

MINUTES OF WORK SESSION
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE 10TH FLOOR CONFERENCE ROOM
2400 WASHINGTON AVENUE
April 11, 2006
12:00 P.M.

PRESENT: Sharon P. Scott; Joseph C. Whitaker; Charles C. Allen; Herbert H. Bateman, Jr.; Joe S. Frank; William F. Haskins and Madeline McMillan
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ABSENT: None
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OTHERS PRESENT: Randy W. Hildebrandt; Stuart E. Katz; Mabel V. Washington; Neil Morgan; William P. Mitchell; Iza Cieszynski; L. A. Wallin, II; Butch Blanks; Florence Kingston; John Hartman; William Keeler; Robyn Rose; Deborah Everitt; Rhonda Everton; Dee Johnston; Pat Finneran; Dr. Marcus Newsome; Mary Lou Rousseau; Tracy Brooks; Dr. Wayne Smith; Rhonda Ingram; Effie Ashe; Dr. Ashby Kilgore; Greg Jones; Marty Eubank; LaVerne Lovett; Tonya O'Connell; Lottie Vincent; Cleder Jones; Kim Lee; and Jennifer Walker

I. Schools' Budget Presentation

Mayor Frank introduced Ms. Debbie H. "Dee" Johnston, Chairperson, Newport News School Board, to begin the presentation.

Ms. Johnston stated the FY 2007 Schools (NNPS) Budget was approved unanimously by the School Board in March 2006. The School Board believed the budget presented a conservative plan for continued improvement of public education for the citizens of Newport News. There was a community team that was comprised of the Assistant City Manager, William P. Mitchell, the PTA Council President, the Education Foundation President, and the Newport News Association President who helped in the development of the School FY 2007 budget.

Ms. Johnston stated there were many challenges and demands placed on children today. Some of the challenges were the result of an economic disadvantage. Newport News had a high percentage of students in free and reduced lunch and the number had increased from 43% in 2001 to 50% in 2006.

Ms. Johnston reported 38 NNPS were fully accredited in the FY 2005 - 2006. She

stated NNPS met Adequate Yearly Progress (AYP) for 2005 - 2006 for the first time. All five high schools were recognized by Newsweek magazine among the top high schools in America, measured by enrollment, and access to Advanced Placement (AP) and International Baccalaureate classes. Two hundred and fifty-five students were named 2005 AP Scholars, Scholars with Honor, or Scholars with Distinction, the largest number of AP awards for NNPS. For the 8th consecutive year, SchoolMatch had selected the school division for the "What Parents Want in Public Education" award, which only 15 percent of school divisions in the country earn.

Ms. Johnston introduced, Dr. Marcus Newsome, Superintendent, NNPS, to continue the presentation.

Dr. Newsome commended City Council and City Manager Hildebrandt for their support over the past year. Dr. Newsome stated the four major priorities for NNPS were: Instruction, Compensation, Staffing and Technology. (A copy of the School Board Approved FY 2007 Budget is attached and made a part of these minutes.)

Dr. Newsome stated compensation was the biggest area of concern for NNPS. He further stated the School Board wanted to move salaries for all employees closer to a competitive level, and proposed an increase of \$4.8 million from the City.

Dr. Newsome noted the following accomplishment: 93% of NNPS were "Fully Accredited" by the Virginia Department of Education; NNPS met Adequate Yearly Progress (AYP) for the first time in 2005 - 2006 under the "No Child Left Behind" Act requirements; Student performance on SOLs had increased in every subgroup: White, Black, Hispanic, Special Education, Students in Poverty and Limited English Speakers; 98% of high school seniors had earned SOL-Verified Credits required for high school graduation; The percentage of NNPS students taking AP or IB courses were four times the national average; Student disruptions had significantly decreased as evidenced by the decline in the number of students receiving discipline referrals and suspensions; and the implementation of a fiber-optic wide area network (WAN) had enhanced technology efficiency.

In conclusion Dr. Newsome stated NNPS had long range priorities to provide a quality education that encouraged every student to realize his or her fullest potential.

