

MINUTES OF SPECIAL BUDGET WORK SESSION
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE 10th FLOOR CONFERENCE ROOM
2400 Washington Avenue
April 1, 2008
1:00 p.m.

PRESENT: Madeline McMillan; Sharon P. Scott; Joseph C. Whitaker; Charles C. Allen; Herbert H. Bateman; and Joe S. Frank ----- 6

ABSENT: William F. Haskins ----- 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; Mike Barber; Lillian Taylor; Reed Fowler; LaVerne Lovett; Caroline Hurt; Glenn Butler; Andy Stein; Izabela Cieszynski; Brian Ramaley, Eileen Leininger; Thomas Murphy; Al Riutort; Sheila McAlister; Sabine Hirschauer; Jennifer D. Walker; Clede Jones; Lottie Vincent; and Kim Lee

I. Fiscal Year Operating Budget

As a follow-up to the March 25, 2008 Work Session of City Council on the FY 2009 recommended Operating Budget, City Manager Hildebrandt scheduled a series of presentations with the Departments of Parks, Recreation & Tourism, Libraries and Information Services, Juvenile Services, Public Works, Public Utilities, Police, Human Resources, and Finance. Additionally, he would report on expenditures proposed for the City's reserve funds. He introduced Mr. Mike Barber, Assistant Director, Department of Parks, Recreation & Tourism. (A copy of the presentation, "FY 2009 Operating Budget," including highlights of the above department presentations, is attached and made a part of these minutes.)

1) Parks, Recreation and Tourism

Mr. Barber reported three main areas impacted the FY 2009 Operating Budget request for the Department of Parks, Recreation & Tourism: 1) The Downing Gross Cultural Arts Center; 2) Tourism Development; and 3) Special Events.

Mr. Barber stated, as with the FY 2008 Operating Budget, the Downing Gross Cultural Arts Center had the most significant budgetary impact to the Department of Parks, Recreation and Tourism. It was anticipated that full funding for the facility, once entirely operational, would total \$1,427,552. Understanding the current fiscal climate that now existed within the City, Parks requested \$315,219 in additional funding for FY 2009, for the Downing Gross Cultural Arts Center, bringing the total to \$1,058,839. The budget did not include funding

for additional full-time personnel and was sufficient to begin a variety of quality programs. Mr. Barber indicated, depending on the success of the potential revenue stream, some programs may be limited in operation during FY 2010, particularly museums and galleries. Funding for four full-time personnel would remain in the budget through FY 2009, excluding the contracted Executive Director.

Councilwoman McMillan inquired about the additional \$20,000 request noted under Internal Services. Mr. Barber replied the \$20,000 additional funding noted in Internal Services was for outside printing and reproduction, advertising, and repairs.

Councilwoman McMillan inquired whether the fundraiser funds went into a designated fund for galleries. Mr. Barber replied fundraiser funds would be set-up in a special foundation account, with the majority of the funding used for the museum and the set-up and establishment of the Anderson Johnson Gallery.

Councilwoman McMillan inquired whether the Contractual Security budget line item covered any work that remained to be done. Mr. Barber replied the Contractual Security line item was for security and contractual employees, with the majority of the funding being used for inside security.

Councilwoman Scott inquired about the cost estimate to complete the Anderson Johnson exhibit. Mr. Barber replied the cost estimate was as much as \$500,000 for design and construction of the Anderson Johnson Gallery.

Councilwoman Scott inquired about the amount of funding the City paid to have the Anderson Johnson collection stored. Mr. Barber replied he was not sure of the exact amount, but would provide City Council with the information.

Councilwoman Scott felt the City could start the design and construction of the Anderson Johnson exhibit with the funding used to store the collection. Mr. Barber replied there was a tremendous amount of detail that had to be considered when constructing an art exhibit, such as the exhibit had to be airtight.

City Manager Hildebrandt explained a considerable amount of funding was required to properly construct and set-up the Anderson Johnson Gallery. He stated Parks, Recreation & Tourism planned a presentation to City Council, during a Work Session in June 2008, to discuss the creation of a tax-exempt foundation that could generate private dollars for the gallery and museums in the Downing Gross Cultural Arts Center.

Mayor Frank inquired about a programming budget for the Downing Gross Cultural Arts Center, and whether programs and activities were planned. Mr. Barber replied the programming budget was approximately \$300,000, which included funding for personnel, supplies and equipment.

Mayor Frank inquired whether any concerts or dramatic performances were scheduled for the auditorium of the Downing Gross Cultural Arts Center. Mr. Barber replied no concerts or dramatic performances were scheduled, and indicated it might be sometime before the auditorium was opened.

Mayor Frank inquired about the anticipated opening date for the auditorium. Mr. Barber replied the anticipated opening date for the auditorium was not yet determined due to potential litigation with the contractor because of dysfunctional peeling panels.

Mayor Frank inquired about the \$100,000 appropriation for the Executive Director whose primary responsibility was fundraising for the Downing Gross Cultural Arts Center. City Manager Hildebrandt replied fundraising was only one of the Executive Director's responsibilities. His responsibilities also included direction of the facility in providing programming recommendations, and supervision of staff.

Mayor Frank inquired whether there was enough funding in the budget to allow the Executive Director to run the Center as he was required to do. He felt to not provide sufficient funding for the Executive Director to do his job, would create a problem. City Manager Hildebrandt felt \$1.45 million was sufficient to operate the Center, but since the facility was just getting started, it was hard to judge operating expenses. This amount was a best guess, in terms of staffing, and performances. Mr. Barber hoped that many performances would be self-supporting.

