

MINUTES OF SPECIAL BUDGET WORK SESSION
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE 10th FLOOR CONFERENCE ROOM
2400 Washington Avenue
April 29, 2008
2:00 p.m.

PRESENT: Sharon P. Scott; Joseph C. Whitaker; Herbert H. Bateman; Joe S. Frank; and
William F. Haskins ----- 5

ABSENT: Charles C. Allen; and Madeline McMillan ----- 2

OTHERS PRESENT: Randy W. Hildebrandt; Stuart E. Katz; Mabel V. Washington; Alan Archer; Neil Morgan; Cynthia Rohlf; Butch Blanks; Allen Jackson; Gregg Jones; Lisa Cipriano; Robyn Rose; Rhonda Everton; Steve Carpenter; Chad Pritchett; Monique Warren; Chief Kenneth Jones; Thomas Bennett; Lillian Taylor; Larry Robinson; Sabine Hirschauer; Jennifer D. Walker; and Lottie Vincent

Mayor Frank stated this was City Council's opportunity to discuss citizen comments from the Budget Public Hearings and what they wanted to do with the budget. The plan was to vote for both the City's and School's FY 2009 Operating Budgets at the May 13, 2008 Regular Meeting of City Council.

City Manager Hildebrandt explained his recommended adjustments to the FY 2009 Operating Budget and Use of Reserves. (A copy of his memo dated April 25, 2008, noting the adjustments and use of reserves is attached and made a part of these minutes.) He reported the FY 2009 Revenue estimated adjustments included: 1) Additional Revenue from Real Estate Tax Estimate – [\$2,697,702]; 2) FY 2009 State Revenue Reduction – [-\$1,560,484]; 3) BPOL Projection Reductions – [-\$800,000]; 4) Restoration of Less Secure Revenue (Open to October 1st) – [\$48,000]; and 5) Increased Real Estate Tax Relief Exemptions – [-\$180,000].

City Manager Hildebrandt reported potential expenditure adjustments included: 1) Restore West Avenue Library to Full Operation – [\$205,000]; 2) Add 20 Sheriff Deputy Positions with Fringe Benefits and Operating Costs – [\$151,240]; 3) Restore Less Secure Operations (Open to October 1, 2008) – [\$190,062]; 4) Add One Downing-Gross Position – [\$55,418]; 4) Add 18 Police Officer Positions – [\$2,068,426]; 5) Restore Plans Examiner Position Funding- [\$82,043]; 6) Restore Part-Time Attorney Funding for School Board Support – [\$90,000]; 7) Reduce Annual Vehicle Replacement – [-\$200,000]; 8) Additional Reduction of Special Events Funding - [-\$100,000]; 9) Reduce Community Support Funding – [-\$25,000]; 10) Eliminate Interim Office Manager Position – [-\$70,897]; and 11) Suspend Graphics Designer Position – [-\$44,242]. City Manager Hildebrandt proposed a reduction of \$2,200,000 to Newport News Public Schools (NNPS).

Mayor Frank inquired whether \$2,068,526 for the 18 Police Officer positions included the operational, equipment and vehicle costs for the 2 positions that were previously

added in the City Manager's Recommended FY Operating Budget. City Manager Hildebrandt replied the \$2,068,526 increase in costs would cover vehicle, operational and equipment costs for 20 new police officers.

Councilman Haskins inquired about part-time attorney support for the School Board, and whether City Council should restore the \$90,090 in the budget. He felt the School Board should handle its own expense for part-time attorney support. City Manager Hildebrandt replied the School Board would end up hiring an attorney directly, which would offset the hiring of additional attorneys to support the School Board. It was in the City's best interest to handle the expense for the part-time attorney. City Manager Hildebrandt also hoped to share services with the Schools in the areas of vehicle maintenance, purchasing, video productions, etc.

Councilman Haskins stated the School Board wanted to be separate from the City. He stated the Schools wanted more, but did not have the power to tax citizens. They passed their budget without any pressure from the citizens; City Council received all the pressure. He felt the School Board needed to be accountable for their expenditures. City Manager Hildebrandt understood Councilman Haskins' argument, but felt it was in the City's best interest to provide part-time attorney service, which could be provided for less than the School Board employing attorneys.

Councilman Haskins felt it was the responsibility of the School Board to hire their own attorney. The School Board was a separate political entity, created by the General Assembly who, unfortunately, did not have the power to tax. The City had always picked up the additional cost to the schools that was not funded by the State. The City could not continue to pick-up such costs. The State failed to live up to their Standards of Learning initiative that was created by the Constitution of Virginia. Someone had to stand up, stop rolling over and stop supporting everything that the School Board did.

