

FY 2011 BUDGET POSITION PAPER

APRIL 2010

SCHOOLS FUNDING

Overview

The school divisions in Virginia have no taxing authority and are not fiscally independent; they must rely on funding from Federal, State, and local governments to satisfy their Operating Budget requirements. To decide the level of local funding for the City's public school system becomes one of the most significant budgetary policy matters to be resolved in the adoption of the annual Operating Budget.

Issue

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. 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 Standards of Quality funding, based on March average daily membership (ADM) projections. For FY 2010, the minimum Required Local Effort required by the City of Newport News was \$46,880,102. However, the City actually contributed \$113,200,000, which includes \$13.1 million in City-supported School Fund debt service. This additional \$66,319,898 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 new funding 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 foundation for the request for local funding. In reality, the amount of local funding requested is often tempered by the School Division's understanding of the extent to which the City's General Fund resources may change 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.

This would be the normal course of action prior to FY 2009. In early September 2008, the national economy changed course in a downward direction. National trends were directly impacting State and local revenues to both the City and Schools, in a constantly fluctuating manner, resulting in quarterly budget reductions necessary to make the ever-declining revenue picture. Rather than discussing the shared revenue growth, the analysis shifted to sharing the impact of lost revenue. The recession has continued into FY 2010, and for most accounts, has reached bottom. A sustained period of recovery is expected over time.

The State made strong indications in late 2008 that school districts should anticipate substantial reductions in State support for the upcoming fiscal year. Generally over the past decade, the greatest increase in State funding has come in the first year of the State's biennium budget. In the second year of a biennium budget, it would have been reasonable to project that the Superintendent's Recommended Budget would contain State revenues at least equal to the first year. With the Governor's FY 2010 recommended budget, the State support to our Schools actually declined almost \$17.5 million, or a decrease of 5.5% between FY 2009 and FY 2010. During the budget developmental process, the out-going Governor's submitted budget for biennial years FY 2011-2012 included deep additional cuts for FY 2011, as well as a proposed change in the Local Composite Index (LCI). In the Superintendent's FY 2011 Proposed Budget, the State revenues dropped \$16.1 million from the current year, from \$179.8 million to \$163.7 million.

In some past fiscal years, an informal funding formula has been used to estimate the City's Local Share Contribution. When calculating the funding formula, the City generally discounts those General Fund revenue sources restricted for use for specific purposes, and then has a net new revenue amount 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 is subtracted from the formula before identifying what is available for discretionary School or municipal spending.

With declining revenue during the recession, no attempt to apply a formula was made in the current fiscal year or in the proposed budget for FY 2011. The City Manager advised the Schools Superintendent of his intention to recommend \$4 million less in FY 2011 than in FY 2010, or \$109,200,000. This is a 3.5% decrease. While a significant amount, the City did not reduce local support to Schools in FY 2010, and retained level funding between FY 2009 and FY 2010 of slightly over \$113 million. Some neighboring localities have reduced their local contribution in FY 2010 and FY 2011, for two consecutive fiscal years. When the FY 2011 \$4 million reduction is viewed over the two-year period, it averages to an approximate 1.7% reduction in each of the two fiscal years. Other revenue amounts for Newport News Schools are minimally changed in Federal Funds, at \$4,091,582 (\$5,068 less than current year) and a slight increase in other locally generated revenues (tuition, athletic fees, etc.) of \$116,950, bringing the FY 2011 estimate for this source to \$1,945,500.

Funding Strategy

The City's total General Fund revenue for FY 2011 is projected to decline by \$10.6 million or 2.5%. Over a two-year period our revenues have declined 5.9%. Consequently, there is essentially no discretionary spending.

When the City Manager's recommended local funding is added to the School Division's projected change in State and federal revenues, the Division, after covering its debt service obligations, will have a total decrease of \$20 million in revenues to use to address its spending priorities for FY 2011. This is an overall decrease of 6.7% from FY 2010.

Impact

The City Manager's recommended FY 2010 City Operating Budget provides for \$4 million less than the FY 2010 level for Schools. The total FY 2011 Local Support for Schools will be \$109,200,000. At the time of the final preparation of the City Manager's recommended budget, the State's General Assembly adopted a new biennial budget that at the same time restores and reduces School funding. In the ensuing weeks, the effect of the State's biennial budget will be reviewed and any State funding changes will be incorporated in the final budget slated to be adopted in early May 2010.

FY 2011 BUDGET POSITION PAPER

APRIL 2010

PUBLIC UTILITIES (WATERWORKS)

Overview

Waterworks' budget is anticipated to increase by \$3,495,800 (4.4%) in FY 2011. To meet the need for increased revenue despite lagging water sales, a 6.9% increase is proposed for the second block of residential water consumption and all business/industrial consumption, raising the rate from \$3.04 to \$3.25 per hundred cubic feet (hcf). The first block (Lifeline rate) that applies to the first six hcf of residential consumption will not change and the summer consumption rate increases in proportion to the 6.9% increase. For the average residential customer in Newport News, who uses 13 hcf every two months, the water portion of their bimonthly bill will increase by \$1.47 or 3.1% compared to FY 2010. This is only slightly higher than the average annual increase of 2.78% over the last 20 years for the average residential bill, despite having essentially no increase last year. This rate increase also continues the past practice of regular, modest incremental water rate increases that are highly favored by financial, bond rating agencies and are considered to be the key to long-term sustainability of an effective municipal water utility.

Since other water and sewer fees are not proposed to change this year, the total municipal utility bill (including sewer and solid waste) that the average resident receives will only increase by 1.2%. For comparison, last year the water portion of the bill increased by only 0.43% (due to a \$0.20 increase in the fire protection fee) while the total municipal utility bill increased by 7.74% as a result of increases in the sewer surcharge and solid waste fees.

Issues

For the current fiscal year, Waterworks expects a revenue shortfall of \$6.7 million from its \$80.1 million budget, and expects expenses to fall \$4.6 million below budget. Thus, a \$2.1 million unfavorable-to-budget year-end result is projected for FY 2010. Waterworks' operating reserves are used to meet such shortfalls when they occur and are increased when favorable operations produce positive results (which are more typically the case). The revenue shortfall results from reduced water sales, forecast to only average 40.0 million gallons per day (mgd) in FY 2010 as compared to the originally budgeted 44.0 mgd. This is due to demand reductions by the largest customer in the system, increased water conservation by most customers, generally wet

weather and the economic downturn. Expenses for the current year were reduced by \$4.6 million. Reduced customer demands and lower unit costs resulted in chemical and power costs savings of \$2.6 million. Hire lag and reductions in cash capital equipment purchases saved another \$1.5 million.

Waterworks' operating budget for FY 2011 is proposed to increase from \$80,102,000 for FY 2010 to \$83,597,800, a 4.4% increase. Budgeted water sales for FY 2011 are 42.0 mgd, a 2.0 mgd reduction from budgeted sales for FY 2010, but 2.0 mgd above actual sales expected for the current year. Waterworks' actual sales hit 42 mgd two of the last three years. FY 2011 will be the first full year since the addition of both York County water systems to Waterworks' system and should somewhat offset any reductions from conservation, wet weather or the downturn in the economy. It is expected that the much-wetter-than-normal conditions of the past year (one of the wettest since records have been kept) will not continue through FY 2011.

<u>Fiscal Year 2010 Waterworks Revenues Budget To Actual Comparison</u>				
Description	Budget	Projected	Variance	%
Customer Demand:				
Million Gallons Per Day	44.0	40.0	-4.0	-9.1%
Hundred Cubic Feet (HCF)	21,470,588	19,518,717	-1,951,871	
Water Rates:				
First 6 HCF - Single Family Residential	\$2.78			
All Other Consumption	\$3.04			
Water Sales Based On Consumption:				
Water Sales	\$ 64,215,507	\$ 57,035,149	\$ (7,180,358)	-11.2%
Summer Consumption Rate	1,096,000	1,345,829	249,829	22.8%
Wholesale Treated Water Sales	150,000	-	(150,000)	-100.0%
Subtotal Water Sales	\$ 65,461,507	\$ 58,380,978	\$ (7,080,529)	-10.8%
Ancillary Revenues:				
Water Meter Fees	\$ 5,400,000	\$ 5,170,186	\$ (229,814)	-4.3%
Hydrant Rental Fees	2,350,493	2,329,340	(21,153)	-0.9%
Interest-Operating Cash	2,100,000	2,100,000	-	0.0%
System Development Fees	1,300,000	1,300,000	-	0.0%
Late Payment Fees	550,000	727,163	177,163	32.2%
Billing For Others Fees	400,000	382,627	(17,373)	-4.3%
New Account Fee	350,000	342,862	(7,138)	-2.0%
Meter/Service Connect Fees	500,000	500,000	-	0.0%
Reconnection Fees	300,000	367,883	67,883	22.6%
Miscellaneous-Utilities	1,390,000	1,838,375	448,375	32.3%
Subtotal Ancillary Revenues:	\$ 14,640,493	\$ 15,058,434	\$ 417,941	2.9%
Total Waterworks Revenues	\$ 80,102,000	\$ 73,439,412	\$ (6,662,588)	-8.3%

Fiscal Year 2010 Waterworks Operating Budget To Actual Comparison

Description	Budget	Projected	Variance	%
Payroll Costs:				
Salaries (Full/Part Time/Temps/Standby, Etc.)	\$ 15,746,103	\$ 15,410,060	\$ 336,043	2.1%
Fringes (FICA, Retirement, Health, Ect.)	6,695,275	6,201,465	493,810	7.4%
Subtotal Payroll Costs	\$ 22,441,378	\$ 21,611,524	\$ 829,854	3.7%
Additional Expenses:				
Debt Service	\$ 20,126,576	\$ 20,126,576	\$ -	0.0%
City Payments (ROI, IC, IT, PILOT)	13,466,010	13,466,010	-	0.0%
Contractual Services	5,219,518	4,996,379	223,140	4.3%
Chemicals	4,477,500	3,432,313	1,045,187	23.3%
Power	3,687,212	2,103,988	1,583,224	42.9%
Cash Capital (Rolling Stock, Equipment, Etc.)	2,898,769	2,227,550	671,219	23.2%
Outside Taxes	1,851,000	1,851,350	(350)	0.0%
Other Expenses	5,934,037	5,704,560	229,477	3.9%
Subtotal Additional Expenses	\$ 57,660,622	\$ 53,908,726	\$ 3,751,896	6.5%
Total Waterworks Operational Expenses	\$ 80,102,000	\$ 75,520,250	\$ 4,581,750	5.7%

Strategy

Waterworks has eliminated five positions in this proposed budget, reducing its total personnel count from 370 to 365. Waterworks' budgeted manpower has not been this low for more than 20 years. In addition, Waterworks has budgeted for continuation of the hiring freeze (approximately 30 equivalent full time positions held vacant) through the coming year and will closely monitor vacancies and budget progress throughout the year prior to filling any positions. Similar to other city personnel, Waterworks' budget includes no funding for either across-the-board or merit salary increases; however, a \$500 one-time salary adjustment is included to partially offset increased out-of-pocket health insurance premium costs. Even with this one-time adjustment, Waterworks reduced salary expense \$0.8 million due to the full-time position reductions and lower salaries for new hires.