Councilwoman Scott inquired about the responsibility of staff at the Downing Gross Cultural Arts Center. Mr. Barber replied Ms. Michele Gilliam, Director of Programs, handled programming at the Center and worked with the Wickham Avenue Alliance, Newport News Public Schools, etc., and an Administrative Coordinator worked with the Executive Director and handled the administrative duties of the facility.

Mr. Barber reported the Department of Parks, Recreation and Tourism recommended eliminating the City's General Fund contribution of \$147,158 to the Tourism Development Fund, which translated into an overall reduction of \$310,233 over two years. The total budget for FY 2009 totaled \$1,567,400. He stated it should be noted that the total budget would not be affected or reduced by this reduction. The Tourism budget had been weaned from needing General Fund contributions. Transient room tax revenue, received by the City, had increased significantly during the past few years and should provide the current level of service

for the Tourism Development office. To further mitigate the loss of the General Fund contribution, Parks, Recreation and Tourism also proposed the conversion of one part-time staff assistant position in the Tourism office to a full-time Graphics/Media Specialist. This change would allow the Tourism office to reduce dependence on high cost contractual graphic services, saving \$25,000 - \$40,000 annually. While staff was comfortable that the elimination of the General Fund contribution would result in a negligible impact to Tourism operations, it was important to caution that transient room tax revenues may level. This leveling may limit future ability to utilize transient tax growth to fund increases in Tourism's operating costs. Steeply rising fuel prices and a decline in hotel and motel construction were two variables that might contribute to transient room tax stagnation. Tourism was now running a self-supporting program because the revenue was exceeding the expenditures.

Councilwoman McMillan inquired whether a trend was emerging for the City to use transient room tax to fund tourism, rather than supplement the City's contribution to tourism. She stated the agreement with the Hospitality Association, when they agreed not to fight an increase in the room tax, was that the transient room tax would supplement the City's contribution to tourism. The most expensive portion of tourism was advertising and joining and coordinating with other communities to advertise the region's tourism market. City Manager Hildebrandt replied room tax was generating more money than what the City was effectively spending, in terms of a Tourism effort. The amount of transient room tax revenue coming in was sufficient to conduct a reasonably good tourism program for the City.

Councilwoman McMillan noted the City was also not getting funding from the State in FY 2009 for its historical entities who worked under a limited budget. She hoped the transient room tax funding would be used to supplement historical entities if it was going to be shifted under Tourism. City Manager Hildebrandt stated he eliminated the \$150,000 General Fund supplement to the Tourism office in comparison to the amount of funding that was generated from transient room tax. He felt with more hotels and motels opening, transient room tax revenue would continue to increase.

Councilwoman McMillan urged the City Manager to keep a close eye on transient room tax revenue, should the rate of occupancy decrease.

Mayor Frank stated when travelling and stopping at some of the State operated facilities, he looked for brochures advertising Newport News and did not find any. He found brochures for other localities and inquired why there were none for Newport News. Mr. Barber replied the City supplied the State Welcome Centers with brochures and flyers of Newport News. He stated he would research the matter to ensure the information was being disseminated at such facilities.

City Manager Hildebrandt requested that Mr. Barber report back to City Council about the amount of funding spent on advertising at State Welcome Centers, and how the bro-

chures were distributed and disseminated at the facilities. Mr. Barber replied he would look into the matter.

Mr. Barber stated Parks proposed that funding for the City's Special Events program be reduced by 10% for FY 2009 (impacting events to be held in calendar year 2009). He reported the 10% reduction would affect the amount of funding available for programming and marketing, but should not diminish the quality of events, which were attended by more than 225,000 people annually. To ensure that public safety and other logistical requirements were met, special consideration would be given to maintaining funding for events that had seen large increases in attendance, i.e. Hollydazzle, the Fall Festival of Folklife, Fourth of July Stars in the Sky and St. Patrick's Shamrock Celebration. The proposed 10% reduction also included a recommendation to discontinue funding for the annual Vineyards by the Fountain event, produced by the Virginia Arts Festival. The Vineyards by the Fountain event was a ticketed event, and had the potential of becoming fully self-supported. The total reduction for the City's Special Events was \$99,931.

Councilwoman McMillan inquired whether a portion of the Special Events funding went to the community. City Manager Hildebrandt replied \$30,000 was earmarked for Special Events and would be targeted to vendors in the community.

City Manager Hildebrandt requested a report on Special Events funding broken down by events. Mr. Barber replied he would provide City Council with the information.

Mayor Frank felt a fair number of entertainment sources would perform at City Center for free if they were invited, i.e. the York River Band or Orchestra and other musical artists and groups. He suggested that Mr. Barber look into the matter. Mr. Barber replied he worked closely with the Arts Commission and indicated he would look further into the matter.

2) Libraries

Ms. Izabela Cieszynski, Director, Department of Libraries & Information Services, proposed that the Literacy Program and the Subregional Library for the Blind and Physically Handicapped be discontinued and the West Avenue Library be closed to the public.

Ms. Cieszynski reported the annual cost for the Literacy Coordinator was \$65,839. She stated the Literacy Coordinator provided literacy services to adults who read below 5th grade level and who would be entering 9th grade GED classes. In FY 2006, there were 40 active students enrolled in the program, compared to 13 active students who used the program during FY 2007, at which point it was decided to re-evaluate the program and refocus on family literacy. Libraries transferred students to Peninsula READS (Literacy Council) where Newport

News Redevelopment & Housing Authority had GED classes. Libraries spent part of FY 2008 redesigning the Literacy program to meet family literacy needs.

