

Fiscal Year 2009 Budget Position Papers

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FY 2009 BUDGET POSITION PAPER

MARCH 2008

REAL ESTATE ASSESSMENT

Issues

The 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 property inspections, verifies sales and analyzes the market data to determine the new assessed values on every parcel of property in the City. The Assessor's Office mails notices of changes in values, responds to property owner questions and concerns about the new valuations, reviews the properties and revises the values where as justified. Records are maintained on each parcel of property and information made available to the public as necessary or requested.

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 that 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 processed into the computer system, final review is done and reassessment notices generated and mailed to the property owners.

Beyond the review of sales data, the reassessment process includes recording 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 building permits on a quarterly basis, determining the appropriate change in value due to the permit and updating records with changes to property 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. In addition, the Assessor places a value on all tax-exempt real estate: federal, state, city, church-owned and other exempt property.

From FY 2003 through FY 2004, real estate assessments rose modestly for single family and nonresidential properties. During that time frame single-family increases ranged from 3.74% to 5.48%. The well-documented increase in housing prices in the ensuing period for FY 2005 through FY 2008 led to assessment increases for single-family properties ranging from 9.22% to 18.63%. The increase for all properties ranged from 7.42% to 14.68%.

The following table provides the trend in assessments over the past ten years to include information on single family and nonresidential properties as well as the total percentage change and the tax rate per \$100:

TEN YEAR REASSESSMENT PERCENTAGE CHANGE

<u>Tax Year</u>	<u>Single Family</u>	<u>Non Residentl</u>	<u>Total Change</u>	<u>Tax Rate per \$100</u>
1998/99	1.04%	2.64%	1.74%	1.20
1999/00	1.34%	1.50%	1.41%	1.24
2000/01	2.56%	1.92%	2.26%	1.24
2001/02	2.62%	3.17%	2.83%	1.24
2002/03	3.74%	2.97%	3.42%	1.27
2003/04	5.48%	4.57%	5.03%	1.27
2004/05	9.22%	4.78%	7.42%	1.27
2005/06	16.11%	7.29%	12.66%	1.24
2006/07	21.15%	8.67%	16.49%	1.20
2007/08	18.63%	7.61%	14.68%	1.10

Reassessment Projection

By the end of February of 2008, approximately 85% of the reassessment had been completed for FY 2009. The preliminary projected valuation increase from reassessment is projected to be \$700,000,000 or 5% above the FY2008 base. The following provides a breakdown of the projection in table format:

REASSESSMENT PROJECTION FOR FY 2008/09

	<u>7/1/2007 Total Levy (Actual)</u>	<u>7/1/2008 Total Levy (Projected)</u>	<u>Difference</u>	<u>Percent Change</u>
Apartment	\$1,371,224,100	\$1,494,634,269	\$123,410,169	9.00%
Commercial	2,201,515,164	2,311,590,922	110,075,758	5.00%
Industrial	1,178,515,970	1,196,193,710	17,677,740	1.50%
Multi-family	42,790,600	44,930,130	2,139,530	5.00%
Condominium	593,437,900	623,109,795	29,671,895	5.00%
Residential	8,662,238,800	9,095,350,740	433,111,940	5.00%
Trailer Court	38,768,800	40,707,240	1,938,440	5.0%
Lessee	60,668,000	60,061,320	(606,680)	(1.00)%
Total Levy	\$14,149,159,334	\$14,866,578,126	\$717,418,792	5.07%

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CASH CAPITAL FINANCING

The Capital Financing and Debt Management Policies adopted by City Council in January of 2007 formalized a commitment of cash funding from the operating budget to finance certain capital projects instead of taking on additional debt. The substitution of cash capital financing instead of general obligation debt saves the City money by reducing long-term principal and interest payments. Fifteen percent (15%) of CIP expenditures were financed with cash capital in FY 2008. The debt management policies adopted by City Council in 2007 set a goal of increasing the use of cash capital by one percent (1%) a year until reaching twenty percent (20%) of the CIP at the end of five years.

The FY 2009–2013 Capital Improvements Plan adopted by City Council in January called for cash capital funding of approximately \$39.1 million over this five year period. The table below reflects this projected funding.

CASH CAPITAL FUNDING

	<u>Cash Capital</u>	<u>General Obligation Bond Funding</u>	<u>Total General Fund CIP</u>	<u>Cash Capital % of General Fund CIP</u>
2009	\$6,186,300	\$30,935,900	\$37,122,200	16.66%
2010	\$6,109,800	\$39,675,753	\$45,785,553	13.34%
2011	\$8,761,400	\$34,441,780	\$43,203,180	20.28%
2012	\$8,438,600	\$33,368,930	\$41,807,530	20.18%
2013	<u>\$9,595,000</u>	<u>\$28,917,610</u>	<u>\$38,512,610</u>	<u>24.91%</u>
TOTALS:	\$39,091,100	\$167,339,973	\$206,431,073	18.94%

The cash capital appropriation in the FY 2008 Operating Budget is \$4,842,000. Of that amount, \$3,000,000 was generated by the use of a portion of FY 2006 year-end surpluses. To date, \$2,000,000 of the \$4,842,000 has been disbursed for the Virginia Living Museum Expansion (\$1,000,000), CNU Warwick Village Development (\$500,000), and the USS Monitor Center (\$500,000). An additional \$2,105,000 million was used for School Security Cameras (\$1,600,000), structural repairs to the James River Fishing Pier (\$255,000), and matching funds for State Historical Services grants (\$250,000). All these important projects would have required the use of borrowed money in previous years.

The approved FY 2009 CIP reflected cash capital funding of \$6,186,000. Given the Operating Budget constraints that the City is facing in FY 2009, I have made two recommendations to decrease this number below the FY 2008 appropriation of \$4,842,000 to \$4,686,300. The first recommendation is supported by the School Superintendent and will reduce funding for school buses by \$500,000 from \$2,086,300 to \$1,586,300. The second recommendation is to use \$1,000,000 from FY 2007 Fund Balance Reserves to accelerate the purchase of two fire trucks in the current fiscal year in order to save approximately \$44,000.

In addition to the \$1,586,300 already mentioned for school buses, the reduced funding level of \$4,686,300 will still provide for the support of Community Facilities (\$1,300,000), Arterial Street Reconstruction and Resurfacing (\$1,100,000), Historic Preservation (\$250,000), Southeast Community Redevelopment (\$200,000), Emergency Response Asbestos Removal (\$150,000), and Public Landscaping (\$100,000).

While this action will provide some relief for this fiscal year, it is important to remember that Cash Capital financing of capital improvements will continue to be an integral part of reducing the City's future borrowing requirements and help keep our outstanding debt to a manageable level. This "pay-as-you-go" approach will continue to be an important component in the maintenance of our strong AA Bond Rating.

FY 2009 Budget Position Paper

March 2008

Use of Reserves for Special Projects

Issues

Concurrent with the adoption of the FY 2009 Operating Budget, the City Manager is recommending that City Council approve the use of \$6,095,000 of General Fund reserves for several important capital acquisitions. Additionally, he is proposing that \$1,500,000 be identified for future appropriation for two projects currently under staff review. Moving forward with these projects in the current fiscal year will help ease the expenditure pressures on the FY 2009 and FY 2010 Operating Budgets.

When the FY 2007 accounting books were closed, \$25,510,200 of the General Fund balance (primarily accumulated from prior years' operating surpluses) was designated for specific projects. In July 2007, \$7,000,000 of that amount was appropriated to supplement current fiscal year debt service and cash capital expenditures. Since that time, an additional \$7,130,000 has been appropriated for nine projects, the largest of which were the Sanitary Sewer Consent Study (\$3,500,000), Rouse Towers Renovations (\$1,200,000), Fire Station No. 11 (\$600,000), Citywide Special Events (\$550,000), and City Hall/CSB Building Renovations (\$500,000).

Of the remaining \$11,380,200 balance, the City manager is recommending that appropriations be approved to fund the following projects:

Refuse Truck Replacement - \$575,000

The bulk of the City's refuse truck fleet is scheduled for replacement in Fiscal 2010. The next round of more stringent Environmental Protection Agency exhaust emission standards will go into effect on all 2010-year model trucks. According to truck diesel engine manufacturers, these new rules will add at least \$10,000 to the cost of this class of truck. This amount is in addition to the 3% increase in costs expected on all the other truck components. Purchasing four refuse trucks this fiscal year will allow the City to avoid \$57,000 in price increases and will help mitigate the spike in vehicle replacement expenses expected in FY 2010.

Fire Apparatus Replacement - \$1,020,000

The City owns two 1990 fire engines that are incurring excessive maintenance costs and have become unreliable. The cost of replacing them, like the cost of the refuse trucks, will be affected by the 2010 EPA emission standards. Purchasing these two units this fiscal year will avoid \$44,000 in additional costs driven by the EPA requirements and normal inflation. Since these units were included in the portion of

the FY 2009 Capital Improvements Plan funded by cash capital, using reserves to finance their purchase now will relieve the proposed FY 2009 Operating Budget of that expense. In addition, it is necessary to replace a specialty truck designed to assist in rescuing persons trapped in collapsed buildings or utility trenches. The existing unit is over twenty years old.

CAMA (Computer Aided Mass Appraisal) - \$2,300,000

CAMA is software package that aids the development of real estate appraisals for taxation purposes. It calculates value based on cost and market variables, or in the case of commercial properties, income. It includes Real Estate Tax billing function for use by the Treasurer's office. Implementation is expected by January 1, 2010.

