

MINUTES OF WORK SESSION
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE 10th FLOOR CONFERENCE ROOM
2400 Washington Avenue
December 12, 2006
2:00 P.M.

PRESENT: Sharon P. Scott (arrived at 2:35 p.m.); Joseph C. Whitaker; Charles C. Allen; Herbert H. Bateman, Jr.; Joe S. Frank; William F. Haskins; and Madeline McMillan ----- 7

ABSENT: None ----- 0

OTHERS PRESENT: Randy W. Hildebrandt; Stuart E. Katz; Mabel V. Washington; Neil Morgan; William Mitchell; Alan Archer; Butch Blanks; Collins Owens; Joseph M. DuRant; Al Riutort; Sheila McAllister; Michael King; Dr. Rhonda Sturgis; Florence Kingston; Everett Skipper; Gregg Jones; Rhonda Everton; William Keeler; Michael Poplawski; Mike Barber; Terrence K. Martin; Dr. Jay Teston; Gary Hunter; Dr. Fred and Mrs. Linda Dylla; Mike Nealer; Aubrey Fitzgerald; Kate Helwig; Dr. Roseanne Walters; Chris Tan; John Kaoudis; Angela Hopkins; LaVerne Lovett; Lisa Cipriano; Sabine Hirschauer; Lottie Vincent; Cleder Jones; Kim Lee; and Jennifer Walker

I. Presentation by Sister Cities of Newport News, Inc.

Mr. Randy W. Hildebrandt, City Manager, stated that the Board of Directors of Sister Cities of Newport News, Inc. had appointed a special committee of board members and City staff to review the operations and effectiveness of the City's Sister Cities program. A copy of the report is attached and provides an overview and evaluation of Sister Cities operations, activities and relationships with foreign cities in Japan, China and Germany. City Manager Hildebrandt introduced Mr. Aubrey Fitzgerald, President, Sister Cities of Newport News, Inc. (SCNN), to provide a presentation on the functions of the Sister Cities program.

Mr. Fitzgerald reported the study was beneficial in helping the SCNN find strong points and areas in which improvements were needed. He stated the review evaluated the organization and provided a detailed record of its 25 year history. SCNN developed a mechanism to account for the in-kind support of the organization and detailed criteria for forming new Sister City relationships. He indicated the Committee was most pleased and proud of the 5th grade students from Newsome Park Elementary School who visited Neyagawa City in April 2006. SCNN were particularly impressed by the fundraising accomplished by the students and the leadership of Dr. Jay Teston, Principal, Newsome Park Elementary School. He stated a total of \$44,000 was raised for the group of 50 individuals, while Sister Cities contributed \$14,000.

Mr. Fitzgerald stated SCNN had been looking at a Sister City relationship with Griefswald, Germany for five years, and indicated Griefswald wanted to form a

relationship with Newport News. He stated SCNN was in a friendship mode with Griefswald, and noted SCNN passed a resolution in support of a Sister Cities relationship with Griefswald, Germany and hoped City Council would do the same. He introduced Dr. Fred Dylla of Thomas Jefferson National Acceleration Facility, to give a presentation of the Town of Griefswad in Pomerania, Germany.

Dr. Dylla explained Greifswald had a population of 85,000 citizens, and was a seaport town on a bay leading out to the Baltic Sea. He stated it had a modest sailboat building industry and noted it was the home of Griefswald University, which was 550 years old and the second oldest university in the world. He asked City Council to look into exploring a relationship with Griefswald, Germany and felt Newport News could learn from Greifswald's rebuilding efforts.

Mr. Fitzgerald finalized the presentation by asking that City Council adopt a resolution in early January 2007 in support of a Sister City relationship with Greifswald, Germany.

Councilwoman McMillan pointed out the members of the SCNN had done a wonderful job as volunteers in getting support for the exchange program. She inquired about the type of outreach done from the program participants, i.e. 57 citizens that traveled to Japan, and how the experience was shared with the community.

