

# CITY OF NEWPORT NEWS

## Office of the City Manager

March 27, 2007

**TO:** The Honorable City Council

**FROM:** City Manager

**SUBJECT:** Proposed Budget for Fiscal Year 2007-2008

I am pleased to transmit for your consideration my recommended Operating Budget for the City's fiscal year that begins July 1, 2007 and ends June 30, 2008 (FY08). This recommended budget maintains the effort that we began in FY07 to ensure that the City's organizational infrastructure funding requirements continue to be addressed while taking a significant step toward alleviating the rising real estate tax burden caused by climbing single-family housing values. The proposed budget also provides a substantial increase of \$7.4 million in the City's support for public education; a funding commitment which is necessitated by the minimal increase in State Aid to schools provided by the General Assembly for the next fiscal year. I believe that my recommended Operating Budget is a balanced financial plan that responds appropriately to the spending requirements of local government while providing a \$0.06 reduction in the real estate tax rate. This recommendation drops the rate for the third consecutive fiscal year and brings the cumulative reduction to \$0.13 since FY05.

A \$0.06 reduction in the real estate tax rate for FY08 represents a major curtailment in revenue growth. While this recommended drop in the tax rate to \$1.14 may be less than what some taxpayers would like, it decreases General Fund revenues by \$8.3 million in FY08 and even more in future years. In developing its financial plan, the City must be careful to avoid creating a structural deficit that can only be offset by cutting services or increasing the tax rate in subsequent years. While there are always opportunities for spending and revenue adjustments in any Operating Budget of this size, I believe my recommendation provides a fundamentally sound financial plan for meeting current obligations and for placing our City government in a solid financial posture not only next year, but into the future.

My recommended \$418 million General Fund budget was developed with the objective of assuring that the legitimate spending requirements of City

departments are properly funded; this meant adding monies in areas that have historically not kept up with the actual cost of providing services. However, given the need to provide tax relief to property owners because of reassessments, little could be done to improve the existing array of City services. Only a few new positions have been recommended, so that most of the monies available from new revenue can be directed to keeping employee compensation competitive and continuing to address long-term issues, such as insufficient funding for pension benefits, and for replacement of information technology equipment and vehicles. The proposed FY08 Operating Budget allocates about \$1.8 million from new revenue to implement the capital financing policy, whereby a portion of the Capital Improvements Plan will be funded with cash through appropriations from the annual Operating Budget. To phase in this new policy, \$3 million of the \$4.8 million required for CIP cash capital spending is coming from a one-time infusion of General Fund Reserves.

#### Retirement Fund

As has been discussed for the past 12 months, the City's pension fund in recent years has seen the Unfunded Actuarial Accrued Liability (UAAL) grow dramatically and the budget contribution fall short of the actuarial recommended rate. To reverse this trend, the adopted FY07 budget established a three-year funding plan to at least close the gap between the City's actual contributions and the amount required to fund the normal contribution rate, as established through annual actuarial studies. The FY08 Operating Budget includes monies to implement the second year of that plan which enables the City's contribution rate to increase from 4.05% of payroll to 5.0%. This will increase the amount budgeted for contributions to the retirement fund by \$3.2 million next year, with \$2.1 million coming from the City's General Fund and \$1.1 million from the School's Operating Budget. This interim plan, while a positive and prudent first step to resolve the pension system's unfunded status, still leaves us \$22.8 million short of what the most recent actuarial study recommends to be contributed annually to keep the plan on a sound financial basis over the long term.

#### School Funding

Funding for public education is the most significant single expenditure category in the annual Operating Budget. In FY08, I am proposing to use \$7.4 million to increase school funding; this brings the City's total contribution to \$112 million and represents a 7.0% increase over the FY07 funding level. In early conversations with the Interim School Superintendent, I indicated that my goal would be to provide an additional \$6.6 million in FY08. The School Board has sought an additional \$1 million for teacher salaries, to allow for teacher raises of 5% instead of 4%. I am proposing to meet this request with \$730,000 from new

revenue and to earmark another \$270,000 from reserves to be appropriated after July 1. Newport News Public Schools was notified in the fall of 2006 that they would receive \$270,000 in State revenue not previously anticipated. Rather than increasing the FY07 School Budget by this amount, I recommend reducing the City's contribution by \$270,000 and carrying this money over to FY08. This \$270,000 plus the \$730,000 from new revenues, enables the Newport News School Division to meet its objective of making teacher salaries more competitive by providing a 5% salary increase in FY08. The School Division's proposed budget cuts positions by 45 to reflect declining enrollment rates and commits these savings and most of their new funding to support compensation and benefit cost increases.

#### Capital Financing

The City has been pursuing a fairly aggressive Capital Improvements Plan in recent years, including major initiatives such as building a new Police Headquarters, the renovation of the Downing Gross building to serve as a Cultural Arts Center, construction of a new Doris Miller Aquatics Center and improvements to Thimble Shoals Boulevard. With these CIP projects and the public investments made in City Center, the City was facing a large \$10 million increase in debt service obligations beginning in FY08. This very large increase in debt service for FY08 would have severely impacted upon our ability to meet other Operating Budget spending needs. In an effort to smooth out this fluctuation and make our debt service more affordable, two significant steps have been taken. The first was to earmark in this recommended budget \$4.0 million in reserves to be applied to debt service. The second step was accomplished in the recent sale of \$40 million bonds, which was structured so that no principle would have to be paid in FY08. These actions reduced the debt service increase to be funded from new revenue to about \$4 million, instead of \$10 million.

Additionally, as agreed by City Council, \$3.0 million in reserves will be used for cash capital projects as outlined in the CIP. The allocation of this \$7.0 million in General Fund reserves was the key to keeping the combined impact of increased debt service and cash capital spending at an affordable level in FY08. This level of General Fund reserves will not be available again for FY09, so the City will be faced with funding a \$5.9 million increase in capital spending in FY09.

#### Employee Compensation

Addressing employee compensation is one of my highest priorities and this cost continues to represent a major part of the increase in the City's Operating Budget

for the next fiscal year. Over the last several years, the local labor market has experienced a considerable rise in compensation levels, and competition is great among employers for highly-skilled workers. With this in mind, it is essential that the City provide a comprehensive compensation package that will attract, retain and motivate a quality workforce.

To achieve this, my recommended budget for employee compensation in FY08 calls for using \$6.4 million of new revenues for this purpose. Of this amount, approximately \$5.3 million is for salaries and \$1.1 million for associated benefit costs which come with higher salaries, i.e. FICA and pension contributions. This package is equivalent to an average 4% salary increase for all City employees, and this is to be accomplished with a combination of a merit and general wage adjustment. This compensation package is consistent with what other Hampton Roads localities are proposing and, therefore, keeps us competitive in the local labor market. Also important is that the compensation package supports the philosophy of recognizing and rewarding City employees for their job performance.

#### Real Estate Assessments

As of the end of February 2007, approximately 70% of the reassessments have been completed and a total valuation increase of \$1.5 billion or 12.3% above the FY07 base is forecasted. Residential property assessments are expected to increase by 16.9%, which is down slightly from the 21.15% increase in FY07. Recognizing that residential property owners will again bear the greatest burden of this increase in assessments, I am recommending a \$0.06 reduction in the real estate tax rate for FY08. By lowering the rate from \$1.20 to \$1.14, the overall revenue increase from real estate tax due to reassessments will be less than 8% in FY08. However, single-family homeowners, on average, will still experience about an 11% increase in their tax bills.

The revenues generated from the increase in valuation based on the proposed tax rate are expected to be \$9.95 million. This revenue increase from real estate taxes represents 3.5% of the General Fund revenue growth for the next fiscal year.

#### Fees and New Revenue Growth

Because of the burden of rising residential property tax, I have attempted to keep most user fees either at their current levels where possible and to propose only modest increases where necessary. The Real Estate Tax revenue continues to be our single most important source of revenue, providing the City over 37% of its total FY08 General Fund monies. To maximize the reduction in the real estate

tax rate, all other General Fund revenue has been estimated at levels that are pushing the limit of what the City reasonably can expect to receive.

On the State revenue side, there is considerable concern about the new Telecommunications Tax, which went into effect January 1, 2007. This tax replaces five locally-administered taxes and was intended to be revenue neutral for localities. However, local officials across the state have worried that collections may fall significantly short of the State's original estimates. Our telecommunications tax projections for this budget had to be made before the first monthly payments were received under the new State collection program. My recommended Budget estimates \$12.0 million from this source compared to the \$12.6 million received in FY06 for the comparable local taxes. Based upon the most recent financial data, the FY08 estimate may be too optimistic.

To keep building permits and associated fee revenues at a level commensurate with the cost of providing building inspection services, I am recommending that these fees be increased by an average of 10%. These fees have not been adjusted since FY00.

Meanwhile, increases in the stormwater fees, sewer user fees, and water rates can not be avoided. While water rates will increase 5% for most customers, the implementation of the new Waterworks billing system this spring makes it possible to introduce a new Life Line water rate. Under this new rate structure, customers using a minimum amount of water will experience no rate increase. The cumulative effect of these minimal or maintenance level fee increases will be an added expense for the average homeowner of about \$38 a year. For the second consecutive year, no adjustment was required for the Solid Waste fee, which covers the cost of the City's recycling program and its garbage collection and disposal services.

#### Jail Operations

Another critical funding area that had to be addressed through the FY08 budget is the costs associated with corrections, including the Sheriff's Office, the City Jail, and the Hampton Roads Regional Jail. As you are aware, we have been experiencing severe overcrowding in the City Jail for some time. This has led to higher operational costs and safety concerns. My recommended budget includes an additional \$445,000 to fund expenses related to inmate care and high population levels such as professional health services, medical supplies, food supplies and utilities. When combined with \$500,000 added to these line items in the FY07 budget, the Sheriff's Department's appropriation for operational expenses will be almost \$1 million higher in FY08 than in FY06. As you may

recall, this department finished FY06 with a \$760,000 deficit and an \$820,000 deficit has been forecast for the current fiscal year.

To resolve the immediate jail overcrowding, the City is pursuing a capital project to convert the former Juvenile Secure Detention facility to an annex to be operated by the Sheriff's Department. This \$3 million project will provide 93 additional beds when completed around the beginning of FY09. Once again, the FY08 budget provides for the payment of additional beds at the Regional Jail beyond the City's basic 200-bed allotment; the monies to purchase 40 additional beds are included for next year. This brings our total budgeted expense for the Regional Jail to \$3.1 million.

#### New Positions

A total of 120 positions were requested for FY08 from General Fund operating departments. With the revenue available in FY08 after reducing the property tax rate by \$0.06, I was able to fund only 18 new positions or less than 10% of the number requested. These additional positions represent less than a 1% increase in the number of full-time positions for the City. Most of the new positions recommended help departments meet current service delivery expectations. These include the six (6) Sheriff deputies and one (1) position each for Purchasing, Libraries, Engineering, Codes, Planning, Real Estate Assessor, Treasurer and Adult Corrections. Four (4) of the new positions reflect the expansion of programming at the Downing Gross Cultural Arts Center, which has been under renovation for the past several years and will be completed during FY08.

#### Information Technology

The City historically has not budgeted for the on-going replacement of Information Technology (IT) equipment. In conjunction with the FY07 budget, City Council created an IT Investment Fund to receive and expend \$315,000 from the General Fund for routine replacement of computers, printers and servers, and to earmark \$400,000 to acquire a permitting software system, for a total of \$715,000. I am proposing to increase this annual funding by \$800,000, bringing the funding level to \$1.5 million for FY08. This is still well short of the estimated \$2.0 million needed annually for the on-going replacement of IT equipment as it wears out or becomes technologically obsolete.

A year ago, four IT software systems were identified as highest priorities for replacement: Permitting, the Police and Jail Records Management System (RMS), Enterprise Resource Planning (ERP), and Taxation. Of these four, only the \$400,000 for the permitting system could be included in the FY07 Operating

Budget. Another \$10 million, however, was earmarked from General Fund reserves at the end of FY06 to replace the remaining obsolete Cobol/XE mainframe systems. This \$10 million will pay for the \$4 million RMS project and leave another \$6.0 million available to at least address the implementation of an ERP system. At this point, only the taxation system remains largely unfunded. Hopefully, sufficient reserves will be available from the FY07 surplus to enable the taxation system to proceed. We have been working diligently to establish a collaborative partnership with other localities that might be willing to share in the cost of both the ERP and the taxation systems. To date, we have not identified any viable partners to share in the cost of developing these two major Cobol/XE systems.

#### Vehicle Replacement

Until the current fiscal year, the City has depended on prior year surpluses to meet funding requirements for the routine replacement of its fleet. Restoring the practice of budgeting for vehicle replacement and allocating to each department its proportionate share of vehicle replacement expenses was a priority in the FY07 budget development process and this practice is continued in FY08. For next fiscal year, I am recommending \$2.9 million for the vehicle replacement program, with \$2.0 million coming from the General Fund, an increase of \$300,000. These monies, along with the proceeds from the sale of surplus vehicles, will bring the City much closer to the goal of annually budgeting \$3.5 million for vehicle replacement.

#### Downing Gross Cultural Arts Center

The Downing Gross Cultural Arts Center is the one area where the City is expanding services in FY08. This \$11 million, 50,000-square-foot facility will open in FY08, requiring additional staffing and operational funding. The facility has been operating with only two full-time staff. The completion of this three-story complex including a theater, visual and performing arts classrooms, a banquet hall/kitchen and a museum will necessitate both additional staff and the budgeting of monies for programming, operations and maintenance. To address these new operational requirements, I am recommending an additional \$654,684 be included for this facility in FY08. Funding at this level will provide staffing to include four (4) additional full-time employees to oversee the theater/performing arts, museum and exhibits, visual arts and advertising and marketing. Monies are also included to contract with an individual with expertise in identifying and soliciting sponsorships or donations to support new programming and build out of exhibit spaces.