II. City Budget Presentations:

a. Retirement Fund and Post Health Benefits

City Manager Hildebrandt introduced Ms. LaVerne Lovett, Director, Department of Finance, to provide the presentation on the retirement fund and post-retirement health benefits.

Councilman Haskins apologized to the citizens and employees of Newport News for not recognizing that the Pension fund had been under-funded for a number of years. He congratulated City Manager Hildebrandt, the Finance Department, and the members of the Retirement Board for looking at the City's retirement program to find the best way out of its unfunded liability dilemma that the City was required to actuarially fund the City Charter.

Ms. Lovett referenced an article in the Daily Press Editorial dated April 11, 2006 concerning the unfunded state of public pension plans. (A copy of the article is attached and made a part of these minutes.)

Ms. Lovett stated the investment performance of the Newport News Employees' Retirement Funds as of April 7, 2006 was \$748 million. Two steps would be taken to decrease the City unfunded Actuarial Accrued Liability: 1) increase contributions and 2) review the benefits structure. (A copy of her presentation is attached and made a part of these minutes.)

Councilman Bateman inquired what the City based its investment earnings on, and what triggered the City to lower the Actuary assumption to 8% of earnings if the performance was over a certain threshold for a certain period of time. Ms. Lovett replied studies were performed every five years to determine see whether there was enough diversification to support an increase or decrease in assumptions, but were actually based on experience of the City's plan.

Mayor Frank inquired whether the longevity was considered in assuming the assumption. Ms. Lovett replied no and was one of the things that had hurt the fund.

Councilman Haskins stated he had researched public pension systems nation wide. He felt Newport News was ahead of the curb in reviewing its benefits and pensions, and commended Ms. Lovett and staff for recognizing the problems of public pensions throughout the country.

Mayor Frank hoped there could be a differential program between new hires that may be coming in over time regarding the amount of time to become vested in the retirement program. He felt the City needed to look at retirement age. Ms. Lovett responded different alternatives were being explored, but felt changes to new hires offered very little assistance to decreasing long-term liability.

Ms. Lovett stated the City's medical plan for retirees offered medical coverage to eligible retirees and their dependents through Anthem. At age 65, the fund provided a supplemental plan. Medicare was primary and the supplemental plan became secondary.

Mayor Frank inquired whether the City had looked at the cost to pay a premium to a private insurer for part B on behalf of a retiree. Ms. Lovett replied this would be reviewed.

Ms. Lovett stated the valuation results as of July 1, 2004 of the Unfunded

Actuarial Accrued Liability amounted to \$174.5 million. For this reason, as of July 1, 2005, the amount of employer contributions was capped with a COLA added, which helped reduce the fund's liability.

Ms. Lovett reported the challenges the City had to face in retirement and pensions and health care were liability and contributions. She stated a review of the health plans would be made. Retirees healthcare was almost the same level of what was received in pension. Retirees needed healthcare and was an important issue that needed to be preserved, but the City had to contain the cost.

Councilman Haskins stated healthcare was a major challenge. He stated the City needed to be concerned about revenue to pay for healthcare. He stated there was a \$19 million liability for vacation earned but not taken. Vacation was created for employees to take, not to carry over and earn money from.

Councilman Bateman inquired whether there was an option for City employees to receive a lump sum distribution at retirement. Ms. Lovett replied that option was not offered by a recommendation from the Actuary. Councilman Bateman suggested that was something the City needed to consider.

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b. Vehicle Decal Elimination

City Manager Hildebrandt introduced Mr. Marty Eubank, Treasurer, to provide the presentation on the elimination of vehicle decals. (A copy of his remarks are attached and made a part of these minutes.)

Mr. Eubank stated the city decal was originally created as a revenue source for the City. Although the decal was a successful collection tool in the past, there would be an even greater risk of lost revenue by trying to maintain the decal requirement for 2007 and beyond. As other neighboring localities have eliminated the local decal, noncompliance would become a serious issue and result in a

greater percentage of uncollected taxes and fees. Mr. Eubank proposed adding a Vehicle Licensing Fee (VLF), which other localities had adopted. The first billing of the VLF would be mailed the end of October 2006 and shown as a line item on the personal property tax bills due December 5, 2006. This billing would include a VLF for all qualifying property types as shown in the Commissioner of Revenue's records for a tax liability begin date on or prior to June 30, 2007.