Ms. Cieszynski proposed eliminating the Subregional Library for the Blind and Physically Handicapped that was headquartered at the Main Street Library, which served residents of Newport News, James City County, Williamsburg and York County. She reported circulation usage dropped from 17,806 in FY 2000 to 12,722 in FY 2007, and users dropped from 373 in FY 2000 to 304 in FY 2007.

Councilwoman McMillan inquired what attributed to the drop in circulation and users from FY 2000 to FY 2007. Ms. Cieszynski replied part of the drop could be attributed to marketing, on Libraries' part, or patrons were not finding the Libraries. Media also was available that was beginning to replace services offered by the Subregional Library, i.e. talking books, which were now available on CD and downloaded from the internet.

Mayor Frank inquired about the consequences for the people that would lose services provided by the Subregional Library. Ms. Cieszynski replied there would be minimal consequences to the public. There was a Regional Library in Richmond for the Blind and Vision Impaired that had a toll free number and there was no cost to ask for service. A patron could either e-mail, fax, or phone in their requests and the turn-around time was the same as the Subregional Library. The one concern expressed by users of the Subregional Library was that they might lose the personal touch. But she felt that the Richmond Regional Library would develop that personal touch.

Mayor Frank inquired whether Libraries could get State assistance for the Subregional Library. Ms. Cieszynski replied no State assistance was available for the program. She stated the City charged James City County, Williamsburg and York County \$120 per customer. In the past grant money was received for the Subregional Library, but the State discontinued the grants due to financial difficulties. She stated staff involved in the program would be absorbed into Libraries' part-time budget.

Ms. Cieszynski reported one option presented in the 2008 Facility and Space Needs Study of the Newport News Public Library system recommended that the City close the West Avenue Library. She reported the West Avenue Library served the downtown area (301 census tract) and noted the building had historic designation. The West Avenue Library contained the Captain Christopher Newport mural by Allan Jones, Jr., which had been painted and restored. The West Avenue Library was within 1.5 miles of the Pearl Bailey Library and was not ADA accessible. The West Avenue Library was the most under-utilized library branch with four full-time staff members. It handled only 5.5% of the total circulation in the library system, 4% of the door count for the number of people who visited libraries in Newport News, and handled under 4% of the reference and registration.

Mayor Frank inquired about savings in closing the West Avenue Library. Ms. Cieszynski replied the City would save \$205,980 in FY 2009 by closing the West Avenue Library.

Ms. Cieszynski stated Libraries considered: 1) closing the West Avenue Library to the public; 2) keeping the space viable; 3) providing two annual bookmobile stops for the downtown area; 4) allowing Pearl Bailey Library to augment the bookmobile service; and 5) reassigning staff to existing vacancies.

Ms. Cieszynski reported the impact of closing the West Avenue Library included: 1) patrons would be served by the bookmobile and Pearl Bailey Library; 2) consideration of moving Technical Services to West Avenue; 3) Friends of the Library would be offered old Technical Services space at Grissom Library; and 4) Staff would be absorbed into existing vacancies, with one position being assigned new duties.

Mayor Frank stated, as inquired at the March 25, 2008 Work Session of City Council, he would like an analysis of the savings in closing the West Avenue Library and alternate savings that might be realized if the West Avenue Library were left open. He voiced concern about closing the library considering the City was trying to improve the downtown area and the Navy housing project that was under development. It seemed to him that with all the naval personnel, the new carrier that was going to get built, and the new vessels that were coming in for repair and maintenance, opportunities existed to provide more services at the West Avenue Library. He felt closing the library, at this point, was "penny-wise, pound-foolish," but was mindful of the need to save money. He inquired about other alternatives to closing the West Avenue Library. City Manager Hildebrandt inquired how would \$200,000 be saved in the Library budget, which was the rationale behind closing the West Avenue Library. Library staff felt closing the West Avenue Library was the way to reduce cost to Libraries, rather than reducing services. He questioned where City Council wanted him to reduce funding in order to make up the difference. His recommendation was to close the West Avenue Library, mainly due to the facility study that suggested, in the long-term much funding would be needed to upgrade the West Avenue Library to make it ADA accessible, and to concentrate the City's resources on the other three regional libraries with the creation of a fourth library in mid-town, and a fifth library in Lee Hall.

Councilwoman McMillan stated the City did not have to make the West Avenue Library ADA accessible because it was a historic building. She agreed with Mayor Frank and indicated not only was the City having an influx of new Navy housing, but felt that would spur redevelopment of some of the older houses in the area, which was already taking place and added another customer base. She inquired whether Libraries would be able to handle an increased customer base through two bookmobiles and transfer of services to the Pearl Bailey Library. She felt the reason of ADA accessibility needed to be eliminated.

Councilwoman Scott inquired whether Libraries considered reducing its hours as opposed to closing the West Avenue Library, so when the area grew, and usage increased, it would be easier to make the transition. Ms. Cieszynski replied all other libraries were open approximately 70 hours per week and the West Avenue Library was open 45 hours a week. The Library staff had talked about reducing hours at West Avenue, but it did not generate a sufficient amount of savings. Even if hours were reduced by five to ten it would not save enough to make a difference.

Councilwoman Scott inquired about reducing the number of days the library was open. She received letters from people who used the Library for various reasons, and felt if it were advertised to be open on various days, i.e. Monday, Wednesday, Friday, the public could adapt. Ms. Cieszynski replied that was a decision that City Council had to make.