The proposed FY 2011 budgetary increases occur in retirement and health insurance benefits (\$1.4 million), debt service (\$1.7 million, due to re-emergence of debt service after one-time windfall for refinancing taken in FY2010) and cash capital system improvements (\$3.1 million, due to the need to fund several specific projects for tank, pump station and software maintenance out of cash capital), all of which total \$6.2 million. Return on Equity to the General Fund is not changed. Other than the noted reduction in personnel costs, and increases in pension, debt service and cash capital, all other expenses show a net reduction of nearly \$ 1.9 million.

Waterworks projects FY 2011 revenues at existing fees and budgeted demands will not provide revenues sufficient to finance the projected 4.4% increase in operating costs.

Therefore, while it is recommended that the Lifeline rate (for the first 600 cubic feet (hcf) used by single meter, residential customers) remain at the existing rate of \$2.78/hcf, the rate for all other residential, commercial and industrial consumption should be set at \$3.25/hcf, 6.9% more than the current rate of \$3.04/hcf. The differential between the two rates will be 16.9%, close to the target established four years ago. Key aspects of the proposed budget include:

■ **Water Rate Increase Proposed**

- **Maintain the Lifeline Water Rate for single meter residential customers at \$2.78 (4th year of no increase) for the first 6 hcf**
- **Increase the second block rate of \$3.04 to \$3.25 (+6.9%) per hcf for all other consumption**
- **The blended water rate for the average residential customer (6 hcf at lifeline rate and 7 at block 2 rate) will increase by 3.77%**

■ **Summer Consumption Rate (SCR) increases in proportion to water rate: to \$0.65/hcf (up \$0.04 or 6.6% from \$0.61) in order to maintain the ratio with the block 2 water consumption rate and continue to encourage users to not worsen summer peaks.**

■ **Retained Earnings of \$2.4 million will be used to supplement other revenues and will be offset in future years as debt service reductions occur**

Fiscal Year 2010 vs. 2011 Waterworks Operating Budget				
Description	FY10 Budget	FY11 Budget	Variance	%
Payroll Costs:				
Salaries (Full/Part Time/Temps/Standby, Etc.)	\$ 15,746,103	\$ 15,453,899	\$ (292,204)	-1.9%
Fringes (FICA, Retirement, Health, Ect.)	6,695,275	7,559,442	864,167	12.9%
Subtotal Payroll Costs	\$ 22,441,378	\$ 23,013,341	\$ 571,963	2.5%
Additional Expenses:				
Debt Service	\$ 20,126,576	\$ 21,829,056	\$ 1,702,480	8.5%
City Payments (ROI, IC, IT, PILOT)	13,466,010	13,346,880	(119,130)	-0.9%
Contractual Services	5,219,518	4,974,806	(244,712)	-4.7%
Chemicals	4,477,500	3,814,280	(663,220)	-14.8%
Power	3,687,212	2,707,144	(980,068)	-26.6%
Cash Capital (Rolling Stock, Equipment, Etc.)	2,898,769	6,065,000	3,166,231	109.2%
Outside Taxes	1,851,000	1,900,000	49,000	2.6%
Other Expenses	5,934,037	5,947,293	13,256	0.2%
Subtotal Additional Expenses	\$ 57,660,622	\$ 60,584,459	\$ 2,923,837	5.1%
Total Waterworks Operational Expenses	\$ 80,102,000	\$ 83,597,800	\$ 3,495,800	4.4%

Fiscal Year 2010 vs. 2011 Waterworks Revenues Budget

Description	FY10 Budget	FY11 Budget	Variance	%
Customer Demand:				
Million Gallons Per Day	44.0	42.0	-2.0	-4.5%
Hundred Cubic Feet (HCF)	21,470,588	20,494,652	-975,936	
Water Rates:				
First 6 HCF - Single Family Residential	\$2.78	\$2.78	\$0.00	0.0%
All Other Consumption	\$3.04	\$3.25	\$0.21	6.9%
Summer Consumption Rate	\$0.61	\$0.65	\$0.04	6.6%
Water Sales Based On Consumption:				
Water Sales	\$ 64,215,507	\$ 64,772,000	\$ 556,493	0.9%
Summer Consumption Rate	1,096,000	1,322,000	226,000	20.6%
Wholesale Treated Water Sales	<u>150,000</u>	<u>150,750</u>	750	0.5%
Subtotal Water Sales	<u>\$ 65,461,507</u>	<u>\$ 66,244,750</u>	<u>\$ 783,243</u>	<u>1.2%</u>
Ancillary Revenues:				
Water Meter Fees	\$ 5,400,000	\$ 5,427,000	\$ 27,000	0.5%
Retained Earnings	-	2,376,548	2,376,548	N/A
Hydrant Rental Fees	2,350,493	2,361,750	11,257	0.5%
Interest-Operating Cash	2,100,000	2,100,000	-	0.0%
System Development Fees	1,300,000	1,300,000	-	0.0%
Late Payment Fees	550,000	552,750	2,750	0.5%
Billing For Others Fees	400,000	400,000	-	0.0%
New Account Fee	350,000	402,000	52,000	14.9%
Meter/Service Connect Fees	500,000	500,000	-	0.0%
Reconnection Fees	300,000	301,500	1,500	0.5%
Miscellaneous-Utilities	<u>1,390,000</u>	<u>1,631,502</u>	<u>241,502</u>	<u>17.4%</u>
Subtotal Ancillary Revenues:	<u>\$ 14,640,493</u>	<u>\$ 17,353,050</u>	<u>\$ 2,712,557</u>	<u>18.5%</u>
Total Waterworks Revenues	<u>\$ 80,102,000</u>	<u>\$ 83,597,800</u>	<u>\$ 3,495,800</u>	<u>4.4%</u>

Newport News single family residential customers use an average of 165 gallons per day. For a 60-day, bimonthly billing cycle this roughly equals a billable consumption of 9,900 gallons or 13 hcf. Waterworks is also the billing agent for the City for sewer maintenance and solid waste and those fees are not proposed to increase this year. The average Newport News residential customer will see their municipal utility bill increase by an annual total of \$8.82 or an average bi-monthly amount of \$1.47, (1.2% increase) all of which derives from the proposed increases in the water rate. For comparison, in FY 2010, in Newport News, the average annual residential municipal utility bill increased by \$53.10, or \$9.05 bimonthly (7.74% increase). Waterworks only accounted for \$0.20 (or 0.16% out of the 7.74%) of the bimonthly increase; sewer and solid waste fee increases accounted for 7.58% out of the total 7.74% increase. Thus, the proposed rate increase of 6.9% for the second block of water consumption and the associated increase in the Summer Consumption Rate only produce a 1.2% increase in the average bill for a residential customer in Newport News if no other fees increase. Waterworks is aware of the financial constraints facing its customers and continues to emphasize sustainable approaches to minimize rate increase impacts on residents while maintaining reasonable rates for business and industry.

Single Family Residential Newport News Customers
Average Bimonthly Consumption 13 Hundred Cubic Feet

<u>Description of Charge</u>	<u>2,009</u>	<u>2,010</u>	<u>FY 09/10/11 Bill Comparisons</u>		
			<u>2,011</u>	<u>FY11 Incr. \$</u>	<u>FY11 Incr. %</u>
Waterworks Billed Charges:					
Water	\$ 37.96	\$ 37.96	\$ 39.43	\$ 1.47	3.9%
Service Charge	6.30	6.30	6.30	-	0.0%
Fire Protection Service Fee	\$ 2.50	\$ 2.70	\$ 2.70	\$ -	0.0%
<u>Subtotal Waterworks Charges</u>	<u>\$ 46.76</u>	<u>\$ 46.96</u>	<u>\$ 48.43</u>	<u>\$ 1.47</u>	<u>3.1%</u>
City of Newport News Billed Charges:					
City Sewer User Fee & Surcharge	27.04	32.89	32.89	-	0.0%
City Solid Waste (Std)	43.11	46.11	46.11	-	0.0%
<u>Subtotal City of Newport News Charges</u>	<u>\$ 70.15</u>	<u>\$ 79.00</u>	<u>\$ 79.00</u>	<u>\$ -</u>	<u>0.0%</u>
<u>Total Bimonthly Municipal Utility Bill</u>	<u>\$ 116.91</u>	<u>\$ 125.96</u>	<u>\$ 127.43</u>	<u>\$ 1.47</u>	<u>1.2%</u>

Despite the FY 2011 rate increases discussed, Waterworks still remains one of the lower cost water utilities in Southeastern Virginia, and the proposed increases compare favorably to those of most other water and wastewater utilities in the region, state and nation.

FY 2011 BUDGET POSITION PAPER

APRIL 2010

PARKS, RECREATION, AND TOURISM

Overview

The City Manager's FY 2011 Recommended Budget for the Department of Parks, Recreation, and Tourism's General Fund programs and services is \$13,356,255, which is a \$330,545, or 2.4% net reduction to the FY 2010 budget. While this reduction has been distributed throughout a variety of Departmental programs, facilities, and services to minimize the impact to park and recreation users, there are two areas where there will be visible impact on program changes. These areas are the City's Historic Services operations and the Youth Athletics Program.

Issues

Impact to Historic Services: Reduced Hours at Selected Historic Sites

General Fund support is the primary source of funding for the operation of the City's historic services facilities. To accommodate the reduced level of General Fund support in the FY 2011 Recommended Operating Budget, the Historic Services Fund gross personnel and program expenditures were reduced \$133,805. These reductions, which include the elimination of two (2) full-time positions (one vacant; one currently filled) and a variety of cuts to operating expense items, are detailed in Table 1 below.

Table 1 - Details of Historic Services Reductions

Description	Site	Savings
Senior Archeologist Position (Underfill)	Administration	\$ 4,940
Reduce Utility Funding	Lee Hall Depot	\$18,050
Eliminate FT Historic Site Curator	Endview Plantation	\$58,067
Reduce Operating Funds	Endview Plantation	\$ 7,500
Reduce Operating Funds	Warwick Courthouse	\$ 2,500
Eliminate FT Educational Specialist	Newsome House	\$42,748
Total Reductions:		\$133,805

To accommodate these cuts, there will be reduced operating hours at selected historic sites. The reduced operating hours would apply to those sites that currently receive the least visitation, most notably Endview Plantation and Lee Hall Mansion on Yorktown Road in the north end of the City, and The Newsome House Museum and Cultural

Center on 28th Street in southeast Newport News. Visitation statistics for all 2009 staffed historic sites are outlined in Table 2.

Table 2 - 2009 Visitation Statistics for Historic Sites (actual building visitation only)

Facility	Average # Visitors in 2009 (daily averages based on actual days open)*							Actual 2009 Visitation*
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
Virginia War Museum	34.5	28.6	19.7	19.7	17.1	22.8	72.0	9,160
Lee Hall Mansion	10.2	10.1	closed	11.8	9.5	10.5	22.0	3,495
Endview Plantation	7.2	7.1	closed	7.0	7.1	7.1	11.2	2,317
Newsome House	2.3	4.8	6.2	5.5	5.0	4.7	16.2	1,985

* excludes visitors/participants of special events held outside of these buildings

Because of the relatively light visitation occurring on weekdays (averaging five visitors per day), it is recommending that the Newsome House be opened by appointment only from Monday through Wednesday. Endview Plantation and Lee Hall Mansion would close two days, year-round, and possibly on a third day, during the period from January through March. To provide greater flexibility in accommodating weekend visitation, all three facilities would increase summer operating hours from 4:00 p.m. to 5:00 p.m. on Saturdays. In addition, Endview Plantation and Lee Hall Mansion would open for visitation one hour earlier on Sundays (i.e., at noon, rather than 1:00 p.m.) and the Newsome House would extend summer hours on Thursdays and Fridays to 5:00 p.m. (1 hour later than currently scheduled).

