

MINUTES OF FINANCIAL POLICY WORKSHOP  
AND REGULAR WORK SESSION  
OF THE NEWPORT NEWS CITY COUNCIL  
HELD IN THE JAMES ROOM @ CITY CENTER  
700 Town Center Drive  
September 26, 2006  
10:00 A.M.

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PRESENT: Herbert H. Bateman, Jr.; Joe S. Frank; William F. Haskins; Madeline  
McMillan; Sharon P. Scott; and Joseph C. Whitaker ----- 6

ABSENT: Charles C. Allen ----- 1

OTHERS PRESENT: Randy W. Hildebrandt; Stuart E. Katz; Mabel V. Washington;  
Neil A. Morgan; William P. Mitchell; Iza Cieszynski; Butch Blanks; Len Wallin; Gregg  
Jones; John Hartman; William Keeler; Lisa Cipriano; Deborah Everitt; Rhonda Everson;  
LaVerne Lovett; Kathy Matthews; Joe Street; Florence Kingston; Al Riutort; Sheila  
McAllister; Michael King; Britta Ayers; Mostafa Sabbah; Tom Slaughter; Everett  
Skipper; Brian Ramaley; Eileen Leininger; Marty Eubank; Susan Roux; Michael Taylor;  
John Coard; Jane Whitney; Seth Freedland; Lottie Vincent; Cleder Jones; Kim Lee;  
Jennifer Walker; Beth Cumming and Hilton Community Members Paula B. Saunders,  
Rebecca S. Juzzolo, Jazeenie M. Jones, Jane L. Smith, W. Booth, John L. Potter, Elsie  
Duval, Karon Stephens, Mary N. Parrish, James Cumming, II, Myrna and Carleton  
Powell, Nancy H. Jones, Judy Fitzpatrick, Robert Taylor, Shari-Ann Robertson, Mary  
Lou Duberg, Mary Ann Macaluso, and Tудie Becky.

I. Financial Framework for the Future 2030 Citizen Survey

Mr. Randy W. Hildebrandt, City Manager, stated at the August 8  
Regular Meeting of City Council, a citizens' group made a presentation regarding the  
financial hardship homeowners experienced as a result of sharp increases in residential  
real estate assessments over the past few years. The citizens requested that the real estate  
tax rate be adjusted so that the actual tax burden would rise at a rate not to exceed some  
measure of inflation, such as the Consumer Price Index.

City Manager Hildebrandt stated, in order to thoroughly address  
the group's concerns, the City's financial team prepared an analysis of issues and trends  
that affected the City's revenues and expenditures through Fiscal Year 2009. Mr.  
Hildebrandt introduced Mr. Gregg Jones, the new Director of Budget & Evaluation  
effective November 1, 2006, who took the lead in coordinating, along with the budget  
staff, the development of information regarding real estate assessments and the indexing  
issue.

A. Presentation on Concept of the Indexing of Real Estate Tax Revenue

Mr. Jones stated the following areas analyzed by staff included: 1) an overview of the City's revenue history; 2) an analysis of the impact of real estate assessments on property owners; 3) an analysis of the factors that influenced the City's ability to raise revenue; 4) a forecast of City revenues and expenditures through FY 2009; and 5) an analysis of the effects of indexing real estate taxes. He recognized Mr. John Hartman, Director, Ms. Lisa Cipriano, Senior Budget Analyst, and staff, Budget & Evaluation, Ms. Cathy Matthews, Director, Department of Internal Audit, Mr. Joseph Street, City Assessor, and Mr. Chris Perry, I.T. Tech, Department of Vehicle & Equipment Services. (A copy of his presentation "Analysis of Indexing Real Estate Assessment Growth" is attached to these minutes.)

Mr. Jones stated from the data collected the following observations were drawn: 1) Residential and non-residential property taxes accounted for 37.6% of general fund revenue, with residential alone producing 24%; 2) By state law, any tax rate reduction would apply to residential and non-residential properties; 3) From FY 2006 to FY 2007 residential assessments increased an average of 19.3%, while non-residential assessments increased only 11.5%; 4) Actual tax revenue increased an average of 16.2% per year from residential assessments and 9.0% from non-residential assessments; 5) Residential assessment increases from 1992 to 2004 tracked close to changes in per capita personal income; 6) Yearly residential assessment increases averaged 1.0% higher than increases in the Consumer Price Index (CPI) from 1992 to 2004. However, in 2005 and 2006 assessment increases averaged 10% higher than the CPI; 7) Residential assessment increases averaged 4.15% for the twelve-year period ending in FY 2004; 8) The recent period of rapid assessment growth was not unique to Newport News. In fact Newport News ranked near the middle of Hampton Roads cities in terms of increases in actual taxes paid from 2003 to 2007 by residential property owners; 9) There were a number of demographic, economic, and social variables that affected Newport News' tax base, i.e. higher ratio of non-residential to residential properties and a 30-40% higher concentration of subsidized and public housing units than other Hampton Roads cities, a higher than average concentration of apartment units, and Per Capita Personal Income was \$26,782, which was 10% lower than other Hampton Roads cities; and 10) The CPI had risen 3.4% over the past twelve months. Mr. Jones indicated property tax revenue would decrease by \$15.2 million in FY 2007, \$6.7 million in FY 2008, and \$4.1 million in FY 2009 if assessment growth were capped at 3.4%.