### Community Support

My recommended funding for the Community Support Budget is \$7.8 million; this is \$169,000 or 2.2% more than in the FY07 Budget. I am recommending holding agency increases to no more than 10% over the FY07 level. These recommended increases, however, apply only to those community agencies that have requested additional funding and which offer direct benefits to Newport News citizens.

Additionally, I am recommending new funding for one agency, LINK of Hampton Roads, Inc., in the amount of \$48,000. This funding will support part-time staff and security associated with the PORT winter shelter, which is a part of LINK's Emergency Services Program (ESP). ESP provides food, clothing, household items, medical care, housing and shelter assistance to citizens who are in need. Once again, I have included a \$100,000 contingency in the FY08 budget for new or enhanced funding of community support agencies. When discounting the \$580,011 required to support HRT with no service enhancements, the Community Support funding recommended for all of the other agencies is \$411,183 less than in FY07.

### Conclusion

The development of this budget has been challenging in that substantial increases were needed in funding in critical areas of the budget, especially public school funding, the retirement fund, cash capital financing, and employee compensation. These needs had to be balanced against the requirement to provide citizens relief from the growth in real estate taxes. Many of the funding decisions to be made in this Operating Budget have profound long-term implications for City government.

My financial strategy, as you will see through our discussions during the upcoming budget work sessions, is to avoid creating on-going structural deficits by cutting the tax rate too deeply. Property tax revenues, because of their importance to the overall budget, must be kept at a level that can be reasonably sustained. So that quality of service delivery to the citizens of Newport News will not be compromised in FY08 and beyond, I emphasized increasing appropriations where they have been historically under-budgeted. Furthermore, for the first time, almost \$1 million in attrition savings has been built into the FY08 budget. As a consequence of this and the aggressive revenue estimates which have been included in my FY08 Budget recommendation, careful monitoring of revenues such as the Telecommunications Tax and expenditures will be necessary to assure at least a modest year end again next fiscal year.



The Honorable City Council  
Page 9  
Proposed Budget for Fiscal Year 2007-2008

I trust that you will again find the series of budget position papers that are being furnished along with this transmittal helpful in understanding the key issues that are driving the overall budget. This information was designed to assist Council in making its decisions about spending and revenue levels. The adoption of the Operating Budget for FY08 is important in that it establishes a funding strategy for the City to move forward and represents a financial plan upon which the City's financial posture will be evaluated by the credit agencies, as we issue the bonds needed to implement the FY08-12 CIP.

In closing, I want to acknowledge the outstanding work of the staff in the Office of Budget and Evaluation, under the leadership of my new Budget Director, Gregg Jones. My Executive Team has also worked diligently in producing an Operating Budget which is responsive to our organizational and community needs and that I am proud to present for your consideration.

  
\_\_\_\_\_  
Randy W. Hildebrandt

# **Fiscal Year 2008 Budget Position Papers**

## **INDEX**

- 1. Real Estate Assessments**
- 2. Capital Financing**
- 3. Schools Funding**
- 4. Retirement Contributions**
- 5. Compensation Plan**
- 6. Fee Adjustments**
- 7. New Positions**
- 8. City Jail Operating Costs**
- 9. HRT Support**
- 10. Police Department**
- 11. Parks, Recreation & Tourism**
- 12. Community Support Funding**
- 13. Codes Compliance**
- 14. Planning**
- 15. Libraries & Information Services**
- 16. Public Works - Stormwater**
- 17. Public Works - Wastewater**

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## REAL ESTATE ASSESSMENT

### Issues

The Virginia State Code requires localities to periodically revalue all real estate property within their boundaries for purposes of taxation. While localities are given options on reassessment frequency, the Newport News City Code requires annual reassessments. The City Assessor determines changes in values that have occurred from the prior year to the current year, which serve as a basis for levying taxes for the subsequent year.

In the performance of the revaluation process, the City Assessor conducts external inspections for single-family property, verifies sales and analyzes the market data to determine the new assessed values on every parcel of property in the City. Notices of changes in values are mailed at the completion of the reassessment process which this year will be in late April. A period is required to meet with property owners regarding their questions and concerns about the new valuations, and to revise them where there is justification for it. Records are maintained on each parcel of property and information made available to the public as necessary or requested. For commercial and income-producing properties, data on occupancy rates, lease revenues and expenses are also calculated and analyzed.

Equity or fairness in the valuations of like properties determines the quality of the reassessment process. Similar properties require equal treatment in the maintenance and application of values. This equity or fairness is determined by the uniformity of values or assessments of properties having like characteristics and qualities located in the same area. The courts have ruled that if it is impractical to enforce both the standards of market value and uniformity, the latter is the preferred end to be attained.

In an effort to ensure the equity/uniformity of assessments, properties are grouped by property type and then by area. Once this is accomplished, sales within the same time frame are researched and verified. Sales which are considered to be arms-length transactions or valid indicators of market transactions are then analyzed to derive indications of value which can be applied to like properties. The sales are also analyzed to determine value indications for differences in characteristics such as age, quality, size and amenities. These indicators are then applied to all properties within the area to determine the assessments. As a final check in the process, the proposed assessments

are then compared to the valid sales within the areas to check and verify the accuracy and uniformity of values.

The City Assessor begins the reassessment of properties throughout the City in late August, with the requirement to complete the process by the following March, to produce the annual reassessment in time for the next year's tax levy. Appraisers review property sales in their areas of responsibilities, compare the sale to the current assessment, and verify and validate the sale information. They analyze the sales information for indications of values, apply the indications of values to other similar properties, and prepare reports and studies containing that information.

The City Assessor and Deputy Assessor review the information for accuracy and reliability, resolve questions and problems, and apply indicators of values to the appropriate properties in the area. Information is entered into the computer system, a final review is done and reassessment notices are generated, and mailed to the property owners.

Beyond the review of sales data, the reassessment process includes performing property transfers to maintain the City's assessment records. To accomplish this function, the Assessor refers to court records, including deeds, wills and plats, identifies the property, determines if all or only a portion of it is involved in the transfer and takes appropriate action to complete the transfer including any change in records as necessary.

Reassessment also involves the processing of quarterly building permits, determining the appropriate change in value due to the permit and the updating of records with physical description and corresponding change in value. It encompasses the collection of information on approved subdivision plats that have been filed and recorded in the courthouse for the creation of new tax parcels and the mapping of subdivision parcels to reflect changes in boundaries.

As you will note from the following ten-year history, real estate assessments rose modestly until 2004-05 with an average annual change of 2.5%. Over the prior three years, due to rapidly-rising housing prices in Hampton Roads and Newport News, the average annual increase jumped to 15.5%. Despite this very rapid rise in housing values and assessments in the past three years, the annual average over the ten-year period has been about 8.3%. Meanwhile, the values of non-single family properties which represent about one-third of the City's real estate tax base have increased at a steady, but less dramatic rate of 4.49% over this ten-year period. For all properties combined, the average annual rate on a cumulative basis has been 6.7%. The following table provides the trend in assessments over the past ten years:

**TEN YEAR REASSESSMENT PERCENTAGE CHANGE**

<u>Tax Year</u>	<u>Single Family</u>	<u>Non Resid.</u>	<u>Total Change</u>
1997/98	0.88%	0.62%	0.76%
1998/99	1.04%	2.64%	1.74%
1999/00	1.34%	1.50%	1.41%
2000/01	2.56%	1.92%	2.26%
2001/02	2.62%	3.17%	2.83%
2002/03	3.74%	2.97%	3.42%
2003/04	5.48%	4.57%	5.03%
2004/05	9.22%	4.78%	7.42%
2005/06	16.11%	7.29%	12.66%
2006/07	<u>21.15%</u>	<u>8.67%</u>	<u>16.49%</u>
Total Compounded Change	87.77 %	44.99%	67.40%

Reassessment Projection

By the end of February of 2007, about 70% of the reassessments have been completed and with approximately 77% of the reassessments value known for FY 2008. At this stage in the process, the projected valuation increase from reassessments is estimated to be \$1.5 billion or 12.3% above the FY 2007 base. The following provides the projection in a table format:

**REASSESSMENT PROJECTION FOR FY 2007/08**

	<u>7/1/2006 Assessment</u>	<u>7/1/2007 Assessment</u>	<u>Difference</u>	<u>Percent Change</u>
Total Levy	\$12,195,417,890	\$13,695,417,890	\$1,500,000,000	12.3%

The forecasted change for FY 2008 in assessments varies, of course, by property type with the growth in values for single-family properties again leading the way at 16.9%. The following Table provides the forecasted reassessment increases by the major property classifications:

## REASSESSMENT PROJECTION FOR FY 2007/08

	<u>7/1/2006</u> <u>Assessment</u>	<u>7/1/2007</u> <u>Assessment</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Apartment	\$1,227,840,200	\$1,289,232,210	\$61,392,010	5.00%
Commercial	2,042,995,355	2,165,575,076	122,579,721	6.00%
Industrial	1,075,058,235	1,107,309,982	32,251,747	3.00%
Multi-family	33,624,100	36,986,510	3,362,410	10.00%
Condominium	464,530,800	520,274,496	55,743,696	12.00%
Residential	7,258,039,300	8,484,647,942	1,226,608,642	16.90%
Trailer Court	35,032,100	35,732,742	700,642	2.00%
Lessee	58,297,800	55,658,932	(2,638,868)	(4.53%)
Total Levy	\$12,195,417,890	\$13,695,417,890	\$1,500,000,000	12.3%

### Summary

Compared to the average growth in real estate values over the past ten years, the FY 2008 reassessments, because of surge in housing prices in Newport News and the Hampton Roads area, will be over ten percent for the third consecutive year. Increases in housing values continue to surpass increases in all other categories of real estate in the City. Although the rise in single-family residential property values continues its upward trend, the annual increase declined from 21% in 2007 to 16.9% for 2008. The values for other classes of property continue to increase, but at a more moderate rate than for single-family residential properties. From tax year 1997/98 through 2003/04, the annualized increases for single-family residential and for all other property stayed within a percentage point of each other. However, due to the surge in housing prices since then, this variance grew to about 12% in the current tax year (2006/07) and will stay there in the upcoming tax year. It is expected that in FY 2009, single-family residential assessment increases will return to the pre-FY 2005 period and overall growth for all classes of property will drop back to the range of annual increases of 4% to 6%.

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## CAPITAL FINANCING

The FY 2008 Recommended Operating Budget contains two appropriations for the financing of capital improvement projects. One is the traditional payment of bonded indebtedness via the Debt Service Fund and the second is the use of operating revenue (cash capital) to finance certain projects without borrowing.

### Issue

When multi-year financial projections were developed last spring, it was forecast that FY 2008 debt service expenditures could jump as much as \$10 million. To both address the concerns raised by Moody's Investor Services in their June 2006 credit rating report and to avoid this large fluctuation in debt service payments, several financing alternatives were considered. The alternative preferred by City Council and that is incorporated into the FY 2008 Operating Budget planning involves the use of \$7.0 million in fund balance reserves to partially offset the combined impact of increased debt service and cash capital spending. To this end, reserves in the amount of \$4.0 million will be applied to reducing debt service expenditures and the remaining \$3.0 million will be directed to reducing cash capital requirements. The alternative also provided for a slight modification of the normal level principal payment amortization schedule for the new bond issue sold this month.

At the work session on March 13, 2007, City Council was briefed on the financial outlook for FY 2007 and for Fiscal Years 2008 & 2009. The City's commitment to reducing its debt burden (defined as the ratio of outstanding general obligation debt divided by full valuation) over the medium term was an important consideration of Moody's and Standard & Poor's recent reaffirmation of our Aa2/AA bond ratings. The table that follows demonstrates how the outstanding debt and debt burden is expected change through FY 2009 based on the adopted CIP for Fiscal Years 2008 - 2012 and sale of bonds authorized but unissued.

<u>FY</u>	<u>Outstanding Debt</u>	<u>Full Valuation</u>	<u>Debt Burden</u>
2007	\$516,100,000	\$13,714,163,000	3.8%
2008	\$516,200,000	\$14,811,296,000 (est.)	3.5%
2009	\$516,800,000	\$15,699,974,000 (est.)	3.3%

The City began FY 2007 with \$499 million in outstanding debt exclusive of capital leases and moral obligations. Additions to outstanding debt during FY 2007 total \$50.2 million. This increase is composed of the just issued general obligation bonds (\$40 million), the General Stanford Elementary School Literary Loan (\$7.1 million), and a Virginia Resources Authority (VRA) loan for sanitary sewer rehabilitation projects (\$3.1 million). Partially offsetting these additions are our scheduled redemptions of \$33.1 million. Projections for FY 2008 and 2009 include additions each year of \$38.5 million for the Capital Improvements Plan and VRA loans, and scheduled principal payments of \$39.3 million and \$37.9 million respectively, in FY 2008 and FY 2009.

The total recommended appropriation for the Debt Service Fund is \$61,949,525. This is an increase of \$8,004,474, or 14.8%, above the FY 2007 Debt Service Fund Budget of \$53,945,051. The revenue to the Debt Service Fund originates from two basic sources, payments from the General Fund and payments from other Funds. The General Fund's portion of debt service for FY 2008 is \$54,460,616, or 88%, and is composed of debt service for City projects in the amount of \$39,670,460, and debt service for School Division projects in the amount of \$14,790,156. Payments from funds other than the General Fund to the Debt Service Fund total \$7,488,909. Of that amount, \$6.95 million, or 93%, comes from transfers from the Wastewater and Stormwater Funds and the School Operating Fund.

### **Funding Strategy**

The recommended budget for FY 2008 is based on the use of the previously mentioned \$7 million of General Fund Balance Reserves in FY 2008; an additional \$1 million is planned for use in FY 2009. The deferral of principal payments for the next two bond issues of \$40 million in FY 2007 and the \$35 million anticipated bond issue in FY 2008 amounts to \$5,750,000. These principal deferrals reduce debt payments in FY 2008 by \$2 million and in FY 2009 by \$3.75 million and will be made up by increasing the principal payments in FY 2011 and 2012. Although the FY 2007 and 2008 bond issues will be amortized over 18 and 19 years respectively, the City's aggressive payout schedule is still 66% over the next ten years.