Mayor Frank inquired about the date the Ordinance needed to be adopted for the October deadline. Mr. Eubank replied the Ordinance needed to be adopted no later than October 1, 2006. Mayor Frank reminded the City Attorney of changes to the City Code to make the October 1 deadline effective. City Attorney Katz replied he would meet the October 1 deadline.

Mayor Frank stated he was in support of the elimination of the vehicle decal, but was concerned about the mechanics, i.e., ordinance changes, billing issues, and other matters. He requested that the City Attorney draft a resolution of support of the elimination of vehicle decal for adoption at the April 11, 2006 Regular Meeting of City Council. (A draft copy of the resolution is attached and made a part of these minutes.)

Mr. Eubank stated Chesapeake and Suffolk's new ordinance eliminated the requirement for the Treasurer to prorate the VLF fee based on the date of a vehicle's title. New vehicles titled from January 1 through June 30 would be required to pay the full amount of the VLF. The payment of the VLF for vehicles registered from July 1 through December 31 would not be required until due until the subsequent June tax billing. Mr. Eubank stated this greatly simplified the billing process, and recommended that Newport News follow this model. The only lost revenue that might be incurred would be for the fee paid on vehicles bought on or after July 1 and sold on or before December 31 of each year.

Councilman Haskins inquired of the cost to administer the current decal system. Mr. Eubank replied costs included \$20,000 to incorporate the new software program and savings amounted to \$3000 for cashier overtime, \$11,300 for temporary cashiers hired each year and \$22,000 for decal printing.

Vice Mayor Allen inquired whether the Virginia Department of Motor Vehicles (DMV) supplied the City with a listing of vehicles registered in Newport News. Mr. Eubank stated the Commissioner of Revenue received monthly listings from DMV for newly added titles or any sold and disposed vehicles.

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Vice Mayor Allen inquired whether there was technology available to alert the Police of delinquent taxes owed on a vehicle when stopped for a moving violation. Mr. Eubank stated there was technology available, but Newport News had not purchased the technology. Vice Mayor Allen felt a motorist should receive a ticket for delinquent taxes when stopped for a moving violation.

City Attorney Katz stated State law only required that a motorist stopped for a moving violation display a City decal. City Council would need to have the State Code amended to eliminate the decal requirement and impose the requirement that the VLF be paid.

Mr. Eubank emphasized his recommendation for City Council to pass a resolution in support of elimination of vehicle decals, effective January 2007.

Recess for Lunch (1:00 p.m. - 1:35 p.m.)

Mayor Frank questioned the composition of the Virginia Health Systems Board, which had little representation from the Peninsula. He felt the Commission was regional in scope and questioned why there was not a better balance of representatives. City Manager Hildebrandt stated he would check on the matter and report back to City Council.

c. Vehicle Replacements

City Manager Hildebrandt introduced Mr. Gregg Jones, Director, Vehicle & Equipment Services, to provide the status of vehicle and equipment replacement. (A copy of his handout is attached and made a part of these minutes.)

Mr. Jones stated the Department of Vehicle Services maintained a fleet of 1,382 units with a replacement value of \$47,000,000. One-hundred units were purchased each year. The average age of the cars and light trucks was seven years with an average accrued mileage of 67,000. The average years and mileage for heavy trucks was nine years at 63,000 miles. He stated Vehicle Services spent more than \$1 million per year on replacement parts and its stock average was close to \$300,000.

Councilman Haskins questioned whether Vehicle Services did just in time delivery. Mr. Jones replied they did as much as possible. He stated they balanced the cost of carrying the parts on the shelf versus the cost of in time delivery. Vehicle Services tried to stock as many of their high turn low cost parts as possible.

Mr. Jones stated he worked hard to get top dollar for vehicles sold, and noted two sales were held each year. He indicated they sold close to 25 units, totaling \$150,000 to \$200,000.