Councilman Haskins inquired about the benefits citizens had received from the increases in assessments from FY 2005 – FY 2007.

Mayor Frank inquired about the reason for the decrease in the All Other Revenue category for FY 2007 as noted on page 4 of the "Analysis of Indexing Real Estate Assessment Growth" attached to these minutes. Mr. Hartman stated All Other Revenue for FY 2007 was a budget estimate. He stated the category for FY 2007 was lower than what Budget expected to receive due to cash returns in FY 2006, such as several million dollars from Trigon.

Mayor Frank inquired whether enterprise fund revenue was included in the All Other Revenue category. City Manager Hildebrandt replied enterprise fund revenues were not included.

Councilman Haskins stated the All Other Revenue category was misleading because it did not include all other revenues. City Manager Hildebrandt indicated staff focused primarily on the general fund revenue.

Mayor Frank inquired whether the national CPI was used as the standard, or the regional CPI, to determine the capped amount placed on assessments. Ms. Cipriano replied the National All Urban CPI was used to determine the capped amount placed on assessments. Mayor Frank indicated one of the key factors in the CPI was cost of real estate. It seemed to him that the national CPI may not be as intrusive as looking at the regional CPI that was published by the Federal Reserve Bank in Richmond. Ms. Cipriano stated she would provide the additional information by region. City Manager Hildebrandt instructed Ms. Cipriano to compile the regional CPI information as compared to the national information.

Mr. Jones reported Newport News depended more on non-residential assessments than other regional Cities. He stated the City depended on a revenue source that was not growing as fast as residential assessments.

Councilman Bateman noted that other surrounding localities also depended on non-residential assessments. He asked for an analysis of non-residential assessments in Newport News compared to Isle of Wight, James City County and York County.

Councilwoman McMillan indicated she had a problem with making a comparison with surrounding Counties because of the difference in services Newport News provided and funding mechanisms received by various Counties. She stated goods and services must be taken into consideration when comparing tax rates.

City Manager Hildebrandt indicated Counties benefited because a high percentage of their tax base was from residential properties that were growing rapidly which allowed them leverage to reduce tax rates.

Councilwoman McMillan stated Newport News' residential taxes were going toward operational costs for goods and services and development of the City, which was important when considering tax reductions.

Mr. Jones reported that apartments provided one-third of the revenue that residential properties provided and an abnormal proportion of apartments impacted the City's revenue.

Councilwoman McMillan inquired whether the revenue for apartments was based on apartment size, and whether it was \$626 per unit, regardless of the size of the apartments and the number of inhabitants. City Manager Hildebrandt reported they were just average figures for an apartment.

Mayor Frank indicated Councilwoman McMillan's point was relevant in that depending on the number of children that might live in one of the units reflected educational and public service costs. He indicated the average may not be as informative as a more detailed analysis.

Councilman Haskins requested an estimate on the cost of revenue for apartments by size and number of occupants.

Mr. Jones introduced Mr. John Hartman to continue the presentation and report on the Operating and Expenditure Budget Forecast.

Mr. Hartman reported that general fund revenue was projected to increase by \$18 million in 2008 and by \$15 million in 2009 at the current \$1.20 tax rate, with a projected 8.37% growth in assessments and a \$1.2 billion levy. The total general fund projected increases in revenue amounted to: 26,963,289 in FY 2007; 18,477,321 in FY 2008; and \$15,382,100 in FY 2009. He stated the City experienced a significant loss in land-line telephone taxes due to General Assembly legislation to take affect in January 2007 that does away with five to six different utility communication taxes. He noted the projections could change by April 2007 when the FY 2008 budget was prepared. (Copies of the projections are on page 15 of the "Analysis of Indexing Real Estate Assessment Growth" attached to these minutes.)

