next. The only significant revenue category where growth was expected in FY 2010, would be in real estate property taxes, due to new construction and assessment growth in industrial, commercial, and multi-family properties, which was up approximately 3%. The City Manager advised there would be an overall decline in General Fund revenues of 2.6%, and could likely continue through FY 2011.

He stated the economic climate dictated that spending adjustments be made that were not just short-term deferrals. The departmental cuts were approached from the perspective that spending reductions may need to be sustainable for two or three years. The Recommended General Fund Operating Budget was a reflection of a diminished fiscal capacity to maintain the current level of services and programs.

City Manager Hildebrandt recommended a \$113.3 million local contribution to the School Division, or \$500,000 less than the FY 2009 adopted budget. He stated the decrease reflected a change in the way the Police Department’s School Resource Officer Program would

be funded in FY 2010, and did not represent a reduction in City funding for public education. No decrease in funding was recommended for the NNPS.

City Manager Hildebrandt recommended no funding for across-the-board or merit increases for City employees because of the difficult fiscal circumstances throughout the City. This recommendation was consistent with the position taken by the NNPS and every other city or county government in Hampton Roads. He did recommend a \$2.5 million increase in the contribution to the Pension Trust Fund in an effort to reach the goal of fully funding the City's Annual Required Contribution (ARC) by FY 2018. He emphasized that the funding being provided for the Pension and Post Employment Benefit Programs in the Operating Budget, assumed no changes in either of the benefit plans. Any benefit restructuring approved by City Council would not impact the Operating Budget until FY 2011.

The City Manager advised, with a decline in overall General Fund revenue of \$12 million, departmental spending was constrained by abolishing or freezing 102 full-time positions, a savings of \$5.5 million. Additional cuts were made in non-personnel services to close the gap between expected revenue and service expenditure requirements. He recommended closing the West Avenue Branch Library in an effort to maintain the other library branches.

City Manager Hildebrandt indicated that cuts in the Capital Improvements Program (CIP) in FY 2009 and FY 2010 would decrease the budget expenditures in FY 2010 by \$1.6 million, or 4%. This was accomplished by slashing the CIP bonded project spending by over 60%.

With reference to tax and fee adjustments, and because of economic circumstances affecting Newport News citizens, City Manager Hildebrandt indicated that no tax rate changes were recommended. An adjustment was proposed in the user fees, which supported solid waste collection and disposal activities, wastewater collection, stormwater system maintenance and improvement, and the public drinking water supply.

City Manager Hildebrandt concluded by expressing his belief that the Recommended FY 2010 Operating Budget presented a solid financial plan to carry the City through one or two years of significant fiscal constraints. He stated the City would continue its core missions of maintaining public safety, providing education, offering a safety net for citizens adversely affected by the recession through delivery of necessary human services, and sustaining an array of leisure and cultural arts activities important to the quality of life in the community. He stated the budget was the City's commitment to spending the resources available in a prudent and productive manner that best served the interests of the community (a copy of the City Manager's remarks are attached and made a part of these minutes).

II. Public Hearing for Fiscal Year 2010 Operating Budget

A. Public Comments

Mr. Teddy Hicks, Chairman, Newport News School Board, 12465 Warwick Boulevard, thanked members of City Council for continued support of Newport News Public Schools (NNPS). He stated the budget process was not easy, but with hard work and focus, resources continued to be committed to the students. By reducing spending and restructuring

II. Public Hearing for Fiscal Year 2010 Operating Budget Continued

A. Public Comments Continued

programs, the NNPS was able to preserve class size, math and literacy coaches, and school security officers, while continuing to focus on 21st Century Learning, Career Pathways, and Youth Development initiatives. Mr. Hicks reported that NNPS employee salaries would remain the same in the FY 2010 budget. He stated there would be no current level increases, however, there would be an increase in payment toward employee health insurance. The NNPS FY 2010 budget was reduced by \$17 million, representing a 5% decrease in spending. He concluded by stating the budget was a sound budget, a good investment, and felt with City Council's support, the NNPS could continue to support the students.