Mr. Jones reported the total vehicle fleet was to 2,460 City wide (380 Public Utilities; Public School 630; Fire Department 70; and Vehicle Services 1,382).

Councilwoman McMillan inquired whether the Public School fleet total of 630 vehicles included school buses. Mr. Jones replied the 630 figure did include the school bus fleet.

Mayor Frank inquired whether there were any economies of scales and improvement of services in consolidating the Public School and Fire Department fleet instead of keeping them in separate categorizes. Mr. Hildebrandt replied the Fire Department's light vehicles were maintained by Vehicle and Equipment Services.

Mr. Jones stated the extension of life cycles had taken its toll on vehicle appearance and resale values. Since the extension of the life cycle for cars and light trucks had increased to 120,000 miles (it was 100,000 until 1999), resale prices had declined 30 to 50%.

Councilman Haskins inquired how often the need for new vehicles was reviewed. Mr. Jones replied the City got the information in an informal way by department requests.

Councilman Haskins inquired about manufacturer's suggested vehicle life cycles. Mr. Jones replied manufacturer's dealt in hours rather than years (4,000 to 15,000 hours), and each life cycle depended on the vehicle.

Councilman Haskins requested that the City compare each piece of equipment against the manufacturer's life cycle. City Manager Hildebrandt stated he would have staff look into obtaining the manufacturer's life cycle for each piece of equipment purchased.

Councilman Haskins inquired whether any studies had been done in reducing the life cycle to 10 years and 100,000 miles to see what the City could get for its vehicles versus the price of new vehicles. Mr. Jones stated no study had been done.

Councilman Haskins inquired when the sewer user fee was started. Mr. Hildebrandt replied the sewer user fee was started in the 1970's. Councilman Haskins requested that the total value of

the sewer user funds be reflected in the information graph received from Vehicle Services. City Manager Hildebrandt replied the information would be included.

Councilman Bateman inquired whether Mr. Jones participated in any type of consortium purchasing for parts. Mr. Jones replied Vehicle Services looked into the idea, but did not see any benefit to the City.

Mr. Jones recommended that the proposed FY 2007 budget include the following purchasing requests: ten police patrol vehicles, 13 police unmarked vehicles, 40 light trucks and vans, six heavy trucks, and four pieces of construction equipment. He stated the proposed fund for vehicle replacement in FY 2007 would allow a 120,000 mile average life cycle for cars and light trucks, and a comparable life cycle, in terms of wear, on heavy trucks and construction equipment.

d. Sheriff

City Manager Hildebrandt, introduced, Sheriff Gabriel A. Morgan, to provide budget information related to the Sheriff's Department and City jail operations. (A copy of his presentation is attached and made a part of these minutes.)

Sheriff Morgan shared that the cost to operate the jail had been growing faster than budgeted operating increases. In addition, canteen funds had been used on a routine basis to cover certain expenses of direct inmate care, in connection with Jail operations. The pressure on the Jail operating budget had been dealt with by spending funds budgeted for vacant Sheriff's Deputy positions. As efforts to fill Sheriff's Deputy vacancies accelerated, and deferred equipment purchases were made, the need for additional operating funds had become acute.

Councilwoman McMillan inquired whether the deputy turnover rate was due to retirement. Sheriff Morgan replied the deputy turnover rate had little to do with retirement.

Councilwoman McMillan inquired whether deputies were leaving for jobs with the Police Department. Sheriff Morgan replied he could not confirm, due to the lack of exit surveys in the prior administration of the jail, but felt turnover was due to deputy under-staffing, stress, jail over-crowding and compensation. He indicated exit surveys would be conducted, but the information would not be available for another two years.

Sheriff Morgan stated the salary entry level for Sheriff Deputies was low compared to other surrounding jurisdictions, i.e., Hampton, Portsmouth, and Norfolk.

Vice Mayor Allen inquired whether the State provided each municipality a certain amount of revenue per deputy, and if so, the amount provided. Mr. Morgan replied the State provided each municipality in the State \$26,104 per deputy.

Vice Mayor Allen inquired about the salary of \$26,104

in relation to the poverty wage indicator. Mr. Morgan replied a family of four with an income just over \$15,000 was considered to be in poverty.