Mayor Frank stated the School Board needed legal advice to deal with complex issues regarding purchasing, school behavioral problems, and personnel issues. He felt the School Board would have to hire more than one attorney, along with support staff, to handle all of its complex issues. Over time, that expense would be included in the School budget and would, eventually, come back to the City. He preferred having the position come out of the City Attorney's budget, where the work was managed and assigned by the City Attorney.

Councilman Haskins did not disagree with Mayor Frank, but indicated sooner or later City Council had to call the School Board to tasks for the way they operated. The City wanted to work jointly with the School Board in purchasing and vehicles service matters; however, the School Board wanted to work independently and in so doing had hired a number of people, which added to their budget because they did not want to cooperate with the City any longer.

Mayor Frank felt City Manager Hildebrandt and Superintendent Kilgore had been working cooperatively together to look at sharing services, i.e. vehicle maintenance, television stations, graphics, purchasing, personnel, payroll, etc. He felt the City would soon see progress between the two. If City Council agreed, the City planned to cut \$2.2 million from the School's budget. He felt providing part-time attorney funding to the Schools was the appropriate thing to do.

City Manager Hildebrandt stated he and City Attorney Katz agreed this was the most cost effective way to handle legal services for the Schools.

Councilman Haskins agreed with working together and noted in his 22 years in working on City Council, except for the last three years, City Council worked cooperatively with the School Board.

Mayor Frank stated it was not his role to defend the School Board but felt the schools had cut positions and other things to adjust their budget. He felt the new superintendent had provided strong leadership and understood the need for cooperation between the City and the Schools. He felt the School Board had a sense of cooperation. This was the first time in a long time that the Schools were going back to look at historical programs to eliminate those that were not effective. He saw progress in the schools and felt the City should express some encouragement for that progress.

Councilman Haskins agreed and stated the superintendent had done a great job and was being cooperative. Also, she was a local person, promoted from within who was not looking for a superintendent's position elsewhere.

Mayor Frank stated given the stress and pressure of the FY 2009 Operating budget, the City Manager and the Budget staff had done an outstanding job. He felt the \$5.7 million savings in the FY 2009 Budget were in the correct places to afford the City to provide a good level of service to the citizens, without changing the culture of the community. However, he voiced concern that the FY 2009 Operating Budget had no room for error or leeway. If revenues fell, more than what was projected, the City would face some real problems, during the fiscal year. If the State made further cuts, the City would experience additional pressures. He worried about sales tax, BPOL revenue, machinery and tools tax revenue, lodging and meals tax revenue. People were going to spend less of whatever discretionary money they had after paying essential living expenses, i.e. fuel, food, healthcare costs. The budget was tight and the City Manager had to manage it and keep a very close eye on it every day of the year. The City needed to anticipate the possibility of revenue shortfalls, during the year, and take corrective action so that the City did not end up with a problem at the end of the fiscal year. He could not conceive any growth in real estate tax revenue in FY 2010, so the City would have a difficult budget year in FY 2010. He felt the City's FY 2009 Operating Budget was conservative and did

not do many of the things that City Council wanted, such as giving the citizens a tax reduction and providing more services, which he did not believe were responsible. Given the challenges and the difficulties, he felt the City Manager and his staff did a remarkable job.

Mayor Frank felt the City Manager's proposal to use reserves in FY 2008 would help the City's financial situation through FY 2010; however, he voiced concern that the expenditures were not from operating revenues. The accounting agencies and the bond rating agencies would note the City spent money in a deficit manner, in terms of accounting. The expenditure did not come out of current recurring revenue, so it would be deemed deficit spending.

City Manager Hildebrandt felt the rating agencies would understand the accounting deficit because the City spent down accumulated reserves. He explained reserves had been spent for one time expenditure and capital items. The City would not have much flexibility in FY 2010 in the ability to spend reserves as well as balance the budget.

Councilman Bateman suggested as the City looked to the future and noticed the market turned such that revenues decreased, it might want to give a heads-up to community support agencies that their budgets might be cut in the next fiscal year. He requested that the City Manager provide a third quarter fiscal review of departmental budgets to see where departments stood on their expenditures and whether it was necessary for them to spend out what was left in their budgets.