Councilman Haskins suggested that the City Channel be used more effectively for activities going on in the City, which could include such matters as the trips made by SCNN.

Councilwoman McMillan suggested that the SCNN give City Council an ample amount of notice when a delegation planned a trip to Newport News. She indicated a seven day notice was not a sufficient amount of time given that City Council set their schedules months in advance. He agreed with Councilwoman McMillan, but noted the Chinese did not give the City the lead-time. Mr. Fitzgerald explained that SCNN had internal problems with the Chinese delegation regarding their visit and suggested that three-month notice be given prior a visit.

City Manager Hildebrandt recalled when Newport News City Council setup the SCNN as a 501(C)3, there were specific expectations that more of the group's operations be funded with non-public funds. That had not been the case except for the last exchange trip to Japan with Newsome Park Elementary School. City Manager Hildebrandt needed an additional 60 days to present his assessment and recommendation about the structure and future of SCNN to City Council. He noted when the City entered into a Sister City relationship it was forever and there was no process to terminate such

relationships. He felt the City needed to evaluate its capacity of adding another Sister City and what the impact would be financially and organizationally. He stated he would present his and staff's perspective of whether to enter into a Sister City relationship with Griefswald Germany at a Work Session in February 2007.

Mayor Frank stated he was encouraged by the report and progress made by the SCNN over the past year, but expressed concern that the City was not extending the same level of attention, time and effort to its visiting delegations as they received when traveling abroad. He also voiced concerns expressed by Councilwoman McMillan regarding communication to the public about the benefits of the program. He inquired whether the City had identified areas in the world that would be beneficial to broadening the City's experience or whether the City was simply being reactive to proposals. He felt the City could only sustain a certain number of Sister City relationships because there was not enough staff and citizen support. Mayor Frank indicated the City needed to be involved in relationships that brought significant opportunities for both Newport News and the Sister City.

II. Framework for the Future Survey Team Report

City Manager Hildebrandt stated as a result of the *Framework for the Future* Citizen Survey findings conducted by the Wessex Group, Ltd., he commissioned an in-house team to determine how citizens of Newport News could be better served. (A copy of the survey is attached to these minutes.) City Manager Hildebrandt introduced Mr. Michael King, Manager of Community Planning, Department of Planning, to begin the presentation. Mr. King introduced members of the in-house team and introduced Mr. Kris Tan, Assistant Director, Office on Youth, Families & Children and Chairperson of the in-house group, to make the presentation.

Mr. Tan explained the mission of the survey team was to complete an in-depth analysis of the *Framework for the Future* survey; see how City departments could use the survey information; and make recommendations for future use of surveys and methods. Mr. Tan noted analysis considered the following: 1) Emerging Trends; 2) Economic Issues; 3) Transportation Issues; 4) Human Services Issues; 5) City Beautification; and 6) District Profiles. (A copy of the presentation, "Framework for the Future Citizen Survey Analysis" is attached and made a part of these minutes.)

City Manager Hildebrandt had a suggestion to continue and to do the survey more often. He indicated the information was needed on a continual basis.

Mayor Frank suggested that additional questions be asked when planning for future surveys.

III. Achievable Dream Tennis Facility License Agreement

City Manager Hildebrandt introduced Ms. Florence Kingston, Director, Department of Development, to make the presentation.

Ms. Kingston reminded that on July 11, 2000, City Council authorized a Memorandum of Understanding (“MOU”) between the City and An Achievable Dream Foundation, Inc. (“ADFI”) under which the City conveyed 4.11 acres of City-owned property on 14th Street to the ADFI by Conditional Deed of Gift. ADFI agreed to construct an indoor tennis facility on the property for use by the affiliated An Achievable Dream, Inc. (“ADI”) in its cooperative education program with the Newport News School Board.