Councilwoman McMillan stated it was a decision that City Council could not make until they knew the cost savings involved, and felt reducing the number of days the library was open was a good idea. Ms. Cieszynski estimated if hours were reduced by half the City could possibly see a \$100,000 savings.

Mayor Frank reminded during budget negotiations in FY 2007, when City Council was trying to reduce the FY 2008 budget in order to provide the citizens a reduction in the tax rate, the City Manager furnished a list of items for discussion and consideration that the City could live with or without. He asked the City Manager to provide City Council a similar list for FY 2009. City Manager Hildebrandt replied all of those proposals were gone because they were included in the cuts in FY 2008.

Mayor Frank suggested that the City Manager come up with a list of projects that he felt were nice to do, but marginal, so that City Council could have an informed discussion. City Manager Hildebrandt replied there was an array of matters City Council could consider, i.e. reducing the residential reconstruction program by \$200,000 to keep the West Avenue Library opened. He felt almost anything in the budget that had a significant amount of dollars could be reduced to keep the West Avenue Library opened, but he did not know where to start.

Councilwoman McMillan suggested that the City Manager could cease buying tables at charitable events. City Manager Hildebrandt replied that would only save City Council \$20,000.

Vice Mayor Allen stated the City Manager's assumption that every department had to suffer in reducing the budget was not necessarily applicable to every department, and maybe Libraries was one department that should not be applicable. City Manager Hildebrandt

stated when you looked at what was cut in other departments you would see that most departments suffered reductions. He noted long-term strategies and felt it made sense to close the West Avenue Library and provide services where there were more patrons. He stated City Council was at the point in the budget where they had to make difficult decisions, and felt as they continued through the budget process, they might find something else to cut instead of closing West Avenue. City Manager Hildebrandt indicated he would continue to look for alternatives, but tried to give a sound recommendation, based on funding the Library had and how it would be spent effectively.

Mayor Frank asked the City Manager to provide City Council with a list of alternatives in saving \$200,000, so that Council could make an informed decision. He wanted to know whether there were other options. City Manager Hildebrandt stated he would provide City Council with the next best recommendations on how to save \$200,000.

3) Juvenile Services

Mr. Larry Robinson, Director, Department of Juvenile Services, stated in an effort to reduce the FY 2009 budget for Juvenile Services, a cost analysis was done of the feasibility to continue operation at the Less-Secure Facility. As a result of the study, he recommended that the Less-Secure Facility be closed.

Mr. Robinson reported that the Less-Secure Facility provided: 1) short-term crisis intervention; 2) individual/group counseling; 3) recreational, social/cultural activities; 4) twenty-four hour supervision; 5) law relation education groups; 6) Public School education, which was handled by Hampton Public Schools; 7) pre/post-dispositional care; and 8) emergency shelter. The facility was presently located in the City of Hampton. The City of Newport News was responsible for the staffing and daily operation of the facility. The City of Hampton was only responsible for the maintenance and upkeep of the facility.

Mr. Robinson stated, in 2003, the Department of Juvenile Justice, the State regulatory and accreditation agency for juvenile detention facilities, expressed concern about the chronic overcrowding of numerous facilities in Virginia. Therefore, the Department of Juvenile Justice, in partnership with the Annie E. Casey Foundation, launched a juvenile detention reform project which implemented the following objectives: 1) eliminated inappropriate or unnecessary use of residential facilities; 2) minimized failures to appear in court and the incidence of delinquent behavior; and 3) redirected public finances to alternative strategies, such as community-based programs. As a result of the success of the project, the Less-Secure facility's average daily population decreased from 23 residents in 2003 to 13 residents in 2007. In several cases, the population had been as low as five to eight residents.

Mr. Robinson reported closure of the Less-Secure facility would eliminate 14 full-time positions. Those positions would be integrated into Juvenile Services' current vacancies and would save the City \$619,000. It would cost no additional money to absorb the Less-Secure population.

City Manager Hildebrandt pointed out that the City had a contract with the City of Hampton, which obligated the City to run the program. The City was asking for Hampton's cooperation to close the facility. He had not received a response from the City of Hampton. He sent a copy of the letter to the judges and planned to meet with them on April 3, 2008.

4) Public Works

Mr. Reed Fowler, Director, Department of Public Works, reported increased costs associated with the maintenance of infrastructure investments, funding for employee pay increases and unavoidable non-personnel expense increases, required a ten cent (\$.10) increase in the base rate of the Sewer User Fee for FY 2009.

Mr. Fowler reported requirements of the Virginia Department of Environmental Quality (DEQ) Consent Order was having a significant impact on the City's budget as well as the entire region. He reported expenses related to the engineering study and compliance with the consent order were anticipated to cost the City \$15.3 million over the next five years. A five-year budget of anticipated needs relating to compliance with the initial phase of the Consent Order included: 1) staffing to manage the Consent Order; 2) consulting engineering expenses; 3) a crew; 4) equipment/materials to address "Find and Fix" issues identified by the engineering study; 5) debt service for \$8 million of anticipated capital work necessitated by the engineering study; and 6) legal fees and repayment to the General Fund of \$3.5 million front-funded to start the engineering study.

Councilwoman McMillan inquired whether the "Find and Fix" Sewer Program applied only to the most aging sewer lines, which she thought were identified in a study a number of years ago. If so, what percentage of the sewer system would the "Find and Fix" apply. Mr. Fowler replied the funding amounted to \$24 million in pending sewer repairs versus more after the conclusion of the studies.