Councilman Haskins inquired of the projection for the increase in assessments for FY 2007 - FY 2008 for single residential properties. Mr. Joe Street, City Assessor, replied when considering upward movement in the residential and the stability of non-residential properties, the City was looking at an 8% - 10% increase in assessments overall, which would amount to 12 - 15% increase in single family residential assessments.

Mr. Hartman reported on the actual expenditure budget increases for FY 2007 and projected expenditure increase forecast for FY 2008 – FY 2009. He stated General Fund Expenditure Increases amounted to \$26,963,289 for FY-2007, \$26,169,624 for FY-2008 and \$19,382,100 for FY-2009. He explained the reduction of expenditure in FY 2008 and FY 2009 was due to a decrease of projected expenditures in School, Debt Service, Vehicle Replacement, New Positions, and Cash Capital Projects. (A copy of the expenditure budget increase forecast is on page 16 of the “Analysis of Indexing Real Estate Assessment Growth” attached to these minutes.)

Mayor Frank raised a 2010 issue brought to him by City Attorney Katz regarding legislation passed by the State Legislature in 1999 that regulated the cost of electricity. He explained the Legislation put a cap on electrical cost between 1999 through 2010. The idea behind the legislation was that more companies would cause competition for Virginia Power which would bring the electrical rates down. Based on current state law, the cap would come off in 2010 and rates would be de-regulated. Up to now local government has been able to negotiate with Virginia Power for electric rates, but in 2010 the City would have to pay market rate. Unless the legislation was amended, the increase would be substantially higher than what the City presently paid. He encouraged the City Manager and staff to consider the de-regulation legislation as they planned forward.

Mr. Hartman reported the effect of a 3.4% cap on real estate taxes amounted to \$-15 million in FY-2007, \$-14 million in FY 2008, and \$-8 million in FY-2009, which meant the operating budget would have to be reduced. (A copy of the Effect of Capping Real Estate Assessments by GPI is on page 19 of the “Analysis of Indexing Real Estate Assessment Growth” attached to these minutes.)

Mayor Frank inquired whether Budget had comprised a chart that looked at tax reductions on an assessment of a particular valued house, to show the difference in what a citizen would pay. City Manager Hildebrandt replied he would have a chart prepared for presentation to City Council.

Councilman Haskins stated the bottom line was, unless the City cut spending, City Council would not be able to cap the real estate tax. The City could not talk about tax rate reductions unless they talked about spending reductions.

City Manager Hildebrandt stated if the City indexed real estate assessments to inflation, it would be forced to reduce its commitments to education, capital improvements, the pension fund and information technology over the next several years. Given the many critical spending needs facing the City, indexing the real estate revenue to inflation was not an appropriate or prudent cause of action. He indicated he

would provide charts with additional information for City Council at their Work Session of October 10, 2006.

B. Presentation on Concept of Mechanisms to Grant Exemptions for Residential Real Estate Assessments

City Manager Hildebrandt shared an alternative method for granting property tax relief suggested by Mayor Frank. He stated the concept was to grant all single-family home owners an exemption to taxation on a certain dollar amount of their property's assessed value. The idea was to give the City the flexibility to grant flat-dollar amount exemptions of up to \$100,000 per property for a one-year period. These exemptions could be rescinded, increased or reduced every fiscal year during the budget process.

City Manager Hildebrandt stated exempting a dollar amount of assessed valuation (rather than a percentage amount) would result in a more progressive tax structure by shifting more of the tax burden to higher value residential properties. This approach would also allow tax relief to only single-family residential properties. In the event the budget environment required that revenues remain at a given level, the tax rate could be raised to offset the effect of the exemption on total revenues. Even in this "revenue neutral" arrangement, the great majority of residential property owners would receive a tax reduction. For example, a property assessed at \$200,000 would enjoy a \$189 tax reduction with a \$25,000 exemption, a \$215 reduction with a \$50,000 exemption or a \$614 reduction with a \$100,000 exemption. Of course, to be "revenue neutral", taxes paid would be higher for a property owner with an assessment of more than \$300,000 and for multi-family residential properties and non-residential properties. (A table, "Effects of Various Valuation Exemptions on Residential Tax Yields," summarizing several exemption amounts and tax rate increases is attached to these minutes.)

City Manager Hildebrandt noted such a plan would require an amendment to the State Constitution, and would take five years to enact if the General Assembly moved forward with the plan. The process would have to be adopted by two consecutive sessions of the General Assembly, and put on a state-wide ballot for voter approval before going into effect.