Software and Hardware (Information Technology Fund) - \$1,200,000

The recommend appropriation will allow the City to acquire needed Information Technology items that could not be funded in the proposed FY 2009 Operating Budget.

Human Services Software

"Harmony" is a comprehensive human services case management information system that will support a variety of social services including Medicaid, Food Stamps, Temporary Assistance to Needy Families, etc. This product contains office product integration, management review and quality control tools, internal case notes, workflow wizards, ticklers, and customizable reporting capabilities.

I/Mobile Software

I/Mobile is a software application for Fire Department emergency vehicles that provides capabilities for voiceless dispatch, status updates and messaging. It provides map capabilities and automatic vehicle location. It interfaces with the Computer Aided Dispatch (CAD) System in the City's 911 Communications Center.

E-mail and Scheduling System

This is an enterprise-wide messaging and collaboration software package. The City will replace separate messaging/collaboration systems with a single system which will allow City staff to communicate more effectively and efficiently on projects that span departmental boundaries. It will also allow City staff to manage their time more effectively by utilizing an enterprise-wide scheduling system.

Sheriff's Office Network Upgrade

The upgrade is necessary for compliance with the requirements of the new Jail Management and Records Management systems. It will also provide additional desktop computers at the Justice Center and the Jail Annex to maintain security information and track movement of inmates, control door access, and event logs.

MEDS - Multipurpose Emergency Dispatch System

MEDS is software application designed to guide operators through emergency calls and record information that can be used for quality improvement purposes. It allows the call taker to send the call to the dispatcher immediately for critical cases functions and integrates with the 911 Computer Aided Dispatch (CAD) System.

Southeast Waterfront Redevelopment Initiative - \$1,000,000

A major City Council strategic priority is the redevelopment of the Hampton Roads waterfront. There is a community consensus that a successful redevelopment of the waterfront is necessary to improve the quality of life in the larger Southeast Community and create positive economic and social momentum in this important part of the City.

It is recognized that such a redevelopment is a complex, expensive and a long-term commitment. Under the City Manager's direction, a staff team has been developing specific, action steps necessary to strengthen the neighborhoods surrounding the waterfront. Stabilization and improvement of these neighborhoods will greatly increase the chances for substantial private investment along the waterfront over the next decade.

Potentially interested developers and investors have been monitoring the City's waterfront redevelopment planning process. It is clear that the hundreds of millions of dollars of private investment needed to realize the vision for a new waterfront will not be forthcoming without a focused commitment to reduce crime and substandard housing in areas surrounding the targeted redevelopment.

Three interrelated initiatives are recommended and will require a growing commitment through the Operating Budget over the next five years. These efforts will include a rental inspection program, a targeted crime reduction focus, and a stronger renovation/rehabilitation effort.

These new initiatives will be implemented in a coordinated fashion by the Departments of Development, Codes Compliance, Police, and the Newport News Redevelopment and Housing Authority (NNRHA). Recognizing that such an undertaking will be difficult to implement in its entirety, a pilot program will be proposed for the Stuart Gardens and the Chestnut Avenue corridor. Staff capacity and operational procedures will established during this initial phase and then expanded to other neighborhoods as funding and staff capacity permit.

Given the current fiscal environment and the fact that staff is still working on program operational details, recommended start-up funding has been limited to \$1,000,000 and would be appropriated to either the NNRHA or the City's Economic Development Authority (EDA) for use next fiscal year. The City Manager would allocate these funds during the last quarter of FY 2009 in conjunction with a report to

City Council as realistic time lines (new ordinances, operating procedures, job descriptions, etc.) are completed. A full year program budget would be proposed for FY 2010.

Funding Strategy

If City Council approves these recommended appropriations, \$5,285,200 will remain available for future use. In addition to the aforementioned projects, the City Manager has identified two additional initiatives worthy of future appropriations pending the outcome of studies currently underway.

Middle Ground Boulevard Local Grant Match - \$1,000,000

On December 10, 2007, the Virginia Department of Transportation (VDOT) released information concerning their FY 2009 Revenue Sharing Program. City Council has authorized application for \$1,000,000 for the VDOT administered Middle Ground Boulevard Project from Warwick Boulevard to Jefferson Avenue.

If the City is successful in receiving these Revenue Sharing funds, VDOT will request a \$1,000,001 check from the City probably in July or August 2008. The City does not have funding scheduled for Middle Ground Boulevard in FY 2009, so at this time payment would be out of fund balance. The City Manager recommends the reserves be held for this purpose.

Security Cameras - \$500,000

The Police Department is evaluating a proposal for a platform system that has the capability to integrate the Police Department's seven cameras that are located throughout the Southeast Community, a camera system for the Housing and Redevelopment Authority's property located on Ridley Circle and Lassiter Drive; and, and cameras located at the Downing-Gross Fine Arts Center and Magruder Pool.

The Police Department is leading a multi-departmental staff team to develop a camera platform plan that would be effective in their efforts toward fighting crime; but in time, could be integrated and expanded into a City-wide system. This overall system would then have the capability to be monitored on site by the host department; or, centrally at the Department of Public Works. This initiative is one of the recommendations of the Violence Reduction Task Force and is a companion project to the \$1,600,000 being invested by Newport News Public Schools as part of this effort.

Impact

The funding source for all the aforementioned projects will be from FY2007 Surplus in the General Fund Reserves. If all projects are appropriated by City Council, a balance of \$3,785,200 will remain.

FY 2009 BUDGET POSITION PAPER

March 2008

School Funding

Issue

Because school divisions in Virginia have no taxing authority and are not fiscally independent, they must rely on funding from Federal, State and local government to satisfy their Operating Budget requirements. To decide 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 2009 is the first year of the Governor's Biennial Budget. Under State policy, the local government is required to contribute at least a minimum level of funding that is determined by a Required Local Effort (RLE), which computes the locality's ability to pay for education. The RLE is calculated for Standard of Quality funding, based on March average daily membership (ADM) projections. For FY 2008, the minimum Required Local Effort required by the City of Newport News was \$42,396,829. However, the City actually contributed \$112,118,000. This additional \$69,721,171 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 the State, from federal impact aid, and from other miscellaneous revenue. The difference between the revenue sources and the School's 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.

The process of determining a distribution of existing and new revenues between a locality's School Division and the municipal government becomes a fundamental decision 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 must be made each year by the governing body upon considering the recommendation of their City 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 2009 being the first year of the biennium budget, the Superintendent's Recommended Budget estimates that the State will provide Newport News Schools with \$7.9 million in new State funding, or a 4.2% increase over the amount received in FY 2008. With the City's funding \$116 million, the School Division will receive a total increase of \$12 million in new revenue for FY 2009 from all funding sources; which represents an increase of 3.9% over the current fiscal year.

Funding Strategy

The City's total General Fund revenue for FY 2009 is projected to grow by \$16.6 million or 4.0%. After discounting those revenue sources restricted for use for specific purposes, the City had \$14.5 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 met first before identifying what is available for discretionary School or municipal spending. In addition, \$7 million of the new revenue generated in FY 2009 is dedicated to funding the portion of FY 2008 debt service and cash capital that was financed with FY 2007 General Fund reserves. In FY 2009, after meeting its debt service and cash capital obligations, the City expects to have \$7.5 million available in General Fund revenue above its FY 2008 base for discretionary spending.

The City Manager's recommended FY 2009 City Operating Budget provides for an increase in School funding of \$3.8 million. This leaves approximately \$3.2 million in new revenues for various City FY 2009 expenditure requirements, i.e., departmental operational requirements, salary and benefit increases, and enhancing contributions to City retirement fund and post-retirement fund, support for regional organizations such as the Hampton Roads Regional Jail. While this amount was insufficient to accommodate all the required fundamental expenses of the General Fund, the City Manager instituted further operating budget reductions of over \$7 million to achieve a balanced proposed budget for FY 2009.

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 debt service obligations, will have a total of \$7.9 million in new revenue to use to address its spending priorities for FY 2009, which is an increase of 3.9% increase over FY 2008.

Impact

The local contribution to Schools in the City Manager's recommended FY 2009 Operating Budget is \$116,000,000 which represents a \$3.8 million increase over the funding provided to the School Division in FY 2008.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

NEWPORT NEWS EMPLOYEE'S RETIREMENT FUND (NNERF) PENSION FUND

Issues

Fiscal Year 2007 marked the first year since 2003 that the Pension Fund has experienced a decrease in its Unfunded Actuarial Accrued Liability (UAAL). At the end of FY 2007, the UAAL decreased from \$212.2 million to \$211.1 million. This liability represents a portion of the compensation the City has committed to employees to be paid at a later date. The funded status of the Pension Fund increased from 76.3% to 77.9%. A funded status of 80% is generally considered to be financially satisfactory, but it is important that we eventually return to the 100% level. Strong investment returns of 16.5% had a major impact on the 2007 positive results. However, we realize that positive investment returns alone will not eliminate the unfunded liability.

	Valuation Year				
	2003	2004	2005	2006	2007
UAAL (in millions)	\$91.8	\$139.6	\$208.6	\$212.2	\$211.1
Funded Status	86.4%	80.8%	75.0%	76.3%	77.9%

Beginning in FY 2003, City contributions to the NNERF as a percent of payroll have been less than the Actuarial Recommended Contribution (ARC). This contribution shortfall continues to be a significant factor impacting the under-funded status. Since FY 2003, the Fund has accumulated a contribution shortfall of \$83.5 million. The implementation of a long-term plan to address this issue must continue to be a major priority for the City.