Mr. Fowler stated the City recommended that the funds required to pay for the Consent Order be generated through a surcharge of \$0.45/HCF (hundred cubic foot). The surcharge would generate \$3,060,000 per year and provide the cash flow required to pay these costs.

Mayor Frank suggested the City Manager correspond with members of the Congressional delegation to see whether the City could enlist some federal assistance in comply-

ing with the DEQ Consent Order, specifically as it related to the sewer requirements. Mr. Fowler replied he would look into the matter, but the Environmental Protection Agency's posture was that they were making deposits into the revolving loan fund and the City was taking advantage of that fund. City Manager Hildebrandt replied he would look into the matter.

Vice Mayor Allen inquired about the proposal to add additional personnel to the staff of Public Works to meet the DEQ Consent Order requirements and whether Mr. Fowler projected the number of personnel to be hired. Mr. Fowler replied, in FY 2009, he planned to add an engineer to manage the flow model and a staff technician to manage the administrative duties.

Mr. Fowler reported Public Works had received a clean bill of health in 2002 from the Department of Environmental Quality. Public Works was caught off guard when it received the DEQ Consent Order and its expensive requirements.

Vice Mayor requested that Mr. Fowler explain the clean bill of health in relationship to the DEQ project.

Mr. Fowler stated in 2002 the State came to the City of Newport News and indicated they wanted to conduct an inspection. The State noted they were going to cover every record the City owned, and in the end were going to come up with some type of determination about what type of organization the City was. When the State left the City in 2002, they praised the City for their efforts and organization, and noted there would be no Consent Order. From Newport News, the State went to Hampton and Norfolk, who both received Consent Orders. Six years later, Newport News was involved in the matter.

City Manager Hildebrandt inquired whether it was fair to say that the Environmental Protection Agency's involvement had forced the Department of Environmental Quality to deal with the matter as a region rather than separately. Mr. Fowler replied yes.

City Manager Hildebrandt stated the City got brought into being part of the regional problem, even though the City was doing enough to avoid the problem in the past.

Vice Mayor Allen inquired whether the clean bill of health was related to an administrative clean bill of health or whether it was related to how the City managed its sewer system. Mr. Fowler replied it was related to both, administrative and management.

Vice Mayor Allen inquired whether the City expected a significant impact, in terms of the Consent Order from the City's original clean bill of health, and why. Mr. Fowler replied the City had already seen an impact of \$7.5 million, just in consulting fees, which were requirements under the Consent Order that every jurisdiction had to fulfill before performing the other matters that were assigned, i.e. modeling.

Vice Mayor Allen stated whenever you saw a bump like that it meant an interested group had lobbied Congress or a department created an issue in which they could get paid fees. He inquired how the City would manage that process to ensure those groups were not impacting the City. Already, they were going to collect \$7 million worth of consulting fees and the City had not spent a dime on system's corrections. He inquired how the City would manage consultants to ensure that the City was not paying exaggerated fee. The consultant always budgeted on the side that protected them rather than the side that protected the City's money. Mr. Fowler replied through intense scrutiny, and noted, part of the process of developing technical specifications would do that. The technical specks would lock the consultant into working only one way. The region would work together to ensure protection.

Mr. Fowler reported Public Works recommended a 26% reduction in the level of residential street reconstruction in FY 2009, which amounted to a total reduction of \$1.7 million. He stated the reduction was targeted to affect only residential street reconstruction and maintenance, and included street reconstruction and paving as well as street milling and overlays.

Councilwoman McMillan inquired about the priorities Public Works would institute for residential streets that had been waiting to be paved for a number of years. Mr. Fowler replied it was difficult to prioritize, but noted they would go by the PCI (Pavement Condition Index) curve and pave the streets that were closer to outliving their pavement life.

Councilwoman Scott inquired whether Mr. Fowler had a list of streets that were scheduled for reconstruction and paving. Mr. Fowler replied Public Works had a list of streets that were scheduled for maintenance, and noted the list was posted on their web-site. He indicated he would provide the information to City Council.

Mr. Fowler reported Public Works received a CDBG grant of \$10,000 to install 155 square yards of sidewalk in the Southeast community and planned to reconstruct 5.5 miles of arterial/collector streets and reconstruct 4.8 miles of residential streets.

5) Waterworks

Mr. Brian Ramaley, Director, Department of Public Utilities, noted the FY 2008 year-end projections for the Department of Public Utilities. He expected revenues to come in over budgeted projections, due to the fact that sales were on target. He stated expenditures were under budgeted, due to the hiring freeze that was projected through June 30, 2008. For FY 2008, Waterworks expected to have favorable budget operations.

Mr. Ramaley explained the allocation of Cash reserve projections for FY 2008, which noted where the reserves stood in FY 2007, where they were projected to stand at the end of FY 2008 and how Waterworks intended to apply the \$2.5 million favorable operation from FY 2008. Waterworks broke their reserves up into three different general categories as laid out in the Master Bond Resolution and the way the financial consultant looked at it: 1) Revenue Funds; Renewal and Replacement Funds; and Rate/Demand Funds. Total reserves at the end of FY 2008 were projected to total \$23 million. Waterworks hoped to reach \$28 million in FY 2010.

Mr. Ramaley reported the total FY 2009 Operating Budget for the Department of Public Utilities was \$81.7 million, an increase of 2.9% over FY 2008. He noted three areas of the budget were responsible for the 2.9% increase: 1) Personnel Costs – \$1,068,834; 2) Capital Equipment/Improvements – \$730,708; and Debt Service - \$794,024).