The net change in open hours would be a reduction of three (3) days per week (depending on scheduled appointments) at the Newsome House, and one (1) additional day per week at both Endview Plantation and Lee Hall Mansion. A comparison of the current and proposed operating hours is detailed in Table 3.

Table 3 – Comparison of Current and Proposed Hours at City Historic Sites

CURRENT HOURS								
Facility	Season (Months)	SU	MO	TU	WE	TH	FR	SA
Virginia War Museum	January 1 - December 31	1-5pm	9am-5pm	9am-5pm	9am-5pm	9am-5pm	9am-5pm	9am-5pm
Lee Hall Mansion	April 1 - December 31	1-5pm	10am-4pm	Closed	10am-4pm	10am-4pm	10am-4pm	10am-4pm
	January 1 - March 31	1-5pm	10am-4pm	Closed	Closed	10am-4pm	10am-4pm	10am-4pm
Endview Plantation	April 1 - December 31	1-5pm	10am-4pm	Closed	10am-4pm	10am-4pm	10am-4pm	10am-4pm
	January 1 - March 31	1-5pm	10am-4pm	Closed	Closed	10am-4pm	10am-4pm	10am-4pm
Newsome House	April 1 - December 31	Closed	10am-4pm	10am-4pm	10am-4pm	10am-4pm	10am-4pm	10am-4pm
	January 1 - April 30	Closed	10am-4pm	10am-4pm	10am-4pm	10am-4pm	10am-4pm	10am-4pm
PROPOSED HOURS								
Facility	Season (Months)	SU	MO	TU	WE	TH	FR	SA
Virginia War Museum	January 1 - December 31	<i>12-5pm (+1)</i>	9am-5pm	9am-5pm	9am-5pm	9am-5pm	9am-5pm	9am-5pm
Lee Hall Mansion	April 1 - December 31	<i>12-5pm (+1)</i>	10am-4pm	Closed	<i>Closed (-6)</i>	10am-4pm	10am-4pm	<i>10am-5pm (+1)</i>
	January 1 - March 31	1-5pm	<i>Closed (-6)</i>	Closed	Closed	10am-4pm	10am-4pm	10am-4pm
Endview Plantation	April 1 - December 31	<i>12-5pm (+1)</i>	10am-4pm	Closed	<i>Closed (-6)</i>	10am-4pm	10am-4pm	<i>10am-5pm (+1)</i>
	January 1 - March 31	1-5pm	<i>Closed (-6)</i>	Closed	Closed	10am-4pm	10am-4pm	10am-4pm
Newsome House	April 1 - December 31	Closed	<i>By appointment only (-18)</i>			<i>10am-5pm (+1)</i>	<i>10am-5pm (+1)</i>	<i>10am-5pm (+1)</i>
	January 1 - April 30	Closed	<i>By appointment only (-18)</i>			10am-4pm	10am-4pm	10am-4pm

Note: Hours in red denote change from current to proposed with net change in hours/week shown in parenthesis.

The operating hours at each of the City’s staffed historic sites are also influenced by various other factors, such as school schedules, summer encampments, and requirements from various accrediting and funding agencies. As such, the hours at each facility will need to be periodically adjusted to accommodate these requirements. A synopsis of some of the more significant accrediting/funding agencies, and their associated operating requirements, is outlined in Table 4.

Table 4 - Agency Commitments for Operating Hours

Agency	Operating Commitment
National Register of Historic Places (National Park Service, US Department of Interior) Virginia Department of Historic Resources (VDHR)	No current obligations for operating hours. Sites receiving grants must be open a minimum of 100 days/year for 5 years following the last received grant. Affects Endview, Newsome House, and Lee Hall Mansion which received grants in 2008.
Historic Easement Requirements (VDHR) Virginia Department of Transportation	Sites must be open at least 1 day/year. Affects Endview and Lee Hall Mansion only. To maintain Interstate signage, sites must be open 6 hours/day at least 5 days/week. Affects Endview, Lee Hall Mansion, Newsome House, and the Virginia War Museum.
American Association of Museums	No current obligations for operating hours.

Based on these considerations, it appears the proposed operating hours may disqualify the Newsome House Museum from being able to continue to maintain directional signage on nearby Interstate 664. While such interstate signage has long been seen as a significant marketing tool, the value of having (or losing) this signage has not been specifically evaluated for visitation to the Newsome House.

If approved, the new operating hours would be advertised immediately on websites, publications, and other advertising media and would become effective July 1, 2010.

Impact to Youth Athletics: Fees to Participate in City-Sponsored Youth Sports

The City Manager’s proposed FY 2011 budget also recommends generating new revenue by imposing a fee for participation in City-sponsored youth soccer, basketball, and football programs. The Department has recommended the initiation of a registration/participation fee for residents and non-residents to take part in these activities beginning with the 2010 fall season.

The City currently offers several traditional sports programs without charge to youth who are residents of Newport News. A proposed fee of \$25 per participant, per season, per sport, is being recommended, and is anticipated to generate \$80,000 in new revenue each year. This revenue will offset operating costs associated with these same youth sports programs, covering the cost of game officials, scorekeepers, and facility attendants.

Newport News is currently the only locality in the region that does not charge (either directly or indirectly through a youth sports association) for all of its youth athletic programs. Fees are charged for some City youth sports (tennis, golf, field hockey, swimming, and gymnastics) while other programs (basketball and soccer) are currently

offered at no cost to participants. Youth football does involve an association fee (primarily for player equipment), with the cost of officials, scorekeepers and facility attendants is paid by the City. A comparison of some of the fees charged for youth sports (either by a local government or through a sponsored youth sports/athletic association) is shown in Table 5.

Table 5 - Comparison Youth Sports Fees from Selected Hampton Roads Locations

Location	Basketball	Football	Soccer
Chesapeake	\$45 (charged by City)	\$70 (charged by City)	\$45 (charged by City)
Gloucester	\$50 (one time resident fee - charged by County)	\$80 (charged by association)	\$50 (one time resident fee - charged by County)
Hampton	\$65 -\$90 (charged by association)	\$60-\$100 (charged by association)	\$50-\$85 (charged by association)
Newport News (current)	\$0 (1,285 participants in 2009)	\$35-\$80 (1,075 participants; charged by association; City pays for officials)	\$0 (2,775 participants)
<i>Newport News (proposed)</i>	\$25 <i>(proposed)</i>	\$60-\$105 <i>(includes association fee + proposed City fee of \$25)</i>	\$25 <i>(proposed)</i>
Norfolk	\$35-\$50 (charged by association)	\$80-\$100 (charged by association)	\$35 (charged by association)
Virginia Beach	\$50-\$75 (charged by association)	\$100-\$150 (charged by association)	\$75-\$90 (charged by association)
Williamsburg	\$45 (charged by City)	\$70-\$100 (charged by association)	\$65 (charged by association)
York County	\$35 (charged by County)	\$70-\$100 (charged by association)	\$35 (charged by County)

In addition to the fee that is proposed to be charged for participation in City-sponsored sports programs, any youth sports activities operated by outside community groups that use City/School facilities would be charged \$10 per participant, per sport, per season, to help offset City facility maintenance and operating costs. This fee is expected to generate approximately \$20,000 per year to help offset the wear and tear on City facilities by private youth sport organizations.

As a separate charge, all non-City residents will be assessed a \$10 fee per person, per season, to participate in the City’s youth sports program. While this particular fee is not expected to generate any significant revenue, it will help address the concern that has been expressed that Newport News residents should receive a discount over non-residents when paying to participate in City-sponsored youth sports.

Staff has estimated that approximately \$25,000 of operational and administrative costs will be incurred to implement this initiative. Program revenues and costs are shown in Table 6.

Table 6 – Program Revenues and Costs

Revenue Source or Program Cost	Expected Revenue/Cost
Registration fees for participating in youth sports (resident & non-resident)	\$80,000
Fees for outside organizations to use City facilities and fields	\$20,000
Costs to implement the fee program	(\$25,000)
Net new revenues to City (annual)	\$75,000

These fees would help fund the General Fund youth sports expense, and it is important to recognize that even with the implementation of these fees, the City still continues to subsidize many support costs associated with operating and coordinating athletic programs. These include costs for program equipment, administrative supplies, rental equipment, turf and ball field maintenance, custodial service, medical supplies, security, and City’s athletic staff personnel costs.

These fees would commence with the start of each sport’s respective upcoming fall registration session. This would occur in July for football, August for soccer, and November for basketball.

Funding Strategy

The FY 2011 City Manager Recommended Budget of \$13,356,255 for the Department of Parks, Recreation, and Tourism’s General Fund operations reflects a net reduction of \$330,545 to the FY 2010 Parks General Fund budget. The Parks Department submitted \$1,063,126 of expenditure reductions and General Fund revenue enhancements that have been incorporated into the FY 2011 Recommended Operating Budget. This total amount is comprised of expenditure cuts to the General Fund Parks and Recreation Department (\$839,626), Historic Services Fund (\$133,805), with General Fund revenue enhancements from Parks General Fund operations [\$75,000] and the Tourism Fund [\$14,695]. The impact of these gross expenditure cuts and revenue enhancements is offset, in part, by increased employee retirement and healthcare costs and the addition of funding for the operation (primarily utility costs) of the Denbigh Recreation Center (\$21,460) and for landscape maintenance at specifically identified locations along Warwick Boulevard, Jefferson Avenue and Denbigh Boulevard (\$120,000).

FY 2011 BUDGET POSITION PAPER

APRIL 2010

COMMUNITY SUPPORT FUNDING RECOMMENDATIONS

Overview

Not-for-profit organizations fill an important role in improving the quality of life for the community by providing vital 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.

Issues

For FY 2011, fifty-seven (57) CSAG requests were received. Fourteen (14) of these requests were from new or non-funded organizations, defined as any organization that did not receive FY 2010 Community Support funding. These 14 agency requests solicited support from the City in the amount of \$642,750. It was difficult to consider any new initiatives in such a challenging budget year. Other agencies were deemed to be faith-based initiatives and not eligible for City support. Therefore, no new or non-funded agencies are recommended to receive City support in FY 2011, with one exception (detailed under the Regional Organization Support description).

The total amount of FY 2011 CSAG *requests* is \$8,640,235, which represents a 12.8% increase to the \$7,659,433 FY 2010 CSAG Budget. The total City Manager Recommended FY 2011 CSAG award amount is \$7,657,551, or a (0.02%) net decrease to the FY 2010 Budget (see the Table entitled *FY 2011 Community Support Requests* below).