Funding Strategy

The first phase of a three-year funding plan was adopted in the FY 2007 budget. The plan calls for increasing the contribution rate from 1.46% to 5.8% of payroll. The commitment will be fulfilled in FY 2009 with a contribution of \$18.6 million to the Pension Fund. This is an interim commitment to address the status of the Fund in the short-term. It is imperative that a comprehensive strategy be developed to address the long-term financial issues.

In the latter part of FY 2006, the City Manager established the Retirement Review Committee to develop options to further close the gap between City contributions and the amount recommended by the actuarial study. The City Manager released the Committee's recommendations to the Retirement Board, Newport News School Board and employees at the end of January 2008. The City Manager is expected to present his final recommendations to City Council at the end of Fiscal Year 2008. The Committee offered a number of options that are currently being evaluated for inclusion in the City Manager's final recommendation to City Council for future action and implementation.

Impact

The Credit Rating Agencies have indicated that if the City is to retain its Aa2 credit rating, a long-term strategy must be adopted and implemented. Moody's Investors Service has specifically noted that it "expects municipal entities with a large unfunded obligation to have, or develop, a plan to reduce them." The three-year interim plan to raise pension contribution levels to meet normal cost has allowed the City time to develop a long-term strategy. Any proposed changes will not be effective unless the City contributions are at the required actuarial levels. Investment growth and meeting the required funding are the crucial elements to returning to a fully funded plan.

NEWPORT NEWS EMPLOYEE'S POST-RETIREMENT HEALTH & WELFARE BENEFITS (POST-RETIREMENT FUND)

Issues

Similar funding issues are associated with the Post-Retirement Health and Welfare Fund, which provides medical and life insurance benefits for retirees. Effective for FY 2008, accounting standards require reporting the cost and commitments (liabilities) in the same manner as the Pension Fund. This is a new requirement for State and Local governments. Prior to this change, governments followed a "pay-as-you-go" accounting approach in which the costs of benefits were reported when paid; there was no calculation of future benefits, and consequently no long-term liabilities were reported. The change in accounting practices have resulted in governmental plans reporting new and substantial long-term liabilities with minimal assets accumulated to cover them. The following are financing issues related to the City's Post-Retirement Health Fund:

- The City is not contributing at the required rate: For 2009, the required contribution amount is \$30 million; \$11.7 million is budgeted. The contribution shortfall is \$18.3 million.
- The funding of \$11.7 million will not be sufficient to pay the \$15.5 million in anticipated claims of the plan, thereby requiring a draw-down of assets of approximately \$3.8 million.
- Because the fund is relatively new (established in 2000), it has assets of only \$13 million. Draw-down of assets will increase the unfunded liabilities.
- The most recent actuarial evaluation puts the unfunded liability at \$168 million for the City and \$191 million for Schools.
- The fund is experiencing escalating health-care costs. From 2001 to 2007, the expenses of the fund have increased 135%, from \$5.1 million to a \$12.0 million.

To stabilize this Fund, the first challenge is to increase City and Schools' contributions to a level where they are, at a minimum, covering annual claims and expenses.

Funding Strategy

It is imperative that any funding strategy take a two-pronged approach by looking at the level of contributions while also considering options to reduce expenses. The FY 2009 Proposed Operating Budget includes an increase in the level of funding from \$9.1 million to \$11.7 million an increase of \$2.6 million or 28%. Even with the increase in the contribution level in FY 2009, the contribution will not cover the expenses projected at \$15.5 million leaving a projected shortfall of \$3.8 million. The shortfall will be covered by the draw-down of assets. At the current contribution level of \$11.7 million, an additional \$6 million drawdown will be required to cover FY 2010 projected expenses.

To reduce expenses, a significant adjustment to the life insurance benefit offered to retirees is proposed. Currently, retirees' life insurance premiums are paid 100% by the fund. Recent, retirees will receive insurance equal to one-half their salary at retirement, decreasing by 20% each year to a minimum amount of \$10,000. (Employees who retired prior to July 1, 2005 retain the full amount of the insurance). To transition into this change effective July 1, 2009, the fund will only pay life insurance premiums valued at \$10,000. This amendment is anticipated to decrease FY 2009 expenses by \$1.0 million.

The City Manager's Retirement Review Committee is expected to recommend alternatives to address the unfunded liabilities and reduce expenses of the plan. The committee will review eligibility requirements, premium sharing and the medical coverages. Additionally, a plan to meet the required contribution rate will be recommended.

Impact

For FY 2009, the City's Post-Retirement Fund contribution (though significantly increased) will not meet its current expenses resulting in an increase to our unfunded liability. With assistance from our Benefits Consultant, Financial Advisors, and Actuaries, the City Manager's committee will develop and recommend a long-term strategy to fully fund the plan.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

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 FY 2009 Operating Budget. Compensation levels in our local market continue to increase 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 provide critical efficient and effective services to the community.

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.

Funding Strategy

The General Fund recommended budget for employee salaries for FY 2009 is approximately \$5.1 million. Of this amount, approximately \$4.1 million is for salaries and approximately \$1 million is for associated benefit cost increases.

- Most salary ranges will be increased by 2% at both range entry and range maximum. The entry salary ranges for Police Officer Recruit and Firefighter/Medic Recruit will be adjusted to ensure these employees are eligible for the same range of adjustments as other employees. Based on preliminary information from other local employers, this 2% increase to the salary ranges will maintain our general competitive position.
- Eligible employees will be eligible for a salary adjustment on July 1, 2008 of between 0% and 4%, depending on job performance. Guidelines for establishing the amount of performance increase will be issued. Citywide salary increases will average 3%.

- Employees who are in the first quartile of the salary range will be eligible for a one time salary adjustment of 0-3%, averaging 2%, based on job performance factors. This policy will provide some means to recognize employee development and job performance as well as give positive reinforcement to new employees who are performing at more than satisfactory levels.
- Emphasis will continue to be placed on using bonuses and special adjustments to recognize outstanding accomplishments and to achieve more compensation equity. Policy provisions are currently in place for merit bonuses and special adjustments and these policies are currently being reviewed and updated.

Impact

The recommended FY09 Compensation Plan will maintain the City's current competitive position in the labor market. 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. All together, the various components of the plan keep the City positioned to attract and to retain quality workers.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

TAXES, FEES, AND REVENUE GENERATION

Issues

For nearly two decades the City has faced a financial environment marked by major decreases in state aid and at the same time, increased state mandates for the provision of certain services. During this period, the City has attempted to strike a balance between keeping taxation to levels acceptable to its citizens and the need to provide the municipal services required of a modern urban center.

Rapidly increasing real estate taxes over the past four years have created a financial burden for residents and homeowners. To mitigate some of this pressure, City Council reduced the real estate tax rate in FY 2006 from \$1.27 per \$100 of assessed value to \$1.24. The rate was reduced again in FY 2007 to \$1.20. For a third consecutive fiscal year in FY 2008, the real estate rate was reduced from \$1.20 to \$1.10. This three-year course of reductions totals 17 cents on the real estate tax rate.

Residential assessments are expected to increase moderately again in FY 2009, but not to the degree as was experienced in FY 2007 and in FY 2008. 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 to adequately fund our schools, maintain competitive employee compensation, meet commitments to the retirement and post-retirement health benefits funds, and to continue financing a portion of our capital projects on a cash basis.

In addition, the State announced in October 2007 budget reductions to the FY 2008 state funding, with the reductions continuing in future fiscal years. Additional state reductions to localities were incorporated with the Governor's proposed biennium budget; the final adopted state reductions are an additional 4.2% over the October cuts. To complicate an already challenging fiscal picture is the potential for a national recession. Although typically the Hampton Roads area generally experiences a lesser impact of national trends, it is not immune to them. Escalating fuel prices and their associated effects are already being experienced. However, it was prudent to estimate revenues that are of a consumer-based nature with a mind towards a recession.

With these demands in mind, it was difficult to develop a spending plan that would allow a reduction in the tax burden without sacrificing the progress made in the current fiscal year's budget. Operating departments were directed to submit

program and functional reductions of five (5) percent of their budgets. After a painstaking review of each proposal, over \$7 million of operating expenses were reduced from the General Fund. This amount includes the elimination of 32 positions, the suspension of 10 other positions, the closing of two city facilities, and numerous other program reductions. These reductions were necessary to balance the limited new revenue projected to be received for FY 2009. Therefore, a reduction in the real estate tax rate is not recommended.

Funding Strategy

Revenue estimates for all other General Fund revenue sources have been developed at the high ends of their expected performance ranges. As a result, it is unlikely that there will be large revenue surpluses in the current or future fiscal years. Limited State revenue increases for FY 2009 are directly associated with increased activity in dedicated state-mandated programs, primarily in the Human Services Programs.

The only fee increases recommended for FY 2009 will be those associated with the self-supporting user fee funds that must generate sufficient revenues to pay for the maintenance of infrastructure investments, employee pay increases, and unavoidable non-personnel expense increases. 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 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, fee increases for these funds have been necessary.

Impact

The recommended budget maintains the real estate tax at \$1.10 per \$100 of assessed value. It is important to understand that maintaining this rate is essential to providing the current level of revenue, with a mind toward the future. When annual assessment increases begin to reflect the housing market downturn, revenue growth will be significantly constrained in future fiscal years.