Ms. Arva Davidson, Chairperson, Hampton-Newport News Community Services Board (CSB), 13 Howard Court, Newport News, stated the CSB had developed a comprehensive service delivery program for individuals and families affected by mental illness, intellectual and developmental disabilities, and substance use disorders, who were residents of the Cities of Newport News and Hampton. She added that the CSB also partnered with the City in the Keeping Our Kids Safe initiative, managed and provided services to the Newport News Adult Drug Treatment Court, and recently developed a new partnership with Riverside Behavioral Health Center for the provision of providing in-patient psychiatric care to residents of the Peninsula. Ms. Davidson indicated that the CSB had secured \$304,000 in state grant funding for citizens of Newport News for jail diversion. The CSB additionally secured crisis intervention team funding in the amount of \$70,000 annually, and the new Wounded Warrior Program for veterans in the region, which amounted to \$620,000 annually. In 2008, the CSB created a modality, new to Newport News, called the Therapeutic Day Treatment, which was provided in the Newport News Public School (NNPS) system. Ms. Davidson stated that therapeutic day treatment was operated in nine Newport News public schools. When fully implemented, the program would help reduce the cost to the City of the Comprehensive Services Act. The CSB requested \$51,800 annually for children who were not Medicaid eligible to receive reimbursement services. The new Jail Diversion Grant would successfully reduce overcrowding in the City jail and appropriately divert individuals with mental illness into treatment with the board, rather than consume local and state resources in the jail. The CSB sought a better outcome for the individual, their families, and the City. CSB requested an additional \$55,510 to provide for a secure clinical setting for these patients. Finally, the CSB requested that resources be restored from the City's Byrne Justice Assistance Grant to the Newport News Adult Drug Treatment Court. Ms. Davidson stated the loss of this funding over the past three years had seriously compromised the CSB's ability to serve the Court and its clientele. The CSB requested that up to \$65,000 of the \$1 million available be allocated to the Drug Treatment Court. She requested that City Council revise the City Manager's recommended support to the CSB and provide the additional funding mentioned by CSB Executive Director Chuck Hall at the April 14, 2009 City Council Work Session.

Mr. Kenneth Rinehart, 3805 Whitley Abbey Court, Virginia Beach, stated the City faced hard decisions during difficult economic times, specifically balancing the budget with a declining revenue base. He indicated it was time that everyone pulled together as a City. He further indicated that the City's most valuable resource was its employees, who chose a career

II. Public Hearing for Fiscal Year 2010 Operating Budget Continued

A. Public Comments Continued

with the City to facilitate change. He asked that City Council reconsider laying off City employees and seek other alternatives. He felt that cutting the most valuable resource was no the prudent way to balance the City's budget. Mr. Rinehart indicated that other municipalities in Hampton Roads faced the same predicament as Newport News, but had chosen other options, such as electing to keep their employees and the investment in them. He suggested eliminating positions through attrition, or other short-term measures such as unpaid furloughs and temporary across-the-board reductions in pay. He implored members of Council to retain all of the work force and send the budget back for revisions, demanding a budget without employee lay-offs. (A copy of Mr. Rinehart's remarks are attached and made a part of these minutes).

Mr. Ben Burbic, 136 Terri Beth Place, speculated that the budget to be approved on May 12, 2009 would include some of the pension issues and pension cut-backs. He stated City employees should know that the pension changes and reductions had not been approved. He applauded members of Council for questioning, requesting more input, and listening to the over 3,000 employees about their concerns on this issue. He stated that information should be kept flowing. Mr. Burbic indicated that City employees were unaware that City Council had questions or requested changes. He implored Council to get that information out by whatever means necessary. Referencing a e-mail sent to City employees regarding proposed changes to "buy-back", Mr. Burbic asked that changes or proposed changes be sent out at an appropriate time, and not on a Friday before a holiday weekend. He commended City Council for their hard work, in spite of the "beating" received by citizens. He further commended City Manager Hildebrandt, who had answered numerous questions and had been forthcoming on the issues. Mr. Burbic indicated the pension issue was one of the most volatile in twenty years. He hoped there would be significant changes that all employees/retirees could enjoy.