Within the Community Support category, the Operating Budget distinguishes between discretionary grant funding allocated to not-for-profit organizations (Community Support) and contributions that the City provides to support the efforts of regional organizations (Regional Organization Support).

Funding Strategy

Community Support

The total FY 2011 recommended amount for Community Support is \$2,252,634, which represents a (\$125,763) or (5.3%) decrease to the amount budgeted for Community

Support (\$2,378,397) in FY 2010. As in FY 2010, the approach in formulating the Community Support recommendation for FY 2011 was to identify opportunities to reduce the total level of grant awards while maintaining level funding for organizations that provide necessary human services to our citizens. For those agencies that focus on arts, cultural, and related activities, a 7% across-the-board reduction was applied. Also, 7% reductions are recommended in Youth Education and Miscellaneous Services. A 3.5% reduction was applied in the Military Services category. For those agencies that provide either emergency relief services or aid in some manner, level funding at the FY 2010 amount was maintained. An increase of \$5,000 is recommended for LINK of Hampton Roads, Inc. This organization provides the PORT winter shelter and has the responsibility of providing worker's compensation coverage for security personnel. This additional funding will help offset that operating cost. This was the sole increase in funding in the Community Support group of agencies for FY 2011.

Regional Organization Support

Regional Organizational Agencies are those where most of the City's contributions are based on a contractual agreement or a per capita support level. Funding for this group of activities, for the most part, remained at the FY 2010 level. The one exception is Hampton Roads Transit (HRT). With a minor increase in funding of \$12,534, this brings the FY 2011 HRT support to \$4,504,410, or 83% of the funding for Regional Organizational Agencies. A reduction of 7% for the Hampton Roads Military and Federal Facilities Alliance was made, resulting in a \$6,364 cut for that program. The Hampton Roads Partnership requested 3% or \$465 less than the current year amount of \$15,675.

Also under the Regional Organizational Agencies, the City of Newport News is reserving funds for the Hampton-Newport News Criminal Justice Agency (HNNCJA), should federal grant funding not materialize during the upcoming fiscal year. (Since FY 2000, this program has received funding from the federal Byrne/JAG grant; these funds are anticipated to be, at least, diminished or could be discontinued in the near future.) While grouped with the new applicants on the information table, HNNCJA has been a long-time partner with the City in promoting public safety by providing community-based pretrial and post-conviction programs. This service is critical in managing our jail population and holding down our growing incarceration costs. This reserve amount is \$127,431.

The amount of \$5,745 is recommended in the CSAG Reserve as a contingency for funding the Hampton Roads Planning District Commission request from the Municipal Construction Standards Committee should City Council choose to restore this level of funding.

The total level of support to Regional Organizations recommended for FY 2011 is \$5,404,917. This is a net increase of \$123,880, or 2.4%, based mainly on the inclusion of funding for HNNCJA.

The table on the following pages details FY 2011 CSAG award requests and recommendations, as well as approved FY 2010 CSAG award amounts.

FY 2011 COMMUNITY SUPPORT REQUESTS

No.		FY2010 Budget	FY 2011 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Dollars	C.M.'s +/- Percent
CULTURE AND TOURISM								
1	N. N. Arts Commission - Support for Performing Arts	175,302	288,365	113,063	64.5%	163,031	-12,271	-7.0%
2	N.N. Public Art Foundation	49,500	65,000	15,500	31.3%	46,035	-3,465	-7.0%
3	Peninsula Fine Arts Center	95,337	95,337	0	0.0%	88,663	-6,674	-7.0%
4	Sister Cities	39,550	39,550	0	0.0%	36,782	-2,769	-7.0%
5	VA Air and Space Center - Capital	10,000	0	-10,000	-100.0%	0	-10,000	-100.0%
6	Virginia Arts Festival Newport News	75,000	100,000	25,000	33.3%	69,750	-5,250	-7.0%
7	Virginia Living Museum	597,631	597,631	0	0.0%	555,797	-41,834	-7.0%
HEALTH/EMERGENCY SERVICES								
8	American Red Cross - Disaster Services	20,000	20,000	0	0.0%	20,000	0	0.0%
9	Denbigh House - Brain Injury Patients	31,000	31,000	0	0.0%	31,000	0	0.0%
INDIGENT SERVICES								
10	Center for Child and Family Services	18,500	18,500	0	0.0%	18,500	0	0.0%
11	Foodbank of the VA Peninsula	75,000	75,000	0	0.0%	75,000	0	0.0%
12	LINK of Hampton Roads, Inc.	70,000	70,000	0	0.0%	75,000	5,000	7.1%
13	Office of Human Affairs	110,000	150,000	40,000	36.4%	110,000	0	0.0%
MILITARY SERVICES								
14	U.S.O. of Hampton Roads	9,000	15,000	6,000	66.7%	8,685	-315	-3.5%
15	U.S.S. Newport News Liaison Comm.	9,000	15,000	6,000	66.7%	8,685	-315	-3.5%
MISCELLANEOUS SERVICES								
16	Insight Enterprises	29,925	29,925	0	0.0%	27,830	-2,095	-7.0%
17	Newport News Crime Watch Coalition	20,488	20,488	0	0.0%	19,054	-1,434	-7.0%
18	Peninsula READS	24,300	24,300	0	0.0%	22,599	-1,701	-7.0%
19	Preschool Partners - Childcare Referrals	27,000	30,000	3,000	11.1%	25,110	-1,890	-7.0%
20	CSAG Reserve	15,000	770,181	755,181	5034.5%	5,745	-9,255	-61.7%
REGIONAL EFFORTS								
21	Hampton - Newport News Criminal Justice Agency	0	0	0	0.0%	127,431	127,431	0.0%
22	Hampton Roads Economic Development Alliance	170,195	170,633	438	0.3%	170,195	0	0.0%
23	H.R. Military and Federal Facilities Alliance	90,920	90,610	-310	-0.3%	84,556	-6,364	-7.0%
24	Hampton Roads Partnership	15,675	15,210	-465	-3.0%	15,210	-465	-3.0%
25	H.R. Planning District Commission (HRPDC)	148,600	148,600	0	0.0%	148,600	0	0.0%
26	HRPDC Metropolitan Medical Response	36,244	36,244	0	0.0%	36,244	0	0.0%

No.		FY2010 Budget	FY 2011 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Dollars	C.M.'s +/- Percent
27	Hampton Roads Sports Commission	27,000	27,000	0	0.0%	27,000	0	0.0%
28	Hampton Roads Transit (HRT)	4,236,852	4,204,026	-32,826	-0.8%	4,204,026	-32,826	-0.8%
29	HRT Capital	255,024	300,384	45,360	17.8%	300,384	45,360	17.8%
30	James City County Transit (Newport News to Williamsburg)	25,000	30,000	5,000	20.0%	25,000	0	0.0%
31	Peninsula Council for Workforce Development	92,776	92,775	-1	0.0%	92,775	-1	0.0%
32	Regional Air Service Enhancement Fund (RAISE)	108,744	108,744	0	0.0%	108,744	0	0.0%
33	Regional Homelessness Commission	41,657	41,657	0	0.0%	41,657	0	0.0%
34	Virginia Peninsula Chamber of Commerce	17,350	17,350	0	0.0%	17,350	0	0.0%
SENIOR SERVICES								
35	Peninsula Agency on Aging	52,800	52,800	0	0.0%	52,800	0	0.0%
36	Retired Senior Volunteer Program	7,000	7,000	0	0.0%	7,000	0	0.0%
VICTIM SERVICES								
37	Court Appointed Special Advocate (CASA)	78,000	78,000	0	0.0%	78,000	0	0.0%
38	Child Abuse Center - CHKD	33,000	33,000	0	0.0%	33,000	0	0.0%
39	Newport News Human Rights Commission	9,000	9,000	0	0.0%	9,000	0	0.0%
40	Transitions Family Violence Services	63,363	90,000	26,637	42.0%	63,363	0	0.0%
YOUTH EDUCATION								
41	An Achievable Dream	100,000	100,000	0	0.0%	93,000	-7,000	-7.0%
42	Job Education Training (J.E.T.) Corps	33,120	0	-33,120	-100.0%	0	-33,120	-100.0%
43	VA Scholarship & Youth Dev Foundation	9,000	10,000	1,000	11.1%	8,370	-630	-7.0%
YOUTH PROGRAMS								
44	Boys and Girls Club of the Virginia Peninsula	164,285	164,285	0	0.0%	164,285	0	0.0%
45	C. Waldo Scott Center	292,640	292,640	0	0.0%	292,640	0	0.0%
46	YMCA Capital	10,000	10,000	0	0.0%	10,000	0	0.0%
47	YWCA	39,655	55,000	15,345	38.7%	39,655	0	0.0%
	TOTAL	\$7,659,433	\$8,640,235	\$980,802	12.8%	\$7,657,551	-\$1,882	0.0%

No.		FY2010 Budget	FY 2011 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Dollars	C.M.'s +/- Percent
NEW APPLICATIONS								
48	Catholic Charities of Eastern Virginia	0	5,000	5,000	0.0%	0	0	0.0%
49	Center for Sexual Assault Survivors	0	5,100	5,100	0.0%	0	0	0.0%
50	Eastern Virginia Medical School	0	24,450	24,450	0.0%	0	0	0.0%
51	Freedom Outreach Center	0	56,900	56,900	0.0%	0	0	0.0%
52	Governor's Inn Estate (FFL Richer Life Care)	0	400,000	400,000	0.0%	0	0	0.0%
53	Hampton Newport News Criminal Justice Agency	0	127,431	127,431	0.0%	127,431	127,431	0.0%
54	HRPDC - Municipal Construction Standards Committee (MC	0	5,745	5,745	0.0%	5,745	5,745	0.0%
55	Lackey Free Clinic	0	65,905	65,905	0.0%	0	0	0.0%
56	Peninsula Drug Rehabilitation Foundation	0	20,000	20,000	0.0%	0	0	0.0%
57	Peninsula Foster Grandparent Program	0	27,000	27,000	0.0%	0	0	0.0%
58	Small Business Development Center	0	10,000	10,000	0.0%	0	0	0.0%
59	SNV, Inc. (Survivors Not Victims)	0	5,000	5,000	0.0%	0	0	0.0%
60	Virginians for High Speed Rail	0	10,000	10,000	0.0%	0	0	0.0%
61	VA Peninsula Chamber of Commerce - Business Center	0	7,650	7,650	0.0%	0	0	0.0%
	NEW APPLICATIONS TOTAL	\$0	\$770,181	\$770,181	0.0%	\$133,176	\$133,176	0.0%

FY 2011 BUDGET POSITION PAPER

APRIL 2010

DEPARTMENT OF HUMAN SERVICES

Overview

The Department of Human Services (DHS) FY 2011 Recommended Budget of \$43.3 million maintains funding and staffing (390 positions) sufficient to continue to meet the service and program needs of eligible residents. With FY 2011 reimbursement (revenue) of \$29.4 million, it is anticipated that the City local support for DHS operations will be \$13.9 million.

Both federal and state statutes and policies mandate services and programs that serve the majority of customers who walk through the front door. As a result of the ongoing economic downturn, DHS has experienced a dramatic increase to the number of Newport News citizens applying for benefits during the past year.