The five fee increases that are included in the City Manager's recommended 2009 City Budget are the sewer user fee, the residential solid waste user fee, the water rate, the water summer conservation rate, and the stormwater management fee. New for FY 2009 will be a surcharge on the sewer user fee to meet the initial requirements on Wastewater Consent Order. The annual average cost per household for these increases are as follows:

- Sewer User Fee (base rate): \$11.58
- Sewer User Fee (Surcharge): \$52.11
- Water Rate*: \$9.58
- Stormwater Management Fee: \$3.00

Residential Solid Waste Fee: \$13.00

*Based on average 19.3 HCF per household.

The cumulative amount of these maintenance level increases is \$89.27 per household on an annualized basis.

Five Year History - Tax and Fee Schedule

Rate changes are indicated in the year they were adopted. Otherwise, rates or fees remain the same level as previously shown. Parentheses indicate percentage change.

Rate or Fee	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	PROPOSED FY 2009
Sewer User Fee – Base Rate ¹	\$1.10 (+3.8%)	\$1.14 (+3.6%)	\$1.18 (+3.5%)	\$1.26 (+6.8%)	\$1.36 (+7.9%)	\$1.53 (+12.5%)	\$1.63 (+6.5%)
Sewer User Fee – Surcharge ¹							\$0.45 (+100%)
Residential Solid Waste Fee ²	\$3.98 (+9.0%)	\$4.53 (13.8%)	\$4.53 (0.0%)	\$4.78 (+5.5%)	\$4.78 (0.0%)	\$4.78 (0.0%)	\$5.03 (+5.2%)
Water Rate ¹	\$2.41 (+5.2%)	\$2.54 (+5.4%)	\$2.62 (+3.2%)	\$2.74 (+4.6%)	\$2.78 (+1.6%)	\$2.92 (+5.0%)	\$3.04 (+4.1%)
Water-SCR ³	\$0.43 (0.0%)	\$0.50 (+16.3%)	\$0.52 (+4.0%)	\$0.55 (+5.8%)	\$0.56 (+1.8%)	\$0.59 (+5.4%)	\$0.61 (+3.4%)
Stormwater Management Fee ⁴	\$3.10 (0.0%)	\$3.10 (0.0%)	\$3.10 (0.0%)	\$4.00 (+29.03%)	\$4.35 (+8.7%)	\$4.85 (+11.5%)	\$5.10 (+5.2%)

¹ Rate is per HFC. HFC=100 cubic feet.

² Rate shown is for standard 90-gallon residential container. Separate rates for 60 gallon (medium) and combination of standard and medium containers.

³ SCR= Summer Conservation Rate: a surcharge for overage on winter use (October-May) HCF average.

⁴ Based on one ERU (Equivalent Residential Units) per parcel, per month. One ERU is equal to 1,777 square feet of impervious surface area. One ERU is applied to each single-family residence that is developed property.

FY 2009 Budget Position Paper

March 2008

Eliminated, Shifted, and Recommended New Positions

Issues

Positions Eliminated or Suspended, Attrition Savings

It was evident early in the budget preparation process for FY 2009 that projected General Fund revenues, in conjunction with initially proposed State funding cuts, would be insufficient to maintain City operations at the level budgeted for FY 2008. In addition, there were several known fixed outlays (funding to Schools, debt service, cash capital, and retirement fund contributions) that were escalating in cost.

As part of the difficult task of balancing the FY 2009 Recommended Operating Budget, the City Manager made over \$7 million in *Current Service Level* budget reductions. This overall cut in expenditures included the elimination of 32 full-time vacant General Fund positions, resulting in savings of \$1.6 million dollars in salary and fringe benefits costs. A majority of these positions come from the recommended closing of two City facilities: the West Avenue Library (4 positions) and the Juvenile Services Less Secure function (14 positions). In other operating funds, there will be a total of four positions eliminated.

As associated savings, ten other vacant positions were suspended, meaning the departments will retain the allotment(s) but no funding during the upcoming fiscal year. The suspension of these positions will result in an additional savings of \$540,000. Table One (attached) details by department, by position, the reductions and suspensions made for FY 2009.

In conjunction with these two actions, reductions for normal savings were included for some of the larger operating departments. These savings, amounting to \$2.6 million for FY 2009, are \$1.6 million more than the current fiscal year, and are detailed in Table Two. In the Special Revenue and Trust funds, a total of four (4) vacant positions were eliminated: three (3) Master Automotive Technicians in Vehicle and Equipment Services, and one (1) Education Specialist in the Historical Services Fund.

New and Shifted Positions

A total of 123 new positions were sought by the General Fund departments in their FY 2009 budget requests. Of this amount, 28 positions are tentatively approved for the anticipated late autumn opening of the Sheriff Department Jail Annex. These positions must first be approved by the State, and are funded in a formula-based sharing between the State and the City. State approval on these positions will not be received until after May 1, 2008. These positions are budgeted for 10.5 months, for a total cost of approximately \$1.3 million (with the City's share being \$700,000).

Given the other financial challenges, the increase in new positions other than those associated with the Sheriff/Jail Annex, has been held to only 4 positions and one shifted position. This latter position will not require additional funding as its cost is transferred to other funds in support of its function. Below is a summary by department of the recommended new positions requiring funding from General Fund revenue:

Sheriff

Twenty (20) new Sheriff Deputy positions, six (6) Nurses, and two (2) staff support positions are recommended at this time for Jail Annex opening.

Police

Two positions, one Sergeant position and one Police Officer/Detective position will be added to the Gang Unit of the Investigations Bureau. These positions will bring the total unit to four allotments, and will allow for intelligence gathering and the targeting of gang members who have committed criminal acts, with the intent of reducing future gang formations and associated criminal acts.

Public Works

One new Electronics Technician position is included in the FY 2009 General Fund to maintain and install security devices in the City. Currently there are 200 cameras and 247 door access readers throughout the City that are installed and maintained through contracted services. After a one-time expense of a vehicle in FY 2009, it is less costly for a city employee to provide the same services than through private sources. One (1) Staff Technician position that is responsible for Miss Utility administrative functions will be shifted from the Wastewater Fund to the Public Works General Fund Department. This position will continue to work in the City's call center. This position shift will be cost neutral as all expenses will be transferred to existing appropriations in the Wastewater and Stormwater funds, and to Street Maintenance.

Parks, Recreation and Tourism

The Dockmaster position for the Leeward Marina will be moved to the Marina Fund; there is sufficient revenue to support this position in that Fund. One (1) new Animal Control Officer II position will be added to provide additional coverage needed; this position will be added due to the elimination of one vacant Recreation Program Superintendent.

Libraries and Information Services

One (1) current part-time Information Services Specialist position at the Pearl Bailey Branch will be converted to full-time for reference services. The projected door count at this branch for FY 2008 is 255,000, up from 250,000 in FY 2007. This translates into 19,000 public interactions per staff member.

New Positions in Other Funds

There are a total of three new positions in the Special Revenue and Trust Funds. One (1) Parking Facilities Attendant position in the Parking Facilities Fund is being converted from part time to full time to support additional park for fee lots including the Superblock. In the Wastewater Fund, one (1) Engineer III and one (1) Administrative Assistant II position will be added to provide the necessary resources associated with the compliance of the consent order.

Funding Strategy

The full new cost for FY 2009 of all 32 General Fund new positions is \$1,395,727 and is partially offset by \$698,315 in State revenue for the Jail Annex positions. The remainder of the cost is funded through the elimination and suspension of vacant positions and by attrition savings.

Impact

The addition of these 32 new positions combined with the 32 position reduction will result in the General Fund's position complement remaining at the same level as the current fiscal year, which is 2,728 full-time positions.

TABLE ONE - POSITIONS ELIMINATED or SUSPENDED

<i>DEPARTMENT</i>	<i>POSITION TITLE</i>	<i>POSITIONS ELIMINATED</i>	<i>POSITIONS SUSPENDED</i>
Human Resources	Human Resource Manager		1
Finance	Accountant II	1	
Information Technology	Lead Systems Administrator	1	
	Project Manager A	1	
	Info Tech Operations Manager		1
Police	Administrative Assistant II	3	
Fire	Senior Supply Clerk	1	
	Public Information Officer		1
Adult Corrections -City Farm	Corrections Officer II		4
Juvenile Services	Custodian		1
	Activities Coordinator	1	
	Less Secure: 1 Juv Svcs Administrator, 1 Juv Svcs Supervisor, 1 Sr Juv Counselor Supervisor, 10 Juv Svcs Counselor II	14	
Codes Compliance	Plans Examiner		1
Engineering	Senior Construction Inspector		1
Social Services	Social Worker II	1	
Cooperative Extension Services	Horticultural Programs Coordinator	1	
Parks, Recreation & Tourism	Recreation Program Superintendent	1	
	Dockmaster	1	
Libraries & Information Services	Literacy Project Coordinator	1	
	West Avenue Library: 1 Supervising Librarian A, 1 Sr Info Svcs Specialist, 2 Library Technicians	4	
Planning	Administrative Assistant II	1	
GENERAL FUND		32	10
Vehicle & Equipment Services	Master Automotive Technician	3	
Historical Services Fund	Education Specialist	1	
OTHER FUNDS		4	
TOTAL CITY POSITIONS		36	10

TABLE TWO - ATTRITION SAVINGS

<i>DEPARTMENT</i>	<i>FY 2008</i>	<i>FY 2009</i>
Police	\$660,000	\$688,642
Juvenile Services	340,000	340,000
Public Works	0	200,000
Fire	0	375,282
Parks, Recreation and Tourism	0	367,092
Human Services	0	611,820
Total Attrition	\$1,000,000	\$2,582,836

FY 2009 BUDGET POSITION PAPER

MARCH 2008

Sheriff/City Jail Operations

Issues

As in previous fiscal years, the actual cost to operate the City Jail continues to exceed the operating budget. In addition, Canteen funds have been used on a routine basis to cover certain expenses of direct inmate care. In recent years, Canteen funds have been diminishing as a result of a growing indigent inmate population. The continued pressure on the Jail operating budget has been addressed by spending personnel savings generated by vacant Sheriff's Deputy positions. As efforts to fill Sheriff's Deputy vacancies accelerate and deferred equipment is purchased, the need for additional operating and equipment funds is becoming more acute.