If capital investments made by the City through the sale of general obligation bonds are not scheduled prudently, the resulting fluctuations in debt service requirements can impact our ability to meet other operating budget financial needs. Such is the case for FY 2008. Even after applying the deferral of principle on the bond issues discussed above, the City still faced an abnormally high increase in General Fund supported debt service payments. That is the reason why \$4 million in fund balance reserves had to be devoted to offsetting a major portion of this \$8 million/17% increase in debt service.



The table shown below illustrates the challenge faced by the City in FY 2008 and the widely fluctuating annual increases through FY 2010 that would occur without the use of fund balance reserves.

<u>FY</u>	<u>Gross General Fund Debt Service</u>	<u>Change From Prior Year</u>	<u>% Change</u>
2007	\$46,491,946	-	-
2008	\$54,460,618	\$7,968,672	17.1
2009	\$53,705,820	(\$754,798)	(1.4)
2010	\$55,958,563	\$2,252,743	4.2

Through the one time application of a \$4.0 million transfer from General Fund Reserves into the Debt Service Fund in FY 2008, and deferral of principal payments, the net dollar and percentage changes over the three-year period have been smoothed out considerably and become more affordable (see table below).

<u>FY</u>	<u>Net Debt Service After Use of Reserves</u>	<u>Net Change From Prior Year</u>	<u>Net % Change</u>
2007	\$46,491,946	-	-
2008	\$50,460,618*	\$3,968,672	8.5
2009	\$53,705,820	\$3,245,202	6.4
2010	\$55,958,563	\$2,252,743	4.2

\* After application of \$4 million from General Fund Reserves

The FY 2008-2012 Capital Improvement Program adopted in January requires a commitment of cash funding from the operating budget to finance certain capital projects in lieu of issuing bonds. The plan calls for using cash to fund 15% of CIP expenditures in FY 2008 and to increase this percentage by 1% a year, until reaching 20% of the CIP at the end of five years.

For FY 2008, the amount of required cash funding is \$4,482,000. To cushion the first-year impact of this commitment, the recommended budget reduces that amount by using \$3.0 million from fund balance reserves. Another \$1 million from reserves is intended to be used to support cash capital funding required in FY 2009.

The combined spending (debt service and cash capital) required by the adopted CIP and the mitigating effects on annual increases achieved by the use of \$7 million of General Fund reserves are shown below.

<u>FY</u>	<u>GENERAL FUND DEBT SERVICE</u>	<u>CASH CAPITAL FUNDING</u>	<u>USE OF FUND BALANCE RESERVES</u>	<u>NET GENERAL FUND TOTAL</u>	<u>CHANGE FROM PRIOR YEAR</u>	<u>% CHANGE</u>
2007	\$46,491,946	\$0	\$0	\$46,491,946	-----	-----
2008	\$54,460,618	\$4,842,000	\$7,000,000	\$52,302,618	\$5,810,672	12.5%
2009	\$53,705,820	\$5,487,000	\$1,000,000	\$58,192,820	\$5,890,202	11.3%
2010	\$55,958,563	\$6,887,000	\$0	\$62,845,563	\$4,652,743	8.0%

By decreasing the amount of new debt used to fund the CIP and substituting cash capital spending, the City can constrain the growth of its outstanding debt and debt service in future years. The FY 2008 - FY 2010 CIP calls for \$4.842 million in cash capital spending in FY 2008 and \$31.6 million in cash capital spending over the five-year period. Using a conservative projection for both cost of borrowing and foregone interest earnings, the City will reduce interest costs by approximately \$14.7 million using cash capital instead of borrowing.

As illustrated in the above table, even with the allocation of \$8 million in revenues over the next two fiscal years and the deferral of new principal payments in FY 2008 and FY 2009, the City must absorb relatively large increases in debt service and cash capital spending. The 12.5% increase in these capital financing requirements for FY 2008 exceeds the increases in all other expenditure categories and is a factor that constrains the City's ability to offset the real estate tax revenue growth resulting from a third year of double-digit increases in single-family residential assessments. This is further complicated by an anticipated 11.3% spending increase in FY 2009 when real estate tax revenue is forecast to grow only 5.4%.

# FY08 BUDGET POSITION PAPER

MARCH 2007

## SCHOOL FUNDING

### Issue

Because school divisions in Virginia have no taxing authority and are not fiscally independent, they must rely primarily on funding from Federal, State and local government to satisfy their Operating Budget requirements. Deciding the level of local funding for its public school system becomes one of the most significant budgetary policy matters to be resolved in the adoption of the annual Operating Budget.

In Virginia, local schools depend heavily on State funding that is received through sales tax revenue apportionments, basic aid to support the Standards of Quality (SOQ), and other incentive-based or categorical revenues approved by the General Assembly during its biennial budget considerations. FY 2008 is the second year of the Governor's Biennial Budget. Under State policy, the local government is required to contribute at least a minimum level of funding which is determined by a Local Composite Index (LCI), which computes the locality's ability to pay for education. The LCI is adjusted at the beginning of each biennium. For FY 2007, the minimum contribution required by the City of Newport News under this index was \$32,188,249. However, the City actually contributed \$104,735,146. This additional \$72,546,897 in funding by the City represents recognition that the State has not fully funded its SOQ obligations and that even if it did, this level of State funding would be insufficient to support the level of educational services desired in our community.

In developing a recommended Operating Budget, the School Superintendent each year must determine the new monies the School Division can expect to receive from State and federal sources, as well as other miscellaneous revenue. The difference between these revenues and the Schools' base operating needs, plus additional funding for any new initiatives, becomes the basis for the request for local funding. In reality, the amount of local funding to be requested is often tempered by the School Division's understanding of the extent to which the City's General Fund resources may grow from one fiscal year to the next.

Determining the distribution of existing and new revenues between the School Division and municipal government is a crucial decision that must be made in the annual budget process. In some Virginia localities, this is accomplished by agreeing in advance on a funding formula, the complexity of which varies

among jurisdictions. In most localities, however, this determination is made each year by the governing body upon considering the recommendation of their City or County Manager and the amount of the request made by the elected School Board. In arriving at a distribution decision, the City Manager and governing body must evaluate the funding requirements for their municipal operation and weigh these against the financial needs of their School Division.

In Newport News, since FY 2003, the amount of local funding provided to the Schools has fluctuated between 27.8% and 30.1% of its total available General Fund revenues. In FY 2005 when the School Division received a very substantial increase in State funding support (i.e. 18.5%), the City did not increase its contribution over the previous fiscal year.

Over the past decade, the greatest increase in State funding has generally come in the first year of the State's biennium budget. With FY 2008 being the second year of the biennium budget, the Superintendent's Recommended Budget estimates that the State will provide Newport News Schools with \$1.2 million in new State funding, or a 0.7% increase over the amount received in FY 2007. To fully fund the School Board's adopted Operating Budget, which includes a 5% raise for teachers for FY 2008, will require an additional \$7.7 million from the City or 7.3% over the FY 2007 City contribution. If the City fully funds this request, the School Division will receive a total increase of \$8.9 million in new revenue for FY 2008 from all funding sources, which represents an increase of 3.0% over the previous fiscal year.

### **Funding Strategy**

The City's total General Fund revenue for FY 2008 is projected to grow by \$28.7 million or 7.4%. An additional \$7 million will be appropriated after July 1, 2007, as a one-time infusion of Fund Balance Reserves to offset the large increase in debt service for FY 2008 and the commitment to begin funding a significant portion of the capital projects with cash capital. After discounting those revenue sources restricted for use for specific purposes, the City will have \$25.7 million in net new revenue to fund its various requirements such as debt service, municipal services and the School Division's request. Because debt service obligations, whether for School or City projects, must be met before revenues can be legally used for any other purpose, the funding for these obligations must be satisfied before determining how much money is otherwise available for discretionary School or municipal spending. In FY 2008, after meeting its debt service and cash capital obligations, the City expects to have \$14.0 million available in General Fund revenue above its FY 2007 base for discretionary spending.

The City Manager's recommended FY 2008 City Operating Budget provides for an increase in School funding of \$7.4 million. This would leave, as shown on the Table 1, only \$6.6 million in new revenues for various City FY 2008 expenditure requirements. This amount of new revenue support would be insufficient to support departmental operational requirements, salary and benefit increases, planned contributions to City retirement fund, and support for regional organizations such as the Hampton Roads Regional Jail, Community Services Board and HRT. For this reason, \$7 million is being allocated from the FY 2006 General Fund Reserves to help pay for debt service and capital spending, so that an equivalent amount can be made available to fund these municipal requirements.

As shown on Table 1, when the City Manager's recommended increase in local funding is added to the School Division's projected increase in State and federal revenues, the Division, after covering its new debt service obligations, will have a total of \$7.2 million in new revenue to use to address its spending priorities for FY 2008, which is an increase of 2.5% increase over FY 2007.

Table 2, which is also attached, displays from a historical perspective the funding distribution pattern since FY 1997. This table illustrates that although City and School Division discretionary revenue increases have varied from year-to-year, the total increase in City and School revenue over this 11-year period are remarkably comparable. This table shows that the City's revenue will have grown by 89.4% over this 11-year period, while the School Division's revenue will have risen only slightly less at 88.7%. Impacting on FY 2008 is the new financial commitment to fund \$4.8 million of the Capital Improvements Plan with cash. Of this \$4.8 million, \$1.9 million has been earmarked for the purchase of school buses. It is intended that over the next five years the purchase of school buses will continue to be financed with cash capital.

### **Impact**

The local contribution to Schools in the City Manager's recommended FY 2008 Operating Budget is \$112,118,000, which represents a \$7.4 million increase over the funding provided to the School Division in FY 2007. Included in this amount is \$730,000 of the \$1 million requested to move the salary increase for teachers from 4% to 5%, beginning July 1, 2007. The remaining funding is intended to come from a carryover of \$270,000 from the FY 2007 City contribution to Schools. During FY 2007, the School Division received \$270,000 in increased aid from the State. Rather than increasing the FY 2007 Schools' appropriation by this amount, it is recommended that the FY 2007 local contribution be reduced by \$270,000, which leaves its overall operating budget unchanged.

This makes \$270,000 available for carryover into FY 2008. The \$7.4 million increase represents the largest percent increase in the local contribution to Schools since FY 1999. Such a substantial increase was necessitated by the minimal (\$1.2 million) increase in State Aid to the School Division which is the smallest percentage increase in State Aid to the School Division in over ten years.

Attachments

## PROJECTED FY2008 CITY FUNDING TO SCHOOLS

	Adopted FY2006	Adopted FY2007	Dollar Change	Percentage Change	Estimated FY2008	Dollar Change	Percentage Change	Projected FY2009	Percentage Change
<i>General Fund Revenue</i>									
Total All Sources	\$361,830,000	\$389,430,000	\$27,600,000	7.63%	\$418,114,000	\$28,684,000	7.37%	\$433,064,000	3.58%
Less Restricted Revenue:									
Lodging Tax-46.67% to Tourism Func	(1,362,064)	(1,362,764)	(700)	0.05%	(1,540,110)	(177,346)	13.01%	(1,587,137)	3.05%
Seafood Ind. Park-D.S. (debt svc)	(371,908)	(372,874)	(966)	0.26%	(397,376)	(24,502)	6.57%	(397,376)	0.00%
CDBG-sidewalk extensions	(175,000)	(175,000)	0	0.00%	(10,000)	165,000	-94.29%	0	-100.00%
Categorical Aid (State)	(24,270,620)	(25,225,284)	(954,664)	3.93%	(28,165,091)	(2,939,807)	11.65%	(28,765,091)	2.13%
Applied Research Ctr - debt service	(823,117)	(553,758)	269,359	-32.72%	(553,758)	0	0.00%	(553,758)	0.00%
City Farm Canteen Fund	(55,576)	(56,921)	(1,345)	2.42%	(63,523)	(6,602)	11.60%	(66,064)	4.00%
<i>Net Revenue</i>	\$334,771,715	\$361,683,399	\$26,911,684	8.04%	\$387,384,142	\$25,700,743	7.11%	\$401,694,574	3.69%
Less City Debt Service									
Cash Capital	\$0	\$0	\$0		(4,842,000)	(\$4,842,000)	100.0%	(\$5,487,000)	13.32%
Total Discretionary Revenue	\$305,471,272	\$328,843,289	\$23,372,017	7.65%	\$342,871,680	\$14,028,391	4.27%	\$358,924,112	4.68%
Less School Contribution	(\$100,586,564)	<b>(\$104,735,146)</b>	(\$4,148,582)	4.12%	<b>(\$112,118,000)</b>	<b>(\$7,382,854)</b>	7.05%	<b>(\$114,800,000)</b>	2.39%
<b>Net Discretionary Revenue</b>	\$204,884,708	\$224,108,143	<b>\$19,223,435</b>	<b>9.38%</b>	<b>\$230,753,680</b>	<b>\$6,645,537</b>	<b>2.97%</b>	<b>\$244,124,112</b>	<b>5.79%</b>
<i>School Operating Budget</i>									
Revenues:									
State	\$167,185,005	\$187,707,284	\$20,522,279	12.28%	\$188,932,540	\$1,225,256	0.65%	\$201,932,540	6.88%
Federal	\$4,614,817	\$4,706,088	\$91,271	1.98%	\$4,266,197	(\$439,891)	-9.35%	\$4,266,197	0.00%
Local	\$847,000	\$834,754	(\$12,246)	-1.45%	\$1,332,271	\$497,517	59.60%	\$1,385,562	4.00%
City	\$100,586,564	<b>\$104,735,146</b>	\$4,148,582	4.12%	<b>\$112,118,000</b>	<b>\$7,382,854</b>	7.05%	<b>\$114,800,000</b>	2.39%
<i>Total Schools Revenue</i>	\$273,233,386	\$297,983,272	\$24,749,886	9.06%	\$306,649,008	\$8,665,736	2.91%	\$322,384,299	5.13%
Less School Debt Service	(\$13,249,221)	(\$13,339,132)	(\$89,911)	0.68%	(\$14,790,156)	(\$1,451,024)	10.88%	(\$13,694,526)	-7.41%
<b>Net Discretionary Revenue</b>	\$259,984,165	\$284,644,140	<b>\$24,659,975</b>	<b>9.49%</b>	<b>\$291,858,852</b>	<b>\$7,214,712</b>	<b>2.53%</b>	<b>\$308,689,773</b>	<b>5.77%</b>