Councilwoman McMillan expressed concern for people who brought their homes years ago and were now experiencing increases in their taxes. It was not always true that they had the income to support the lesser tax increase.

Mayor Frank stated this was a tool that the City did not presently have and allowed the City, in a year where assessments had increased significantly, an opportunity to reduce some of that increase without reducing the tax rate. This was a

budget consideration that would fluctuate yearly. He felt it was a fair and equitable approach. He understood that Governor Kaine might suggest a 20% reduction for exemption of real estate at all levels, which meant everyone would get the same tax break. However, Mayor Frank felt that would be extremely costly to the community and not fair because the person with the lower priced home needed more relief than the person with the higher priced home.

Councilwoman McMillan inquired whether Homestead legislation gave a more predictable amount of revenue. Mayor Frank replied Homestead exemptions tied the hand of local government by having a fixed amount that could not be adjusted from year-to-year based on economics, revenue and demand for services. He stated residential assessment exemptions was a planning tool that allowed flexibility and abatement for a category of citizens who needed it most, without strapping the ability of government to provide services.

Councilwoman McMillan understood what the Mayor was saying but could only see the citizen sitting at home trying to calculate their budget and not knowing whether they would have to pay more or less. She stated for people who were on fixed or limited incomes the tax burden could be a huge variable in their budget. Mayor Frank stated residents could always budget based on having a zero exemption and if they got a \$25,000, \$50,000 or \$100,000 exemption they were just that much ahead of the game.

Mayor Frank inquired whether there was consensus on City Council to have staff prepare potential legislation for submission in the City's legislative package and inquire of a member of the General Assembly to put in a bill. If the matter had support he was willing to talk to other communities in the region to see if the City could build support for this concept throughout the Commonwealth. There was consensus among City Council to have staff prepare legislation to the General Assembly.

Break for Lunch: 12:20 p.m. - 1:00 p.m.

C. Presentation of Recommendations on Capital Financing and Debt Service Policy

City Manager Hildebrandt introduced Mr. William Mitchell, Assistant City Manager, to provide an overview of the issues and strategies regarding the City's Capital Financing and Debt Management policies.

Assistant City Manager Mitchell reported in June 2006, when the City was having a bond issue raised, Moody's Investor Serviced expressed concern about the City's debt level. Moody's stated unless the City observed Moody's indicators for

debt capacity, the City's credit rating would be at risk. To this end, a team of staff performed an analysis of City debt and developed policy proposals to reduce the City's debt load. Members of the team included: Mr. John Hartman, Director, Department of Budget & Evaluation and staff; Assistant City Manager Neil Morgan; Ms. LaVerne Lovett, Director, Department of Finance; Ms. Cathy Matthews, Director, Department of Internal Audit; Ms. Florence Kingston, Director, Department of Development; and Ms. Mary Lou Roaseau, Assistant Superintendent, Business & Support Services, Newport News Public School Administration. (A copy of the "Debt Management Policy" presentation is attached to these minutes.)

Assistant City Manager Mitchell reported that the ability to issue debt obligations was one of the most important powers of local government. Generally, local governments borrowed for projects that involved expenditures of a non-recurring nature, which replaced infrastructure or provided new or expanded government capacity for the delivery of public services. He stated the primary purpose for issuing bonds was to allow the cost of acquiring assets to be paid over an extended period of time. Local governments often borrowed on the assumption that economic and population growth would make the future debt service payment (principal and interest) more affordable.

Assistant City Manager Mitchell stated the City did not have the capability of financing vital public improvements strictly from current revenues, either on a "pay-as-you-go" basis or by setting aside funds to build a capital reserve. He reported the City began FY 2007 with outstanding debt obligations of \$531,480,761. Although the City was not legally responsible for making any of the payments, it had an additional Moral Obligation Debt of \$47,866,239. With payments of \$33,205,444 on the principal during FY 2007 and anticipated additional borrowing of \$35,000,000 for its Capital Improvement Plan (CIP), the City's outstanding debt would be approximately \$533,275,317 at the end of FY 2007. This total City indebtedness included \$95.1 million for projects undertaken by the Economic Development Authority/Industrial Development Authority (EDA/IDA) and \$148.2 million in debt for School projects. The City's debt service expenditures would total approximately \$46,754,558 for FY 2007. The City generally structured bond issues so that equal amounts of principal were paid off each year in level principal payments. Of immediate concern to Moody's was that an increase of \$10.5 million in debt service expenditures was forecast for FY 2008.