Vice Mayor Allen felt the State was not dealing fairly with deputy salaries. Sheriff Morgan responded the State was only responsible for 70% of deputy salaries, while the City was responsible for 30%.

Mayor Frank indicated Section 15.2-1609.7 of the Virginia Code stated "the Commonwealth shall pay the salaries and expense allowances of such sheriff's and their full-time deputies and of their part-time deputies." Mayor Frank noted the State Code only required the City to provide "a reasonable number of uniforms and items of personal equipment required by the Sheriff to carry out his official duties." He stated the City provided for the jail and the cost associated thereof. (A copy of the City Attorney's opinion is attached to these minutes.)

Councilwoman McMillan inquired whether Sheriff Deputies were considered State or City employees. City Attorney Katz replied Sheriff Deputies were considered State employees.

Vice Mayor Allen stated Sheriff Deputy salaries were, according to State statute, the responsibility of the State. He stated he had supported the funding of deputies because of the low salary given by the State, but indicated the real issue was that the General Assembly and the Compensation Board were not paying people according to the Constitution of the State of Virginia. He felt City Council should not be blinded by the shifting of responsibility. He did not mind assisting and providing, but he did not want the State's responsibilities shifted to the City.

Sheriff Morgan stated he was not shifting the responsibility and noted the Sheriff's Department had a deficit of \$400,000 each year that was related to funding from the City.

Vice Mayor Allen inquired whether City funding requirements were reimbursable by the State. Sheriff Morgan replied the items were not reimbursable. City Manager Hildebrandt explained the City received a per diem rate, based upon daily operations of the jail. Sheriff Morgan replied the per diem rate did not cover utilities.

Vice Mayor Allen inquired whether reimbursable State items reflected the cost of what the City was required to pay for utilities. City Manager Hildebrandt replied he and staff were working to determine the per diem rate received from the State versus what the City was spending.

Vice Mayor Allen indicated the jail facility, which was the City's responsibility, would become a critical issued in the future. He questioned whether the City should fund State responsibilities or whether the City should fund items in which it was legislatively required to fund.

Mayor Frank stated the State Code required that the Governor's bill include,

in each fiscal year, "an appropriation of State funds or operating cost for local correctional facilities, compensate localities for the cost of maintaining prisoners who were arrested on State warrants and convicted felons, at a specified rate per day and an amount for unanticipated medical emergencies." Mayor Frank felt the State did not appropriate enough to cover such expenses. He stated the per diem rate did not reflect actual costs.

Councilwoman McMillan inquired whether City Council had ever made a request, as part of its legislative package or formed a coalition with other municipalities, to State to increase its per diem rate and Deputy salaries. Mayor Frank replied he did not recall City Council doing such, but indicated the Sheriff's Association constantly rallied for additional funding for the State Compensation Board. He explained the State Legislature gave the Compensation Board a fixed sum of money, each year, to be allocated among all State jurisdictions.

Councilwoman McMillan inquired whether it would be beneficial to have a joint effort between municipalities and the Sheriff's Association to get the State to increase the per diem rate and Deputy compensation. Mayor Frank replied that was a good point to consider.

Sheriff Morgan noted the reimbursement breakdown from the State for fiscal years 2004 and 2005. (A copy of the breakdown is attached and made a part of these minutes.)

Mayor Frank inquired whether the Sheriff could calculate the true per diem cost for State prisoners and the amount for unanticipated medical emergencies as opposed to the State's per diem rate reimbursement. Mayor Frank felt such data would be important and requested that the City Manager provide the information to City Council. He stated this would inform the State legislature and focus attention on how the Sheriff and Jail were being under-served by the State's failure to appropriate adequate funding

Sheriff Morgan stated for FY 2007 he requested \$2.1 million over last year's budget for the City's cost of maintenance funding for the jail, and indicated City Manager Hildebrandt recommended \$250,000.

Mayor Frank inquired whether the Sheriff's request was for facility maintenance or personnel maintenance. Sheriff Morgan replied the request was for operational funding and included professional healthcare; medical supply; food supply; contractual service; water and sewer; electric; natural gas; office supplies; education; janitorial service; housekeeping; and telecommunications.