Issues

Based on mandated service levels and expected increased demand, the Recommended FY 2011 revenue and expenditure projections incorporate a number of important budgetary factors. These factors include prior years' revenue and expense history; current year revenue and expense levels as of December 31, 2009 projected through FY 2010 year-end; anticipated FY 2011 state allocation from the Virginia Department of Social Services that will be received in May 2010; and the social service-related budget amendments contained in the upcoming biennial budget passed by the Virginia General Assembly on March 13, 2010.

As part of the FY 2011 budget development process, each City department was required to submit a budget that included substantial reductions. For DHS, total required expenditure reductions equaled \$3,002,345. DHS exceeded the required reduction amount, delivering a total reduction of \$3,102,010, comprised of personnel, operating, and program cost cuts. The personnel savings are attributed to resignations and retirements of a number of higher-salaried, long-term employees with replacement by new or less-tenured employees at lower salaries. Additionally, the departmental attrition credit has been increased by \$1,013,757 to capture normal vacancy savings associated with the time required to recruit and hire for vacant positions. No service impact is anticipated from the increased attrition credit.

The operating expense and program savings come from lower expenditures for contractual services, Foster Care, Comprehensive Services Act (CSA), Auxiliary Grants, Refugee Resettlement, independent living demonstration projects, and winter shelter expenses. A portion of these savings has been applied to offset increases in employment services (VIEW and SNAPET), General Relief, Headstart Child Care, and Transitional Child Care programs, rent increases, and general and administrative costs including office supplies, printing, postage, and printer replacements associated with the increased number of customers. Additionally, the existing CSA fund balance that has been accumulated over the last several fiscal years has allowed for substantial one-time savings (\$1 million) for General Fund local support without diminution of the existing level of service.

Office on Children, Youth and Families (OCYF)

In response to City Council inquiries regarding the services provided by the Office on Children, Youth and Families (OCYF) expressed during the development of the FY 2010 Operating Budget, the City Manager convened a working group to serve as the Youth Development Policies and Practices Review Team. The purpose of this team was: (1) to review the history, structure, funding, programs and services, staffing, and accomplishments of the OCYF and; (2) to develop recommendations outlining the future of youth development programs and services in Newport News, including strategies and structure.

The individuals who served on the Youth Development Policies and Practices Review Team included:

Neil Morgan, City Manager
Alan Archer, Assistant City Manager, Chairman
Glenn Butler, Director, Department of Human Services
Charles Hall, Executive Director, Hampton-Newport News Community Services Board
Iza Cieszynski, Director, Department of Libraries and Information Services
Dr. Cynthia Cooper, Director, Department of Student Leadership,
Newport News Public Schools
Lorenzo Sheppard, Assistant Chief, Newport News Police Department
Dr. David Trump, Director, Peninsula Health District
Michael Poplawski, Director, Department of Parks, Recreation & Tourism
Freddie Simons, Director of Prevention Services, Hampton-Newport News
Community Services Board
Dr. Rosanne Walters, Deputy Director, Department of Human Services

In the fall of 2009, the Team reviewed all facets of OCYF including its history, philosophy, functions, services, results, staffing, budget, grant funding, and youth development framework. The Committee reviewed the components of a youth development system to include broad-based youth development strategies, targeted prevention strategies, early intervention and treatment strategies, and sanctions. This information was evaluated in relation to the following questions:

1. What are the most pressing issues related to youth development in Newport News?
2. What would an effective youth development system look like?
3. What are the current barriers to creating that system? What can be done to overcome those barriers?
4. What elements of this system are in place and what can be done to strengthen those elements?

The Team also assessed the youth development initiatives in Fairfax, Virginia Beach, Hampton, and Norfolk, and their placement within local government. This conversation included a discussion of the role of local government in creating a system of family support and youth development.

The review of OCYF revealed a number of significant accomplishments and positive outcomes in the program areas of parenting education, youth leadership development, community education, and training and technical assistance, partnership development/collaboration, and research, evaluation and grant services. Additionally, OCYF staff members have provided staff support to the Keeping Our Kids Safe Violence Prevention Network and sub-committees. Keeping Our Kids Safe has been successful in bringing together over 40 City departments and community agencies to develop and implement a comprehensive plan to prevent and reduce violence in the community. Communication and collaboration among Network members has greatly increased programming, expanded resources, increased awareness, and engaged youth and adults in creating a culture of non-violence in Newport News.

The review team concluded that maintaining some focus on each of these program areas, as well as the Keeping Our Kids Safe Violence Prevention Network, was important to sustaining a strong system of family support and youth development in Newport News. However, the Team also strongly believed that maintenance of a separate office or department to fulfill these functions may not offer the most effective method to deliver these services either in terms of outcomes or cost, particularly given current economic conditions. The Team determined that perhaps the size and structure of OCYF had become a limiting factor and that the Office was not critical given evolving policy objectives.

In order to preserve the significant work that has been accomplished in creating a youth development agenda, providing opportunities for youth engagement and involvement, expanding youth programming in other organizations through the provision of technical support, providing and promoting parenting education, building community-wide collaborative approaches to addressing youth and family issues, and maintaining a role for local government in youth and family services during these difficult economic times, the Team has recommended the following changes, which have been incorporated into the DHS organizational structure and budget for FY 2011:

1. Dissolve the Office on Children, Youth and Families and continue to promote the youth development agenda through an expansion of the Healthy Families Initiative to include parenting education, youth development programs and services, and Targeted Outreach. Support will also be provided by the Keeping Our Kids Safe Violence Prevention Network, the Commission on Youth, the Mayor's Youth Commission, and the Partnership for Youth (a collaboration between staff from the Departments of Human Services, Parks, Recreation, and Tourism, Libraries and Information Services, and Big Brothers/Big Sisters and Alternatives, Inc.). The elimination of OCYF will require changes to City ordinances.
2. Move the current Parenting Education Program Specialist to the Healthy Families Initiative to link Healthy Families directly to the promotion of parenting education opportunities throughout the community, as well as to increase parenting education programs and support groups to families enrolled in the Healthy Families program.
3. Maintain the two Youth Program Specialists working with the Partnership for Youth under the supervision of the Senior Program Manager to continue to provide youth leadership programs for high school and middle school youth; coordinate the Mayor's Youth Commission activities; provide support to the Commission on Youth and the Police Chief's Advisory Group; coordinate the Mentor Task Force; and, recruit young people to serve on City/community boards, commissions, and advisory groups. The Youth Program Specialist and the Parenting Education Specialist referenced above will come under the umbrella of the Healthy Families Program Director, allowing for the elimination of the Manager of Partnership and Prevention Services position. *(Note: The two Youth Program Specialists and the Parenting Education Specialist positions are funded through the Promoting Safe and Stable Families grant.)*
4. Move the Staff Technician to the vacant Senior Administrative Assistant position in the Virginia Cooperative Extension Program. This position will support this agency's MUNIS/administrative activities, as well as assume responsibility for other financial and accounting functions for the parenting

education and Targeted Outreach grants within Healthy Families. The position will report to the Healthy Families Program Director.

5. Transfer remaining OCYF non-personnel expenditure budget to the Healthy Families division.

The structure outlined above better integrates the mission of the OCYF with the broader department with regard to CSA, Targeted Outreach, child welfare, and other social work services; expands Healthy Families; creates a larger focus for prevention programs; maximizes the role of the Keeping Our Kids Safe Network; reduces cost; and is the least disruptive to program delivery. The proposed structure not only preserves and protects the important components of the youth development system; it increases the Department's capacity to support families and the healthy growth and development of children and youth.

Organizational Restructure

A revised organizational structure (Attachment A) has been proposed for FY 2011. The most significant change is the creation of an operational plan led by the Director and reporting through one Deputy Director, rather than three Deputy Directors. In addition, under the proposed reorganization all infrastructure services staff will report directly to the Director. These functions include Information Technology, Human Resources, Administrative Services, Communications, Emergency Shelters/Disaster Planning, Fiscal Operations, and the Housing Broker Team.

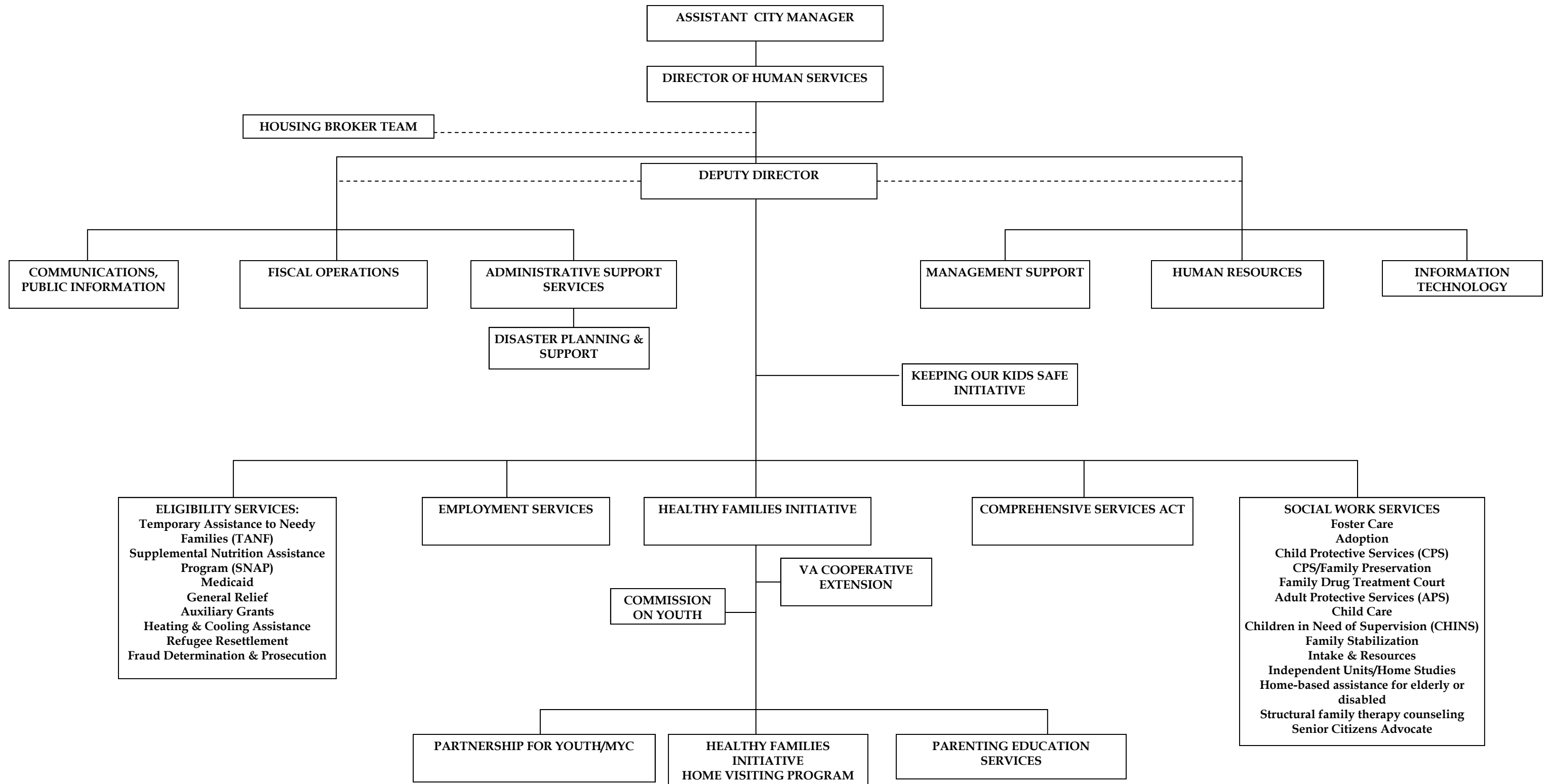
The Deputy Director will report to the Director and be responsible for the daily supervision of all program services staff to include Social Work Services, Employment Services, Financial Services, Comprehensive Services Act, and the expanded Healthy Families Initiative. (While the Department maintains one other Deputy Director position allotment, the position will remain frozen.)