Assistant City Manager Mitchell stated with a \$13,714,163,000 assessed valuation and \$533,275,317 in outstanding debt for FY 2007, the City's debt to assessed valuation ratio tallied 3.8%. This compared to a national median of 3.2% for Aa cities with a population of 100,000 – 500,000. For this reason, Moody's considered the City's debt to assessed valuation to be on the high side. In addition Moody's also included the City's Moral Obligation (MO) debt in the City's debt burden – even though MO debt did not represent debt on which a City had to make payments. Although City

staff believed it was not appropriate for a bond rater to include MO debt as part of a City's debt burden, when Moody's did, the City's debt ratio rose to 4.2%.

Councilman Bateman inquired whether it was a new policy for Moody's to include the MO debt. Assistant City Manager Mitchell replied Moody's had not previously included MO debt as part of the City's general outstanding debt. He stated Moody's view was that the MO debt should be considered because, in contrast to the norm for other cities, Newport News had a tendency to support economic development projects with its moral obligation.

Mayor Frank inquired of the last time the City issued MO debt. Ms. Florence Kingston, Director, Department of Development, replied 1998 was the last time MO debt was issued.

Mayor Frank inquired whether there was an opportunity for the City to approach its lending facilities to discuss whether the City could reduce the amount of the MO debt given the fact that the debt had been paid down over a ten year period. He instructed the City Manager to actively pursue the strategy. He felt the City had some opportunity to reform and make a significant impact on what Moody's was counting as debt.

Assistant City Manager Mitchell stated Moody's had several other concerns in relation to the City's debt burden. Given the City's responsibility for the debt of the EDA and School Board, it was concerned that the City could not effectively manage its debt capacity and burden unless it considered the effects of the debt proposed by these agencies prior to its issuance. Moody's also strongly believed the City should pay for a significant portion of its capital program with cash capital or "pay-as-you-go" from general fund revenues, thereby reducing the City's debt burden over time. Moody's also would like to see the City put a moratorium on the issuance of MO debt until it reduced its debt load.

Mayor Frank recalled the schools came to the City a few years ago in anticipation of borrowing \$25 million for their capital lease projects. At that time the City was assured that the debt would not be counted against its ability to borrow money. Mayor Frank inquired of the difference of the assurance the City received then and the fact that it was now being included as debt. Mr. Hartman was not sure and noted he argued the issue with Moody's representatives that capital leases should not be included in the City's debt, because it was subject to annual appropriation.

Mayor Frank stated he would like to see an analysis of this conclusion. He requested a critical path analysis opinion that assessed this issue to see whether there was an argument to be made with Moody's.

Assistant City Manager Mitchell reported that Mr. George Pugh, the City Financial Advisor, was of the opinion that it was important for the City to take constructive action in response to Moody's concerns. The following actions were recommended: 1) adoption of a City Council resolution that committed the City to pursuing debt management goals (establishing a debt to assessed valuation ratio goal of 3%, to be achieved within five years with a limit of no more than 3.5%; establishing an annual Cash Capital funding goal of using cash for 15% of the City's CIP expenditures in FY 2008 and increase this by 1% a year until reaching 20% at the end of five years; and structure principal repayment for new issuances and refinancings so that 30% of outstanding debt was paid off within five years and 60% within ten years); 2) adoption of a City Council resolution that required the City Manager to provide a thorough debt analysis to the City Council on any proposed undertaking of any governmental entity, including debt guarantees, capital leases and moral obligations that obligated the City for debt repayment and advise how the obligations would impact on the City's debt burden; and 3) impose a temporary moratorium on the issuance of MO debt. (A copy of "Capital Financing and Debt Management Policies White Paper" is attached to these minutes.)

Assistant City Manager Mitchell stated by allocating funding from general fund revenue for capital projects, the City could reduce the amount of new debt incurred and better control growth in the City's debt service. If applied for the period FY 2008 – FY 2012, assuming an annual CIP of \$35 million, the Cash Capital funding program would reduce new debt issuance from \$210 million to \$173.3 million.

Mayor Frank stated, while it made sense and he believed the Cash Capital program was a good plan, he felt such an approach would strictly limit the City's ability to reduce taxes. He felt it was a great approach as long as the City could manage the program.

City Manager Hildebrandt noted by achieving an average of \$6 million per year in cash spending on capital projects, the City would save approximately \$15.8 million in interest over the life of the bond issuance. He stated his goal was to get the Debt Management Policy program underway and fit it into the City and the CIP budgets. (See attachment V in the Capital Financing and Debt Management Policies White Paper attached to these minutes.)

Mayor Frank suggested that an ordinance be drafted to achieve the debt management goals noted by Assistant City Manager Mitchell, with caps and percentages, in terms of how the City would apply cash to debt.