Sheriff Morgan indicated funding from other items in his budget had been appropriated to make up the gap in the past, however he needed \$500,000 in total funding from the City. He stated the Sheriff's Department would lose if it continued to look at attrition to make up the gap in funding, and indicated the City needed to concentrate on closing the gap.

City Manager Hildebrandt concurred, but noted in addition to the \$250,000, \$400,000 was recommended for the relocation of prisoners to the Regional jail due to overcrowding in the City jail, and the City was spending \$300,000 - \$400,000 to supplement deputy salaries.

Councilwoman Scott inquired what would occur if the Sheriff did not received the extra \$250,000 funding from the City. City Manager Hildebrandt stated the Sheriff would ultimately have to rely on the City to make up the difference.

Mayor Frank stated State law required the Compensation Board to determine deputy sheriff's compensation annually by May 1 with notification to the City. The City then had 30 days to object to the level of compensation, and report on its findings regarding the funding the City received versus what the State's per diem rate amounts. City Manager Hildebrandt stated he would work with Sheriff Morgan to make sure the City was in a position to lobby the Compensation Board for additional funding.

e. Public Utilities

City Manager Hildebrandt introduced Mr. Brian Ramaley, Director, Department of Public Utilities, to provide a presentation. (A copy of his presentation is attached and made a part of these minutes.)

Mr. Ramaley gave year end budget projections for fiscal year 2006 and provided a copy of the Newport News Waterworks, Water Rate Report, Fiscal Year 2007 (attached to these minutes).

Mr. Ramaley stated the FY 2007 proposed operating budget for Waterworks was \$74.82 million, a 2% increase over the FY 2006 budget. He indicated the debt service had dropped by \$1.86 million due to sale of bonds for the Harwood's Mill Plant. He explained the budgetary components of where Waterworks spent its money, and noted the largest component was payroll at 30% with debt service following close behind at 25% - 30%.

Councilman Haskins inquired whether "Trans Out-Taxes" were taxes paid to other jurisdictions. Mr. Ramaley replied the "Trans Out-Taxes" were payments in lieu of taxes to the City and "Transfers Out-Utilities" were taxes paid to other jurisdictions.

Mr. Ramaley indicated Waterworks needed approval for two items in FY 2007: the to increase the water rate by \$0.04 cents; and to increase the summer consumption rate to \$0.01. Mr. Ramaley reported on the progress made to improve the Lifeline (Affordability) Water Rate Program. He stated Waterworks looked at alternative methods of rate design to improve fixed and low-income households' ability to pay for water. Waterworks proposed the following to improve the Lifeline Water Rate Program: make it applicable to all individually metered residential customers; bill first six-hundred cubic feet (lifeline of 75 gallons per day) per two-month cycle at a rate that was five to ten percent lower; bill all other consumption at the normal rate; implement the lifeline rate July 1, 2007 after the new billing system becomes operational; raise the rate to \$2.86 for FY 2008 with a lifeline/2nd block rate structure (\$2.62/\$2.91 per HCF with 10% discount; and \$2.74/\$2.88 per HCF with 5% discount); and investigate grant funding for low income assistance programs targeting water-use reduction (total replacement/leak repair). With these proposals the City should see a slight decrease in its median and average water bill to its low and fixed income customers. Additionally, Waterworks was looking at grant funding for

water use reduction in low income areas.

Councilwoman Scott inquired whether Waterworks charged its customers for water leak inspections in their homes. Mr. Ramaley replied there was no charge to the customer to receive water leak inspections. Councilwoman Scott inquired about the procedure to request the inspection. Mr. Ramaley replied customers should make the request by call Waterworks directly.