Mr. Stewart Fleming, 26 Langhorne Road, Newport News, expressed concern about the way the real estate was being valued in the City. According to the Assessor's report, there was \$15 billion in real estate that was taxable. He stated the people that owned that real estate and were being taxed by the City, according to the values set, had no recourse. There was no mechanism available to the property owners of the City of Newport News to successfully dispute the way the City had valued anything. Mr. Fleming stated there were, supposedly, mechanisms in place, but the mechanisms did not work. He advised he possessed two pages from the City records, on every piece of real estate in the City. The pages concerned Tillerson Drive, a street in the Denbigh section of the City. The records consisted of fifteen properties per page, all on Tillerson Drive. He circled the properties that had sold in 2007-2008, according the City records, with the most recent sale taking place December 17, 2008, to a private citizen for \$115,000.00. The City valued the same property for \$211,000.00. The sales price on each property listed, was 30% - 50% less than the amount the City was charging taxes on the same property. Mr. Fleming felt this was typical in many subdivisions. The problem, when anyone questioned the numbers, the citizens were confronted with the situation that the authorities went to a list of sales in the City, sales of which were listed as invalid. Inevitably, every sale where the property had sold for less than the assessed value, was declared invalid. Mr. Fleming contended that it could not be used as a comparable to bring about a change in the value of anything. He inquired about the other citizens on Tillerson Drive, that had not sold their properties, questioning

II. Public Hearing for Fiscal Year 2010 Operating Budget Continued

A. Public Comments Continued

the amount that would be received, if citizens were to put their property on the market. Mr. Fleming believed the citizen would be two-thirds or less of the value the City required the citizen to pay taxes on. He further indicated the City was using the \$15 billion total value as collateral for bond borrowing, which was overstated by at least \$1.5 billion.

Dr. Angela Herring, 11 Digges Drive, Newport News, thanked City Council for the opportunity to provide comments regarding the City Manager's Recommended Fiscal Year 2010 Operating Budget, and for video streaming the sessions on the City's web site. She commented on the provision of legal services to the Newport News School Division. Dr. Herring stated that the City funded the NNPS budget, which was the largest line item in the City's budget. She indicated that she was a strong supporter of the NNPS. Despite the many cuts required by the NNPS, there was a new expense in administration, \$100,000 to keep a specific part-time attorney. Dr. Herring noted the City Charter required the City Attorney to provide legal services to the Newport News School Board. She further noted that these legal services had been provided for free for years. Because of required cuts in City departments, the current school board attorney, who retired from the Newport News City Attorney's Office, and rehired to provide services to the NNPS, was slated to be cut from the legal department. In order to keep this specific attorney, the NNPS worked out a deal to pay the City \$100,000 for a part-time service which had been free. The attorney could keep his position and be assigned to cover the School Board. Dr. Herring indicated the process sounded like a magic trick. She described the process - The City would give the NNPS \$100,000; the School Board gives back to the City. The City does not cut the attorney's position, and pays him \$100,000; and everything would be in compliance with the City Charter. In the meantime, she stated the taxpayers pick up the \$100,000. Dr. Herring thought this was unnecessary because, when the Attorney is not available, the City Attorney would send another attorney to advise the School Board. She stated there was a book called "Virginia School Law Manual," that was used to provide policy. Since the School Board attorney was really a City employee rather than a School employee, the School Board Attorney was able to defer to City Attorney Stuart Katz whenever there was a question, as back up. Additionally, Dr. Herring stated the Virginia School Board Association had two attorneys who provided full-time access as a service to the division, by virtue of the fact they belong to the Virginia School Board Association. Dr. Herring further stated, in these difficult times, \$100,000 for a part-time attorney, 24 hours per week, was a lot to pay for a service that could be provided for free. She asked City Council to lower the funding requested by the Newport News School Board by \$100,000, since the School Board decided it was flush with funds for this unnecessary expense.