Mr. Ramaley reported the fee and action proposal for FY 2009 included: 1) Water Rate – effective July 1, 2008 (no increase proposed for the Low Usage Lifeline Water Rates). All other consumption increased from \$2.92 to \$3.04/hcf.; 2) Summer Consumption Rate (SCR) increased proportionately effective July 1, 2008 from \$0.59 to \$0.61/HCF; 3) System Development Fees (SDF) increased 8% by an Ordinance previously enacted.

6) Police

Chief James Fox, Newport News Police Department, reported the Newport News Police Department had made progress in the following areas: 1) crime; 2) improved relationship with community; 3) added special units; 4) utilized special overtime; 5) continued to attract quality people; and 6) continued to examine its department for reorganization.

Chief Fox noted the cost of progress to Newport New Police department included: 1) impact on personal lives of officers; 2) not enough people to handle workload; 3) working on overload; 4) long-range impact on personal lives; 5) negative impact on morale; 6) ongoing changes to meet organization needs; 7) officers taken from patrol for investigations; and 8) units formed as problems emerged (Crime Response Team; Gangs; and Violent Crime Task Force.)

Chief Fox reported violent offense hotspots had grown in Newport News from 2006. He described a one week snapshot of violent crime in Newport News that included one homicide, four suicides, one overdose death, five aggravate assaults, five robberies, one sexual assault, and 30 plus officers called out in a tactical situation. He had six people assigned to investigate deaths and they had to look at every suicide as if it were or could be a homicide.

The immediate concerns of the Police Department were youth crime, gun violence, drugs, growth in the City, and traffic. He stated, as development grew, the Police

Department was going to need help. In FY 2007 he requested 30 positions and received 14, in FY 2008 he requested 31 positions and received none, and in FY 2009 he requested 21 positions and received two positions. Growth in the City over the next several years would require the Police Department to hire more personnel (10 officers a year; 3 support positions a year; and two dispatchers a year). If asked about his present need, he needed 12 patrol officers, 6 homicide officers, two officers to the robbery unit, and three officers for the special victims units. The City also needed a Cyber Crime Unit to prevent crimes against persons in the financial community. The Police Department also needed two School Resource Officers.

Chief Fox stated the Police Department was going to work harder at reducing Crime, but indicated crime continued to grow. He stated crime would eventually decrease as the community, City departments, and the Police Department worked together.

Councilman Whitaker stated he met with a group of ministers in the Southeast community to discuss a youth snitching program. The group planned to visit various churches, in the Southeast Community, during Sunday services, to emphasize what snitching meant to the Police Department and how to report an incident to the Police Department. A program was planned for April 13, 2008.

Mayor Frank inquired about the cost to hire, equip and recruit a new officer for the Police Department. Chief Fox replied 20 Police Officers would cost \$2.3 million. Also, when he received funding for police officers he needed funding for equipment, i.e. police vehicles, which cost \$600,000.

Mayor Frank inquired whether the \$2.3 million included funding for equipment. Chief Fox replied the \$2.3 million included the cost to hire a police officer and equipment.

Councilwoman Scott inquired about the percentage of officers who participated in the take-home car program. Chief Fox replied he would provide the percentage of officers participating in the take-home car program at a later date.

Councilwoman McMillan inquired whether take-home cars were limited to one per household for a married couple. Chief Fox replied no, due to different assignments.

Councilwoman McMillan inquired whether bicycle patrols had ceased or whether they were only used during summer months. Chief Fox replied bicycle patrol had not ceased and were used year round. There were 65 bicycles throughout the City that were used in hotspots. Bicycle patrol was used extensively during the Christmas holiday around the mall.

Councilwoman Scott inquired whether additional funds were being allocated for programs in the northern end of the City since there was a new crime wave headed that way. Chief Fox replied the Police Department had a meeting regarding crime each Wednesday afternoon, noting everything happening in the City. If a particular precinct was having an issue, he would move personnel from one precinct to another to deal with that issue, i.e. from the Central and South precinct to the North precinct. Chief Fox stated crime affected the entire City.

7) Human Resources

Ms. Caroline Hurt, Director, Human Resources, stated the goal of the City was to position itself as an employer of choice with competitive salaries, benefits and programs to ensure a competent, skilled and motivated workforce, now and in the future. Human Resources focus included: 1) attracting a qualified workforce; 2) developing competency and leadership capacity; 3) providing encouragement and incentives to increase motivation; 4) recognizing and rewarding employees for innovation and problem solving; and 5) retention of employees.

Ms. Hurt reported there were 2,728 budgeted City General Fund positions. She stated the City's turnover rate for the past two years had fluctuated between six to eight percent, which was higher than it had been previously. The number of regular positions filled in 2007 was 685, with 455 hired from the outside. There were 421 employees eligible to retire. The recent number of annual retirees totaled 90 to 100. The average age of employees was 43 to 45. The average tenure of employees was just under ten years. The City had a young workforce and motivation was a factor the City had to consider. She felt it was going to be more difficult to attract employees, over the coming years, due to a shrinking population.

Ms. Hurt stated Human Resources' initiatives to work with employee recruitment needs included: 1) workforce planning; 2) school initiatives; 3) leadership development, and supervisory training; 4) use of technology; and 5) recognition programs.

Ms. Hurt reported the City monitored compensation constantly by surveying the field. Human Resources considered total compensation and the value of benefits. She stated the proposed FY 2009 compensation plan was designed to maintain current compensation and recognize employees to the maximum extent possible. The features of the compensation plan included: 1) increasing salary ranges by 2%; 2) employees would be eligible for salary increases averaging 3%; 3) effective January 1, 2009, eligible employees in the first quartile would be eligible for an additional increase of 2% and 4) increasing paramedic supplements for Fire department employees from \$2,400 to \$4,000.