Mayor Frank inquired about the average monthly rate savings for the lifeline uniform rate and the cost for implementation. Mr. Ramaley replied the rate savings totaled \$10 a year, and there was no cost for implementation. Mayor Frank inquired about eligibility for the discount. Mr. Ramaley replied all residential customers would be eligible to receive a discount. Mayor Frank stated he did not see a significant savings for low to middle income residents, and inquired why this was done for everyone rather than those who urgently needed the relief. Mr. Ramaley replied this gave Waterworks the opportunity to structure it for those who used less water. Mayor Frank felt this proposal was not going to benefit the people who needed it most. He inquired about the criteria used by other communities for meaningful

relief for citizens. Mayor Frank suggested a grant application method rather than a lifeline rate structure.

Vice Mayor Allen stated Waterworks had to chase the dollars to make sure it was not wrecking the system, by making the relief revenue generating. The idea was to give some relief without wrecking the system before the proposal began to work. He felt some relief was good.

Councilman Whitaker inquired whether Waterworks did direct billing for its customers. Mr. Ramaley replied the new system would have the capability of direct billing.

f. Police

City Manager Hildebrandt introduced Chief James D. Fox, Newport News Police Department, to provide a presentation on the Police Department budget issues for FY 2007.

Chief Fox explained the Police Department's Strategic Management Plan (attached and made a part of these minutes), and indicated the Police Department's number one goal was to make Newport News a place where people want to live, work and play, by implementing community policing and developing partnerships throughout the City.

Chief Fox distributed the new recruiting brochure (attached to these minutes.) He stated it was important for the City to recruit the right professional people to fight crime and help the Police deal with the varying issues in the community.

Chief Fox stated the Police Department needed a comprehensive, integrated, state-of-the-art criminal justice information system. The implementation of a Records Management System (RMS) would provide the capability to share information, reduce data input and provide much needed investigative search capabilities. The preliminary investment needed for the RMS technology was estimated at \$2 million.

Chief Fox indicated demands on Police patrol continued to increase due to calls for service, crimes which needed investigative and forensic responses, traffic congestion, economic development and request for specialized programs, i.e., Schools. Additional human resources were needed in Emergency Communications, Patrol and Investigations. Chief Fox recommended that the Police Department' FY 2007 budget be enhanced with \$175,000 to begin the hiring process by recruiting five additional dispatchers; the five in this budget would be funded for six months and would result in a total of ten of 13 needed positions. This allotment should allow the Department to meet its goal of implementing Emergency Dispatch before the end of 2006. Additionally, nine detective and patrol positions would be authorized. Three patrol positions would be utilized as Community Resource Officers; three detectives would be assigned to the Investigations Bureau to handle youth related crimes and services; and three additional detectives would be assigned to the Investigations Bureau, Major Crimes Division, to assist with increasing workloads associated with gang problems, homicides and robberies.

Chief Fox reported the RMS would capture a significant portion of the FY 2006 projected surplus. The personnel needs within the Police Department were quite extensive because of the dynamics of crime, the increase in community activities, the threat of terrorism, and economic

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development.

Councilman Haskins inquired about the value of property damage due to speeding and running of red lights, as well as, violations cited for reckless driving. Chief Fox replied one of the Police Department's strategic plans was to develop a traffic unit within the agency. He stated motorists running red lights and not paying attention were the top three causes of accidents in the City. Councilman Haskins indicated property damage caused by automobile accidents was larger than property damage caused by robberies. Chief Fox agreed that was true in a funding scenario.

Councilman Whitaker inquired about the target date for completion of the Police

precinct proposed at Jefferson Avenue and 26th Street. Chief Fox replied it was moving forward as part of the Capital Improvement Plan. City Manager Hildebrandt stated the target date for opening was spring 2008. Councilman Whitaker suggested that the target date be pushed forward, due to a need for Police presence in the Southeast community for the prevention of crime.

g. Employee Compensation

City Manager Hildebrandt introduced Ms. Caroline Hurt, Human Resources, to provide a presentation on the Employee Compensation budget issues for FY 2007.

Ms. Hurt explained employee compensation continued to represent a major component of the City's operating budget, and indicated maintaining competitive and equitable compensation was one of the priorities for FY 2007. She reported over the last several years, there had been a considerable increase in compensation levels in the local market combined with profound changes in the workforce and strong competition for skilled workers. In order to make the City of Newport News the preferred place to work and to attract, retain and motivate a quality and talented workforce, the City's goal must be to provide modern, relevant and competitive personnel programs, including a compensation plan that recognizes and rewards job performance and employee contributions.