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## Newport News Employees' Retirement Fund (NNERF)

### Issues

The Pension Fund has experienced a growing Unfunded Actuarial Accrued Liability (UAAL) for the past four (4) years and declining asset to liability ratio until FY 2006. This recent history is displayed below:

	Valuation Year			
	2003	2004	2005	2006
<b>UAAL</b>	\$91.8 million	\$139.6 million	\$208.6 million	\$212.2 million
<b>AAAL Funded Ratios</b>	86.4%	80.8%	75.0%	76.3%

Although the City currently has enough assets to pay required benefits for many years, the Fund's assets today cannot support all of the future benefits promised to employees and retirees. Returning the Pension Fund to a fully funded status, must be approached as a long-term strategy. The following are the major factors contributing to the present under-funded position:

- Continued funding at a level below the actuarially required contribution rate
- Benefit enhancements during the "1990s" when the Pension Fund assets exceeded liabilities resulting in increased liabilities in the future
- Demographic assumption changes required by the actual experience of the plan
- Multi-year investment losses (2000-2002)

Similar funding issues are associated with the Post-Retirement Health and Welfare Fund, which provide benefits for healthcare and life insurance for retirees. Effective for FY 2008, accounting standards will require reporting the cost and commitments (liabilities) in the same manner as the City does for its Pension Fund. Like the Pension Fund, the Post-Retirement Health Fund has an unfunded liability and City contributions are not at the actuarial recommended contribution rate. For FY 2007, the actuary's required contribution is \$22 million. However, actual contributions are estimated to be \$8.6 million, resulting in a \$13.4 million shortfall. The following are financing issues related to the Post-Retirement Health Fund:

- City has not been contributing to this Fund at the actuarially required contribution rate
- Escalating health-care costs result in rising claims obligations
- Because this Fund is relatively new, it has assets of only \$14 million
- The most recent evaluation puts the unfunded actuarial accrued liability at \$222.8 million



In FY 2007, because the City's budgeted contributions to this Fund are expected to fall \$3.1 million short of claims paid, there will be a draw-down of fund assets which were valued at \$14.7 million on June 30, 2006. To stabilize this Fund, the first challenge will be to get City contributions back to a level where they are covering annual claims and expenses.

## **Funding Strategy**

### **Pension Fund:**

- In FY 2006, the City contributed an additional \$6 million above the 1.46% contribution rate, but \$4 million of this amount came from a supplemental appropriation from the General Fund Unappropriated Fund Balance, and therefore was not part of the base City Operating Budget which is supported by recurring revenues.
- In the latter part of FY 2006, the City Manager commissioned a staff working group to develop options to further close the gap between City contributions and the amount recommended by the actuarial study. The committee's work will be completed during FY 2008 and a proposed long-term financial strategy for the Pension Fund will be presented to City Council.
- During FY 2006, a three-year funding plan was established by the City Manager and the first phase was adopted in the FY 2007 budget. This plan calls for increasing the contribution rate to meet normal cost (6% of payroll or the rate required to cover every current and future benefit, if the City had a fully funded pension program). The following describes the three-year plan to raise contributions to the normal rate:
  - FY 2007: Contribution rate increased from 1.46% of payroll to 4.05%
    - Projected additional cost \$6.4 million to the City's General Fund and \$884,000 for Schools' Operating Budget.
  - FY 2008: Contribution rate increase from 4.05% to 5.0% of payroll
    - Projected additional cost \$2.1 million to City's General Fund and \$1.1 million for Schools' Operating Budget.
  - FY 2009: Contribution rate increase from 5.0% to 5.98% of payroll
    - Projected additional cost \$2.4 million to City General Fund and \$1.1 million for Schools' Operating Budget.

### **Post-Retirement Health & Welfare Fund:**

For FY 2007, the Post-Retirement Health Fund is being funded at \$8.6 million (approximately 40% of the actuarial recommended contribution). This amount is also

not meeting normal cost. Consequently, it has been necessary to withdraw investment assets at the rate of \$200,000 per month to meet claims and other expenses. This is causing the unfunded liabilities to increase correspondingly. For FY 2008, it is proposed that the Operating Budget make an additional \$400,000 lump sum contribution. Based on projected 2008 payroll, the City will be contributing approximately \$9.9 million into this Fund. (FY 2008 normal cost is estimated at \$12 million).

The City Manager's staff working group will also be evaluating options for closing the gap between the current contribution rate and actuarial recommended rate over some defined timeframe. In addition, a Benefits Consultant is in the process of being retained to assist in evaluating claims experience and formulating alternatives to address the long-term gap between contributions and claims expenses.

### **Impact**

Pension: The interim plan over the next three years to the increase in the pension contribution to meet normal cost is a positive step, but it does not resolve the pension's unfunded status or the current deficiency in the level contributions as compared to the actuarial derived contribution rates. Adopting and implementing a long-term strategy is important to the City's credit rating for bonds since Moody's Investors Service has noted that it "expects municipal entities with a large unfunded obligation to have, or develop, a plan to reduce them." This three-year interim plan to raise contribution levels to meet normal cost has allowed the City government time to develop a long-term strategy. The goal must be to get back to fully funding in the Operating Budget, the actuarial derived contribution rate for the Pension Fund.

Post-Retirement Health & Welfare: The City's post-retirement health contribution levels have neither been meeting its current expenses nor reducing its unfunded liability. With the advice of a Benefits Consultant and the Actuary, the City Manager's working group will develop a strategy for maintaining a Post-Retirement Health Plan that is affordable and properly funded. Recommendations on how to achieve this will be presented to City Council during FY 2008 along with the recommended funding strategy for the Pension Plan.

G:\FY07BudgetPositionPaper\NNERF.fnl

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## COMPENSATION PLAN PROPOSAL

### Issues:

Employee compensation continues to represent a major component of the City's operating budget. Achieving and maintaining competitive and equitable compensation is one of the City Manager's priorities for the 2008 Operating Budget. Compensation levels in our local market have been increasing and there is strong competition for skilled workers. Our objective is to position the City of Newport News as a preferred place to work and to attract, retain and motivate a quality, talented workforce. In order to achieve this, we must provide modern, relevant and competitive personnel programs including a compensation plan that recognizes and rewards job performance and contributions to the organization. A highly qualified and motivated workforce is essential to provide the vision, leadership and skills that are required to maintain the City's capability to conduct efficient City operations and to provide cost effective citizen services.

While a number of considerations and factors comprise a total personnel program, compensation is an immediate and critical concern.

The City's longstanding salary philosophy has been to maintain a mid-competitive salary position in the appropriate local labor markets. However, in the 1990's, our local salary position eroded to the point that our salaries were among the lowest in the area for most jobs. This has been corrected over the last several years, through significant adjustments to our salary ranges which have brought them to more competitive levels. Salaries for many employees, however, have not grown in relationship to job performance, qualifications, and contributions.

### Funding Strategy:

The recommended budget for employee salaries for 2008 is \$6.4 million. Of this amount, approximately \$5.3 million are for salaries and \$1.1 million for associated benefit cost increases.

- Most salary ranges will be increased by 3% at both range entry and range maximum. The entry salaries for Police Officer Recruit and Firefighter/Medic Recruit may have a somewhat larger adjustment to ensure that these employees are eligible for the same range of adjustments as other employees. Based on preliminary information from other local employers, this 3% increase to the salary ranges will maintain our general competitive position while allowing the City to place more emphasis on performance and merit.
- Eligible employees will be granted a salary adjustment on July 1, 2007, of between 0-5%, depending on job performance. Guidelines for establishing the amount of performance increase will be issued. City-wide salary increases will average 4%.
- By administrative policy, employees who are employed in the first quartile of the salary range will be eligible for a one-time salary adjustment of 0-3%, averaging 2%, after six (6) months of employment or promotion when performance supports. This policy will alleviate some compression at the entry levels, but more importantly, it will provide the means to recognize employee development and job performance, as well as give positive feedback to new employees.
- Employees who are currently at the maximum of the salary range will be eligible for a maximum increase of 3% since the top of the range will increase by 3%. Since many of these employees have exceptionally long service and outstanding job performance, monies are included to provide for lump sum bonuses of up to 1% for those employees who demonstrate exemplary performance.
- Emphasis will continue to be placed on using bonuses and special adjustments to recognize outstanding accomplishments and to achieve compensation equity where justified. Policy provisions are currently in place for merit bonuses and special adjustments, but these policies will be reviewed during the year to be sure that they are consistent with our philosophy of providing salaries that recognize performance and the skills and talents of individual employees.

Impact:

The recommended FY08 Compensation Plan will maintain the City's current competitive position in the labor market as most Hampton Roads jurisdictions are considering compensation packages in the three-to-five percent range. This plan focuses on rewarding job performance and the contributions individual employees make to the organization. By doing so, it reinforces for our employees that their contributions are recognized and appreciated. Altogether, the various components of the plan keep the City positioned to attract and to retain quality workers.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## TAXES, FEES AND REVENUE GENERATION

### Issues

For nearly two decades, the City has faced a financial environment marked by limited or no growth in State Aid, despite increased State mandates for the provision of certain services. During this period, the City has attempted to strike a balance between keeping tax rates at levels acceptable to its citizens, and still funding an array of municipal services required in an urban core city.

Rapidly increasing residential real estate taxes over the past three years have created a financial burden for homeowners. To mitigate some of this pressure, City Council lowered the real estate tax rate in FY 2006 from \$1.27 per \$100 of assessed value, to \$1.24 and reduced it again in FY 2007 to \$1.20.

Residential assessments are expected to increase significantly again in FY 2008, but not quite to the degree as was experienced in FY 2007. The real estate tax is the single largest source of income to the City, providing over 37% of General Fund revenues. As outlined in the City Manager's transmittal letter, the City still faces serious challenges such as adequately funding our schools, maintaining competitive employee compensation, meeting commitments to the retirement and post-retirement health benefits funds, and beginning to finance more of our capital projects on a cash basis. With these demands in mind, it was difficult to develop a spending plan that would allow a reduction in the tax rate of more than \$.06, without sacrificing the progress made in the FY 2007 budget on key organization infrastructure requirements.

In the early to mid-1990's, as a means to generate new revenue and to place the burden for funding certain services directly on the users of those services, various "user fees" were established and Trust Funds created to account for spending. In some cases, these Trust Funds were created in response to federal or state mandates to account specifically for revenues and expenditures germane to the particular services provided. Over the years, as costs escalated, periodic fee increases have been necessary.

### Funding Strategy

To facilitate a meaningful reduction in the real estate tax rate, our estimates for all other General Fund revenue sources have been pushed to the limit of their expected yields. For this reason, it is less likely that the City will experience revenue surpluses in FY 2008 that approach the levels achieved in the past two fiscal years.

State revenue increases for FY 2008 are again minimal and those increases which will be realized are, for the most part, reimbursements for expenditures incurred for mandated

programs. Effective January 1, 2007, a new State-controlled Telecommunications Tax replaced five locally-administered taxes. The transition to this unified tax was intended by the State to be revenue-neutral for localities. However, the City has reason to now believe that the new tax will fall far short of its revenue-neutral objective. Because of this, our estimate for FY 2008 for this revenue source had to be adjusted downward. Based on the first payment from the State in late March, it appears that collections may be even less than anticipated. Staff continues to monitor this situation with the help of the Commissioner of Revenue and will provide City Council with an update on this revenue item during the budget review process.

Because building permits and associated fees have not been adjusted since FY 2000, the recommended budget increases them by an average of 10%, to keep them in line with the rising cost of providing these services. The only other fee increases recommended for FY 2008, however, will be those associated with the self-supporting user fee funds which must generate sufficient revenues to pay for the infrastructure replacement investments, employee compensation increases, and other unavoidable cost increases.

### **Impact**

The recommended budget calls for a real estate tax rate cut of six (6) cents, from \$1.20 per \$100 of assessed value to \$1.14. This reduction will result in an annual revenue decrease of approximately \$8 million for FY 2008. It is important to recognize that this rate reduction also constrains revenue growth in FY 2009 and beyond, when annual real assessment increases are expected to return to more typical levels of 4%-6%.

The four fee increases that are included in the City Manager's recommended 2008 Operating Budget are the sewer user fee, the water rate, and companion summer conservation rate, and the stormwater management fee. No increase in the solid waste fee is recommended for the second consecutive year. Mindful of the impact of fee increases on those with fixed-incomes, a new Life Line Water Rate, established to assist those with low bi-monthly water usage, will be created.

The annual average cost per household for these increases are as follows:

Stormwater Management Fee: \$6.00  
Sewer User Fee: \$25.50  
Water Rate\*: \$5.04  
Water SCR: \$1.08

\*Based on average 18 HCF per household.

The cumulative impact for these four fee increases is \$37.62 per household on an annualized basis.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## RECOMMENDED NEW POSITIONS

### Issues

A total of 120 new positions were sought by the General Fund departments in their FY 2008 budget requests. Given the other financial challenges, the increase in new positions has been held to only 18 positions. Two of these positions will not require additional funding because existing appropriations are to be reallocated to provide for the salaries and fringe benefits. Below is a summary by department of the recommended new positions requiring funding from general fund revenue of City government:

### City Assessor

One (1) Real Estate Assessor Supervisor position is to be added to the commercial property assessment division. This position will be responsible for maintaining the level and equalization of assessments and providing increased supervision on the completeness and effectiveness of work performed by the commercial appraisal staff. This position will enhance the monitoring of the commercial assessments for compliance and quality standards and to help keep such assessments in line with market values.