Equipment purchases in prior fiscal years were generally based on state approval for the use of vacancy funds. State approval was restrictive and focused on emergency needs for computers and office equipment. Other large equipment purchases have been funded from telephone commissions. In the most recent fiscal years, telephone commissions have paid for a three-year phased replacement of the security console system and replacement kitchen equipment.

Inmate population, which continues to exceed the Jail's capacity, remains an issue. This overpopulation increases the need for high staffing levels and generates safety issues for prisoners and staff. With the completion of Jail Annex construction expected by the end of calendar year 2008, the 100 additional beds will ease the current crowding problem.

Funding Strategy

It is recommended that the Sheriff's FY 2009 budget be increased by \$2,069,317 to fund operating budget increases and additional operating costs associated with the new Jail Annex. A majority of the recommended operating budget increase, which provides for additional professional health services, medical and food supplies, and staff overtime, is directly related to inmate care and population levels. With the opening of the new Jail Annex scheduled to occur during FY 2009, an increase of \$1,315,159 is recommended to fund Annex operating costs. The Jail Annex operating budget includes funding for 20 Sheriff's Deputies, 6 nurses, and 2 clerical staff. It is anticipated that the State Compensation Board will provide reimbursement for \$698,315 of personnel costs, leaving a net Jail Annex cost to the City of \$616,844.

Impact

The budget for the Sheriff's Department has increased from \$10,201,361 in FY 2006 to \$15,331,579 in FY 2009 (inclusive of the FY 2009 addition of \$1,315,159 for the Jail Annex). The total budget increase of \$3,815,059 from FY 2006 to FY 2009 (exclusive of the Jail Annex), represents a 37.4% increase to the FY 2006 Sheriff's Department budget. The FY 2009 budget is expected to provide funds sufficient to operate the Jail in a safe and humane manner. It is assumed that this increased level of operational funding will continue to be required well into the future, unless the General Assembly allocates additional State funding for the operation of local jails in future budgets.

The recommended budget for the Jail Annex provides funding for the full operation of the facility after October 2008 and includes amounts for any training necessary in advance of the opening. The added Jail Annex capacity should alleviate overcrowding in the City Jail and also reduce dependence on the Regional Jail. As a result, the budget for Regional Jail utilization has been reduced. Beginning in FY 2009, the appropriation for the Regional Jail will be reflected in the Sheriff's Budget; formerly it was budgeted for in the General Fund Payments to Other Funds cost center.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

LESS-SECURE FACILITY CLOSURE

Issues

In 2003, the Department of Juvenile Justice, the State regulatory and accreditation agency for juvenile detention facilities throughout the State, was greatly concerned about the chronic overcrowding of numerous facilities in Virginia. Therefore, the Department of Juvenile Justice (DJJ), in partnership with the Annie E. Casey Foundation, launched a juvenile detention reform project which implemented the following objectives:

1. To eliminate the inappropriate or unnecessary use of residential facilities.
2. To minimize failures to appear in court and the incidence of delinquent behavior.
3. To redirect public finances to alternative strategies such as community-based programs.

After evaluating and assessing the overpopulated facilities, DJJ selected 4 out of 23 facilities to participate in this statewide initiative. The City of Newport News was one of the sites selected. As a result of the success of this project, the Less-Secure facility's average daily population (ADP) significantly decreased from 23 in 2003 to 13 in 2007. In several cases, the population has been as low as five to eight residents. The City is currently faced with the challenge of resolving a \$10 million dollar revenue shortfall; therefore, it is not cost-effective to continue to fund the Less-Secure facility. The annual cost to the City to fund Less-Secure is \$848,680. Upon conducting a cost analysis of the cost versus the number of residents receiving services, the annual cost per resident with an ADP of 13 is \$72,370, and with an ADP of 8 is \$117,602. As a result of the declining utilization and the relative high cost per bed day, it is difficult to justify continued operation of programs at Less-Secure.

As a result of the information provided by an interdepartmental team formed to explore and evaluate cost-effective solutions to assist the population housed at Less-Secure once it closes, the team discussed the purpose of Less-Secure and possible options for the population it serves. The facility is used to service Children In Need of Services (CHINS) and residents that are placed in the facility by the courts with delinquent charges. In order to accommodate this population, the Department of Human Services will continue to service the CHINS resident by using an approach that is strength-based and family focused instead of the traditional court services approach of only working with the juvenile.

The Department of Juvenile Services will continue its mission to use a strength-based and comprehensive current service delivery system by expediting individual case reviews to ensure timely and effective delivery of services, and intensive monitoring in order to provide the necessary positive support and direction for the youth and their family. The resident will be integrated into the Day Reporting & Intensive Evening Supervision Programs which provide educational enrichment services to youth suspended or not attending school and the Outreach/Electronic Monitoring Program which provides consistent monitoring for accountability. This will provide a continuum of community-based programs and services that adequately and appropriately address the needs of youth typically ordered to Less-Secure.

Funding Strategy

The closure of Less-Secure will be a net cost savings to the City in the amount of \$619,033. Revenue from the City of Hampton in the amount of \$192,088 will be forgone as part of the facility closing. These savings can be used to address the City's revenue shortfall. In addition, one staff support position will be transferred to assist with the increased case load for the Day & Evening Programs. All other positions will be assigned to existing vacancies in Secure Detention and Outreach programs. A realistic approach for resolution with no additional cost to serve the Less-Secure population would be to enhance Day & Evening Programs through the following programmatic restructuring:

- extension of holistic programming which addresses the needs of the youth in all areas of development, (i.e., educationally, nutritionally, emotionally, and culturally in order to provide increased protective factors) for better success and reduction in further system penetration and/or recidivism;
- expansion of educational services to include more established curriculums which incorporate remedial skills re-enforcement, on-site computer lab activities, as well as more extensive use of community-based resources such as the public library, Career Café, and other opportunities to develop a sense of ownership/belonging in the community through community service projects;
- strengthening of case management through enhanced group treatment related services that include structured self-development, social skills building, and awareness activities conducted by on-site staff and vendors specializing in components incorporating strength-based models; and
- increased random in-home supervision services and community-based monitoring during non-program hours to include home visits, and coordination of services with the electronic monitoring program.

Impact

The impact of eliminating the program at Less-Secure requires that community-based services for youth and their families are coordinated, effectively implemented and maintained, and monitored. While the Department of Juvenile Services provides the primary care, supervision, and programming for youth, the supportive framework of services from other agencies such as the Department of Human Services, Hampton-Newport News Community Services Board, the Court Services Unit, and the school system are essential.

As of July 1, 2008, City human services agencies are mandated to increase the utilization of non-residential services. The State Department of Juvenile Justice continues to support, through various initiatives, intensive non-residential community-based programs and services. The restructuring of our collaborative efforts toward development of a consortium of service providers which embraces the philosophy of less reliance on residential care while continuing to address relevant safety needs is important to the Less-Secure population.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

PARKS, RECREATION AND TOURISM

Issues

Downing-Gross Cultural Arts Center Operations - As with the FY 2008 Operating Budget, the most significant budgetary impact to the Department of Parks, Recreation and Tourism in FY 2009 will be operational funding for the new Downing-Gross Cultural Arts Center. Realizing that the facility would not be fully operational until January 2008, only partial funding (nine months) was included in the FY 2008 budget. Furthermore, while four (4) additional full-time positions were requested as part of the FY 2008 budget, only two (2) were approved for FY 2008 with the intention of adding the remaining two positions in FY 2009. While the delay in opening this facility has ensured adequate operational funding for FY 2008, a full year of operation in FY 2009 will necessitate the addition of \$315,219 to the current operating budget. The FY 2009 request, while less than the amount originally proposed for this facility (refer to following table), still represents a reasonable and balanced approach to providing a quality operation with appropriate recognition of the City's current fiscal constraints. A breakdown of the existing and proposed budget follows:

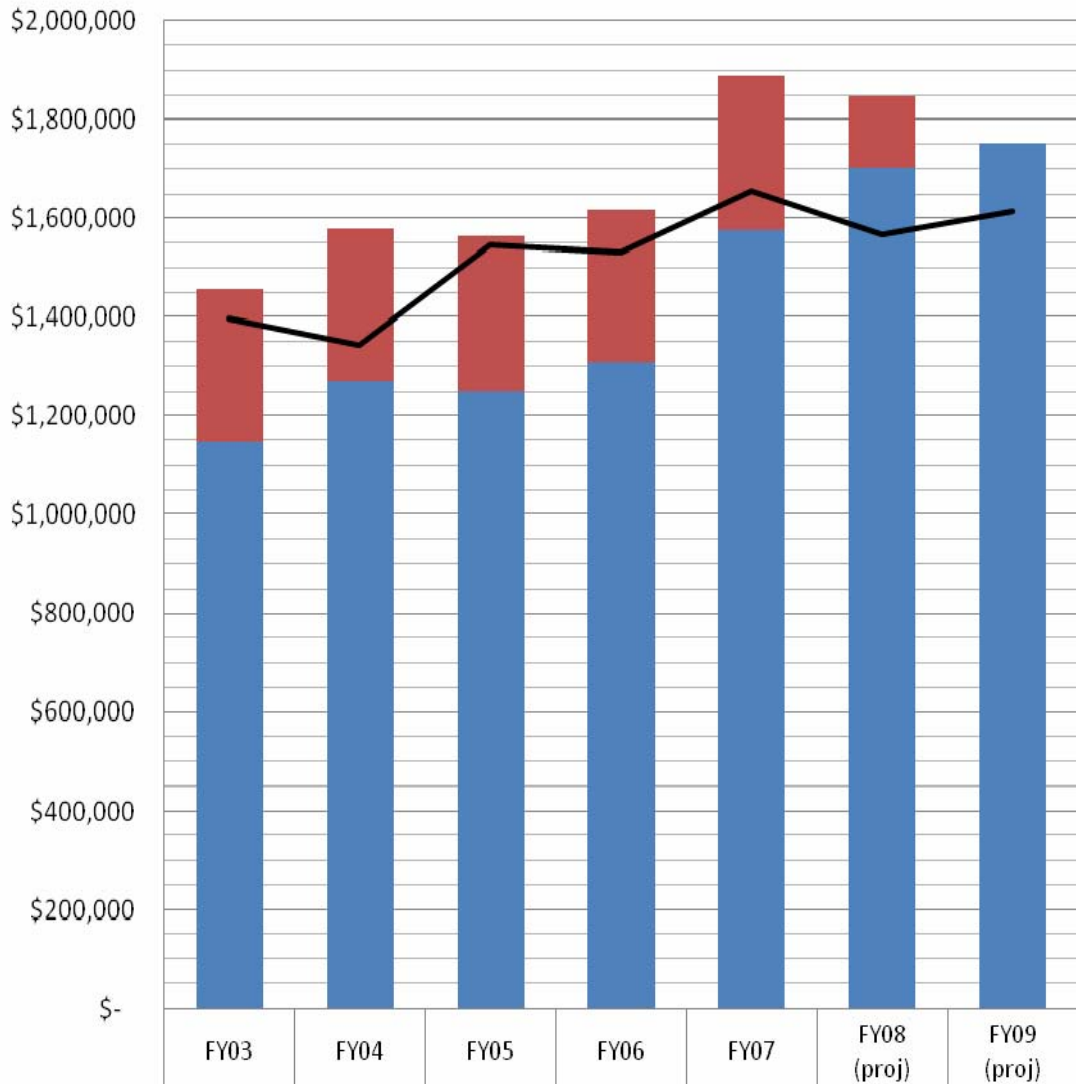
Description	Existing FY 2008 Budget [A]	Originally Proposed FY 2009 [B]	Revised FY 2009 Request [C]	Total FY 2009 Budget [A] + [C]
Personnel (Full Time)	\$153,405	\$76,887	\$0	\$153,405
Fringe Benefits	77,596	46,201	0	77,596
Part-time/Temp	120,625	192,800	102,350	222,975
Contractual Services	137,756	254,944	190,844	328,600
Internal Services	12,500	55,875	0	12,500
Utilities	90,000	0	0	90,000
Equipment/Supplies	51,738	57,225	22,025	73,763
Contractual Ex. Dir.	100,000	0	0	100,000
Total	\$743,620	\$683,932	\$315,219	\$1,058,839

It should be noted that the FY 2009 proposed budget *does not* include any additional full-time staff positions at this time, although it does provide funding for additional part-time staffing. Therefore, the total number of full-time employees will remain at four (4) through FY 2009, excluding the contracted Executive Director/Fundraiser position. The two remaining full time positions proposed for FY 2008 will be deferred for consideration during the FY 2010 Budget process.

Tourism Operations – The Department of Parks, Recreation and Tourism has recommended the elimination of the City’s General Fund contribution of \$147,158 to the Tourism Development Fund. Coupled with the prior year reduction of \$163,075, this translates into an overall reduction of \$310,233 over two years (the total additional amount previously committed through the General Fund). While this is a significant reduction in funding, it is important to realize that the amount of transient room tax revenue received by the City, a portion of which is dedicated to the Tourism Fund, has significantly increased during the past several years. Transient tax revenue increased approximately 20% from FY 2006 to FY 2007 and is currently running 11% higher in FY 2008 than in FY 2007. Not only is this increase sufficient to offset the noted \$310,233 combined loss of City funding, it should also be sufficient to provide the necessary funding to address inflationary increases for advertising and materials, as well as cover proposed merit and cost of living increases for Tourism personnel. To further mitigate the loss of the General Fund contribution, Parks, Recreation and Tourism has also proposed for review in the future, the conversion of one part-time Staff Assistant position in the Tourism Division to a full-time Graphics/Media Specialist. This change would allow the Division to reduce its dependence on high cost contractual graphics services, saving \$25,000-\$40,000 annually. While staff is comfortable, based on available information to date, that the elimination of the General Fund contribution will result in negligible impact to Tourism operations (revenues are expected to exceed expenses in FY 2009), it is important to caution that transient room revenues may be in the process of leveling. This leveling may limit future ability to utilize transient tax growth to fund increases in Tourism operating costs. Steeply rising fuel prices and a decline in hotel and motel construction are two variables that may contribute to transient room tax stagnation. At present, the Tourism Fund Balance stands at \$369,797. The chart and table below detail Tourism Fund budgeted expenditures (Appropriation) and actual revenue receipts and General Fund contributions from FY 2003 to FY 2009. The Lodging Tax revenue figures represent the Tourism Fund share of total lodging taxes received by the City, and are projected amounts for FY 2008 and FY 2009.



Tourism Revenues and Appropriations: FY03-09



From General Fund	\$310,233	\$310,233	\$310,233	\$310,233	\$310,233	\$147,158	\$-
Lodging Tax	\$1,147,217	\$1,270,740	\$1,253,307	\$1,307,988	\$1,578,129	\$1,701,223	\$1,752,269
Appropriation	\$1,397,000	\$1,343,600	\$1,547,000	\$1,533,100	\$1,658,000	\$1,567,400	\$1,617,000

Special Events Funding - Funding for City special events will be reduced by approximately 10% for FY 2009 (impacting events to be held in calendar year 2009). This reduction will affect the amount of funding available for programming and marketing, but should not diminish the overall quality of these events, which are attended by more than 225,000 people annually. To ensure that public safety and other logistical requirements are met, special consideration will be given to maintaining funding for those events that have seen a large increase in attendance over the past year, such as *Hollydazzle*, *Fall Festival of Folklife*, *Fourth of July Stars in the Sky* and *St. Patrick's Shamrock Celebration*. The proposed 10% reduction also

includes a recommendation to discontinue funding for the annual *Vineyards by the Fountain* (previously produced by the Virginia Arts Festival), since it is a ticketed event and, as such, has the potential to become fully self-supporting in the future. The total savings to the General Fund from these cuts will be \$99,931.

Animal Control Officer - There is a critical need for additional Animal Control Officers to respond to requests for service, as well as to provide an appropriate level of officer safety during such responses. One (1) additional position will significantly reduce the number of situations in which only a single officer is available to respond to calls from citizens across the entire City. In turn, response times will decrease and, as importantly, dispatches to dangerous or multiple animals can be handled safely with two (2) trained officers. To address this need, staff has recommended the establishment of one (1) Animal Control Officer position subsequent to the elimination of one (1) vacant Recreation Superintendent position. This change will result in no increase to personnel costs and no net increase to the number of full-time positions within the Department. As mentioned above, this change will allow for the delivery of greatly improved, and safer, animal services. To accommodate the elimination of the vacant Recreation Superintendent position, the responsibilities associated with two athletic supervisor positions will have to be expanded.

FY 2009 BUDGET POSITION PAPER

MARCH 2008

COMMUNITY SUPPORT AGENCY GRANTS

Issues

Not-for-profit organizations fill an important role in improving the quality of life for the community by providing services to residents of Newport News. The Community Support Action Grant (“CSAG”) program provides the vehicle for qualified, non-profit organizations to apply for funding from the City for the establishment, expansion or maintenance of community service programs.

For fiscal year 2009, 65 CSAG requests have been received. The total requested amount of \$9,310,259 represents a 22.2% increase to the \$7,618,201 FY 2008 CSAG Budget. The FY 2009 Budget recommendation includes decreased or eliminated funding for four (4) organizations. Increased funding is recommended for three (3) Regional Support Organizations and three (3) Youth Programs. All other FY 2009 applicants are recommended to receive funding equal to the amount approved in FY2008. Of the eleven (11) requests received from new applicants, only the request from the Peninsula Commission on Homelessness is recommended to receive funding. The total recommended FY 2009 CSAG Budget is \$7,553,826, which represents a 1% net reduction to the FY 2008 Budget of \$7,618,201.

Decreases [4]

A total reduction of \$187,950 from the current funding level is recommended. Elimination of funding is recommended for the Ferguson Center and Eastern Virginia Medical School. Reduced funding is recommended for the Virginia Air and Space Center and NASA Aeronautics Support Team.

Community Support Organizations

- Ferguson Center [-\$100,000]
- Eastern Virginia Medical School [-\$25,450]
- Virginia Air and Space Center [-\$37,500]

Regional Support Organizations

- NASA Aeronautics Support Team [-\$25,000]

Increases [7]

A total addition of \$123,575 is recommended to Regional Support Organizations and Youth Programs.

