

MINUTES OF WORK SESSION  
OF THE NEWPORT NEWS CITY COUNCIL  
HELD IN THE 10<sup>th</sup> FLOOR CONFERENCE ROOM  
2400 Washington Avenue  
April 22, 2008  
3:30 p.m.

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PRESENT: Sharon P. Scott; Joseph C. Whitaker; Charles C. Allen; Herbert H. Bateman; William F. Haskins; and Madeline McMillan ----- 6

ABSENT: Joe S. Frank ----- 1

OTHERS PRESENT: Randy W. Hildebrandt; Stuart E. Katz; Mabel V. Washington; Alan Archer; Neil Morgan; Cynthia Rohlf; Butch Blanks; Allen Jackson; Chief James Fox; Gregg Jones; Lisa Cipriano; Robyn Rose; Rhonda Everton; Steve Carpenter; Chad Pritchett; Monique Warren; Florence Kingston; Lillian Taylor; LaVerne Lovett; Caroline Hurt; Andy Stein; Izabela Cieszynski; Michelle Gilliam; Crystal Bailey; Sabine Hirschauer; Jennifer D. Walker; Clede Jones; Lottie Vincent; and Kim Lee

I. Continuation of Discussion of Fiscal Year 2009 Recommended Operating Budget

City Manager Hildebrandt noted the following memos to City Council regarding: 1) FY 2008 Third Quarter Financial Report dated April 18, 2008; 2) Adjustments to Recommended FY 2009 Operating Budget dated April 18, 2008; and 3) Compensation for City Employees – FY 2009 dated April 22, 2008, attached and made a part of these minutes. He introduced Mr. Gregg Jones, Director, Budget and Evaluation, to give an overview of the Third Quarter Financial Report.

Mr. Jones stated the City planned to finish FY 2008 with a General Fund Operating Budget surplus of \$6.1 million. He stated revenues were expected to under-perform budgeted amounts by \$1.25 million. The primary contributors to the revenue shortfall were: 1) Collection of Business, Professional and Occupational Licenses (BPOL) (-\$800,000); 2) Emergency Medical Service Fees (-\$400,000); 3) Personal Property Taxes (-\$770,000); and 4) Reduction in State Aid to Local Law Enforcement (-\$490,000). Additionally, the City needed to adjust its FY 2009 Machinery and Tools taxes and Emergency Medical Service fees outlook by \$250,000 each, and \$300,000 for Real Estate Tax Relief. (A copy of memo, “FY 2008 Third Quarter Financial Report,” pertaining to Mr. Jones remarks is attached to these minutes.)

Councilman Bateman inquired about what attributed to the BPOL revenue reduction. Mr. Jones replied the BPOL revenue reduction was due to delinquencies; however, Mr. Charles Crowson, Commissioner of Revenue, was optimistic that the revenue would be recovered before the end of the year.

Councilwoman McMillan hoped the City would know whether the reduction in BPOL revenue was due to a delinquency or a decrease in business within the City before June 2008. City Manager Hildebrandt replied he would work with the Commissioner in establishing the trend for the reduction. He stated the difficulty with the current taxation system was that everything was done manually. He hoped the new automated taxation system would alleviate such problems in the future.

Vice Mayor Allen inquired whether the Commissioner of Revenue cross checked State tax filings against what businesses claimed in receipts to the City. City Manager Hildebrandt did not know, but felt City bill auditors made periodic visits to businesses to review their records.

City Manager Hildebrandt proposed that City Council approved moving \$4 million of the \$6.1 million surplus to the Undesignated Cash Fund Balance. He stated rating agencies continued to note that the City's undesignated balances were on the low side, compared to other jurisdictions with AA ratings and would take \$4 million to bring the General Fund revenue up to 10%. The City would have only \$2 million left in additional funding that would be available for other special or emergency spending after the \$4 million transfer.