Ms. Kingston noted under the terms of the MOU, the City and ADI agreed to the cooperative utilization of the facility. She stated ADI would use the Facility on a first-priority basis for its school-based tennis program and the City would lease the facility for public recreational uses when it was not needed for the ADI tennis program. The purpose of this initiative was to allow ADFI to build a tennis facility for the Achievable Dream students, as well as establish a foundation for a future Southeast Community Recreation Center. City Council had previously supported the project by acceptance of the 4.11-acre site from the Newport News Redevelopment and Housing Authority to assemble the necessary acreage for the facility and the future recreation center. Under the terms of the MOU, the land conveyed for the tennis facility would be wholly reconveyed to the City, along with the facility itself, for a full-scaled recreation center.

Ms. Kingston stated the City’s lease payment for the initial five years of the 15-year lease term would be \$75,000 per annum payable in monthly installments. The MOU also included an option for the City to purchase the land and the facility at any point during the term of the lease for a price equivalent to the balance outstanding on the Series 2000 Bond. The MOU provided an economic incentive to the City to execute its purchase option at the end of the fifth year of the lease. During the initial five years, the lease payment for the facility would be \$75,000 per annum. During lease years six through fifteen, the lease payment would escalate to an annual sum equivalent to the debt service payments on the Series 2000 Bond (approximately \$253,182 per annum).

The MOU further provided that if the City exercised its purchase option ADI would have the option of leasing, for a five year term, the facility from the City to continue operation of its school-based tennis program and gymnasium activities. The City exercised its purchase option and ADI exercised its lease option. City Council appropriated \$1,938,114 on January 24, 2006 for the purchase of the facility.

Ms. Kingston indicated that staff and counsel for the City and ADI, in implementing the proposed lease by ADI, had suggested a modified approach and term. Rather than a lease, a License Agreement was drafted to permit ADI to continue to use the facility for the Achievable Dream school-based tennis program and gymnasium activities for as long as the ADI's school program was operated in the City school system. The City could continue to use the facility for public recreational uses and other public purposes when the facility was not needed for ADI programs. The term of the agreement commenced on the date title to the facility passed to the City and would terminate on December 31, 2031. The agreement would terminate automatically upon ADI ceasing to operate its school program with Newport News Public Schools, or upon the facility becoming unusable due to obsolescence or destruction by fire or other hazard where there were insufficient insurance proceeds to rebuild the improvements. ADI would make no payment to the City for the use of the Facility, but would maintain public liability and property insurance with a liability limit not less than \$5,000,000. The facility would be named "An Achievable Dream Tennis Center".

Ms. Kingston stated the License Agreement was to authorize a 25-year agreement with ADFI. City Manager Hildebrandt stated the License Agreement would be brought to City Council for formal action at the January 9, 2007 Regular Meeting of City Council.

Councilwoman McMillan understood that the City paid the ADFI \$75,000 per year to lease the ADI facility where ADI had the majority of time and space, and inquired whether the City was now giving the facility to ADFI for nothing more than the insurance cost.

Ms. Kingston replied the City had paid the utility and operating expenses during the five year period. The \$75,000 was some of the interest carried in an arrangement that was agreed upon by City Council, as an interim way, until it could be programmed into the CIP. She stated the City would have the benefit of using the facility when it was not in use by ADI.

Councilwoman McMillan inquired about the number of hours per-week the facility was open to the public as a community facility.

Mr. Mike Barber, Assistant Director, Department of Parks, Recreation & Tourism, replied the public had access to the facility from 4:00 p.m. – 10:00 p.m. Monday – Friday, four hours on Saturday and 12 hours on Sunday. He also referenced usage during the summer, and noted the City was using the facility more than 50% of the time.

Councilman Bateman inquired about the requests for use of the facility.

Mr. Barber replied the usage included tennis lessons, instruction and classes, youth and recreational basketball, baseball and cheerleading competitions, and noted all tennis leagues operated out of the facility.