The proposed organizational structure includes the elimination of the seven positions below and incorporates the dissolution of OCYF.

1. One Deputy Director (one position eliminated; one frozen position)
2. Two Fraud Investigators
3. One Senior Business Process Re-Engineering Analyst
4. One Business Process Re-Engineering Analyst
5. One Staff Technician
6. One Manager, Partnerships and Prevention Services

In summary, the proposed FY 2011 budget incorporates spending reductions and maintains the current level of service. The proposed level of FY 2011 services, and subsequently, the level of local support, is contingent upon final actions of the Governor and the Virginia General Assembly during the upcoming veto session. The proposed budget includes a recommendation for dissolving the Office on Children, Youth and Families and a continuation of the City's youth development strategies by maintaining functions that support and promote Keeping Our Kids Safe. The positions related to the Office on Children, Youth and Families have been eliminated. The remaining employees and their related OCYF responsibilities have been absorbed into the Department's organizational structure. Moreover, the proposed budget supports a one-deputy director reporting model to provide greater administrative efficiency and to enhance leadership and accountability.

DEPARTMENT OF HUMAN SERVICES



FY 2011 BUDGET POSITION PAPER

APRIL 2010

ELIMINATED, TRANSFERRED, AND NEW POSITIONS/ALLOTMENTS

Overview

The FY 2010 Operating Budget was developed with caution in projecting revenues, based on the recession effects locally. Even with the conservative revenue forecast, it became evident early in the current fiscal year that projected General Fund revenues would fall short of budgeted levels for FY 2010 and that a significant negative trend would continue into FY 2011. Subsequent analysis projected the shortfall would be in the \$19 million range for both years. Partially in response to this problem, the City Manager instituted a hiring suspension in September 2009. The savings from the resulting position vacancies along with other expenditure reductions appear to be sufficient for the General Fund to finish FY 2010 within the revised revenue projection. This revised FY 2010 revenue projection was the basis for the reductions that needed to be made for the upcoming fiscal year.

The City Manager instructed all departments to review their current staff structure with the objective of eliminating positions where possible. Greater use of part-time, temporary, or contractual employees was to be incorporated into departmental reorganizations. Non-conventional job sharing was encouraged, as well as developing a representative deduction for vacancy savings. As part of this restructuring, positions that assumed greater job duties or responsibilities would be considered for reclassification to higher pay grades, so long as net savings were achieved. Minimizing layoffs was another objective. With the hiring freeze that had been in place the majority of FY 2010, many vacant positions were scrutinized for elimination in the upcoming budget.

Issues

Positions Eliminated, Attrition Savings

In order to balance the FY 2011 Operating Budget, the City Manager made over \$10.6 million in *Current Service Level* budget reductions in the General Fund. The major element of these reductions was the elimination of 118 positions, 104 of which are vacant. The remaining 14 positions have active, full time employees in those allotments. Due to the magnitude of the revenue-expenditure gap, it was necessary to eliminate positions in many departments or to institute a reduction factor for vacancies. In the other operating funds, there were nine positions eliminated. Beginning in FY 2009, 225

positions have been permanently eliminated city-wide, with other reductions in Part Time and Temporary employee staffing levels. For the upcoming fiscal year Table One below details, by department and position, the reductions made for FY 2011.

In conjunction with these actions, reductions for normal vacancy savings (attrition credit) were included for some of the larger operating departments (e.g., Police, Fire, Parks) for the fourth consecutive fiscal year. In addition, this practice was applied to other departments, who have a more moderate vacancy level (e.g., Libraries, Sheriff). These savings, amounting to \$5 million for FY 2011, are \$3 million higher than the current fiscal year, as detailed in Table Two. Part of this increase is reinstating the Police Department attrition credit for FY 2011. The attrition credit was removed in FY 2010 in exchange for not funding twelve (12) vacant Police Officer positions, allowing for the City to apply for federal Stimulus Package money these positions. These federal funds did not materialize.

The General Fund savings from the eliminated and suspended positions, along with the aggregate attrition credit, is \$9.6 million dollars in salary and fringe benefits costs. For the other operating funds, a combined vacancy savings of \$2.9 million is included in the FY 2011 budget. The majority of this savings comes from Public Utilities (Waterworks) where five positions have been eliminated, and a \$2.3 million attrition credit is applied. Taken as a whole, the total number of City-wide eliminated positions is 124. Total combined savings from position reductions and attrition is \$12.5 million in FY 2011.

Reduction-In Force

To implement the FY 2011 budget reductions, the City Manager will announce a Reduction-In-Force (RIF) immediately after the FY 2011 budget is adopted by City Council. The process of implementing the RIF with respect to occupied positions will require coordinated activities between department heads and the Department of Human Resources. The Department of Human Resources staff will work with affected employees to determine if they can be placed in another vacant position for which they are qualified. In situations where such a placement may not happen, the Human Resources Department will offer other placement services such as resume' assistance and employment counseling to the affected employees.

New Positions in the General Fund

Given the financial challenges, the increase in actual new positions was limited to six (6), with two positions being allotment changes only, and not new positions.

For the allotment changes, one (1) position is a Customer Service Assistant II transferred from Waterworks to the Treasurer's Office for water bill payments, and is detailed in the next section below. The second is the addition of one (1) Business Development Specialist position allotment in Development Department. This position is a long-standing function in the General Fund. Due to a shared funding agreement, this

position has been in the General Fund budget for many years with no allotment. There will be no change in funding; cost for the position will continue to be shared 50/50 with the Community Development Block Grant fund.

There are four (4) positions added to the General Fund. One (1) Management Analyst position will be added to the City Manager's Office to assist in research, program analysis, and workload that exists within the Department. Other vacant positions have been eliminated within the Office of the City Manager.. One (1) Administrative Assistant II position will be added in the Human Resources Department to work as a floating position, to assist in long-term vacancies throughout the City, created by either attrition or Reduction in Force positions, as departments work to restructure their workforce. One (1) Deputy Director position will be re-established the Juvenile Services Department, allowing for necessary management oversight over the diverse detention programs. One (1) new position has been approved to work in the Information Technology Department to provide project management support to the 311 Customer Service Feasibility Study committee, which will begin working to consider the necessary programmatic and technology requirements to develop such a program for the City of Newport News.

Transferred Positions from Other Operating Funds/Departments to the General Fund

A total of 3 positions were moved within the General Fund and other operating funds in an effort to centralize positions for improved efficiency. These changes are:

Treasurer

In FY 2010, two Waterworks positions (one full-time Staff Technician and one part-time Customer Service Assistant) were relocated from the 2600 Building to the City Treasurer's to collect Waterworks payments. This shift was done to consolidate similar payment collection services in one location, and reduce property rental costs for Waterworks. In FY 2010, these positions are included in Waterworks' budget. For FY 2011, the City Treasurer and Waterworks agreed to transfer the supervision of the positions to the City Treasurer's Office, with the funding in the General Fund budget. Waterworks will provide an annual transfer of revenue to the General Fund to cover the salary and fringe benefits costs. The FY 2011 revenue is \$75,000.

Engineering

Eliminate two vacant General Fund positions by transferring the positions to the Wastewater Fund. These two positions (a Senior Engineer and an Engineer I) have functioned as Wastewater Engineers for several years. Transferring the positions to the Wastewater Fund aligns costs with Wastewater revenue in support of their actual function.

Funding Strategy

The full cost for FY 2011 of all six General Fund new positions is \$368,862 and is partially offset by \$75,000 in revenue for the Waterworks position in the Treasurer's Office.

Impact

The total change of eliminated, transferred, and new General Fund positions represents a net reduction of 112 positions from the FY 2010 Adopted Budget. The total City position allotment (not including Schools) is recommended at 3,336 for FY 2011. The City has had some form of hiring freeze since FY 2008/09. The City Manager cautions that there is a practical limit to continuing to ask employees to do more with less; there are diminishing returns for remaining employees to provide similar levels of service. With this proposed budget, the City is close to that point. Realistically, there will be some level of degradation of service in some places as there are fewer people tasked with providing service. With the application of additional arbitration credits, even greater care will be necessary in monitoring next year's Operating Budget expenditures.

TABLE ONE - ELIMINATED, FROZEN, and NEW POSITIONS

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			FY10 FROZEN	DEPT REDUCTION	DEPT ADDITIONS	GROSS CHANGE
		F	V	Total	Positions Elim TOTAL	TOTAL	TOTAL	TOTAL
GENERAL FUND								
City Manager's Office	Deputy City Manager		-1	-1				
	Executive Assistant		-1	-1				
	Assistant to the City Manager		-1	-1				
	Video Productions Manager			0	-1			
	Add Management Analyst			0		-4	1	-3
Human Resources	Senior Human Resources Analyst			0	-1			
	Human Resources Analyst II (to PT)	-1		-1				
	Add Floating Admin Assistant			0		-2	1	-1
Commissioner of Revenue	Business Audit Supervisor		-1	-1				
	Deputy COR State Income	-1		-1				
	Accounting Tech State Income	-2		-2				
	Accounting Technician			0	-1	-5		-5
Assessor	Sr Staff Technician		-1	-1		-1		-1
Treasurer	Sr Accounting Assistant		-2	-2				
	Customer Service Asst II					-2	1	-1
Purchasing	Procurement Administrator			0	-1	-1		-1
Information Technology	Web Developer II		-1	-1				
	Business Project Manager C		-1	-1				
	Senior Programmer Analyst		-1	-1				
	Information Technology Project Mgr		-1	-1				
	Help Desk Spec II		-1	-1				
	Add New Position - 311 Cust Service						1	
	IT Operations Manager				-1	-6		-5
Circuit Court Clerk	Deputy Clerk I		-1	-1				
	Deputy Clerks				-2	-3		-3
Commonwealth Attorney	City Funded Administrative Assistant II		-1	-1		-1		-1
Police	Police Aide (South Precinct)		-1	-1				
	Sr Administrative Assistant		-1	-1				
	Identification Technician		-1	-1				
	Administrative Assistant II		-1	-1				
	Administrative Assistant II		-1	-1				
	Administrative Assistant II		-1	-1				
	Staff Technician		-1	-1				
	Police Officer				-12	-19		-19
Fire	Deputy Fire Chief		-1	-1				
	Fire Captain		-1	-1				
	Fire Prevention Inspector				-1	-3		-3
Adult Corrections	Corrections Sergeants		-3	-3				
	Correctional Lieutenant	-1		-1				
	Senior Correctional Officers				-3	-7		-7
Juvenile Services	Administrator - Outreach		-1	-1				