City Manager Hildebrandt stated he asked that departments become vigilant about their budgets and spending. He instructed departments to use discretion and wait until the end of the fiscal year before making certain expenditures. This would allow flexibility should revenue projections cause him to cut departmental budgets.

Councilwoman Scott recalled her request to the City Manager, during FY 2008 budget negotiations, that community support agencies, that received funding from the City, be required to submit a yearly audit to the City. She felt if the City had to tighten its belt, so did community support agencies. As noted on page 58 of the FY 2009 Recommended Operating Budget, the City Manager recommended \$293,000 to the Newport News Arts Commission, which included \$33,400 for the CNU Ferguson Center for the Arts. However, on page 54 of the FY 2009 Recommended Operating Budget, the City Manager recommended no funding for CNU Ferguson Center for the Arts. Councilwoman Scott felt many agencies were "double-dipping." The Virginia Opera was due to receive \$11,000 for Education projects and \$15,000 for Operating, under the Newport News Arts Commission. There was \$109,000, in the operating budget for the Virginia Symphony. She inquired how City Council could give the Virginia Symphony \$109,000, when it was cutting events sponsored by Parks, Recreation and Tourism that benefitted the citizens. Councilwoman Scott felt the City should not support the Virginia

Air and Space Center in Hampton. The City gave Preschool Partners \$30,000 in FY 2008 to help them get started, and now they were receiving another \$30,000 in FY 2009. She recalled a conversation with representatives of Preschool Partners on suggestions about how they could raise funding, as a daycare referral service. She felt Preschool Partners could charge a fee to the daycare agencies it serviced. Councilwoman Scott did not believe the City received benefits from the Hampton Roads Sports Commission who was receiving \$27,000 from the City. She did not hear of any sports events that came or were planned that benefited the City's tax base. She stated the Virginia Peninsula Chamber of Commerce was "double-dipping," by receiving \$7,650 for its business center and \$17,350 for membership. Councilwoman Scott understood these were not large amounts of money, but if the City was considering cutting funding, these were agencies it should look at. Another was the Virginia Scholarship and Youth Development Foundation who consistently received yearly funding in the amount of \$10,000. She felt if the City was going to continue to share its limited resources with such agencies, she should be able to see their yearly audit reports. She suggested that the City Manager review the Community Support Agency funding and require such agencies to submit a yearly audit report to the City to be considered to receive community support funding.

Councilman Haskins appreciated Councilwoman Scott pointing out the above information. He stated citizen's ability to pay their taxes had not increased through their pensions. Elderly citizens who paid for their homes had been good citizens through the years, and did not have the revenue to meet the ever increasing tax debt that was being imposed upon them. Funding became an element of priority in whether the City could afford to do certain things or provide for its citizens who were struggling with life's necessities. Councilman Haskins did not have a problem with community support, but felt the City had to be able to fund it. City Council was going to have to sit down one day and decide whether they really had the money to fund certain projects. He agreed with Councilman Bateman to have the department heads report their revenue and expenditure profiles in the third quarter of the fiscal year; however, he felt that was the responsibility of the City Manager.

Councilman Whitaker stated the Virginia Symphony raised 80% of their budget. He indicated the City needed community agencies because they catered to the Tourism industry. Many people he spoke with felt Newport News was a good City. He agreed with Councilwoman Scott regarding community support agencies, but felt the City had to use discretion in what they cut.

Councilman Bateman inquired about the larger funding items in the community support budget, such as \$497,631 for the Virginia Living Museum (VLM). He inquired whether the City had to offer VLM such a large amount of funding and whether the funding to VLM could be cut in FY 2010. He inquired whether the City was setting a precedent; and hoped to see VLM stand on their own at some point. Over time, if the City ended up having devaluation in

real estate, community support agencies would have to prepare for funding reductions from the City. He also agreed with Councilwoman Scott and inquired whether the City should continue to fund Sister Cities.

Mayor Frank stated it took \$1.4 million of accumulated savings to give the taxpayers a \$.01 reduction in the real estate tax rate, which would save \$10 per year on a \$100,000 home \$100 per year on a \$1,000,000 home. The City would be accused of tokenism if it gave up programs offered by community support agencies. He felt it was not meaningful in making a difference in tax bills. Many community support agencies provided services that the City, in turn, would have to provide. The need for the services did not go away.

Councilwoman Scott stated she did not make the above suggestions to cut the tax rate, but to alert and require community support agencies to tighten their belts, just as the City was required to do.