Mr. A. C. Pulliam, Jr., 239 Falcon Drive, Newport News, commended the speakers from Youth Challenge that addressed City Council at the April 14, 2009 Regular Meeting of City Council. He commended the four female Council members regarding their stand against granting more authority to the Economic Development Authority (EDA), which he felt would make a difference in the City of Newport News. He reminded that RETRO (Real Estate Tax Reduction Organization) had addressed City Council for three years. He felt City Council

II. Public Hearing for Fiscal Year 2010 Operating Budget Continued

A. Public Comments Continued

had listened, but actions taken were under pressure. Mr. Pulliam stated the City had lowered assessments on the river and other areas, but raised the commercial properties on Warwick Boulevard and Jefferson Avenue. He advised that businesses were also having a hard time making ends meet. He announced that the Chesapeake Bay had graded various areas as advertised in the April 16, 2009 edition of Daily Press. He reminded that an election was forthcoming in 2010 and felt it unfortunate the budget would be approved prior to the election.

Mr. Travis Hall, 4904 Warwick Boulevard, Newport News, thanked the Mayor, members of City Council, and the City Manager, for listening to the speakers from Youth Challenge as they shared their stories at the April 14, 2009 Regular Meeting of City Council. As Development Director of Youth Challenge, he reminded that nearly 2,000 labor hours were donated annually to the Peninsula Food Bank, for free. He urged City Council to support Youth Challenge by providing funding in the City Manager's Recommended FY 2010 Operating Budget.

Mr. Greg Garrett, 11864 Canon Boulevard, Newport News, addressed City Council on behalf of the Peninsula Drug Rehab Foundation (PDRF). He advised that all of the conversation about Youth Challenge was really about PDRF, which was a non-religious based entity. He advised that an application was forthcoming, to the City, on behalf of PDRF. He indicated that PDRF funded the non-religious activities of Youth Challenge. Mr. Garrett indicated that he opened up his business at 26 years of age in Newport News and had been a citizen since 1984, with his headquarters on Canon Boulevard. During that period of time, he stated that he had paid over \$1 million in taxes to Newport News and had been proud to be a Newport News businessman. He reminded Council that their job was difficult, particularly in the present economy. He indicated the local government only had to cut back 5%, businesses had to cut back as much as 30-40% of revenues, and charitable foundations were even worse, with many going out of business. Mr. Garrett stated that the toughest of all was to be a drug-addicted or alcohol-addicted individual in the community. He stated it was everyone's agenda to help their fellow citizens in their deepest need. He urged City Council to consider PDRF's request for \$100,000, that would help in non-religious activities of the men and women who spoke in support of Youth Challenge at the April 14, 2009 Regular Meeting of City Council.

Ms. Brenda Moore, Director of Operations, LINK of Hampton Roads, 38 Twig Lane, Newport News, addressed Council about the issue of homelessness in Newport News. She thanked City Council for their leadership and support; and for acknowledging the problem of homelessness. She indicated she was impressed with the Sheriff's Office and the Newport News Police Department, as everyone had been professional and empathetic in dealing with the guests. Ms. Moore stated it was gratifying to see the exchange occur. She further thanked the City for stepping up to the plate, in these tough economic times, to ensure that homeless children were cared for. Ms. Moore extended an invitation to an Art Show on May 29, 2009 at the Peninsula Fine Arts Center (PFAC). She advised this was a joint venture between LINK and the PFAC, with all of the artists exhibiting, having been guests at the homeless shelter or CANLINK participants. CANLINK was a HUD-based program, providing supportive housing for people who were previously homeless with disabilities.

II. Public Hearing for Fiscal Year 2010 Operating Budget Continued

B. A request for a motion of City Council to close the Public Hearing

Vice Mayor Whitaker moved closure of the public hearing; seconded by Councilwoman Scott.

Vote on Roll Call:

Ayes: Scott, Vick, Whitaker, Woodbury, Bateman, Frank, McMillan

Nays: None

III. Adjournment

THERE BEING NO FURTHER BUSINESS,
ON MOTION, COUNCIL ADJOURNED AT 8:20 P.M.

Mabel Washington Jenkins, CMC
City Clerk

Joe S. Frank
Mayor
Presiding Officer

A true copy, teste:

City Clerk