City Manager Hildebrandt encouraged City Council to first review the FY-2008 – FY-2012 CIP program, based on the above policies, to determine how it would affect the City's ability to do the projects they believed were necessary before adopting an ordinance.

Mayor Frank requested the City Manager construct the CIP with the Debt Management Policy constraints, compared to the prior way the CIP was constructed, so that City Council could compare the two. City Manager Hildebrandt stated he would construct the CIP to include projects that were already in the CIP, and those that were not presently in the CIP, so that City Council could see all the projects that were proposed and evaluated.

Mayor Frank requested the City Manager to submit a CIP budget plan that froze new expenditures and projects for a two to three year period so that City Council could consider that analysis as well. City Manager Hildebrandt stated he would provide the information to City Council.

## II. Presentation: Framework for the Future 2030 Citizen Survey

City Manager Hildebrandt introduced Mr. Michael King, Manager of Community Planning, Department of Planning, who introduced Mr. Don Messmer, President of the Wessex Group, Ltd., to provide the results of the *Framework for the Future 2030 Citizen Survey*.

Mr. Messmer stated a telephone survey was conducted during the spring of 2006 and the analysis was completed in June 2006. Approximately, 1,000 citizens were called (250 in each Planning District) and asked a variety of questions in which their responses provided the City with insight into the *Framework for the Future* update process, including feedback about City services.

Mr. Messmer noted in the 1989 and 1997 *Framework for the Future* processes, The Wessex Group conducted similar surveys. Consequently, the City had a "longitudinal" analysis of citizens' opinions about current issues and the future of Newport News. He noted citizen views had changed dramatically over the period 1997 to present day. He stated the insight gained from the survey helped the City improve the *Framework for the Future* comprehensive plan and the delivery of City services to citizens. He stated the results of the survey were reported to the Department of Planning. (A copy of the "Citizens' Perceptions of Newport News – 2006 Framework for the Future presentation" is attached to these minutes.)

Mayor Frank stated some of the concluding data he looked at throughout the survey report did not strike him as being City-wide issues. He questioned

whether the methodology of how the survey was weighed informed some of those outcomes. Mr. Messmer stated he hoped it did not, but understood the Mayor's concerns. He stated the weighing was used only when he was talking about overall respondents for the entire 1,000 citizens, so that it looked like the City as a whole. They did not weigh the data on individual Planning Districts.

Councilwoman McMillan expressed concern that she had not seen any of the data broken down into Planning Districts, which she considered important, and inquired whether a number of questions were absent. For instance, a question of whether an individual was a legal resident of Virginia by asking whether they were a registered voter or if they voted in the last election. She found, traditionally, that people who had voted, within the last two years of a national election in Alaska, although they had lived in Newport News, still considered themselves "registered voters." She felt residency was very important and inquired whether Mr. Messmer had statistics that showed length of residency in the City. She inquired whether the information was broken down by Planning Districts, and indicated she would like to see the variance and answers from each district. Mr. Messmer replied he had detailed tables for each question on every Planning District and noted there were also tables on a variety of other characteristics, i.e. military or non-military, length of residence, number of children at home, income level, gender, age, racial characteristics, educational level, etc.

Councilwoman McMillan inquired whether Mr. Messmer asked those qualifying questions at the beginning of the survey. Mr. Messmer replied no.

Councilman Bateman requested a copy of the questionnaire used for the Framework project. Mr. Messmer stated he would get the information to City Council.

Councilwoman McMillan felt since the City was using the survey as a decision-making document on how it set its priorities, she would have preferred that transient military and non-Virginia residents not be included in the survey. She would have preferred that the survey was conducted with citizens who had resided in the area for five or more years. Mr. Messmer stated there could have been a methodology in which they used to select individuals, although it would have driven up the cost for the survey.

Mayor Frank inquired whether there was any significance, from an analytical perspective, as to whether a person was a registered voter, and how long they lived in the area, if the City was evaluating and trying to understand the perception that people had of the community and what they saw their needs to be. Mr. Messmer noted there were some sensitivity issues in doing a study for a public entity. It could be seen as

a political survey when asking whether a person was a registered voter, and not seen as something specific for government. One of the reasons they did not ask that question was to make sure there were no possible implications of it being a political survey.

Councilwoman McMillan felt that people should answer questions based on their knowledge of the City. There were many people who did not go south of Oyster Point Road so their perception was not knowledge based. She felt that made a big difference in responses to some of the questions.

Mayor Frank felt perception answered all the questions wherever a person lived.