Councilman Haskins stated Newport News should not be compared to Virginia Beach and York County in relation to pay increases for City and School employees. He stated the per capita income in York County was \$80,000 per year and near \$90,000 in Virginia Beach, as opposed to \$34,000 to \$35,000 in Newport News. The question was whether the City could afford raises. The City's taxes were already the highest in the surrounding area. A 2.5% salary increase, instead of 3%, would save the City \$4 million. Salary increases also drove up the City's actuary liability in the retirement fund. He felt the City should consider a 2.5% salary increase, across the board, in order to capture \$4 million that would allow a small real estate tax rate decrease. He stated it would be interesting to see the City Manager's comparisons with Poquoson, Hampton, Williamsburg, James City County, Portsmouth, Chesapeake, and Suffolk.

City Manager Hildebrandt stated the Compensation Report, attached to the aforementioned memo, "Compensation for City Employees – FY 2009," attached to these minutes, noted what other comparable Cities recommended. He felt the proposed 3% merit increase for FY 2009 kept the City in a salary range comparable with other communities. If City Council cut the increase to 2.5%, the City would fall behind other communities. He felt the revenue situation in FY 2010 would be worse and the City might be in a position to offer little or no pay increases to balance the budget. He felt a 3% salary increase was the correct amount to provide City employees.

Councilman Haskins stated he did not have a problem with the 3%, but his concern was whether the citizens could afford the 3%, in light of pressures they faced paying

taxes that were necessary to keep up with the City budget. As citizen incomes decreased, due to taxes, the City could not continue to give those who serviced them more money. He was trying to help the overall cost to the citizens. In addition to salaries, the City had a Pension system that was actuarially unsound. Councilman Haskins proposed a 2.5% increase for City as well as School employees for FY 2009.

Councilwoman McMillan voiced concern about the City's public safety personnel. She stated the City's public safety personnel could travel across the bridge to Chesapeake, which many young employees would do, to get what they perceived as a better salary and benefits package. With so many City employees set to retire and younger ones inclined to leave, she voiced concern about retaining and attracting public safety personnel. City Manager Hildebrandt felt those employees leaving to go to other jurisdictions, and 22 and 23 year old entry-level Police and Firefighter recruits, were more concerned about their salary rather than benefits. He stated the City had to be competitive in its recruitment and retention of Firefighters and Police Officers or fear that they would apply for employment in neighboring localities, where they could make \$2,000 to \$3,000 more. Newport News was a difficult community to police, and if one had the choice they would pick a less dangerous community to work in, i.e. Chesapeake, Virginia Beach or James City County. The City benefits' package should also be competitive, and City Manager Hildebrandt felt it was competitive when compared to the Virginia Retirement System. There had always been a balance between benefits and salaries to attract and retain employees. The City was trying to provide that balance as it looked at the issue of revamping its benefits' package. The retirement benefit was the longer term issue in that the City had to increase its contributions significantly to meet the Actuary's derived rate. The City had to increase contributions and the Retirement Review Committee recommended that the City increase contributions over the next six years, beginning in FY 2010.

Councilman Haskins acknowledged that the City of Newport News' Pension System, although not Actuarially sound, was better than most public pension systems in the United States. City Manager Hildebrandt agreed that the City's retirement system was 75% funded, which was acceptable, but the City was not contributing at the rate needed, given the benefit structure the City was providing.

Councilman Bateman felt the FY 2010 budget would be tougher to balance due to the economy and the real estate market outlook in declining property values and assessments. He could agree with a 2.5% salary increase. In FY 2010, the City might have to endure no salary increases and felt a .5% decrease was less painful. City Manager Hildebrandt stated all communities were facing the same type of economic situation, in terms of real estate assessments, growth in revenues and state aid cuts. Everyone was holding the line on their tax rate, giving modest increases to employees and making reductions in many areas. However, he felt the City should provide its employees with a 3% salary increase, and keep its tax rate constant.