Mayor Frank stated he did not see the ability to deliver a reasonable tax rate reduction, in the FY 2009 budget that would make a significant financial difference to the taxpayers. He felt City Council had worked hard on the budget and he was comfortable.

Councilman Haskins stated he went through the budget and came to the same conclusion as Mayor Frank. He stated cutting the City and School employees proposed salary increases to 2.5% was the only way he could find a substantial amount of money (\$4 million) to offer any type of real estate tax cut to the citizens.

Councilwoman Scott inquired about the impact to the City if it did not replace its Cobol/XE System and the life span for the new system. City Manager Hildebrandt replied the Cobol/XE system would fail if it was not replaced soon. He stated the new system would allow the City to enhance its operations, i.e. assessment process, treasurer's collection system and should last 15 years or more.

City Manager Hildebrandt noted the City was committing \$1 million for the Southeast Redevelopment project. He stated the \$1 million would be held by the EDA until the City decided how to address Codes enforcement, law enforcement and rehabilitation issues, primarily, in the Stuart Garden section of the Southeast Community. In order to make investments in the waterfront, there had to be a stable neighborhood adjoining that area. When people made investments in the Southeast Waterfront they wanted to be assured that the area and housing conditions were good. The \$1 million would allow the City to identify areas and properties that needed to be brought up to proper code within the next two years.

Mayor Frank voiced concern about the Fire Department's overtime budget, in that funding only allowed 1.2 people to work overtime per day. He felt the funding for overtime did

not respond to overtime credit due to sickness or training. City Manager Hildebrandt introduced Chief Jones to address the Mayor's concerns.

Mayor Frank wanted to respect the Chief's efforts in working with the City Manager in addressing overtime and the cost issues. However, he did not believe anyone felt comfortable if they thought, because of a budget compromise issue, lives and property would be at risk. He felt City Council would rather find some other way of addressing the issue. If the Chief could assure him that that was not the case he would accept that, but it troubled him when the City did not have sufficient personnel to operate the equipment that the City had in place in the event of an emergency. Fire control, public safety, and emergency equipment, in terms of ambulances and rescue, were one of the fundamental responsibilities as a City government and City Council.

Chief Jones stated over 90% of the Fire Department's budget was for personnel services and the remaining 8-9%, was for operational items. He was directed to come up with a package of three options to reduce his budget by 5%. The first two options netted him .5%, which equated to removing the last three of the ten over-hires to soften the training curb (the delay in which it took to get people out). The hiring process to hire a new Fire Department recruit took up to four months. They then had to be trained which took up to ten months before the new recruit would be able to be deployed in the community. The Fire Department tried to be aggressive in its recruiting, that included EMS training and fire training. He planned to have 17 fire personnel come out in June 2008, and an EMS group starting the Fire Academy in September 2008, which would get them out in January 2009. The only way to come up with the 5% reduction was to reduce the numbers. Keeping the overtime at \$750,000 was difficult because part of the funding went to pay the six hours of the Federal Standards Labor Act overtime for personnel who worked 56 hours per week. They received 53 hours of straight time and three hours per week of overtime. The Fire Department was going to have spikes, peaks and valleys in overtime and the only way to adjust that was to rotate among five Fire companies. City Manager Hildebrandt stated four of the five pieces of apparatus would always be staffed and noted if the Chief ever got into a situation where he did not have enough staff to put a second unit out he could go ahead and staff that and pay whatever overtime was necessary. At most he would have one of those five pieces of equipment out of service if he did not have the overtime funding.

Mayor Frank inquired how much overtime was required to eliminate the Fire Department's need. Chief Jones replied the Fire Department needed an additional \$600,000 in overtime funding to eliminate its need.

Councilman Haskins inquired whether Chief Jones could take the Fire Boat out of operation and leave that responsibility and duty to the Coast Guard. Fire Chief Jones replied that was a good suggestion, but noted the Fire Boat was purchased with federal funds and cost the

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City nothing. He stated the operational cost to operate the Fire Boat was minimal; it was only a couple thousand dollars per year for oil and expenditure. There was no full-time staff needed to operate the boat.

Councilman Haskins stated the Coast Guard was required by the Constitution of the United States to do that and they should be made to live up to their responsibility under the Constitution.

THERE BEING NO FURTHER BUSINESS,
ON MOTION, COUNCIL ADJOURNED AT 3:45 P.M.

Jennifer D. Walker, CMC
Chief Deputy City Clerk

Joe S. Frank
Mayor
Presiding Officer

A true copy, teste:

City Clerk