Mr. Messmer agreed that knowledge-based responses from citizens were useful, however, on the other hand, he argued that those citizens were making decisions on the basis of perception not on the basis of knowledge, but indicated both were useful pieces of information to be looked at and evaluated.

Councilman Whitaker inquired what type of housing individuals were concerned about as noted in image 11 of the survey report. Mr. Messmer replied most individuals were interested in new housing and average income housing, but there was nothing on affordable housing.

Mayor Frank inquired how Mr. Messmer accounted for the change in the survey regarding drugs from being at the low end of major issues facing the City from 1997 to 2006. Ms. Messmer stated he did not understand the difference in the data from a 23% concern in 1997 down to a 8% in 2006.

Mr. Messmer stated it was surprising to see the willingness of individuals to spend public tax monies for improvements, i.e. attraction of new jobs, recycling, job training programs as noted in image 15 of the survey report.

Councilwoman McMillan inquired about which district had the highest percentage of individuals willing to use tax monies as compared to which district had the lowest percentage. Ms. Messmer stated he would have to provide that information to Councilwoman McMillan.

Mayor Frank inquired how transportation was a major issue in image 11 "Major Issues Facing City" when it did not appear in image 15 "Need for Selected Improvements (Willing to Spend Public Tax Monies" in the attached report. Mr. Messmer stated citizens managed to sort through that which was a daily annoyance and that which they believed was more important. He stated he could not explain the

difference. Councilwoman McMillan noted that the transportation issues were included in image 15, i.e. light rail, better bus service and bike ways and jogging trails.

Mayor Frank inquired whether Mr. Messmer could explain how homeless shelters received such a high percentage rate noted in image 15 of the report. Mr. Messmer had no idea, but indicated it could be explored with small groups if City Council felt it was something that needed to be focused on. Mayor Frank stated it surprised him that it was of concern to so many people.

Councilwoman McMillan reiterated she would like to review the information by Planning Districts. She stated the concern may depend on the visibility of the homeless in the various districts such as the Stoneybrook area of upper Warwick Boulevard where there was a concentration of homeless individuals.

Councilwoman Scott inquired how difficult it was to break the information down into Planning Districts and indicated she would like to see the information as well. Mr. Al Riutort, Director, Department of Planning, stated he would get the overall report to City Council to show answers per Planning District.

### III. Presentation: Peninsula Rapid Transit Project

City Manager Hildebrandt introduced Mr. Riutort to report on the Peninsula Rapid Transit Project.

Mr. Riutort stated the Framework for the Future called for a balanced transportation system that included light rail, bus service, sidewalks and bike trails. He asked concurrence of City Council that Hampton Roads Transit (HRT) proceed with assessment of the recommended potential starter line alternatives (A3 Jefferson Avenue Independent Right-of-Way with light rail transit; and A3 Jefferson Avenue Independent Right-of-Way with Bus Rapid Transit), in the Draft Environmental Impact Statement. He introduced Mr. Michael Townes, Executive Director, HRT, to report on the results of the alternate recommendations for inclusion in the Draft Environmental Impact Statement (DEIS). Mr. Townes introduced members of the Newport News Light Rail Transit (LRT) Committee who were present: Ms. Jane Whitney, V.P. Development HRT; Mr. John Coard, Chief Development Officer HRT; Ms. Susan Roux, Project Manager for Parson Transportation Group; and Ms. Michelle Fog. He introduced Ms. Whitney and Ms. Roux to continue with the presentation. (A copy of the presentation "Peninsula Rapid Transit Project Alternatives Recommendation" is attached to these minutes.)

Councilwoman McMillan recalled sitting through numerous meetings with Mr. Townes, and Mr. Riutort on the post light rail system, which identified

routes in which she thought were included in the plan. She inquired about the difference between what was being presented today. Mr. Townes replied it was a part of the same process about which corridors and alignments the City wanted to study, along with other jurisdictions. They received a list of alternatives and they were presenting one of such alternatives for Council's consideration.

Councilman Haskins stated light rail, which started in Norfolk could be tied-in throughout the region with Chesapeake, Virginia Beach, Newport News and Williamsburg. The project started in Norfolk and all communities worked together to get Federal Transportation Administration (FTA) funding.

Councilwoman McMillan stated her focus had always been on an inner and intra-City transportation plan to alleviate traffic. She inquired about the change in the original route (yellow route) that came up Jefferson Avenue with a right turn onto Denbigh Boulevard and down Denbigh Boulevard with a loop around to the airport. Councilman Haskins replied the reason for the change was to project the amount of usage in a wider area to qualify for federal funding.