TABLE ONE - ELIMINATED, FROZEN, and NEW POSITIONS, Continued

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			FY10 FROZEN Positions Elim TOTAL	DEPT REDUCTION TOTAL	DEPT ADDITIONS TOTAL	GROSS CHANGE TOTAL
		F	V	Total				
Codes Compliance	Administrative Assistant II		-1	-1		-1		-1
Engineering	Administrative Assistant II		-1	-1				
	Architect III		-1	-1				
	Move Sr Engineer to Wastewater Fund		-1	-1				
	Move Engineer I to Wastewater Fund		-1	-1				
	Move Survey Coord to Stormwater Fund		-1	-1				
	Sr Traffic Sign & Marking Mechanic		-1	-1				
	Sr Engineering Technician			0	-1			
	Traffic Sign & Marking Mechanic II			0	-1	-8		-8
Public Works	Equipment Operator B		-1	-1				
	Maintenance Specialist		-1	-1				
	Carpenter Specialist		-1	-1				
	Sr Concrete Worker			0	-1			
	Equipment Operator Specialist			0	-1			
	Sr Equipment Operator			0	-2			
	Concrete Specialist			0	-1			
	Equipment Operator A			0	-5	-13		-13
Human Services	Sr Business Process Analyst		-1	-1				
	Business Process Analyst II		-1	-1				
	Fraud Investigator		-2	-2				
	Partner In Prevention Mgr		-1	-1				
	Staff Technician		-1	-1				
	Deputy Director		-1	-1		-7		-7
Parks, Recreation & Tourism	Recreation Program Supervr (Festivals)		-1	-1				
	Assistant Facility Attendant		-1	-1				
	Custodian II	-1		-1				
	Asst Rec Coordinator (Doris Miller CC)		-1	-1				
	Animal Control Officer II (to PT)		-1	-1				
	Equipment Oper A - Landscape (to PT)		-1	-1				
	Equipment Oper A - Park Maint Spec		-1	-1				
	Sr Park Ranger			0	-2			
	Animal Control Officer			0	-1			
	Recreation Program Supv			0	-1	-11		-11
Libraries & Info Services	Sr Information Services Spec		-1	-1				
	Assistant Director	-1		-1				
	Office Assistant II	-1		-1				
	Supervising Librarian A				-1	-4		-4
Planning	Assistant Director		-1	-1		-1		-1
Development	Manager of Marketing			0	-1			
	Southeast Community Develop Mngr			0	-1			
	Staff Technician			0	-1			
	Add Business Development Specialist					-3	1	-2
GENERAL FUND		-14	-59	-73	-45	-118	6	-112

TABLE ONE - ELIMINATED, FROZEN, and NEW POSITIONS, Continued

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			FY10 FROZEN Positions Elim TOTAL	DEPT REDUCTION TOTAL	DEPT ADDITIONS TOTAL	GROSS CHANGE TOTAL
		F	V	Total				
OTHER FUNDS								
Historical Services Fund	Historic Site Curator		-2	-2				
	Administrator - Historic Services				-1	-3	-3	
Stormwater Management Fund	Move Survey Coord from General Fund			0		1	1	
Waste Water Fund	Move Sr Engineer from General Fund			0		1		
	Move Engineer I from General Fund			0		1		
	Sr Construction Maintenance Wrkr				-1	-1	1	
Public Utilities	Staff Technician - Moved to Treasurer	-1		-1				
	Staff Technician		-1	-1				
	Raw Wtr Monitoring Tech		-1	-1				
	Reverse Osmosis Lead		-1	-1				
	Reverse Osmosis Operator		-1	-1		-5	-5	
OTHER FUNDS		-1	-6	-7	-2	-9	3	
TOTAL CITY POSITIONS		-15	-65	-80	-47	-127	9	

TABLE TWO - ATTRITION SAVINGS

DEPARTMENT	FY 2008	FY 2009	FY 2010 ¹	FY 2011
Police	\$660,000	\$688,642	\$0 ²	\$963,030
Juvenile Services	\$340,000	\$340,000	\$336,856	\$349,202
Public Works		\$200,000	\$0 ³	
Fire		\$375,282	\$560,062	\$808,945
Parks, Recreation , Tourism		\$367,092	\$382,029	\$661,281
Human Services		\$611,820	\$661,014	\$1,986,947
Commonwealth Attorney			\$79,056	\$81,954
Sheriff				\$115,050
Libraries				\$64,202
<i>Total Attrition Credit</i>	\$1,000,000	\$2,585,283	\$2,020,770	\$5,030,611

Notes:

¹The base attrition credit remained the same from FY 2009 to FY 2010 for Juvenile Services, Parks, and Human Services. The retirement rate change for FY 2010 accounts for the amount difference between fiscal years.

²Police Department Attrition Credit eliminated in FY 2010. Twelve (12) Police Officer positions were frozen/suspended to allow for application of Federal Stimulus Package funding.

³Public Works Attrition Credit eliminated in FY 2010 due to adding ten (10) frozen/suspended positions.

FY 2011 BUDGET POSITION PAPER

APRIL 2011

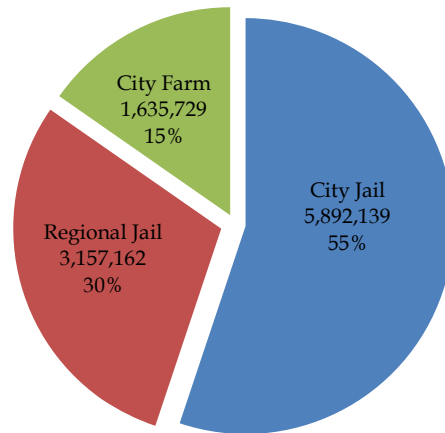
NEWPORT NEWS INCARCERATION SYSTEM

Overview

The FY 2011 Recommended Operating Budget includes \$17,943,942 of gross expenditures for the incarceration of adult offenders in Newport News. These funds provide for the operation of the City Jail, transfer of inmates to the Hampton Roads Regional Jail, and operation of adult detention facilities at the City Farm.

Both the City Jail and City Farm operations receive state reimbursement and generate revenue to offset a portion of gross incarceration costs. For FY 2011, the total amount of incarceration-related reimbursement and revenue is estimated at \$7,258,912. The resulting net cost of incarceration to the City for FY 2011 is estimated at \$10,685,030. A breakdown of correctional facility net operating costs is highlighted in Chart A.

**Chart A - Correctional Facility Net Operating Costs
FY 2011 Recommended Operating Budget**



The Criminal Justice System

In most cases, an offender's first exposure to the criminal justice process begins with the Police Department as the result of an arrest. Unless bond is posted, the offender is detained in a local facility throughout the court process. Upon the adjudication of any criminal charge(s), the offender may be placed on probation, or sentenced to incarceration.

The sentence may be suspended in part or in total, depending upon the charges. At this point, the offender may be held in a local correctional facility for the duration of the sentence or transferred to a state correctional facility if such sentence meets the threshold for state correctional custody.

Once the offender is assigned to a correctional facility, an intake process identifies the programs deemed most appropriate to meet the individual's treatment needs. Program offerings may include therapeutic treatment, work programs, education/vocational programs, and medical/psychological services.

In addition to treatment programs, the offender has access to religious services, educational and recreational programs, medical services, and individual counseling services. The goal of each facility is to prepare the offender for release and a successful return to a productive life in society.

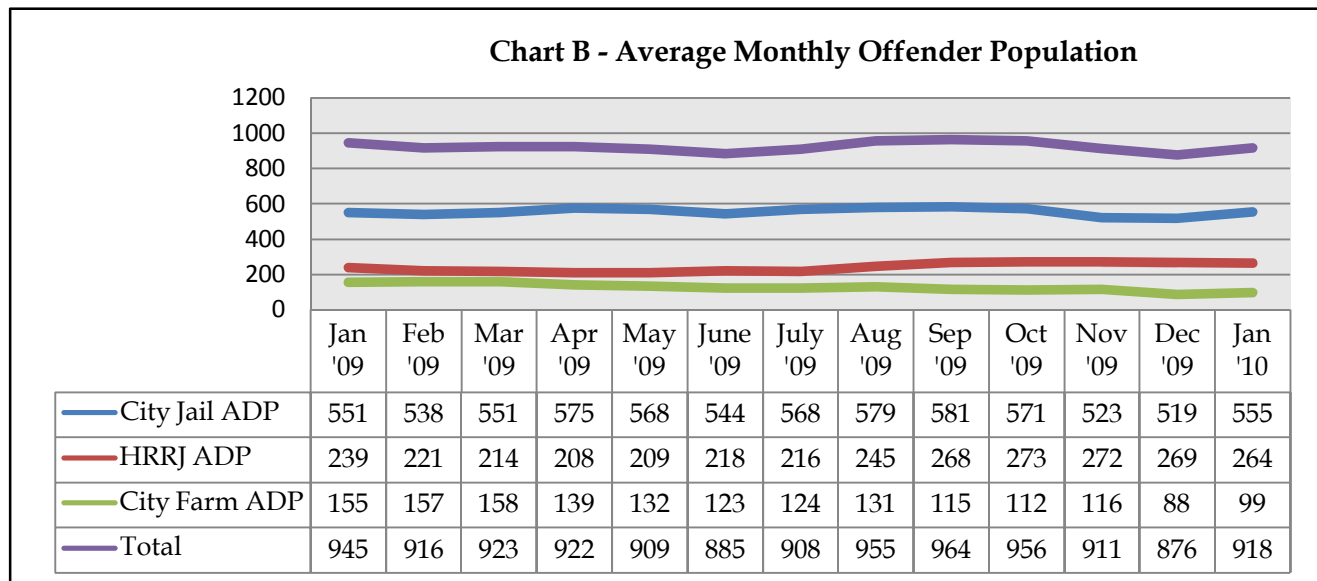
Correctional Facility Management Structure

At the present time, local adult offenders are housed in one of three correctional facilities. These facilities are the City Jail, the City Farm, and the Hampton Roads Regional Jail. Historically, the City has used a decentralized approach to the management of its jail population. As a result, each facility is managed by a different agency. The Sheriff’s Department manages the City Jail; the City Farm is under the direction of the City Manager’s Office; and an independent authority governs the Hampton Roads Regional Jail. Given the interrelationship of these agencies, it is important to understand the fiscal and operational challenges with regard to managing the capacity to house offenders at each facility. Consequently, the City administration works to collaborate with these agencies and to allocate resources in a manner that is consistent with the needs of each facility.

Correctional Facility Analysis

CITY JAIL

The City opened the City Jail in 1976. The Sheriff’s Department operates the high-risk security facility. The City Jail is a seven-story facility located in downtown Newport News. The facility houses male and female offenders through single occupancy, double occupancy, and dormitory-style cells. The City’s total jail population on March 31, 2010 was 872 offenders. The average monthly offender population is shown in Chart B.