Ms. Hurt proposed the following for the compensation program for FY 2007: increase most salary ranges by 2% at range entry and at the range maximum; grant eligible employees an additional salary adjustment on July 1, 2006 between 0 - 5%, depending on performance (citywide salary increases would average 4%); grant employees in the first quartile of their salary ranges a 0 - 3 % increase, averaging 2%, after six months of employment or promotion when performance supports; grant employees who were at the maximum of their salary range a 2% adjustment but not a merit increase; and implement a new initiative to recognize special accomplishments and contributions made by employees that significantly contribute to the City's mission.

Vice Mayor Allen inquired whether the City had considered giving bonuses to employees rather than merit increases to eliminate the need every three to four

years to come up with huge amounts of funding to overcome compression. City Manager Hildebrandt replied staff debated the issue, but did not see where it would benefit the employees.

Vice Mayor Allen indicated the bonuses would be based on merit, and would not be a reduction in an employee's salary. City Manager Hildebrandt stated ranges were set up to allow employees to climb up the range as they became more qualified in a position.

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Vice Mayor Allen inquired how merit would be determined. City Manager Hildebrandt replied merit would be based on performance and skills.

Mayor Frank inquired how merit worked if an employee was at the top of the job range. Ms. Hurt replied the proposal for FY 2007 would increase the range by 2%, which would give such employees an increase. Mayor Frank felt there was no incentive for employees at the top of their salary ranges. He felt bonuses would be a benefit to employees who were at the top of their range.

Ms. Hurt described the ranges as a learning curve, and as employees advanced in knowledge, skills and abilities, and took on more work, they moved up in the range. Ms. Hurt agreed that employees who went above and beyond should receive a bonus.

Vice Mayor Allen inquired about the benefit of a range system if an employee who was entitled to a range change did not receive an increase in salary. City Manager Hildebrandt stated an employee would move up a grade if they were promoted.

Councilwoman McMillan stated she understood Ms. Hurt to mean time and grade. An employee moved up in grade, even if they were not promoted.

Councilman Haskins inquired about the criteria used to judge a salary range and grade. Ms. Hurt replied the City had job descriptions with knowledge, skills, abilities and guidelines for each quartile of each job, and the salary range and employees were judged on their knowledge and performance. She stated it was up to the supervisor and the director to judge

when an employee met the guidelines.

Mayor Frank felt there should be a starting salary based on the job and market, a cost of living increase for all employees, and an increase based on job performance. He felt this type of analysis needed to be implemented in the City's compensation plan. Ms. Hurt stated that was the procedure the City had adopted.

Vice Mayor Allen indicated he still had a problem with the merit system as many employees did not get yearly bonuses. If they filed a grievance, as of this slight then the employee was harassed. He stated he would like a system implemented, based on a clear cut criteria that demonstrated whether an employee was entitled to a merit increase or bonus that was not based solely on a Director's evaluation of an employee. He stated this was based on personal experience of being African American and that he had been subjected to similar discrimination practices most of his life.

Ms. Hurt stated her department was able to track any circumstance in the City where there appeared to be any type of discrepancy or imbalance.

Vice Mayor Allen indicated he had observed situations in the City where a position was advertised until the City found a candidate that was better qualified than an existing employee who was a top candidate for the same position. He had not seen where Human Resources had stepped in to deal with such matters. City Manager Hildebrandt stated he had seen

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a lot of instances where the Human Resources Department questioned selection on such basis. He stated the system was not perfect and bias did occur sometimes. He stated it was his and the Department of Human Resources job to try and eliminate bias, and promote and honor employees based on merit and ability. Mr. Hildebrandt stated it was his desire to give

increases and
promotions to people who deserved them.

THERE BEING NO FURTHER BUSINESS
THE MEETING ADJOURNED AT 5:51 P.M.

Jennifer D.
Walker, CMC

Joe S. Frank
Deputy City
Clerk

Mayor

A true copy, teste:

City Clerk