Mayor Frank stated he was not interested in Bus Rapid Transit (BRT) as noted on p. 09 of the attached presentation. He indicated City streets were congested to the point that buses were not going to be able to move any better than cars. He felt if the City did not have a dedicated pathway for either LRT or BRT there was no point in having the system. He felt the proper comparison was a dedicated pathway for both the LRT and the BRT. He stated the City could not give up a lane on Jefferson Avenue and reduce it to two-lanes to have a dedicated bus lane.

Councilwoman McMillan inquired whether any estimates were done on land acquisition costs. Ms. Roux replied they had done capital costs which had been updated through 2006.

Mayor Frank inquired whether a comparison was done between a surface system and an elevated system, which he felt would require less land acquisition. Mr. Coard stated it cost more to compose an elevated system.

Mayor Frank polled Council for consensus to move forward with assessment of A3 Alternative, with LRT and BRT in an independent right-of-way, in the DEIS. There was consensus of City Council to move forward with the proposal in the DEIS.

IV. Neisser Bequest Funding Recommendation – Library Board

Mayor Frank introduced Acting Assistant City Manager Iza Ciesynski to report on the Dr. Neisser Bequest Funding Recommendations.

Acting City Manager Ciesynski stated Dr. Neisser bequeathed \$2 million to the Main Street Library in February 2005. She stated, in the interim, the Library Board had talked about how best to use the funds and developed a set of guidelines for their use. (A copy the letter from the Newport News Library Board of Trustees with an attachment noting the guidelines is attached to these minutes.)

Acting City Manager Ciesynski stated the guidelines were as follows: The Bequest should be developed as an endowment; the principal was to remain untouched; a portion of the interest earned each year was to return to the bequest and become a part of the principal in order for the endowment to grow; the remaining interest was to be used to fund projects that directly benefited Main Street Library to meet the mission and goals of Newport News Public Library System (NNPLS); the interest apportionment formula (15% to be returned to the endowment and become a part of the principal and 85% to be used for projects that directly benefited the Main Street Library and the mission and goals of NNPLS); any interest earned that was not expended in the appropriate year was returned to the endowment and would be applied to the principal; and funds would be appropriated for uses relative to the Main Street Library after recommendation of the NNPLS Board of Trustees.

Mayor Frank inquired whether the NNPLS Board of Trustees had given any consideration to re-investing the money to build the bequest up more rapidly. Acting City Manager Ciesynski replied the board had discussed this but felt the historical materials in the Virginiana Room, which were reaching a critical stage, needed immediate preservation and conservation. She stated the money was kept in the Local Government Investment Pool in Richmond.

Councilman Haskins inquired about the total interest gained and what the local government investment pool fund was paying. Acting City Manager Ciesynski replied the fund gained \$53,839.94 in interest since June 30, 2006.

Mayor Frank expressed concern about technical and legal issues. As he understood, the NNPLS Board of Trustees was an advisory group, which did not have ownership of the library, nor any legal capacity in terms of the City. He questioned who managed and had the authority to expend the funds. He understood that the funds were given to the Library to provide services for the Main Street Library. He felt the City needed a structure that made it clear that the Library Board of Trustees recommended, but that City Council had to approve appropriations of the fund because it was public

money. Acting City Manager Ciesynski noted that a resolution was passed by City Council that accepted the gift, and noted City Council had to approve appropriations of the funds when recommendations came down from the Department of Libraries and Information Services.

Mayor Frank stated he was not sure whether the City should create a trust fund or a set aside fund that defined a plan on how the funding was appropriated and the role of the NNPLS Board of Trustees, so that over time there would be an accountable and managed approach that passed audit issues. He suggested that an ordinance be adopted with an appropriate structure to safeguard the funding that would allow it to be appropriately accounted for and with the procedures that allowed it to be expended. He indicated he did not have a problem with the guidelines proposed by the Board, but felt a formal and technical set of rules needed to be adopted.

There was consensus among City Council to move forward with legislation noting a formal set of rules to apply to appropriation of funds from the Neisser Bequest.

V. Other

City Manager Hildebrandt pointed out that the City Council retreat was scheduled for Tuesday, October 4, at 4:00 p.m. He asked for a consensus of City Council to make the dress for the retreat business casual. City Council was in consensus to make the dress for the retreat business casual.

THERE BEING NO FURTHER BUSINESS  
ON MOTION COUNCIL ADJOURNED AT 4:07 P.M.

Jennifer D. Walker, CMC  
Chief Deputy City Clerk

Joe S. Frank  
Mayor

A true copy, teste:

City Clerk