Councilwoman McMillan felt the ADFI was a private foundation that should be paying, at least a token amount since it was supposed to be a community facility.

Vice Mayor Allen stated it was a public school facility and the private foundation did not run the school. It was a public school facility for a public school purpose. It was no different from the City using all the schools over the City for recreational purposes in which the City did not pay the School Board a dime. He stated the City had even turned the maintenance of the school yard that was used for public recreation over to the School Board. He felt Councilwoman McMillan's comments were unfair.

Councilwoman McMillan responded it had nothing to do with fairness and indicated the Midtown Community Center was not closed a greater portion of the day for use by a school. She stated the ADI facility was either a facility the City built for the sole purpose of accommodating ADI or it was a community recreation center.

There was consensus among City Council to authorize the License Agreement at the January 9, 2007 Regular Meeting of City Council.

IV. Report on Downing Gross Cultural Arts Center

City Manager Hildebrandt stated construction of the Downing-Gross Cultural Arts Center was continuing with an expected completion in April 2007. While construction was originally expected to be completed by early 2007, several unforeseen structural issues extended the timeframe and impacted the final costs of construction. He stated once construction on the building was completed, the City needed to take steps to outfit, staff and program the facility. While much of the funding associated with operating the building would be included as part of the FY 2008 budget recommendation, the City needed to consider moving forward with appropriating funding to furnish the building once completed.

City Manager Hildebrandt introduced Mr. Michael Poplawski, Director, Department of Parks, Recreation & Tourism, to provide an overview on the progress of the Downing-Gross Cultural Arts Center to include detailed steps and costs that were involved in completing construction to make the facility operational. (A copy of his presentation "Downing Gross Cultural Arts Center" is attached and made a part of these minutes.)

Mr. Poplawski stated the Downing Gross Cultural Arts Center was a 51,000 square foot multi-purpose facility, which included a Community Services Center for the Office of Human Affairs, a local history and cultural museum, a cultural and performing arts center, an artistic development center and community rooms for meetings and banquets.

Mayor Frank inquired whether there had been discussion about the community rooms being used as a substitute for the community room at the Pearl Bailey Library, allowing growth and expansion for the library. Mr. Poplawski replied, in discussions with Library administration, he anticipated the Downing-Gross Cultural Arts Center would share some of the meeting room by virtue of no other choice.

Vice Mayor Allen stated the Downing Gross Cultural Arts Center was not a community facility, but was a performing and cultural arts facility. He stated the City had the Doris Miller Community Center, which needed upgraded to allow the public more places to hold "community meetings."

Councilman Haskins inquired about City Council's prior commitment and what was needed to complete the Downing Gross Cultural Arts Center. He inquired whether there were any revisions to the original contract passed by City Council. Mr. Poplawski replied the use of the stairwell and elevator tower with structural strengthening was originally agreed upon. However, the contractor noted significant cracks that could not be refurbished, but only replaced. This was an unexpected cost that generated an additional \$430,000 in construction cost. He replied there was nothing added to the original contract.

Mr. Poplawski stated 85% of renovation to the 2nd and 3rd floors was completed and 15% of buildout to the theater and banquet hall was completed. He stated construction funding needed for FY 2007 was \$1,125,000 to complete the replacement of the elevator and stairwell towers and purchase of the furnishings, fixtures and equipment for the building. He noted of the \$1,125,000 funding, \$375,000 was available through CDBG. He noted construction funding needed for FY 2008 was \$1,300,000 with \$100,000 available through CDBG funding. This funding was needed for the design and construction of the museum galleries and parking improvements. Mr. Poplawski stated other items were need from the FY 2008 Operating Budget, which would be another cost beyond completion of the Center.

Mayor Frank inquired whether the additional funding request would fully furnish and equip the facility. He did not want to appropriate the funding for the facility if it would not be enough to deliver appropriate services. Mr. Poplawski replied, outside of the operating costs, the additional funding would complete the construction and furnishing of the building.