Councilwoman Scott stated she was inclined to agree with Councilman Haskins in that the City needed to try to find a way to give employees a salary increase and tax relief to its citizens, and how that was done would be the job of the City Manager. She did not have a crystal ball, and understood it was not going to get any better for the City and its taxpayers. City Manager Hildebrandt felt it would get better for the taxpayers because home values would not increase next year. Councilwoman Scott understood the City could not get the real estate tax rate to \$.93 per \$100 of the assessed value, but if there was a possibility to give some relief she wanted to see or hear more suggestions by the April 29, 2008 Work Session of City Council.

Councilman Bateman inquired whether the City Manager could get the \$2 million needed by going back to departments and asking whether they could shave another 5% off of their budget. City Manager Hildebrandt did not believe that could be done. He stated departmental budgets had been cut to the point of what they needed to function through the end of FY 2008. When talking about additional cuts, City Council was talking about decreases in staff, personnel, programs and services.

Vice Mayor Allen stated the City was experiencing problems in the Department of Codes Compliance due to delay of hiring a Plans Examiner. He indicated many were losing interest in doing business in Newport News. He felt when the City was compared to private enterprise it was mixing "apples and oranges." He stated Shipyard executives made unbelievable bonuses, which were not distributed down to the hourly or salaried employee. The City did not want a system that duplicated what was, basically, a laissez-faire system that exploited its workers, which was exactly what the Shipyard was. The Shipyard was a union yard and when employees got to the point of refusing to work, for a certain sum of money, they went on strike. The State of Virginia did not allow City employees to strike. To take advantage of City employees, simply because City Council wanted to deal with citizen complaints about the tax rate, was not fair. City Council had a responsibility to its employees. City employees had choices and, when City Council looked at the system, City employees were making the choice of not working for the City, because they were being taken advantage of. Vice Mayor Allen stated employees were already a part of the City's saving system, when the City dealt with the restructuring of the retirement system. City employees already were paying that price and now City Council wanted to go back and make them pay further because that was the least area of resistance. City Council was the steward of City employees and should step-up to the stewardship by not cutting proposed City employee salary increases.

Councilwoman McMillan stated, in light of cutting costs, she noticed while reading the budget, department line items had a wide variance between what the actual expense was per year, what was approved for the next fiscal year, what the department proposed, and what the City Manager recommended. She stated in a number of areas the department proposal was noted and was then increased by the City Manager. Actual costs in FY 2006–2007 were substantially lower than in FY 2007–2008. For instance, noted in the FY 2009 Recommended

Operating Budget under the Department of Human Resources, the Education and Training Supplies item's actual expense for FY 2006-2007 was \$135, and for FY 2007-2008, \$200. The department proposal and the City Manager's recommendation for FY 2008-2009 was \$5,200, with no explanation for the increase. Also, under the Department of Human Resources, the Payroll/Reports Printer item's actual expense for FY 2006-2007 was \$527, and for FY 2006-2008, \$1,000 was approved. City Manager Hildebrandt replied he employed a competent financial budget staff to work with departments to come up with a line by line budget. He stated there were times, during the budget process, that funding was shifted from one line item to another. The Budget staff went through individual line items to be sure funding was sufficient. The Budget staff could explain the reason for an increase or decrease in a particular department's budget.

Councilwoman McMillan understood, but noted she also worked for the federal government, where you ended up with a budget surplus if expenditures were inflated. If the City experienced an actual expense, for two years in a row, that was substantially lower than what was budgeted, then it should alter the expense, so not to have a vision of an inflated expense. City Manager Hildebrandt replied that was exactly what he asked City departments to do.

Councilwoman McMillan inquired about the rationale in having departments work with the budget staff to propose departmental expenditures when those expenditures were going to be increased at the City Manager's discretion. If department heads decided what they needed for their departments, should not the City Manager hold the line on the expenditures? City Manager Hildebrandt replied it depended on the specifics of the expenditure. There were some cases, during the budget process, where a decision was made to move funding from one item to another. He did not have the information, but in every budget he could have a budget analyst sit down and explain what the numbers meant.