Councilwoman Scott inquired about which department experienced the greatest turnover rate. Ms. Hurt replied the City experienced the most turnover in administrative positions and hourly skilled workers across the City.

Councilwoman McMillan inquired whether any studies had been done about the proposed retirement benefit changes and how it would affect the retirement rating. Ms. Hurt replied the proposed changes should not affect the retirement rate. City Manager Hildebrandt stated the proposed retirement changes were structured so not to provide an incentive for an employee to retire earlier.

City Manager Hildebrandt congratulated Ms. Hurt on her planned retirement from the City effective August 1, 2008. He thanked her for her tireless effort and outstanding service to the City. City Council concurred and congratulated Ms. Hurt on her planned retirement from the City.

8) Finance

Ms. LaVerne Lovett, Director, Department of Finance, stated the two most challenging issues facing employers nationwide were healthcare and pension.

Ms. Lovett reported, for FY 2009 the City projected a 5% increase to the City's premium for healthcare insurance, compared to 2% in FY 2008. She stated employees enrolled in the family plan would pay an additional \$12 per month. She pointed out the national trend was a 10 to 12% percent increase per year. The City was under the trend, but had experienced steady increases in healthcare costs for the past seven years. Since 1998, rates had increased by 117.5%.

Mayor Frank inquired whether there was a distinction made between a husband and wife healthcare insurance premium when no children were included in the family plan. He inquired whether there was any basis for negotiating with Anthem to have a differentiation made between family coverage and spouse coverage. Ms. Lovett stated she would look into the matter. Overall, the cost for dependents, under 21 years of age, was not as expensive as the cost for a spouse.

Ms. Lovett reported the cost of family healthcare insurance for FY 2009 totaled \$978 per month, which equaled \$11,700 per year versus \$5,400 per year in 1998. She stated the City was concerned about the increased cost of healthcare, and felt it needed to tackle the issue. For the FY 2009 Operating Budget, the City budgeted \$14.5 million for healthcare, which represented 75% of the total cost of the plan.

Mayor Frank inquired about savings if the employee contribution was raised by \$20 per month for family coverage rather than \$12 per month. Ms. Lovett replied she would research the matter and report back to City Council.

Ms. Lovett stated containment strategies to reduce healthcare costs included: 1) wellness programs; 2) encouraging use of generic drugs; 3) developing premium sharing alterna-

tives; and 4) offering a less expensive plan to meet individual needs of employees who did not have a high level of medical needs. She stated the City hired a benefits consultant, with industry knowledge, to help the City through the process of tackling the escalating cost of healthcare insurance.

Councilwoman Scott inquired whether a safety net would be included in a less expensive healthcare plan for employees who did not have a high level of medical needs, should their health deteriorate, as related to the above containment strategies noted by Ms. Lovett. Ms. Lovett replied an employee would only be eligible to change plans once per year.

Mayor Frank noted various healthcare policies offered discounts to non-smokers and non-drinkers. He inquired whether such discounts were offered by Anthem. Ms. Lovett replied there were no discounts offered for non-smokers or non-drinkers under the City's healthcare plan with Anthem.

Mayor Frank inquired whether the City could consider giving a cost reduction benefit to healthier employees who did not use as much of their healthcare benefits, i.e. a premium rebate. He felt some employees abused their healthcare benefits. City Manager Hildebrandt replied the way to address that was to increase the co-pay so that employees did not go to the doctor unless they absolutely had to. Ms. Lovett replied Finance would research some of the noted ideas.

Ms. Lovett reported FY 2009 marked the third year of the City's plan to increase the composite contribution rate to meet the normal cost rate of the Pension Fund. She stated the rate for FY 2009 increased to 5.8%, which equated to a contribution of \$18.6 million. Ms. Lovett stated the \$18.6 million helped, but the Actuary had recommended \$39 million for FY 2009.

Ms. Lovett reported strategies to address the City's unfunded liabilities included increasing the contribution level and modifying pension benefits. In FY 2009, the City completed its three year plan to increase the contribution rate to normal cost (approximately 6% of payroll). She stated part of the recommendations that went to the employees and the Retirement Board included a contribution target plan, which was spread out over six years and would address the funding to get to 100% of the required or recommended rate. City Manager Hildebrandt stated it would take \$2 to \$2.5 million per year, for the next six years, to get to 100%.

Ms. Lovett noted revisions to the City's retirement plan were being studied by the Retirement Review Commission. She stated the proposed revisions had been forwarded to all City employees for their review and comments.

Mayor Frank inquired about the timeline for bringing the proposal to City Council. City Manager Hildebrandt replied before the end of June 2008.

Ms. Lovett reported Post-Retirement Health provided benefits in three areas: 1) Health Insurance; 2) Dental; and 3) Life Insurance benefits. The City proposed a contribution of \$11.7 million for Post-Retirement Health in FY 2009, which was an increase of \$2.6 million over FY 2008. The projected expenses for FY 2009 totaled \$15.5 million. She stated the \$15.5 million had been reduced by \$1 million due to the proposed changes to the City's life insurance benefit. The Actuary recommended \$30 million to the Post-Retirement Health. Ms. Lovett reported the City's expenses increased 135% from 2001 – 2007, due to rising healthcare costs for retirees. City Manager Hildebrandt noted the increase was also due to the fact that 100 retirees were being added per year and people were living longer.