### Engineering

One (1) Traffic Signal Technician II position is being recommended for the Traffic Operations Division. This position is needed to maintain the increasing number of traffic signals and non-standard streetlights. Over the past five years, developments such as City Center, Port Warwick, and Avenue of the Arts have generated a 46% increase in the number of specialized streetlights. This increased workload, coupled with growing routine maintenance and repair requirements for traffic signals and school crossing/warning flashers, is driving the need for an additional position. The cost of this new position will be partially offset by reallocating temporary staffing funds in the department's current operating budget.

### Purchasing Department

One (1) Materials Specialist position is to be added to the existing intra-city mail delivery function. The WINN Fuel Conservation Team identified potential savings of \$5,000 in fuel expenses by consolidating most courier services from outlying City offices to City Hall. The US Mail and interdepartmental mail will be collected and delivered by extending the existing services in the Central Mailroom. Reducing the number of

City employees and vehicles duplicating mail services to the same sites daily will generate savings in vehicle fuel, wage and overall mileage for the City's fleet. This position also addresses a continuing problem whereby the Central Mailroom has been understaffed to accommodate existing workloads. Additionally, the position will enable other departments to use existing staff to meet other workloads. If this position is authorized, the reallocation of 1,872 man hours will be carefully monitored.

#### City Treasurer

One (1) Senior Accounting Assistant for delinquent collections function is being recommended to be paid for by reallocating current operating budget funds from the cessation of the decal issuance. In an effort to collect as much delinquent fees and taxes as possible and to reduce outstanding payments to the City, two actions will be initiated by the City Treasurer. Beginning in April 2007, the Treasurer's Office will send monthly notification batches to the State identifying individuals that have outstanding Motor Vehicle License fee payments. In addition, the Treasurer's Office will issue mass wage liens to employers of delinquent taxpayers on a quarterly versus monthly basis. These actions necessitate additional workload for correspondence and collections activity. This new position will provide the staffing required for this new activity.

#### Codes Compliance

One (1) Plans Examiner position will be added to meet the existing demand for plan review and permit issuance services. Currently, Codes Compliance uses Building Inspection staff to review most residential building, electrical, plumbing and mechanical system plans and to cover the absences of the one Plans Examiner. A more detailed justification for this staffing enhancement is addressed in a separate Position Paper.

#### Sheriff

Six (6) new Sheriff Deputy positions will be fully funded by the City. Currently, there are 13 positions required to operate the booking function of the City Jail. Of those 13 positions, only six positions have been fully funded by the City. City funding for six additional Deputy positions will allow more State-funded Deputy positions to be assigned to Jail operations where over-crowding has resulted in security and safety concerns.

#### Parks, Recreation and Tourism

Four (4) positions will be added for the new Downing-Gross Cultural Arts Center. These employees will oversee the four major areas of this facility: the theater/performing arts, museums and exhibits, visual arts and advertising/marketing. One (1) Recreation Program Supervisor/Museum Director position will be added for managing and coordinating the collections, exhibits and activities related to the local history of the City, and specifically those displayed in Downing Gross. One (1)



Recreation Program Supervisor/Artistic Director position will be responsible for developing, coordinating, and managing a comprehensive program of artistic instruction (youth and adult development) in the areas of dance, visual arts, and creative writing. One (1) Recreation Program Supervisor/Theater and Performing Arts position will be for developing, coordinating, and managing a comprehensive program of expression and instruction to include theater arts and other performing arts and music. One (1) Marketing Manager/Operations position will be added for developing and managing a comprehensive strategic marketing program for Downing Gross and its primary program offerings. These new positions are being funded only for ten months, so that the timing of the initial recruitment and hiring process coincides with the schedule for completing the renovation project.

#### Adult Corrections (City Farm)

One (1) current over-hire Carpenter position will be added to continue to support various City construction projects, thereby maximizing the use of available inmate labor to undertake small renovation projects which are more costly if contracted out.

#### Planning

Future Community Planning Development projects are becoming complex and require detailed design reviews that necessitate a high degree of urban design sensitivity. A new Urban Designer position will provide critical support in an area that has become increasingly important. This position is funded for only six months to recognize the time required to recruit and hire someone with these specialized skills. A separate Position Paper provides further justification for this position.

#### Libraries and Information Services

One (1) Information Services Specialist position will be added to develop programs and services targeted at youth. This special youth programming is targeted for young teens in an effort to promote their more productive use of our library system. A separate Position Paper addresses the benefits anticipated from the staff enhancement.

#### Funding Strategy

The full new cost for FY 2008 of all 18 General Fund new positions would have been \$1,105,058, but through reallocation of existing appropriations and partial-year funding to reflect delays in filling positions, the net cost in FY 2008 is \$872,743.

#### Impact

The addition of these 18 positions will increase the General Fund's position complement from 2,718 in FY 2007 to 2,736 in FY 2008--a less than one percent increase (0.06%). While the new revenue for FY 2008 is insufficient to fund more of the departmental position requests, the 18 new positions are viewed as the most crucial to address our municipal government's existing, changing and in some cases, new requirements. The

six Sheriff positions and the two for Codes Compliance and Engineering are required to alleviate areas where staffing is not sufficient to reasonably handle the existing workload. Another two positions are being added where it is expected that they can enhance future revenue, i.e., City Assessor and City Treasurer. Four positions are required by the opening of the new Downing Gross Cultural Arts Center. Another two have been recommended to more efficiently handle current workloads in inter-departmental mail delivery and minor renovation work. Each of the positions in Planning and Libraries recognize the changing needs required to deliver services, or the enhanced skills required to manage new development where urban design considerations are more important.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## SHERIFF/CITY JAIL OPERATIONS

### Issues

As in previous fiscal years, the required spending for Jail operations in FY 2007 remains significantly higher than budgeted for operating expenses. This has resulted in canteen funds being used on a routine basis to cover certain expenses related to direct inmate care. The generation of canteen revenue, however, has been decreasing as a larger portion of inmate population is indigent. The inadequacy of Jail operating appropriations, given the size of the inmate population, has only been kept manageable through the reprogramming of monies from vacant Sheriff's Deputy positions. As efforts to fill Sheriff's Deputy vacancies accelerate, the need to have adequate operating funds budgeted for this purpose is becoming more acute.

Having funding available for equipment purchases is another growing concern. In prior fiscal years, such purchases were generally made with State approval to reallocate surplus personnel monies due to vacancies. This State approval was quite restrictive and focused on emergency needs for computers and office equipment. Other large equipment purchases have been funded from telephone commissions. For example, in the most recent fiscal years, telephone commissions have paid for a three-year phased replacement of the security console system and the replacement of kitchen equipment.

The total number of inmates being housed at the City Jail continues to be a problem. The overcrowding dictates the need for a higher level of staffing to maintain safety within the facility. Although the construction on the Jail Annex (converting the former Juvenile Services Secure Detention space) will begin during FY 2008, those additional beds will not ease the current crowding situation until sometime in FY 2009.

### Funding Strategy

To address the staffing needs at the Jail, that the Sheriff's FY 2008 budget be increased by \$302,080 to provide City funding for six (6) new Sheriff Deputy positions. It is further recommended that \$440,094 also be added to various line items directly related to inmate care and population levels: professional health services, medical supplies, food supplies, and utility costs. Finally, \$25,000 is included for part-time funding of deputies who man the courts security screenings at each court facility. The six new Sheriff Deputy positions are recommended to be fully funded by the City. There are 13 new positions required to staff the Booking function at the City Jail. This is a local function for which the State does not authorize or fund deputy positions. Before the

function was shifted from the Police Department to the Sheriff's Department to free up police officers for other law enforcement duties, this function had traditionally been a City expense. By fully funding six additional deputy positions assigned to Booking, the Sheriff will be able to move the six State-funded deputy positions back into the other jail security functions and address one of the most pressing concerns caused by the overcrowding.

### **Impact**

This \$444,094 increase for jail operating expenses, coupled with the additional \$500,000 provided in FY 2007 represents nearly a \$1 million increase in Operating Budget funds over the last two budgets for the City Jail. This will finally enable the Sheriff's Department to meet its expected operating expenses in FY 2008 with monies budgeted for this purpose. Given even the most conservative forecasts of inmate population growth, this increased level of operational funding will continue to be needed well into the future unless the General Assembly allocates more State monies for the operation of local jails in future budgets. Additional local operating costs for the jail annex when it is completed in FY 2009, since it is unlikely that State funding will increase enough to fully cover higher costs associated with the operation of the 100-bed annex.

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## HAMPTON ROADS TRANSIT

### Issues

The Hampton Roads Transportation District Commission (HRT) has submitted its annual budget request to cover the expenses of providing transit services to the City of Newport News. The request contains the budget requirements for the current level of services and for service enhancements. It also projects the revenues to be generated from the fare box and State and Federal governments.

The HRT budget uses funding from each of the seven participating jurisdictions of the district to fund any operating deficit that exists after the revenues from all other sources are calculated and applied to the budget. In accordance with the transportation district cost allocation agreement, each participating jurisdiction's share of the deficit is determined by the number of hours of service provided within its boundaries. Similarly, each jurisdiction is also allocated a share of the transportation district's administrative costs. Each locality's share of State and Federal funding is determined by the proportion of HRT services it uses. Thus, the more transit services a community provides the more money to which it becomes eligible to receive from State and Federal sources. The cost of operating the Crossroads Routes--the routes that connect the north and south sides of the district--is covered by Federal and State grant funds to a maximum of 7% of those available funds.

The HRT budget submittal for fiscal year 2008 was \$4,496,602 compared to the \$3,627,003 the City is providing in local funding in 2007, for an increase of \$869,599 or 24%. Of this increase, \$546,379 is due to increased costs for salaries, health care, retirement and fuel while federal and state assistance remains level. It also includes the debt service for the replacement of 14 buses. Another major source of the increased request is \$294,633 to enhance Bus Route 119 in Oyster Point. This route now provides service every 30 minutes between Oyster Point and Patrick Henry Mall, Monday thru Friday, from 6:35 a.m. to 6:30 p.m. Beyond a response to citizen requests for service to Victory Crossing Shopping Center in Kiln Creek, the proposal also incorporated Newport News-Williamsburg International Airport, Kiln Creek and the Riverside Convalescent Center. Besides a second bus to maintain service frequency, the route enhancement included weekend service.

## **Funding Strategy**

The City Manager's budget recommends local funding of \$4,201,969 for HRT for 2008. This amount is an increase of \$574,966 or 16%. With funding for current routes and service levels, the budget also funds community support services for the Jamestown 2007 Celebration, the Relay for Life and the Christopher Newport University New-Comers Program. However, the budget recommendation deletes the Route 119 enhancement. In observance of the requests for transit services in the Kiln Creek area, the City Manager has requested City and HRT staff to survey ridership potential for an enhanced Route 119 for budget decisions in future years. This budget omits the Oyster Point Shuttle, also known as the Jump Over Jeff service. City and HRT staff is studying whether an alternative service is feasible to use the Congestion Mitigation and Air Quality Grant (CMAQ) used to purchase buses and operate the Oyster Point Shuttle.

## **Impact**

The budget enables HRT to cover its increased operating costs to continue existing transit services in the City of Newport News. It also provides the City's share of debt service as part of the bus replacement program. With Federal and State funding remaining unchanged from 2007, the City will shoulder a greater proportion of the operating cost as the local share of HRT's service delivery cost increases. Newport News citizens who rely on public transit will continue to have access to the bus routes and frequency of service on which they now depend for transportation to work, school and the general activities of life.

# FY 07 BUDGET POSITION PAPER

MARCH 2007

## POLICE DEPARTMENT

### Issues

During the past year, the Police Department used various strategies to build trust, improve communications, and create a strong community team to reduce crime and the fear of crime in neighborhoods. Special units were used to address a number of issues in troubled hot spots and to target career and habitual criminals. The agency focused on preventing and addressing gang-related activities and worked closely with the School Division to make schools safer.

Members of the Police Department also worked closely with the Keeping Our Kids Safe Program. The Police Department developed a 5-Point Plan for addressing the increase in juvenile crime, a repeat runaway initiative, a gang suppression committee, and a domestic violence outreach program. The Police Department's strategies have included working in cooperation with federal agencies, including the U.S. Attorney's Office, and with other surrounding jurisdictions in an attempt to rid the community of felons carrying guns.

Collaborative programs have included the Weed and Seed Project, working with all of the neighborhood crime groups and working closely with many civic and church groups. The end result of this teamwork approach of making the community safe was a decrease in Part I Crime of 7% for 2006.

Additional human resources are needed to effectively address the changing patterns and effects of crime in the City. The growth in the Central and North precincts from new and planned developments and the growth of Christopher Newport University require additional manpower for calls for service and traffic. The need for resource officers in each middle and high school is a top concern in the overall plan for addressing juvenile crime. The increasing demands on the Community Resource Officers and the multiple demands for the Crime Response Team for attacking neighborhood problems call for additional officers for each of those teams. Finally, the impact of technology growth and the workload on administrative personnel have driven the requests for a computer technician and for three administrative assistants.

To meet the identified needs, additional Police Officers and other human resources were requested by the Newport News Police Department totaling \$1,990,000. Specifically, five additional School Resource Officers were proposed (\$550,000); five Patrol Officers to target new development were requested (\$546,000); three additional Community Resource Officers were identified (\$328,000); a four-Officer Crime Response Team was proposed (\$437,000); and three Administrative Assistants were requested (\$124,000).