Regional Support Organizations

CSAG funds are allocated for several regional organizations that the City is obligated to fund on a formula basis with other participating jurisdictions. Four of these regional organizations seek increased or new FY09 CSAG funding, as follows:

- Hampton Roads Military and Federal Facilities Alliance [+\$17,820]
 - Increase of the per capita rate from \$0.40 to \$0.50
- Hampton Roads Planning District Commission [+\$635]
- Regional Air Service Enhancement Fund [+\$48,744]
 - Successor to the Airport Task Force, per capita rate is \$0.60
- Peninsula Commission on Homelessness [+\$41,657]
 - New organization formed to address homelessness on a regional basis; total FY 2009 operating cost of \$109,500 is allocated to participating municipalities on a pro rata share based on population

Although Hampton Roads Transit (HRT) requested \$200,054 in additional financial support to fund the cost of its existing route service in Newport News, it is recommended that funding be maintained at the FY 2008 level. The difference between the HRT request [\$4,401,753] and the budgeted City contribution [\$4,201,969] will be made up by spending a portion of the City's current cash surplus, or reserves, now held by HRT. The majority of this surplus was generated in FY 2007, when the City's contribution to HRT exceeded the actual cost of services provided. Use of the cash surplus will allow for undiminished levels of HRT service in FY 2009, but this differential will need to be resolved for FY 2010.

Youth Programs

In addition to the City's commitment to provide continued support to the regional organizations discussed above, increases are recommended to maintain the opportunities for youth to engage in positive activities and interact in supportive environments that promote a path toward productive membership in the community. Increases of 3% are recommended for:

- Boys and Girls Club of the Virginia Peninsula [+\$4,785]
- C. Waldo Scott Center [+\$8,779]
- YWCA [+\$1,155]

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Waterfront Redevelopment Program Initiative

Issues

A major City Council strategic priority is the redevelopment of our Hampton Roads waterfront. There is a community consensus that a successful redevelopment of the waterfront is necessary to improve the quality of life in the larger Southeast Community and create positive economic and social momentum in this important part of the City.

It is recognized that such a redevelopment is a complex, expensive and a long-term commitment. Under the City Manager's direction, a staff team has been developing specific, detailed action steps necessary to achieve a successful outcome. Programmatic initiatives are urgently needed to strengthen the neighborhoods surrounding the waterfront. Stabilization and improvement of these neighborhoods, in addition to being intrinsically desirable, will greatly increase the chances for substantial private investment along the waterfront over the next decade.

Potentially interested developers and investors have been monitoring the City's waterfront redevelopment planning process. In meetings with staff, it is clear that the hundreds of millions of dollars of private investment needed to realize our vision for a new Hampton Roads waterfront, will not be forthcoming without a focused commitment to reduce crime and substandard housing in areas surrounding the targeted redevelopment.

Three interrelated initiatives are recommended and will require a growing commitment through the Operating Budget over the next five years. These interrelated efforts will include a rental inspection program, a targeted crime reduction focus, and a stronger renovation/rehabilitation effort.

These new initiatives will be implemented in a coordinated fashion by the Departments of Development, Codes Compliance, the Newport News Police Department and the Newport News Redevelopment and Housing Authority, under the guidance of the strategic priority team which has recently been established for this purpose. Recognizing that such an undertaking will be difficult to implement in its entirety, a pilot program will be proposed to first be implemented in a phase near Stuart Gardens and the Chestnut Ave corridor. Staff capacity and operational procedures will be built up during this initial phase and then expanded to other neighborhoods as funding and staff capacity permit.

The ultimate programmatic objective is a fully staffed, focused effort by the City and its related agencies to strengthen the neighborhoods of Southeast Newport News that encourages investment in existing structures including home ownership, creates a safer environment and leverages new private development along the waterfront.

Given the difficult fiscal environment and the fact that staff is still working on program operational details, \$1,000,000 in start-up funding is recommended. FY 2007-2008 Fund

Balance Surplus would be appropriated to either the NNRHA or the Economic Development Authority (EDA) and held into next fiscal year. The City Manager would allocate these funds during the last quarter of FY 2008-2009 in conjunction with a report to City Council as realistic time lines (new ordinances, operating procedures, job descriptions, etc.) are completed. This financial strategy would allow the ongoing work of the strategic priority working group to completely define initial program elements and geographic boundaries before any funds are expended. A full year program budget would be proposed for FY 2009-2010.

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LITERACY COORDINATOR POSITION

Issues

The Literacy Program was headquartered at the Bailey Library until FY 2008. The program provided literacy service to those who read below the 5th grade reading level and to those who would be entering a 9th grade GED class. In FY 2006 there were 40 active students who used the program 1,079 times for a total of 2,361 hours. During FY 2007 there were 13 active students who used the program 407 times for a total of 804 hours. Based on the low usage it was decided to close the program and evaluate its services and focus. Those active students were referred to Peninsula READS, to the Housing Authority's free GED classes program, and to the Newport News Public School System.

FY 2008 was to be used to design a new program that would focus more strongly on family literacy and to incorporate the Literacy Coordinator into the staffing and work structure of the Bailey Library. Training over the past months focused on library related duties and responsibilities regarding circulation and reference services and beginning work with youth services. The spring months were to focus on family literacy and included the Motherhead™ Program which the Library System had planned on presenting as part of the workforce development program being held by TNCC on the Achievable Dream campus. This program was cancelled due to lack of registration.

Strategy

Youth Services staff is trained in the Motherhead™ Program and will continue to use it in their work. An alternative family literacy program will also be identified that will allow staff to continue to work with families in developing their reading skills.

Impact

Staff: There is one position assigned. There are no like positions in the Library System. The Human Resources Department will work with the staff member for potential placement in other vacant city position and, if necessary, assist with outplacement.

Library Patrons: The family literacy program was at the early stages and had not formally started. The adult literacy program participants were transferred to Peninsula READS and other adult literacy programs in August 2008.

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TRANSFERRING THE SUBREGIONAL LIBRARY FOR THE BLIND & PHYSICALLY HANDICAPPED TO THE REGIONAL LIBRARY

Issues

The Subregional Library for the Blind & Physically Handicapped is headquartered at the Main Street Library. It is one of eight subregional libraries in the state. It serves the residents of Newport News, James City County, Williamsburg and York County. The Library provides recorded materials and readers' services for individuals who are legally blind or otherwise unable to read print materials. Materials are mailed to clients via the U. S. Postal Service. There is no charge for postage as the materials are mailed to the blind. The localities of James City County, Williamsburg and York County are charged \$120 per client. In FY 2008, the City received \$15,360 from these localities. Staffing for the service is provided by the Main Street Library with no one person solely dedicated to the program. All materials are provided by the National Library Service via the Virginia Department for the Blind and Vision Impaired's Library Resource Center.

Subregional Library for the Blind & Physically Handicapped Patrons				
County	Newport News	James City County	Williamsburg	York
FY 2000	251	77	10	
5				
FY 2005	178	68	18	
18				
FY 2007	183	66	18	
37				

SLBPH Usage		
	Circulation	Reference
FY 2000	17,806	N/A
FY 2005	17,721	2,587
FY 2007	12,722*	3,154

*7,630 were checkouts by Newport News residents

Strategy

Total cost of providing the service is \$47,581. Transferring the patrons of the Subregional Library for the Blind & Physically Handicapped to the regional library

located in Richmond would result in a decrease of approximately \$15,360 in revenue and would result in a net cost savings of approximately \$32,221.

The Subregional Library receives its services from the regional library for the blind (Library Resource Center) located in Richmond. Discussions with the Director of the Library Resource Center in Richmond indicate that there would be little if any noticeable impact for those receiving Subregional services. Patrons would receive written notification of the closing, be asked if they wish to be transferred to the Library Resource Center, and would be transferred during spring and summer. Follow-up phone calls would be done in order to ensure that all patrons are notified and transferred if desired. Procedures for closure of the Subregional would follow those outlined in the *National Library Service Network Library Manual*. Since all materials are mailed using the same process as the Library Resource Center there should be no delays in receipt of mailed materials. At both locations requests for materials now are made either by phone, fax or e-mail so placing requests would remain the same for patrons. Disposition of the NLS materials and equipment would also follow the protocol outlined in the manual.

Impact

Since there is no staff solely dedicated for the Subregional Library for the Blind & Physically Handicapped the cost of the staff time needed for the SLBPH (2 FTE) will be absorbed in the part-time budget.

Staff will also continue to act as advocates for Newport News residents should they encounter difficulties with the Library Resource Center. Patrons will also be made aware of the books-on-CD that are available for check-out in the libraries and require no special equipment to use.

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WEST AVENUE LIBRARY

Issues

One of the options presented in the 2008 Facility and Space Needs Study of the Newport News Public Library System recommends the closure of the West Avenue Library. The West Avenue Library is approximately 11,800 square feet on three floors. It is not ADA accessible and has limited parking available for public use. The Library is open 45 hours per week. It serves the downtown area of the City and is located within 1.5 miles of the Pearl Bailey Library. The Friends of the Newport News Public Libraries are also housed at West Avenue and provides \$25,000-30,000 annually in support of the Library System.

As the downtown area has changed over the years, usage of the West Avenue Library has been impacted by those changes. During FY 2007 there were a total of 12,905 checkouts at the facility. Patrons living outside the 23607 zip code checked out 6,494 of the 12,905. In order to conserve resources and to be more efficient and effective in the use of those resources, it is recommended that the West Avenue Library be closed to the public and its resources be reallocated. While the building would be closed to the public, the space would continue to be used for library purposes.