Councilwoman McMillan stated the City was going into the fourth quarter of FY 2007-2008, and if a department budgeted \$1,200 for a line item, expense in the prior year was only \$400, and the expense to-date was only \$200, then they were either going to rush to spend the balance of the \$1,200 by June 30, 2008, or were going to experience a surplus.

Vice Mayor Allen stated the department may receive a directive from the City Manager instructing them to restrict their expenditures for the rest of the year. City Manager Hildebrandt stated sometimes a department held-off spending money until they were sure their budgets would balance.

Councilwoman McMillan stated a department should be able to make an adjustment to their budget if history dictates a lower expenditure for a certain budget item. City Manager Hildebrandt was assured that the Budget staff was doing their job and looking at departmental line items.

Vice Mayor Allen asked Councilwoman McMillan to isolate the occurrence of her concerns about items in the FY 2009 Recommended Operating Budget. Councilwoman McMillan replied that it occurred on just about every page of the budget. It was not rampant, but was occurring, and she felt that the City should keep its expenditures as low as possible, towards the actual true expense, so that it did not end up with an inflated expenditure budget.

Councilman Bateman understood Councilwoman McMillan to say if the City Manager could find and isolate expenditures that were similar from year-to-year, where the expenditures were not used, and came up with 300 occurrences, he could ask department managers why they continued to over budget.

Councilman Haskins stated some budget items might not come to fruition. You could not plan a budget so that everything was spent, based on the program that you were trying to put together. No one could estimate exactly what it would cost, so that at the end of the year what you estimated was based on what you spent. There was no way to bottom line a budget so that it balanced out to zero at the end of a certain year.

Councilwoman McMillan felt if one looked, periodically, at office supplies, association memberships, etc., to identify savings, such savings added up over time. City Manager Hildebrandt agreed, and indicated that was what the Budget staff did when working with departments. He stated the Budget staff should have an explanation for each item in the budget. He depended on the Budget staff to say the budget reflected the actual costs that they expected to pay in the next fiscal year. He then looked at the policy issues to be made that brought the City in line with the expected revenues and the type of adjustments to be made.

Councilman Bateman inquired whether the City was encouraging its employees to participate in pre-tax medical and childcare expense accounts. Ms. LaVerne Lovett, Director, Department of Finance, replied the City did encourage its employees to participate in pre-tax accounts and open enrollment occurred each year in December.

Councilman Bateman inquired whether the Bonding agencies considered the recurrence of yearly surpluses as a plus or minus or was suspect that the City was not budgeting as tightly as it should. Mr. Jones replied he had never heard of a rating agency being upset due to the recurrence of a year-by-year surplus.

Vice Mayor Allen made the observation concerning, if a department head did not have a cushion for unexpected expenditures, he/she would not be able to operate properly. It would be bothersome for the City Manager to have management say they needed funding, throughout the year, for unexpected expenses. Departments made cushions so when the City

Manager said he needed to cut their budgets by 5%, the cushion was there to allow that cut. After that cut, departments then had an actual budget, with no fat or ability to move. He indicated, from time to time, members of City Council walked into the City Manager's office to inquire of him to deal with different issues. The City Manager then had to find the money, from that cushion, to cover the request made by a member of Council. Citizen concerns for the City addressing certain matter also come from that cushion. Cushioning was part of the "political budgeting process" and everyone went through it.

City Manager Hildebrandt stated he tried to lay out the pluses and the negatives in the FY2009 Recommended Operating Budget. He stated, on the revenue side, the City was fortunate to have \$2.7 million more in real estate taxes than what was estimated when the budget was prepared. Unfortunately, that funding was going to be eaten up with things that were not going to reach the City's expectation, i.e. the State aid cut of \$1.6 million, the decrease of \$800,000 in BPOL tax revenue, and tax exemption funding.