The need for additional vehicles to augment the Take Home Car Program is the most important equipment priority for the department. The Take Home Car Program is an effective crime prevention strategy, is a visible crime-fighting tool, and is a critical recruiting and retention incentive. Take-home vehicles provide a safety factor to the neighborhoods that citizens like. The marked vehicles also provide quicker-than-normal responses to in-progress incidents.

### **Funding Strategy**

Although the Police Department has made a compelling argument for the need for additional staffing to meet the expected increase in calls for services with new development in the Central and North Precincts, there are simply not enough resources available to begin addressing new staffing in FY 2008. Even if new positions are authorized, it is doubtful that the Police Department will be able to recruit and train enough new officers to keep its current positions filled. Over the past two years, 18 to 20 officer positions are consistently vacant despite the Department's aggressive hiring program. While no new positions have been authorized for FY 2008, these staffing requirements will need to be considered in FY 2009.

The Police Department projects it will spend approximately \$1.5 million in overtime, \$500,000 more than the \$1 million budgeted in FY 2007. An additional \$543,290 representing overtime funds, plus associated fringe benefits, is included in the recommended budget to bring the overtime appropriation close to the projected expenditure. Although overtime has been expended at the current level over the last few fiscal years, the Department was able to cover this deficit with attrition funds from unfilled positions. Overtime expenditures increase as authorized positions increase and as the salaries are increased. The appropriation for overtime was increased to adjust for those factors since an attrition credit of \$660,000 that is built into the department budget will significantly constrain the amount of salary savings available next year. This attrition credit of \$660,000 is equivalent to having 15 police officer vacancies for the entire year.



## **Impact**

The personnel and new vehicles requested by the Police Department have not been recommended in the FY 2008 City Manager's budget. After a review of the FY 2007 year-end surplus, funding for some new take-home vehicles may be made from General Fund reserve funds.

# FY 08 BUDGET POSITION PAPER

MARCH 2007

## Parks, Recreation and Tourism

### Major Issues

Downing Gross Cultural Arts Center Operations - The most significant budgetary impact to the Department of Parks, Recreation and Tourism in FY 2008 will be the opening, staffing and operation of the new 50,000 square foot, \$11 million, Downing-Gross Cultural Arts Center. While the facility currently operates with 2 full-time staff, the expansion of the single story facility into a three-story complex including a theater, visual and performing arts classrooms, a banquet hall/kitchen and a museum will necessitate additional staff and funding for programming, operation and maintenance.

Utility & Maintenance Costs - The Department of Parks, Recreation & Tourism has maintenance responsibilities associated with properly operating recreation buildings and maintaining public landscapes. Utility costs have increased considerably over the past several years, requiring increased budget support. Landscape maintenance costs will also experience a 5% across-the-board increase in FY 2008. While in past years, some of these utility and maintenance increases have been offset through attrition and other year-end savings, additional funding is now needed to address the increase in utility and landscape maintenance costs to ensure that facilities can be properly operated and adequately maintained for public use.

Historic Services Staffing - While revenues and grants for the City's Historic Services Fund have steadily increased, and have been used to help offset some of the increased operating costs associated with historical preservation efforts, revenues are not sufficient to subsidize annual increases associated with personnel salary adjustments, increases in the Health Insurance and Retirement rates, Liability Insurance premiums and other non-discretionary expenses. While the FY 2007 General Fund budget provided a critical infusion of funding to help address this issue, an additional contribution is needed to offset the proposed FY 2008 salary adjustment as well as implement the recommendations of the Human Resources job study (currently underway). Failure to provide such support would necessitate a reduction in full-time staffing, compromising the proper care, maintenance and operation of the City's numerous historical sites.

Maintenance of Historical Sites - While the Historic Services Fund has been able to periodically subsidize selected personnel and non-personnel costs through a variety of grants, the dependability of this funding cannot be relied on to properly address the proper and regular maintenance (e.g., painting and repair) of the City's numerous historic assets -- e.g., Causey's Mill, the Carrie Brown house, Lee's Mill and Potter's Field historic parks, the renovated 1810 and 1884 Warwick Courthouses, the Civil War Trails signage, etc. The vast majority of these sites do not generate revenue and the limited revenue received at those sites that do--Endview, Lee Hall and The Virginia War Museum--is insufficient to address these maintenance needs. Included with this issue is the cost of stabilizing and providing basic utilities and fire protection for the Lee Hall Depot once it is relocated this summer. To this end, an additional General Fund contribution to the Historic Services Fund is needed to help offset the ongoing and projected maintenance costs associated with these assets.

Pool Security - Patron behavior problems at the Magruder swimming pool led staff to contract for security services at the facility several years ago--using budgeted funds from the [then] closed Doris Miller Pool. The reopening of the Doris Miller Pool this coming summer--and the need to reapply all budgeted funds back to *its* operation--will make it necessary to find additional funds to pay for the Magruder pool security to continue to ensure a safe facility for patrons and staff.

Special Events at City Center - Special events are cultural opportunities that directly contribute toward the overall quality of life in the City. Starting in FY 2005, the City began offering a number of events at City Center to take advantage of the physical location as well as to help direct attention to this area. These events have been well received by both residents and visitors alike. These City-sponsored events also provide tangible and highly visible support of the City's capital investments as well as serve to help leverage private funding and sponsorships--which, in turn, help further subsidize and expand on such programming. While fiscal considerations make it impractical to continue with the level of programming started through the \$1 million FY 2006 General Fund Reserves appropriation, the value of continuing to support some level of programming at this location has significant merit. The recommendation for FY 2008 is to focus on providing several themed family events sponsored by the City's Department of Parks, Recreation & Tourism.

School Age & Therapeutic Recreation Programs - There is a need to provide additional administrative support for both the City's School Age and Therapeutic Recreation Programs in the Recreation Revolving Fund. This will involve hiring one additional full-time staff person for each of these two programs.

## **Funding Strategy**

Downing-Gross Cultural Arts Center Operations - It is recommended that funding for the new Downing-Gross Cultural Arts Center be increased by \$654,684. This funding would provide four (4) additional full-time employees to oversee the four major areas of this facility: the theater/performing arts, museums and exhibits, visual arts and advertising/marketing. Given that the programming budget for the new Downing Gross Center could easily exceed \$1 million, the recommended budget also includes funding to employ a professional fundraiser to identify and solicit sponsorships, donations and related private contributions and endowments. As currently recommended, the budget would provide 10 months funding for the full-time staff to coincide with the likely timing of the initial recruitment and hiring process. It is anticipated that it will take the full-time staff approximately four months to complete the outfitting process before programming can commence, at least on a periodic basis. In this regard, FY 2008 funding includes money for part-time staffing from January-June, 2008 (6 months) and for basic building operations for 6-12 months (e.g., utilities for 12 months, security for 6 months, etc.). Since the FY 2008 recommendation includes partial funding, additional funds for a full year of operations will be needed in FY 2009 (refer to "Impact," below).

Utility & Maintenance Costs - It is recommended that \$91,456 in funds be provided to cover increased electrical costs and \$24,394 to cover increased heating fuel costs for Parks and Recreation facilities. This is a conservative increase and is based on historic trends. Funding is also recommended to maintain the current level of maintenance of City landscape sites (\$19,000 is needed to accommodate actual FY 2008 cost increases).

Historical Services Staffing - At this time, it is recommended that \$52,509 be added to the City's contribution to Historical Services to offset the increases projected to provide FY 2008 salary and benefit increases, as well as ensure that full funding is budgeted for existing full-time staff. This amount may need to be further adjusted once the Department of Human Resources completes their job study of the positions in this Division (projected for completion by the end of March, 2007).

Maintenance of Historical Sites - It is recommended that the City's contribution to the Historical Services Fund be increased by \$53,211 to provide maintenance and repair of existing [mostly, non-revenue producing] facilities and sites (\$24,111) as well as stabilize and provide basic utilities, security and fire protection for the relocated Lee Hall Depot (\$29,100).

Pool Security - It is recommended that \$16,200 be added to the Magruder Pool operation to allow continuation with [unarmed] security service from mid-June through mid-September.

Special Events at City Center - It is recommended that program funding at City Center allow for continuation of five themed signature events at a cost of \$209,119. This amount includes \$50,000 in event marketing funding which will be used to advertise and promote all events--not only at City Center, but also at Port Warwick and surrounding locations. This budget recommendation assumes continued involvement and financial support by non-City organizations and businesses (\$50,000 in private funding is being targeted for FY 2008) and also accounts for \$26,000 in targeted savings from existing events.

School Age & Therapeutic Recreation Programs - The school age administrative position will be funded through reimbursements provided by the USDA and existing program funds; the therapeutic position will be covered through Medicare reimbursements for program participants, therefore funding to support these two positions is included in the FY 2008 Recreation Revolving Fund.

### **Impact**

The recommended increases will provide critical supplemental funding to the Department of Parks, Recreation & Tourism's operating budget in seven of its most immediate pressing areas. It will also ensure continuation of a variety of quality family programming for the enjoyment of City residents and visitors. The total General Fund increase for Parks is \$1,130,708.

Given that the proposed FY 2008 budget recommendation for Downing Gross is based on a partial year of operation, the *additional* funds needed in FY 2009 to complete a full year of operations for the Downing-Gross Cultural Arts Center is \$320,929.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## Community Support Funding

Not-for-profit organizations fill an important role in improving the quality of life for our community by providing services to residents of Newport News. For those community agencies that have a direct impact on Newport News citizens and have requested additional City support for FY 2008, the granting of increases is recommended, but such increases are being held to no more than 10% over the FY 2007 approved funding for the agency.

The only new request to be recommended is the \$48,000 for LINK of Hampton Roads, Inc. This agency has not previously received direct City funding, but as you may recall, in the past several years, the City has allocated additional monies to the Community Services Board for the specific purpose of providing mental health counselors on site at the PORT winter shelter. As background, LINK of Hampton Roads, Inc. implemented an Emergency Services Program (ESP) in December 1991 by providing food, clothing, household/furniture items, financial and medical care, housing, and shelter assistance to people in need. The ESP also includes a Homeless Intervention Prevention Program and offers the PORT winter shelter. In FY2006, the program served 2,504 and sheltered 605 homeless people, people on probation/parole, and victims of disasters such as fire, hurricane, etc. In FY 2008, LINK has requested \$48,000 that would help pay for part-time staff dedicated to this program and for security coverage at the PORT shelter. Because homelessness is a critical human services issue in the community, this new funding request has been included in the FY 2008 recommended budget.

### Regional Efforts

Full funding of the budget requests from regional organizations of which Newport News is a member has been included in the recommended budget with two exceptions. The first is the Airport Task Force, which has been included in the Operating Budget since FY 1992 and received an appropriation of \$90,000 in the current year budget. The Airport Task Force has been dissolved in anticipation that an effort to be led by Newport News Economic Development Authority to generate regional public-sector financial support for air service development will be a more viable long-term approach. The objective is to create a Fund that would have sufficient cash assets to assist in enhancing air service from the Newport News-Williamsburg International Airport when new airline

service or additional flights can be leveraged through such a public investment. Because good air service is important to economic development, it appears that sustained funding for an Air Service Development Fund could best be accomplished through collective action by regional Economic Development and Industrial Development Authorities. A proposal which has been circulated to other area EDA/IDAs is attached for your reference. To provide some initial funding in the Operating Budget should this effort be successful, \$60,000 has been included in the recommended Operating Budget for FY 2008. Although this money is still designated under the Airport Task Force line item, these monies would be directed to the Newport News EDA/IDA as the City's contribution for a regional air service development initiative.

The other funding adjustment involves the NASA Aeronautics Support Team (NAST), to which Newport News has been contributing \$75,000 since FY 2001. NAST's primary purpose has been to lobby for additional federal monies for NASA Langley, but because of federal budget priorities, it has had limited success. With the creation of the Hampton Roads Military and Federal Facilities Alliance in the spring of 2006, the mission of keeping NASA Langley a viable facility should be transitioned in the near future to this new Alliance which receives its financial support from all of the Hampton Roads jurisdictions, both on the Peninsula and Southside. Consistent with this transition, it is proposed that the Newport News' contribution to NAST be reduced by \$25,000 each year, starting in FY 2008, until it is phased out in FY 2010. This reduction in City funding to \$50,000 is included in the Community Support spending plan for FY 2008.

#### Community Support Contingency

An amount of \$100,000 has been included again in the FY 2008 budget as a contingency for new or enhanced funding of community support agencies. This appropriation will allow City Council some flexibility to either provide existing agencies more money than has been recommended or to hold some money in reserve should a worthy new request surface after adoption of the FY 2008 Budget or during the next fiscal year.

A total of \$7,865,147 for Community Support agencies and regional organization support is being recommended including the \$100,000 contingency. This amount is only about \$169,000 or 2.2% more than the funding provided in the current year funding. A summary of the agency/organization requests and the City Manager's recommendations is shown in the attached table.

Attachments (2)

## FY08 COMMUNITY SUPPORT REQUESTS

Note: Items that were not budgeted in FY2007 are highlighted in yellow.