Councilman Haskins inquired about the amount of funding initially appropriated for the facility. Mr. Poplawski replied the current contract appropriation was \$5,908,000. He stated the furnishings, fixtures and equipment were not included in the original appropriation.

Mayor Frank inquired about the total investment, excluding operating costs. Mr. Poplawski replied the total investment was \$11,200,000 to get the building completed and in operation.

Councilman Haskins inquired about any change orders from the original contract. Mr. Gerard Corneille, Architect, Department of Engineering, replied there had been change orders as the structure progressed, but the scope of the work had not changed. He stated the change orders were not design generated.

Vice Mayor Allen indicated, due to the age of the building, there had been various change orders. He noted, at one point during the initial clearing out of the building, a spot in the building was discovered where someone had dumped gallons of oil. He stated it cost the City \$150,000 to mitigate the oil spill.

Councilman Haskins inquired about the cost of the change orders to the City out of the \$5,908,000 appropriation. Mr. Morgan replied the \$5,908,000 appropriation included all the change orders, except for the \$430,000 for the elevator and stairwell tower.

Councilman Bateman inquired whether the galleries at the Downing-Gross Center enhanced the City's ability to generate additional revenue. Mr. Poplawski replied the City was looking into the matter, but noted a huge revenue source was not anticipated.

V. Status of Undesignated Fund Balance/Bond Refunding

City Manager Hildebrandt reminded City Council about the operating budget projections for FY 2008 and 2009, and noted although revenue growth was expected to continue, it would be challenging to accommodate the estimated \$9 million increase in debt service in FY2008, while coping with the rise in the cost of providing municipal and educational services to the citizens. The \$9 million increase amounted to a 20% increase in debt service in one year. Consequently, there were several ways to mitigate the unusually large increases in debt service for FY 2008.

City Manager Hildebrandt proposed restructuring \$11 million worth of existing debt by phasing it in over the next three years. Rather than having a \$9 million increase in debt service in FY 2008 the City would only have to accommodate a \$3.2

million increase in FY 2008, \$3.7 million increase in FY 2009, and \$2.6/7 in FY 2010. He stated this restructuring also conformed to the City's self-imposed debt service limitations of keeping annual debt service payments below 9.5% of the General Fund revenues. (A copy of the "Debt Management Proposal" is attached to these minutes.)

City Manager Hildebrandt asked for City Council support in authorizing an Ordinance to restructure principal debt and refinance debt at lower interest rates.

There was consensus among City Council to allow the City Manager to restructure principal debt and refinance debt at lower interest rates.

VI. Miscellaneous Item – FY 2006 General Fund Surplus

City Manager Hildebrandt was pleased to report that upon release of the City's Comprehensive Annual Financial Report (CAFR) late December 2006, the CAFR would show that the General Fund operating results for fiscal year ending 2006 produced a surplus of revenue over expenditures of \$9.8 million. After adjustments to this amount to account for the net change in encumbrances, machinery and tool tax refunds, and a write-off of the uncollectible FEMA receivables from Hurricane Isabel, the City would still add \$5,034,000 to its General Fund reserves or surplus. This would increase the City's General Fund Balance at the close of FY 2006 to \$98,043,000. This favorable financial result was due largely to actual revenues which exceeded the adopted budget estimates. (A copy of memo explaining the CAFR surplus is attached to these minutes.)

Mayor Frank felt the information made sense, but indicated City Council needed time to read and absorb the information. He suggested that additional time be set aside for discussion at an upcoming Work Session in January 2007.

THERE BEING NO FURTHER BUSINESS,
ON MOTION, COUNCIL ADJOURNED AT 5:00 P.M.

Jennifer D. Walker, CMC
Chief Deputy City Clerk

Joe S. Frank
Mayor
Presiding Officer

A true copy, teste:

City Clerk