Councilman Bateman inquired about the funding source for the additional 18 police officers. City Manager Hildebrandt replied the funding either had to come from the City or the School's budget. He stated NNPS proposed a 4% across-the-board pay increase. Accumulatively, over the past four years, school teachers and school employees received better raises than City employees. Also, NNPS put \$1.4 million in their proposed budget to renovate Newsome Park Elementary that was supposed to have been funded out of the CIP. But when they had to move funding for Enterprise Academy renovations, the project was dropped, and the Schools picked it up in their operating budget. NNPS had some flexibility in their budget. City Manager Hildebrandt stated if City Council was going to cut the City's budget, it would have to be in the areas he suggested. After that, City Council would have to freeze or cut positions, and, at some point, that would affect services. If NNPS adjusted their salary increases to 3%, a \$2.2 million savings would be realized, which would cover the cost of 18 additional police officers.

Councilman Bateman felt a 1% reduction, for school employee raises, was not unreasonable. He aspired to give the school division what they want every year and felt they were doing a good job. He felt 3% was an amicable salary increase for school employees and teachers.

There was consensus among City Council to reduce the School Board budget by \$2.2 million, which would allow a 3% salary increase for School employees.

Councilwoman McMillan suggested that when expenditures increased by 100%, that a cover page be added to the budget document justifying the increase, i.e. travel increasing from \$6,000 to \$15,000 in one year. She felt an explanation should be included to clarify the increase. City Manager Hildebrandt replied he would have staff include an explanation when expenditures increased by 100%.

Vice Mayor Allen indicated all travel was fuel based, which accounted for the above-mentioned increase. Councilwoman McMillan stated she questioned why a large increase occurred when a budget item went from \$200 to \$5,000. She stated if the budget process was to be transparent to City Council and the public, then City Council and its citizenry should be able to look at the budget document and know exactly what it was saying.

City Manager Hildebrandt stated all he asked was that City Council point out the matters that concerned them about the budget and he would provide an explanation. The Department of Budget did not pick numbers out of the air; numbers were analyzed and there was a reason for each number.

Vice Mayor Allen stated he did not know about all of the professions in the City, but in his profession he had to maintain certification. Several employees who held AICP designations were paying part of their travel, i.e. hotel, to attend a conference to gain Certification Education Units (CEU) to meet certification requirements. Travel itself and the cost of hotels reflected increases to a budget. He could look at his personal tax record, over the past year, and see that change and the impact it caused. In order to remain professional, many had to maintain certification, i.e., staff of the Attorney's office had to acquire continuing education to obtain CEU to remain certified in the legal profession.

Councilwoman McMillan understood the price of travel had increased, but she wanted to see an explanation in the budget document.

City Manager Hildebrandt suggested that City Council have another budget work session, after the Budget Hearings of April 22 and April 24, 2008, that would allow staff to get a clear understanding of the desires of City Council before adoption of the budget on May 13, 2008. He had additional issues, such as the Plans Examiner for Codes Compliance, and funding in the City Attorney's budget to cover the cost of providing legal service by Special Assistant Attorney, Leonard Wallin, to the Newport News School Board, which was a \$91,000 cost. Also, the issue of the 20 deputies for the Sheriff's Department, which he assumed would get approval from the State on May 1, 2008. The Sheriff may not get the non-deputy positions, but the City had the local funding to cover that. The City had the funding (\$151,000) to absorb those costs in the budget if the Sheriff did not get any positions beyond the deputies. The West Avenue Library remaining open was another issue to be considered.

There was consensus among City Council to use the \$2.2 million captured from the 1% salary decrease for school employees to restore the operation of the West Avenue Library and include funding for the 18 police officers.

II. Presentation: Wickham Avenue Alliance

City Manager Hildebrandt stated during the summer of 2007, four City organizations – the Doris Miller Community Center, the Pearl Bailey Library, the Downing-Gross Cultural Arts Center and the C. Waldo Scott Center for Hope – joined together and formed the Wickham Avenue Alliance (Alliance). The objective of the Alliance was to provide networking opportunities with the goal of improving youth program offerings and facility safety. He stated he was in favor of providing the Alliance additional funding so they could provide services during the summer of 2008. He introduced Ms. Michelle Gilliam, Director of Programs, Downing-Gross Cultural Arts Center, to report on the Wickham Avenue Alliance and its summer program.