Usage by Year

	2000	2005	2007	projected 2008	Total/% of FY 07
Circulation	44,380	37,309	38,314*	44,290	688,978/5.56%
Visitor Count	32,365	38,841	38,287	39,478	909,939/4.2%
Reference	6,591	4,663	5,367	8,604	139,285/3.85%
Registration			4,818**	4,584	122,741/3.75%
Number of Full-time Staff		4			

*in-person circulation: 12,905
renewals: 25,171
telephone renewals, 16,361 represent 65% of all renewals

**of the 4,818 registrations, 3,031 are Newport News residents. Of these 1,137 live in the 301 census tract which is downtown Newport News.

There are four full-time positions associated with the West Avenue Library. In addition to providing coverage at the West Avenue Library, staff provides coverage of the Law Library located in the courthouse during lunch hours and annual leave time.

Strategy

Close West Avenue Library to the public. Responsibility for library service to downtown users and residents would be shifted to the Pearl Bailey Library which is located 1.5 miles from West Avenue Library. Additionally, two bookmobile stops will be scheduled for the downtown area; one closer to City and court offices and the other in close proximity to the shipyard campus. Staff would be reassigned to existing vacancies/positions in the following manner:

- 1 Library Technician to Grissom Library; this would fill a current vacancy at Grissom,
- 1 Library Technician to Pearl Bailey Library; funding would come from converting a vacant part-time library technician full-time,
- 1 Senior Information Services Specialist to Main Street Library; this would be accomplished by filling a vacant Senior Information Services Specialist vacancy at the Main Street Library,
- The Supervising Librarian A will become the Collection Development/Interlibrary Loan Librarian for the Library System.

Two of the recommendations in the Facility and Space Needs Study for library collections are:

- Review the quality and quantity of materials and their use in the various collections.
- Review the appropriateness of holdings in relation to current service demographics.

This review would be conducted by the Collection Development/Interlibrary Loan Librarian. Additionally, the Library System processes over 2,600 interlibrary loan requests on behalf of its patrons, this position would also be responsible for interlibrary loans.

In order to keep the building in use, the Technical Services Division would be moved from the basement of the Grissom Library to West Avenue Library. This will enable them to have better space for their work. The Friends of the Newport News Public Libraries' space would be moved in the space vacated by Technical Services. This will put them in a building that is ADA accessible and that has sufficient parking for both volunteers and those coming to book sales.

Impact

West Avenue Library Patrons: Patrons of West Avenue will be served by Bailey Library which is within 1.5 miles and the bookmobile.

West Avenue Staff: Staff will be absorbed into vacant positions, and one position will be assigned new duties.

The Friends of the Newport News Libraries: The move to the former quarters of Technical Services will provide them with ADA accessibility and sufficient parking for volunteers and patrons during book sales.

Technical Services: Technical Services will be moved into more accommodating work space in West Avenue Library and keep the building in use for library purposes. Since the building is on the historic register, is home to the Christopher Newport mural, and has a substantial collection, having the building occupied will ensure that no damage occurs to the structure, mural or collection.

The closing of the West Avenue Library gives the Library System the opportunity to begin implementation of some of the recommendations made in the library facility and space needs study.

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WASTEWATER DIVISION, DEPARTMENT OF PUBLIC WORKS

Issues

Increased costs associated with the maintenance of infrastructure investments, funding for employee pay increases, and unavoidable non-personnel expense increases will require an increase in the base rate of the Sewer User Fee.

The Virginia Department of Environmental Quality (DEQ) Consent Order is having a significant impact on the City of Newport News as well as the entire region. Expenses related to engineering studies and work those studies identify as requiring immediate attention are anticipated to be \$15.3 million over the next five years. The full impact of the consent order will remain unknown until the sanitary sewer evaluation study phase has been completed.

Funding Strategy

An increase in the base rate of the Sewer User Fee of 10 cents will provide the needed funds to maintain current operations and pay existing debt service obligations. This new rate of \$1.63 per hundred cubic feet (HCF) is an increase of 6.5% over the current year and will have an average total impact of \$11.58 per year on single-family households.

Staff has developed a five-year budget of anticipated needs relating to compliance with the initial phase of the Consent Order. Total projected expenses for the five-year period of \$15.3 million include staffing to manage the Consent Order, consulting engineering expenses, a crew, equipment / materials to address "find and fix" issues identified by the engineering study, debt service for \$8 million of anticipated capital work necessitated by the engineering study, legal fees, and repayment to the General Fund of \$3.5 million front-funded to start the engineering study.

It is recommended that the funds required to pay for the Consent Order costs be generated through a surcharge of \$0.45/HCF. This should generate \$3,060,000 per year and provide the cash flow required to pay these costs. This surcharge will have an average total impact of \$52.11 per year on single-family households.

Impact

Without the increase of the base rate of the Sewer User Fee to cover current operations and debt, some essential levels of service will have to be reduced, thus jeopardizing public health and safety, that will be in direct violation of the Consent Order.

The creation of the surcharge is essential to fund the evaluation and improvement of the City's sanitary sewer system that has been mandated by the DEQ Consent Order.

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MARCH 2008

HUMAN SERVICES

Major Issues

State Budget

It is estimated that State revenue will comprise 77% of the \$38.9 million required to provide core Department of Human Services (DHS) programs. These core services include eligibility for public assistance programs (e.g. Food Stamps, Medicaid, Temporary Assistance to Needy Families) and administration of service programs (e.g. Child Day Care, Foster Care, Child and Adult Protective Services). As in previous years, the most significant budgetary issue for DHS is the impact of final State budget decisions now under consideration by the Virginia Department of Social Services (VDSS). Final budget decisions are not expected until mid-May.

Pursuant to the Governor's "For Keeps" initiative (discussed in further detail below), the FY 2009 Recommended Budget includes increases for adoption and foster care services. It is anticipated that the State will provide reimbursement for 100% of the increased costs associated with adoption subsidies (\$818,123) and foster care services (\$744,286).

Comprehensive Services Act

The FY 2009 budget for Comprehensive Services Act (CSA) includes a local contribution of \$4.7 million and State revenue/reimbursement of \$8.3 million. The primary beneficiaries of CSA services are foster care and special education children. The Governor has announced and submitted as part of his proposed budget, changes and enhancements to foster care and adoptive services to improve permanent family connections for foster care children and improve adoptive family recruitment, support and retention. The Governor's plan realigns financial incentives to reduce reliance on residential, or group home, care to serve children, instead, in community-based settings. The anticipated impact to the City is an increase in State reimbursement for community-based foster and special education care and a decrease in State reimbursement for residential care. Final State budget decisions are expected in May.

Healthy Families Welcome Baby Program

The FY 2009 Recommended Operating Budget includes funding for the continued provision of Welcome Baby Backpacks through February 2009. Backpacks are

provided to new parents of babies delivered at Riverside or Mary Immaculate Hospitals. It is recommended that the Welcome Baby program be modified after February 2009.

The modified Welcome Baby Program is an effort to reduce City expenses by terminating participation, effective February 2009, in the Hampton/Newport News Welcome Baby Partnership. Under the modified program, all new parents would continue to receive a hospital visit from Healthy Families staff to review the Governor's New Parent Kit only, which is provided to the City at no cost. First-time Newport News parents who agree to a follow-up assessment with Healthy Families staff would also be given a care kit that includes a Stop Crying CD, a magnetic board of printed resource and emergency phone numbers, a Shaken Baby Syndrome video and brochure, and other free childcare items. Visits by Healthy Families staff are the first opportunity to prevent child abuse, neglect and infant mortality.

The total City cost of \$6,425 to support the modified Welcome Baby Program will be absorbed by DHS. Implementation of the modified Welcome Baby Program will save the City \$55,575 and is projected to serve approximately 938 new families in Newport News.

Changes to the Staffing Complement

Several changes to the DHS organizational structure are reflected in the FY 2009 Recommended Operating Budget. As in past years, attrition savings are anticipated to be generated through normal employment turnover and the time required filling vacant positions. The FY 2009 Recommended Budget includes attrition savings of approximately \$518,000 (salary cost only).

Additionally, the elimination of one (1) full-time Social Worker II position and elimination of Virginia Cooperative Extension (VCE) part-time funding are recommended. The Social Worker II position is a vacant case manager position provided in support of the C. Waldo Scott Center. The elimination of VCE part-time funding will eliminate the part-time Horticulture Programs Coordinator and part-time Office Assistant.

The FY 2009 Recommended Budget also reflects the addition of the Office on Children, Youth and Families (OCYF) to DHS as a new cost center. It is anticipated that this consolidation will provide for a more comprehensive and integrated delivery of service. This change will also better align efforts to continue and improve the City's "Keeping Our Kids Safe" Initiative.

Renovation of Rouse Tower

The renovation of Rouse Tower continues to progress with completion anticipated by the end of December 2008. Designed improvements include renovation and reconfiguration of existing building space and additional space occupation to promote maximum efficiency and effectiveness in the delivery of human services. Upon completion of the renovation, DHS will occupy expanded space. As such, the FY 2009 Recommended Budget includes \$206,638 in additional rent.

Automation

As the City has decided to move from mainframe applications to server-based and web-based applications for financial reporting, DHS has begun the process to eliminate its reliance on the City's mainframe. DHS currently uses the mainframe primarily for case and client information management, financial reporting and payment processing. DHS has selected Harmony Information Systems as its server-based/web-based solution. It is anticipated that funding from the FY 2007 General Fund Reserves will fund approximately \$544,000 to expedite this system conversion.