Ms. Lovett stated the proposed strategies for stabilizing the Post-Retirement Health by \$1 million for FY 2009 included decreasing life insurance coverage to \$10,000 per employee. Currently, a retiree received one-half of their salary in life insurance, which was reduced by 20% per year, down to \$10,000. She noted there were retirees who had been grandfathered so they would not experience a reduction in their life insurance. The City paid 100% of the life insurance premiums for retirees. Life insurance premiums for retirees were considerably higher than for active employees. The cost of life insurance for an active employee was \$.37 per 1,000 face value insurance and \$3 - \$4 per 1,000 for a retiree. In 2010, the City hoped to offer a lump-sum death benefit of \$10,000 instead of the \$10,000 life insurance benefit. Currently, the death benefit was \$3,300. In addition, the \$10,000 death benefit would be paid from the Pension fund, which had more assets, rather than the Post-Retirement Health Fund.

Councilwoman Scott inquired about the number of employees who were grandfathered to receive one-half of their salary in life insurance. Ms. Lovett estimated the total of grandfathered employees was 800.

City Manager Hildebrandt stated the City was paying \$600,000 per year for life insurance for active employees and \$1.7 million for life insurance for retirees, which was a significant difference.

Mayor Frank inquired about the number of retirees who died in a given year. Ms. Lovett stated she would provide City Council with the number of retirees who died in a given year.

Ms. Lovett stated long-term strategies for reducing expenses in Post-Retirement Health included studying eligibility based on years of service, premium sharing, and plan coverage.

9. Reserve Funds

City Manager Hildebrandt reported when the FY 2007 accounting books were closed, \$25,510,200 of the General Fund balance (primarily accumulated from prior year operating surpluses, FY 2006 and FY 2007) was designated for specific projects. He stated the City also had \$30 million that was in an undesignated emergency cash flow fund. In July 2007, \$7,000,000 of that amount was appropriated to supplement current fiscal year debt service and cash capital expenditures. Since that time, an additional \$7,130,000 had been appropriated for nine projects, the largest of which were the Sanitary Sewer Consent Study (\$3,400,000), Rouse Tower Renovations (\$1,200,000), Fire Station No. 11 (\$600,000), Citywide Special Events (\$550,000) and City Hall/CSB Building Renovations (\$500,000). Of the remaining \$11,328,200, he recommending that appropriations be approved for the following projects: 1) Fire Apparatus - \$1,020,000; 2) Software and Hardware (IT Fund) - \$1,200,000; 3) Refuse Trucks - \$575,000; 4) Real Estate Mass Appraisal System - \$2,300,000; 5) Southeast Waterfront Fund - \$1,000,000; 6) Security Cameras - \$500,000; and 7) Local Match for Middle Ground Boulevard - \$1,00,000. Total additional projects totaled \$7,595,000, which amounted to an unappropriated and uncommitted balance of \$3,785,200.

Councilwoman McMillan inquired whether the \$1 million proposed for the Southeast Waterfront Fund would include the hiring of additional police and whether the \$1 million would be a continuing expense. She recalled the City did not want to use reserve funds on continuing expenses. City Manager Hildebrandt replied that was the downside of the appropriation. The City was going to have to make commitments in FY 2010 to begin to add police officers into the budget, as noted by Chief Fox. This had to be looked at and funded in FY 2010. This was the only way he found an opportunity to do this without cutting another \$1 million from the operating budget. City Manager Hildebrandt felt it was important that activity be started in the Southeast community, along the Waterfront, if the City wanted to make the area attractive for a redevelopment project.

Mayor Frank accepted the premise of the need to do certain projects in the Southeast community in preparation of development, but had a difficult time using one-time funding for salaries and new hires. City Council always tried to stay away from using one-time funding for salaries and new hires. He understood it was a difficult budget year, and this may be the only way it could be done. He preferred to do one time things with one time money.

City Manager Hildebrandt proposed \$600,000 for take-home cars for the Police Department. He felt that was a legitimate one-time expense, although, each year the Police Department would need more take home cars. He felt that was \$600,000 well spent and recommended that it be included in the FY 2008 appropriations.

Councilman Bateman inquired whether the City Manager had considered outsourcing the maintenance and repair of vehicles. City Manager Hildebrandt replied that had been studied in the mid-1980s. It was concluded that the City could do a better job.

Councilman Bateman inquired about a purchasing consortium for vehicle parts. City Manager Hildebrandt replied the City was involved in a purchasing consortium for vehicle parts. He stated the City was also working with the schools to do joint purchasing of parts.

City Manager reported, of the unappropriated and uncommitted balance of \$3,785,200, the City would add whatever would be realized in reserves for FY 2008. The anticipated projection in the mid-year review was a small surplus of approximately \$5 to \$6 million. He felt most of the surplus should go to increasing the City's undesignated fund balance from 9.4% to 10%, so that the City could get that up to a level that was more comparable with other double A rating communities.

City Manager asked that City Council agree to appropriate the funding from reserves along with the operating budget at the same time, which allowed him to make commitments and encumber funds before it became an expense in FY 2009.

Councilwoman McMillan inquired whether the City had been notified about a grant award for Middle Ground Boulevard. City Manager Hildebrandt replied the City had not been notified. He stated the appropriation for Middle Ground Boulevard would be held until after July 1, 2008.

THERE BEING NO FURTHER BUSINESS,
ON MOTION, COUNCIL ADJOURNED AT 4:28 P.M.

Jennifer D. Walker, CMC
Chief Deputy City Clerk

Joe S. Frank
Mayor
Presiding Officer

A true copy, teste:

City Clerk