Ms. Gilliam reported the Wickham Avenue Alliance was formed in the summer of 2007 to share resources to serve the community's youth and families. She stated the mission of the Alliance was to enhance the quality of life and safety for the youth in the community by collaborating to provide education, recreation, and information services, as well as cultural and performing arts in a year round setting. With the proximity of the four facilities (Doris Miller Community Center, Pearl Bailey Library, Downing-Gross Cultural Arts Center, and the C Waldo Scott Center for Hope) located within a one-third mile stretch along Wickham Avenue, they were able to operate like a campus and a safety zone.

Ms. Gilliam stated the Alliance planned to create a memorable summer for youth, in 2008, by offering the following programs: 1) An Early Morning Alliance Fitness Workout at Doris Miller Community Center; 2) A Summer Sports Camp at Doris Miller Community Center; 3) A Lunch Program to include Arts and Craft projects; 4) An Enrichment Camp at C. Waldo Scott Center for elementary to high school students; 5) A Performing Arts Camp at Downing-Gross Cultural Arts Center; 6) A Shakespeare in the Park Event at King Lincoln Park on August 1 and 2, 2008; 7) Manners and Etiquette Training; 8) A Summer Reading Program at Pearl Bailey Library, etc. She introduced Ms. Crystal Rainey of C. Waldo Scott Center for Hope, to share Alliance planned enhancements for the summer of 2008.

Ms. Rainey noted and explained the four enhancements that the Alliance planned to implement during the summer of 2008: 1) Youth Leadership Program; 2) I.D. Tags for Program Participants; 3) Community Outings for Youth who did not participate in fee based programs; and 4) Implementation of Banners at Alliance sites to promote each center as a youth friendly site in support of the City's Keeping Our Kids Safe Initiative.

Councilwoman McMillan voiced concern about children losing their I.D. tags. Ms. Rainey replied there was a minimum cost for replacement of an I.D. tag if lost. Information about each youth participant would also be stored in their computer system. Mr. Mike Barber, Assistant Director, Parks, Recreation & Tourism, stated Parks, Recreation and Tourism

implemented a computer based I.D. system, one year ago, that would be used for access to City pools, which would be provided for the Alliance's use as well as the Newport News Public Schools.

Councilman Whitaker felt the Wickham Avenue Alliance program was successful and a plus to the community.

City Manager Hildebrandt noted this was the type of collaboration that the Keeping Our Kids Safe Initiative emphasized. He stated the Alliance went out and took the charge and came up with a great program, which gave children a set of experiences than what they would have received if each facility was serving the community separately. He was in support of the additional funding for the program.

Vice Mayor Allen stated the Alliance did a fantastic job in 2007, which entailed a lot of volunteerism and work by staff. Also, the opening of the pool at the Doris Miller Recreation Center magnified the process. He looked forward to another successful program for the summer of 2008. He suggested that the Alliance contact Ms. Sandra Cherry regarding her new entrepreneur program that could be presented to some of the youth participants of the Alliance program.

### III. Miscellaneous

City Attorney noted that Mayor Frank and Vice Mayor Allen may be absent from the City Council Budget Hearing scheduled on Thursday, April 24, 2008 at Mary Passage Middle School. He reported, in the absence of the Mayor and Vice Mayor, City Council needed to appoint a member of Council to preside over the meeting.

There was a consensus among City Council that Councilman Haskins preside over the Budget Public Hearing scheduled for Thursday, April 24, 2008 at Mary Passage Middle School, in the absence of Mayor Frank and Vice Mayor Allen.

THERE BEING NO FURTHER BUSINESS,  
ON MOTION, COUNCIL ADJOURNED AT 5:30 P.M.

Jennifer D. Walker, CMC  
Chief Deputy City Clerk

Charles C. Allen  
Vice Mayor  
Presiding Officer

A true copy, teste:

City Clerk