No.		FY 2007 Budget	FY 2008 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Percent
	<b>CULTURE AND TOURISM</b>						
1	CNU's Ferguson Center	200,000	200,000	\$0	0.0%	200,000	0.0%
2	American Theatre	\$0	\$50,000	\$50,000	1.0%	\$0	0.0%
3	Holocaust Educational Foundation, Inc.	\$4,500	\$4,500	\$0	0.0%	\$4,500	0.0%
4	Jamestown 2007 Events	353,000	11,500	-\$341,500	-96.7%	0	-100.0%
5	N. N. Arts Comm.-Support for Performing Arts	\$252,745	\$288,365	\$35,620	14.1%	\$278,020	10.0%
6	N.N. Public Art Foundation	\$55,000	\$55,000	\$0	0.0%	\$55,000	0.0%
7	Peninsula Fine Arts Center	\$96,300	\$201,600	\$105,300	109.3%	\$105,930	10.0%
8	Peninsula Fine Arts Center-Capital	\$0	\$120,000	\$120,000	100.0%	\$0	0.0%
9	Sister Cities	59,500	59,500	\$0	0.0%	59,500	0.0%
10	VA Air and Space Center - Capital	65,000	62,500	-\$2,500	-3.8%	62,500	-3.8%
11	Virginia Arts Festival Newport News	\$100,000	\$110,000	\$10,000	10.0%	\$100,000	0.0%
12	Virginia Living Museum	\$543,301	\$700,000	\$156,699	28.8%	\$597,631	10.0%
	<b>ECONOMIC DEVELOPMENT</b>						
13	Hampton Roads Film Office	\$10,000	\$10,000	\$0	0.0%	\$10,000	0.0%
14	Small Business Development Center	\$10,000	\$10,000	\$0	0.0%	\$10,000	0.0%
15	VA Peninsula Chamber of Commerce-Business Cntr	\$7,650	\$7,650	\$0	0.0%	\$7,650	0.0%
	<b>HEALTH/EMERGENCY SERVICES</b>						
16	American Red Cross-Disaster Services	\$10,000	\$10,000	\$0	0.0%	\$10,000	0.0%
17	Denbigh House - Brain Injury Patients	\$31,000	\$31,000	\$0	0.0%	\$31,000	0.0%
18	Eastern Virginia Medical School	\$25,450	\$181,913	\$156,463	614.8%	\$25,450	0.0%
19	Patient Advocate Foundation	\$5,000	\$15,000	\$10,000	200.0%	\$5,000	0.0%
20	St. Mary's Home for Disabled Children-Capital	\$25,000	\$0	-\$25,000	-100.0%	\$0	-100.0%
	<b>INDIGENT SERVICES</b>						
21	Foodbank of the VA Peninsula	\$75,000	\$75,000	\$0	0.0%	\$75,000	0.0%
22	LINK of Hampton Roads, Inc.	\$0	\$48,000	\$48,000	100.0%	\$48,000	100.0%
23	Office of Human Affairs	\$100,000	\$150,000	\$50,000	50.0%	\$110,000	10.0%
	<b>MILITARY SERVICES</b>						
24	U.S.O. of Hampton Roads	\$10,000	\$15,000	\$5,000	50.0%	\$10,000	0.0%
25	U.S.S. Newport News Liaison Comm.	\$10,000	\$10,000	\$0	0.0%	\$10,000	0.0%



No.		FY 2007 Budget	FY 2008 Request	Amount Difference	Percent Difference	City Manager Recommend	C.M.'s +/- Percent
	<b>MISCELLANEOUS SERVICES</b>						
26	Arc of Virginia Peninsula	\$0	\$25,000	\$25,000	100.0%	\$0	0.0%
27	Child Care Resource and Referral	\$0	\$9,982	\$9,982	100.0%	\$0	0.0%
28	Community Support Contingency	\$103,000	\$100,000	-\$3,000	-2.9%	\$100,000	-2.9%
29	Insight Enterprises	\$29,925	\$29,925	\$0	0.0%	\$29,925	0.0%
30	James City County Transit (N.N. to Wmbg)	25,000	25,000	\$0	0.0%	25,000	0.0%
31	Newport News Crime Watch Coalition	\$22,765	\$26,776	\$4,011	17.6%	\$22,765	0.0%
32	Peninsula READS	\$25,000	\$27,000	\$2,000	8.0%	\$27,000	8.0%
33	Peninsula Stadium Authority	30,000	0	-\$30,000	-100.0%	0	-100.0%
34	Preschool Partners - Childcare Referrals	\$30,000	\$30,000	\$0	0.0%	\$30,000	0.0%
35	Real Estate Tax Reimbursement Program	\$2,741	\$2,706	-\$35	-1.3%	\$2,706	-1.3%
36	Square One - School Readiness	\$0	\$30,528	\$30,528	100.0%	\$0	0.0%
	<b>REGIONAL EFFORTS</b>						
37	Airport Task Force	90,000	90,000	\$0	0.0%	60,000	-33.3%
38	Hampton Roads Economic Development Alliance	\$254,678	\$179,899	-\$74,779	-29.4%	\$179,899	-29.4%
39	H.R. Military and Federal Facilities Alliance	72,800	79,746	\$6,946	9.5%	79,746	9.5%
40	Hampton Roads Partnership	\$16,508	\$16,508	\$0	0.0%	\$16,508	0.0%
41	H.R. Planning District Commission (HRPDC)	149,240	148,617	-\$623	-0.4%	148,617	-0.4%
42	HRPDC Metro Medical Response	36,400	36,248	-\$152	-0.4%	36,248	-0.4%
43	HRPDC Mun. Construction Standards	5,769	5,745	-\$24	-0.4%	5,745	-0.4%
44	HRPDC Debris Management	1,121	1,110	-\$11	-1.0%	1,110	-1.0%
45	H.R. Sports Commission	27,000	27,000	\$0	0.0%	27,000	0.0%
46	Hampton Roads Transit (HRT)	3,371,034	4,235,906	\$864,872	25.7%	3,946,945	17.1%
47	HRT Capital	250,924	260,696	\$9,772	3.9%	255,024	1.6%
48	N.A.S.A. Aeronautics Support Team	\$75,000	\$75,000	\$0	0.0%	\$50,000	-33.3%
49	Peninsula Council for Workforce Development	\$92,775	\$92,775	\$0	0.0%	\$92,775	0.0%
50	Virginia Peninsula Chamber of Commerce	\$17,350	\$17,350	\$0	0.0%	\$17,350	0.0%
	<b>SENIOR SERVICES</b>						
51	Peninsula Agency on Aging	\$48,000	\$61,940	\$13,940	29.0%	\$52,800	10.0%
52	Retired Senior Volunteer Program	\$7,000	\$7,500	\$500	7.1%	\$7,000	0.0%

No.		FY 2007 Budget	FY 2008 Request	Amount Difference	Percent Difference	City Manager Recommend	C.M.'s +/- Percent
	<b>VICTIM SERVICES</b>						
53	Court Appointed Special Advocate (CASA)	78,000	78,000	\$0	0.0%	78,000	0.0%
54	Child Abuse Center	\$30,000	\$40,000	\$10,000	33.3%	\$33,000	10.0%
55	Newport News Human Rights Commission	\$9,000	\$9,000	\$0	0.0%	\$9,000	0.0%
56	Transitions Family Violence Services	\$57,603	\$96,970	\$39,367	68.3%	\$63,363	10.0%
	<b>YOUTH EDUCATION</b>						
57	An Achievable Dream	\$100,000	\$100,000	\$0	0.0%	\$100,000	0.0%
58	Job Education Training (J.E.T.) Corps	\$36,800	\$36,800	\$0	0.0%	\$36,800	0.0%
59	Peninsula Marine Institute	\$24,800	\$0	-\$24,800	-100.0%	\$0	-100.0%
60	Va Scholarship & Youth Dev Foundation	\$0	\$10,000	\$10,000	100.0%	\$10,000	100.0%
	<b>YOUTH PROGRAMS</b>						
61	Boys and Girls Club of the Virginia Peninsula	\$145,000	\$165,000	\$20,000	13.8%	\$159,500	10.0%
62	C. Waldo Scott Center	\$282,640	\$292,640	\$10,000	3.5%	\$292,640	3.5%
63	Children's Fishing Clinic	\$5,000	\$5,000	\$0	0.0%	\$5,000	0.0%
64	YMCA Capital	10,000	10,000	\$0	0.0%	10,000	0.0%
65	Youth Programs Fund - Pen Comm. Foundatn	\$50,000	\$0	-\$50,000	-100.0%	\$0	-100.0%
66	YWCA	\$35,000	\$45,000	\$10,000	28.6%	\$38,500	10.0%
	<b>TOTAL</b>	<b>\$7,696,319</b>	<b>\$8,957,895</b>	<b>\$1,261,576</b>	<b>16.4%</b>	<b>\$7,865,147</b>	<b>2.2%</b>

# FY 2008 BUDGET POSITION PAPER

March 2007

## Codes Compliance - Plans Examiner Function

### Issues

As part of the FY 2008 recommended Operating Budget, the Department of Codes Compliance has been authorized an additional Plans Examiner position to improve plan review and permit issuance services. Plan review volume over the past five years has averaged 4,200 plans reviewed per year in all construction trade categories. In the Building Division, an average of over 700 construction plans are reviewed each year between the full-time Plans Examiner and a building inspector who reviews residential plans one day per week. For one full-time Plans Examiner, this volume is high and exceeds what peer jurisdictions commonly experience. A survey of ten other Virginia localities was conducted to determine comparable staffing levels in other localities primarily in Hampton Roads.

As you will note from the attached table, this survey information indicates that except in Portsmouth, Poquoson and Williamsburg, Newport News is the only other locality with just one full-time Plans Examiner. While the staffing levels in other localities are tied more to development and redevelopment activity than population, it is apparent that Newport News has been performing this plans examination function with a minimal amount of full-time staffing, and despite this the Department has been maintaining a reasonable turnaround time for the processing of plans, although to do so has impacted the timeliness of inspections.

Since Codes Compliance has one full-time Plans Examiner position, this person is responsible for performing all commercial plan reviews and is involved in issuing nearly all permits processed by the Department. To meet the existing demand for plan review and permit issuance services, Codes Compliance uses Building Inspection staff to review most residential building plans, to review electrical, plumbing and mechanical system plans and to cover the absences of the Department's Plans Examiner. This current arrangement negatively impacts construction inspections and leaves the Department too dependent on the one existing Plans Examiner. In addition, reviewing the data provided in the survey revealed that the Plans Examiners working in other localities concentrate more on the plan review process and do not interact as closely with walk-in customers seeking same-day permit issuance, as Newport News does. Other localities such as Hampton, Norfolk and Virginia Beach are staffed so that permit technicians receive walk-in customer traffic, review simple permit applications and perform permit issuances. In Newport News, due to the limited number of positions

assigned to this function, the Plans Examiner must handle all walk-in customers seeking construction permits and reviews every building permit application. The recommended addition of a second Plans Examiner position to perform plan reviews and the permit technician's functions will accomplish two objectives: (1) it allows the workload to be handled without diverting construction inspectors from their primary duties and (2) makes an experienced staff person available when the current staff person is not in the office. Given the amount of construction activities that are expected in the next few years, as the Asheton Project and Huntington Pointe move forward, it is imperative that a second full-time position be funded.

### **Funding Strategy**

It is recommended that a second full-time Plans Examiner position be funded for the full fiscal year at a cost of \$83,528. This amount includes salary and fringe benefits, and an additional amount of \$4,200 in support costs for telecommunications, office supplies, printing, a computer, radio, and a workstation.

### **Impact**

The addition of a Plans Examiner's position will improve service by:

- Increasing the number of plan reviews performed by the Department.
- Reducing the timeframe between plan submittal and plan review.
- Improving the quality of plan reviews by reducing the plan review workload for each reviewer.
- Minimizing reliance upon Building Inspectors catching design discrepancies during field inspections that are more difficult and costly to resolve at that point.

The addition of a second Plans Examiner position allows the reassignment of certain work responsibilities to achieve a more efficient use of other staff resources. Citizens will benefit as plan reviews will be accomplished on a timelier basis and will be done by staff that have the necessary expertise to perform this work.

TABLE  
PLANS REVIEW STAFFING  
IN OTHER JURISDICTIONS

Locality	Population	Full-Time	Part-Time	Review/ Permit Processing	Plans/Day /Examiner	Turnaround
Newport News	180,150	1 Com		30% / 70%	2.8	2 Weeks
			1 Res/Inspector	60% / 40%		1 Week
			1 Fire/Inspector	80% / 20%		1 Week
Chesapeake	199,184	1 Com		80% / 20%		4-6 Weeks
		2 Res		50% / 50%		1-2 Days
Loudon	169,599	5 Com		80% / 20%	4.7	10-15 Days
		3 Res		80% / 20%		10-15 Days
		3 Fire		80% / 20%		30 Days
		6 EPM/Inspectors		80% / 20%		10-15 Days
Hampton	146,437	1 Com		90% / 10%	1.5	2-3 Weeks
		1 Res		90% / 10%		2-3 Weeks
		1 EPM		90% / 10%		2-3 Weeks
Portsmouth	100,565	1 Com/Res		85% / 15%		2-3 Weeks
			1 Res/Inspector			1-2 Days
Norfolk	234,403	4 Com		85% / 15%	1	1 Week
		3 Res		50% / 50%		1 Day
		1 EPM		85% / 15%		1 Week
		1 Fire		85% / 15%		1 Week
VA Beach	425,257	2 Com			1.2	4-6 Weeks
		3 Res		75% / 25%		not tracking res
York	56,297	1 Com			0.7	
		1 Res				
James City	48,102	1 Com		75% / 25%	3.2	3 Weeks
		2 Res		60% / 40%		2 Weeks
			1 Res	60 / 40%		2 Weeks
Williamsburg	11,998	1 Com/Res				2-3 Weeks
						3-5 Days
Poquoson	11,566	1 Com/Res		50% / 50%	2.7	1 Week

Com – Commercial, Res - Residential, EPM - Electrical, Plumbing and Mechanical, Fire - Fire Suppression/Alarm.

Population based on 2000 census.

G:\2008 Position Papers. Codes  
Plans Examiner. Final 3.07

# FY 08 Budget Position Paper

March 2007

## Planning Department - Urban Designer Position

### Issue

The FY 2008 Recommended Operating Budget provides a new Urban Designer position in the Planning Department. Development projects have become increasingly complex and require detailed design reviews that necessitate a high degree of urban design sensitivity. The Planning Department will be spending considerable time evaluating the design of projects as the number of neo-traditional and new urbanism developments grow. Asheton, Patrick Henry Place, Huntington Pointe, and the Southeast Community Urban Waterfront all will require urban design skills. In addition, even more traditional site plan reviews require more urban design skills because of the increasing reliance on proffers and conditions that demand design judgments by city staff. An Urban Designer position will be invaluable as the City pursues new projects that will require a high level of design skills, such as the Menchville Marina/City Farm area and the expansion of City Center. Design reviews for the Lee Hall Corridor Overlay District and other newly-designated conservation districts will add to the future workload. Pattern books, design guidelines for new developments, and the application of design standards for projects requiring conditional use permits or changes of zoning, all will require these specialized skills.

Furthermore, the City needs expertise and advocacy for design solutions which emphasize people and pedestrians. Urban Design expertise is crucial as the City focuses on development in an urban setting where more than one building is involved. Many of the projects that are being pursued in Newport News will involve urban design features. Urban design promotes the importance of the "public realm" and "sense of place" by integrating architecture, landscape architecture, lighting, sidewalks, signage, streets, street furniture, plazas, and public space to help create a final design that addresses both private and public needs. The urban designer will need to work closely with engineers, site planners, planners, architects, landscape architects, police and fire professionals to formulate design solutions and design standards with criteria appropriate to the type of development the City is now seeking.

### **Funding Strategy**

To moderate the FY 2008 cost of adding an Urban Designer position in the Planning Department, it is being funded only for six (6) months. The cost in FY 2008 will, therefore, be \$34,124 for salary and fringe benefits. This January 1, 2008 target date also reflects the timeframe necessary to classify, advertise and select a qualified candidate with these unique required skills.

### **Impact**

This new position will provide critical support and expertise in a function that has become increasingly important to the development of this community, i.e., achieving a high quality of design for the built environment. An Urban Designer position will have the additional benefit of enabling the other Planning Department staff to focus on the essential long- and short-range planning activities that are critical to the mission of the Department and the success of Newport News' communities. Successful achievement of the City Council's long-range goal of creating a quality, aesthetically pleasing environment in the community will be strengthened by having this degree of urban design capability in City government.

# FY08 BUDGET POSITION PAPER

MARCH 2007

## Libraries and Information Services - Safety and Security

### Issue

*"Lock the Library! Rowdy Students are Taking Over!"* is the headline of the January 2, 2007 New York Times. The Maplewood, N.J., Public Library announced it was closing its two buildings on weekdays from 2:45 p.m. to 5 p.m. due to the inappropriate behavior exhibited by youth coming to the library.

Similar incidents of inappropriate behavior, including bringing a pellet gun to the library, fighting, and destroying public property, are increasing at the four branch libraries of the Newport News Public Library System; 56% of the reported incidents in Calendar Year 2006 dealt with inappropriate behavior by youth. Twenty incidents have been reported during the first two months of Calendar Year 2007, and seven of these have included teens displaying disruptive and violent behavior. Typically, averages of 20 to 31 teens per hour are in the library at any one time, but there have been times when as many as 70 teens are present. These figures do not reflect any pre-school or elementary school age youth or parents and seniors that might be trying to use the libraries during these same peak periods. Responding to this many teens often takes staff away from their primary responsibilities and hinders their ability to respond to other library customers.

The incidents referenced below are examples of activity that has occurred. As these incidents occur and re-occur, they impact the public's perception of safety in the library and usage will be significantly affected.

- **April 14, 2006:** Grissom Library teens tamper with the children's computer lab equipment. Staff is threatened. Police are notified.
- **April 17, 18, 2006:** The Bailey Library is egged two days in a row.
- **May 5, 2006:** Teens attempt to break into cars in the parking lot. Police are notified.
- **May 18, 2006:** The Bailey Library Manager is hit in the face by a youth. Police are notified and staff is taken to emergency medical center.
- **August 9, 2006:** A teen wearing clothing associated with a gang came to the Bailey Library.



- **September 14, 2006:** Main St. Library staff discovered drug paraphernalia at the back door of the library building. Police are notified.
- **October 23, 2006:** Boys/teenagers are fighting in front of the Grissom Library.
- **November 1, 2006:** A Teen brings gun onto Grissom Library property. Police are notified.
- **November 25, 2006:** Three youth about 15 years of age are observed in front of the Bailey Library building. Mulch was placed in the book drop and lit cigarettes were placed on top of the mulch.
- **December 23, 2006:** A library patron is mugged in the Main Street Library parking lot by a purse-snatcher. Police are notified.
- **February 26, 2007:** Three boys attack another boy outside the library. The victim seeks refuge in the library. Police are notified.
- **February 28, 2007:** A large group of teens assembles in the Bailey Library, blocks the entrance and entrances to the stack areas books are thrown. Police are notified.

As previously referenced, the Maplewood, N.J., Library's solution of closing the library is one that does not contribute to the well-being of the community. The vision of the Library System is a community whose well-being is enriched by the experience of using the library. Therefore, the Library System, in conjunction with Parks, Recreation and Tourism, the Office on Children, Youth and Families, Building Services and the Police Department has taken a multi-faceted approach to resolving these behaviors and to ensure that youth have a safe place to come.

- Library staff attended training offered by the Urban Libraries Council that specifically addressed out-of-school programs to handle the challenge of providing service to after-school youth. These programs were reviewed for implementation by the Library System.
- Library and Parks and Recreation staff joined forces to research programming that can be provided at the libraries during peak "tweener" and teen use. If programming is attractive and appealing to this age group, it may provide an alternative to the display of inappropriate behavior. These programs will be used to enhance services that the Library System currently provides.

- *Keeping Our Kids Safe's* Targeted Outreach Program (TOP) referral services are used when teens demonstrate they are "at-risk" for gang involvement and participate in activity that results in banishment from the library. The teen and their parent/guardian are required to meet with the library manager and library director before they can return to the library. The parent/guardian is told about the program/referral service and asked to complete the referral form and encouraged to use the referral services. All branch managers and youth services staff have been trained on the purpose of the referral service and how it works.
- Office on Children, Youth and Families assisted by writing a GOSAP grant from the Governor's Youth Community Service and Civic Engagement Program on behalf of the Newport News Public Library System, the Boys and Girls Club of the Virginia Peninsula and Alternatives, Inc. This grant will serve 30 young people identified through the Boys and Girls Clubs Targeted Outreach for Gang Prevention Model. The pilot project's 10 sessions will enhance youth's civic and social competency, belief in their ability to create positive changes in the community, increase school achievement and increase planning and organizational skills through service learning projects. The Service Learning Projects will be facilitated and coordinated by Alternatives, Inc., a nationally recognized service learning provider. Youth who have been identified and referred to the Targeted Outreach Program through the Library System will also be considered.
- Community volunteers who completed commitment cards at *People to People* community meetings held in the fall of 2006 that focused on *Keeping Our Kids Safe* will be used to assist with library programming. The Library System received over 12 names of citizens interested in either tutoring or volunteering in after-school programs, though only two attended training.
- Based on a review of library buildings done by Building Services, Police and security consultants, the Building Services Division of Public Works is reviewing bids for interior and exterior digital security cameras at all four branch libraries. The cameras will be digital and monitored constantly by remote access at Public Works.

- The Police Department has conducted building safety surveys, provided library staff with training by community policing staff, and reviewed security guard procedures. Protocols have been reviewed to ensure that staff fully understands when to call police for assistance.

### **Funding Strategy**

The recommended FY08 budget includes one new full-time and one new part-time (30hr/wk) Information Services Specialist (ISS) position to allow the Library System to develop out-of-school programming that focuses on teens and “tweeners.” Funding for these two positions will cost \$73,753.

### **Impact**

Adding ISS positions for youth outreach will allow for the development of programming and services that can be conducted at the libraries during peak “tweener” and teen use and that can impact the behavior of youth. If programming is attractive and appealing to this age group, it may provide an alternative to the display of inappropriate behavior. The BOOST Program developed by the Queens Public Library is the model that will be used to develop the Library System’s programming ideas. The new staff will allow existing staff to continue to provide traditional library services to those who are in the libraries to use reference services, computer labs and to check out library materials.

The Library System’s Out-of-School Time Program would provide services annually for 75 young people between the ages of 12 and 17. The program would operate during the hours of 3:00 p.m. to 7:00 p.m. and rotate between Bailey, Grissom and Main St. Libraries. Activities provided include the following services:

- Programs with teen appeal determined in conjunction with teens;
- Informal recreation opportunities;
- Homework assistance;
- Youth leadership; and
- Life skills.

Expected outcomes include:

- Sustained youth participation in the programs so that non-engaged youth in the library decreases;
- A decrease in the number of incident reports filed and complaints registered relating to youth;
- Youth participating in structured and fun activities; and

- Youth having a heightened access to a safe place.

The additional funding for the staff positions will help fulfill the Library System's mission of helping to build a community of readers who use the library for academic, economical and personal growth, thereby enriching the community as a whole. The Library System participates in and supports the City's *Keeping Our Kids Safe* initiative, designed to minimize risk factors and increase protective factors that help build resiliency among children and youth.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## PUBLIC WORKS DEPARTMENT - STORMWATER DIVISION

### Issues

The Stormwater Division of Public Works is responsible for the installation, maintenance, and repair of the City's vast stormwater infrastructure, which includes an estimated 17,500 catch basins and approximately 425 miles of sub-surface drainage pipes of various sizes. Catch basins are designed as entry points to stormwater systems and serve as collection points for sediment and debris which helps prevent the clogging of drainage systems and the discharge of pollution causing contaminants into receiving waters. As such, these man-made structures require more frequent maintenance and inspection than natural drainage systems.

The maintenance goal is to clean and inspect 33 percent or 5,800 of the catch basins in the system annually. Last year, only 444 catch basins (2.5 percent of the system) were cleaned and inspected. The physical size and maintenance frequency requirements of a system as large as the City of Newport News exceed the capability of the section by a wide margin.

### Manpower and Equipment Requirements

In order to even approach this level of routine maintenance, at least two additional Senior Equipment Operators and two flusher /vactor combination trucks must be dedicated solely to catch basin maintenance operations. Each operator and machine are expected to maintain approximately 2,200 catch basins annually, for a total of 4,400. The operators and machines currently assigned to the preventive maintenance and construction crew section will accomplish the inspection and cleaning of the remaining catch basins (1,400) required to meet the maintenance goal of 5,800 per year. This additional staffing is to be phased in over the next two fiscal years.

This addition of one Senior Equipment Operator and one flusher/vactor machine in FY 2008 will move the Stormwater Division halfway to its maintenance goal. With current staffing, it will take over 13 years to inspect and maintain the 17,500 catch basins in the City. Having a 13-year cycle has proved to be inadequate and does not alleviate neighborhood flooding that sometimes results from blockages in the stormwater piping system.

## **Funding Strategy**

It is recommended that funding for one full-time Senior Equipment Operator position for six (6) months at a cost of \$42,443 be included in the FY 2008 Operating Budget. The total cost for FY 2008 will be \$49,251, when \$6,808 for operating costs (uniform and wearing apparel, vehicle fuel, and radio) are included. Because of the long lead time in acquiring the vector equipment for this function, there is no need to fill this position until about January.

The \$49,251 in funding for the position will be covered by the Stormwater Management Fee increase recommended for FY 2008.

## **Impact**

The absence of a regular catch basin maintenance program jeopardizes the reliability of the stormwater system and is the cause of many citizen flooding complaints. Another result is that trash and debris will continue to find its way into receiving waters at unacceptable levels. As the City's stormwater assets continue to age, a higher level of maintenance becomes even more important. Currently, with infrequent inspections, the need for specific stormwater facility repairs and replacement does not become apparent until system failures occur, requiring more emergency rehabilitation projects.

Of the Stormwater Management Fee increase of \$.50 per ERU from \$4.35 to \$4.85 recommended for FY 2008 to maintain the City's infrastructure investment and to keep up with rising operating costs, \$.03 is committed to fund the catch basin cleaning enhancement.

# FY 2008 BUDGET POSITION PAPER

MARCH 2007

## Wastewater Division Department of Public Works

### Issues

Increasing costs associated with the maintenance of infrastructure investments, funding for employee pay increases, unavoidable non-personnel expense increases, and the request for a new position will require an increase in the Sewer User Fee.

The new position is required because the number of emergency power systems within the City of Newport News has continued to grow since Hurricanes Floyd and Isabel and, most recently, Tropical Storm Ernesto impacted the Hampton Roads region. By year-end 2007, the City of Newport News will have 178 emergency power generation systems throughout the City. All of these systems must be regularly maintained and serviced in order to ensure effective power generation required when natural or manmade disaster strikes the City of Newport News. At this time, there are only three Generator Specialists assigned to service, repair and maintain these systems year round. This equates to approximately 59 generator systems per mechanic. One Generator Mechanic can effectively maintain 35 generators. One additional Generator Mechanic position will reduce the load from 59 to 45 per position.

### Funding Strategy

It is recommended that one additional Generator Mechanic be funded at the cost of \$166,501. This amount represents six (6) months of funding for salary and fringe benefits (\$28,380), operating costs for uniforms and wearing apparel, vehicle fuel, and a radio. There is a one-time cost of \$135,639 for a specialized truck to be used by the new mechanic. The annualized cost for the position is estimated to be \$71,000. The recommended \$ 0.17 increase in the rate of \$1.53/hcf is an increase of 12.5% over the current year rate. Approximately \$ 0.14 of the increase is necessary to maintain current operations and provide monies for increased debt service obligations associated with the CIP's sanitary sewer infrastructure replacement program; \$ 0.03 of the increase will support the new position. A \$ 0.17 increase represents a \$25.50 per year additional cost for a single-family household.

## **Impact**

Without the additional Generator Specialist position, Public Works will not be able to provide the level of maintenance necessary for the City's emergency power generation systems. Insufficient staffing jeopardizes the reliability and sustainability of the City's sewerage pump stations, traffic signals, and key administrative offices during emergency operations or extended power outages.

This modest \$ 0.03 increase in the Sewer User Fee to expand the maintenance support for the City's emergency generators assures that they remain fully operational in emergencies, and helps the City avoid sewerage overflows at pump stations when power is interrupted.