The FY 2011 Recommended Budget includes \$12,265,051 for the operation of the City Jail (including a prorated portion of departmental general and administrative costs) and provides for 159 positions and costs including utilities, food service, medical care, and clothing. The City receives reimbursement from the State for jail staffing costs and for the housing of inmates (as per diem costs). The FY 2011 Recommended Budget reflects reduced levels of State support anticipated from proposed cuts to staffing and per diem reimbursements. The proposed changes to State per diem rates are detailed in Table A.

Table A - FY 2010/2011 Comparison of State Per Diem Reimbursement Rates for City Jail

City Jail	FY 2010	FY 2011
Local Responsible	\$8	\$4
State Responsible	\$8	\$12
State Felon	\$14	\$12

Inmate-generated fees, including Work Release Program Fees and Electronic Monitoring Fees, also offset the City Jail’s gross operating cost. For FY 2011, total reimbursement and revenue estimated for the City Jail is \$6,372,912, resulting in a net cost to the City of \$5,892,139.

The City has made substantial investment to address overcrowding issues. The \$4 million conversion of the former Secure Juvenile Detention facility to the Adult Detention Annex was completed in 2008. This facility is located across the street from the City Jail and adjacent to City Hall.

In order to mitigate serious life/safety issues regarding the evacuation of inmates in the event of a fire or other incident, the City has funded several critical projects, including pressurizing the stairwells, adding sprinklers to all floors, and creating a pressurized north/south exit corridor on the 2nd floor. This work is ongoing and scheduled for completion in the first quarter of FY 2011 at a cost of \$1.5 million.

Additionally, cell doors will be equipped with electronic hardware to allow for remote access control. Given the linear design of the jail and manual operation of the existing locks, this important timesaving feature will greatly improve operating efficiency. This project is scheduled for completion in the second quarter of FY 2011 at a cost of \$2.4 million.

While this work is underway, City Jail capacity will be reduced, requiring that some offenders be temporarily housed at the Hampton Roads Regional Jail. Consequently, the City expects increased charges from the Regional Jail to accommodate the short-term surge in offenders from the City Jail.

CITY FARM

The Department of Adult Corrections, also referred to as the City Farm, operates a minimum-risk security facility, which houses sentenced male offenders. The City Farm is managed by the City Manager’s Office and functions independently of the Sheriff’s Department. The facility opened in 1917. The City Farm population has decreased in recent years, and the facility is currently operating below rated capacity. The FY 2011 Recommended Budget

includes \$2,521,729 for the operation of adult detention facilities at the City Farm (including a prorated share of general and administrative costs). This budget provides for 32 positions and costs including utilities, medical care, food services and clothing.

Table B - FY 2010/2011 Comparison of State Per Diem Reimbursement Rates for City Farm

City Farm	FY 2010	FY 2011
Local Responsible	\$22	\$18
State Responsible	\$22	\$12
State Felon	\$28	\$12

Consistent with changes proposed to per diem payments to City and County jail facilities, the State has proposed changes to City Farm per diems that are expected to have an adverse impact on FY 2011 reimbursements. The proposed changes to City Farm per diem rates are described in Table B.

In addition to State per diem reimbursements, the City Farm generates revenue from its Weekenders Program (program details provided below). Total City Farm reimbursement and revenue for FY 2011 is budgeted at \$886,000, resulting in a net cost to the City of \$1,635,729.

Some offenders at the City Farm work on off-grounds work crews that are supervised by the Adult Corrections staff. These offenders provide a number of important community maintenance services to include mowing median strips on City streets and maintaining City-owned lots. Crews also assist City departments with special projects such as construction, renovation, moving furniture, and debris cleanup. The Adult Corrections administration uses Intake Review Criteria to determine the appropriateness of offenders assigned to off-grounds work crews. If this inmate labor were not provided, the City would be required to budget for similar activities currently being provided as part of the cost of City Farm operations.

The City Farm inmate population grows significantly on the weekend when “weekenders,” offenders sentenced by the courts to periodic incarceration, serve their time. Throughout their weekend sentences, these inmates are assigned to off-grounds work crews to perform community maintenance services. There has been a trend toward weekend only sentences for minimum-security prisoners in recent years.

HAMPTON ROADS REGIONAL JAIL

The Hampton Roads Regional Jail (HRRJ) opened in March 1998. The facility was developed by the HRRJ Authority to provide the participating jurisdictions with additional incarceration capacity and to assist in alleviating overcrowding conditions in existing facilities.

The HRRJ is a modern, multi-story pre-cast facility, designed specifically for the management of high-risk offenders. In addition to managing the overflow population of male and female offenders from participating jurisdictions, HRRJ houses special needs offenders, especially

those with complex medical requirements. Unlike most jail facilities, there are no dormitory units. Each of the four housing units houses offenders in a pod configuration.

The FY 2011 Recommended Budget provides \$3,157,162 for payments to HRRJ. The Sheriff has the responsibility and authority to transfer offenders to HRRJ who require specialized medical care and/or present extreme and dangerous behavior. As mentioned above, during FY 2010, the number of transferred offenders escalated due to ongoing construction at the Jail that reduced capacity by approximately 50 inmates. This decreased capacity and the budgeted \$3 increase to the Regional Jail per diem rate increased the FY 2011 Recommended Budget for payments to the Regional Jail.

Under the service agreement between the Authority and the participating jurisdictions, each jurisdiction is charged for a specified number of agreed-upon beds. The City has 300 beds available for its use. For FY 2011, the City will pay a \$41 per diem for the guaranteed availability of 200 beds; \$28 for an additional 40 beds; and \$41 for any beds in excess of 240.

Conclusion

The City administration has initiated several important strategies to ensure that the City's incarceration system meets the needs of the criminal justice system. These strategies are:

- (1) Completing capital improvement projects that modernize the City Jail by addressing overcrowding and life/safety concerns;
- (2) Monitoring City Jail population reports to maximize any reimbursement and reduce per diem costs; and
- (3) Increasing the HRRJ per diem rate to offset declining revenue in its Rate Stabilization Fund.

While it is difficult to estimate the number of City Jail admissions due to socio-economic/crime trends and judicial system practices, the Recommended FY 2011 Operating Budget maintains a responsible allocation of financial resources to support correctional facilities and operations.

FY 2011 BUDGET POSITION PAPER

APRIL 2010

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND (NNERF) AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

Overview

Over the last several years, the City undertook an analysis of City employees' Pension and OPEB benefits. Throughout the process, the goal was to identify ways to reduce the overall cost and unfunded liabilities while maintaining the City's competitive position in the workplace. After concluding the analysis, a number of changes were made to the retirement benefits package that will result in a significant cost savings to the Pension Fund of over \$100 million in the next 10 years. A significant change that will have no immediate, but rather a longer term fiscal impact is the transition of new hires to the Virginia Retirement System (VRS). Modifications were also made to retiree health benefits, which will result in a cost savings of \$1 million over the next 10 years. While it is important to reign in the costs of the benefits program, it is also equally important to address the annual funding shortfalls.

Significant steps have been taken to begin to address the financial condition of the Pension and OPEB Funds, and the following briefly outlines the progress that has been made and the importance of continuing to work toward fully funding the Pension and OPEB benefit programs.

Pension Fund: Issues

The Pension Fund continues to face some financial challenges that must be addressed over the long term. In January 2010, Council adopted changes to the benefits program that represent an estimated cost savings of more than \$100 million over a 10-year period. Effective March 1, 2010, the following changes were adopted.

New Hires:

- Mandatory membership under VRS

Current Employees:

- Prospectively, reduce multiplier from 2.0% to 1.85%
- Prospectively, exclude non-salary earnings from the calculation of Average Final Compensation (AFC)
- Prospectively, include up to \$3,000 (per year) of overtime in the calculation of AFC

- Prospectively, use time actually worked for computing retirement eligibility
- One year window to opt into VRS

As a caveat, the aforementioned benefit changes and the associated cost savings are not included in the 2009 actuarial valuation report, which will be discussed in further detail. Based on the most recent actuarial valuation prepared as of July 1, 2009, the total Unfunded Actuarial Accrued Liability (UAAL) has increased to \$403.9 million, reflecting a \$144.9 million increase over last year. The UAAL refers to the excess of the pension plan’s liabilities over its assets. The funded status of the Fund decreased from 74.9% to 63.8% over last year.

The City’s Pension Fund, like most other retirement programs, was negatively impacted by the national economy and the unprecedented decline in the stock market. While the future of the economy is not predictable at this time, the stock market has made major gains that have resulted in the City’s Pension Fund rebounding to almost \$700 million in assets from a low of under \$600 million last year. Fluctuations in the stock market can have a significant impact on the UAAL. It is important to note the financial condition of the Pension Fund is impacted by a number of factors, and the determination of unfunded liabilities as well as the funding status is reflective of a given point-in-time and can change dramatically from year to year. As previously noted, this 2009 actuarial evaluation data does not reflect the pension benefit changes that Council adopted effective March 1, 2010. Those changes will be calculated in the valuation based on July 1, 2010.

Valuation Year

	2008	2009
UAAL <i>(in millions)</i>	\$259.0	\$403.9
Funded Status	74.9%	63.8%

From a management perspective, the key is to develop a balanced and consistent approach to reaching the annual required contribution, while making a good-faith effort to control benefit costs.

Funding Strategy

The implementation of a long-term plan to address the funded status and the contribution shortfall must continue to be a major priority for the City. The first phase of a three-year funding plan was adopted in the FY 2007 budget. The plan called for meeting the normal cost of the plan by increasing the composite contribution rate from

1.46% to 5.7% of payroll. The commitment was fulfilled in FY 2009. Over the last four years, contributions have increased 65%.

Because there are two parts to the Annual Required Contribution (normal cost of the plan and the UAAL), a second contribution strategy was needed. For 2010, the first phase of an eight-year funding plan was adopted, whereby a contribution of \$22 million will bring the City's budgeted contributions to 50% of the Annual Required Contribution (ARC). For FY 2011, a contribution of \$27 million is budgeted (54% of the ARC), with \$19.0 million coming from the General Fund. It is the goal to contribute 100% of the ARC by FY 2017, as follows:

FY 2010 = 50%	FY 2011 = 54%	FY 2012 = 59%	FY 2013 = 65%
FY 2014 = 73%	FY 2015 = 82%	FY 2016 = 91%	FY 2017 = 100%

Impact

The City has taken some important first steps in the effort to improve the financial condition of the Pension Fund. Adopting and implementing a long-term strategy is important to the City's credit rating for bonds since Moody's Investors Service has noted that it "expects municipal entities with a large unfunded obligation to have, or develop, a plan to reduce them."

The Pension funding issues must be solved with long-term as well as short-term goals. For current employees, modifications to benefits and a commitment to reach and maintain City funding at the annual required contribution rate is a reasonable and responsible approach to address the underfunded status of the Pension Fund. The three-year interim plan to raise pension contribution levels to meet normal cost has resolved a portion of our problem. The next seven years will close the gap between the ARC and actual contributions to the fund. It is important to note that the market cannot be relied on to decrease or eliminate the UAAL. Once the ARC is met, significant decreases in the UAAL will begin to be realized.

For new and future employees, by transitioning to the Virginia Retirement System, the City is required to fully fund the pension costs upfront. This commitment will preclude the City from continuing to underfund retirement benefits by obligating those funds each year in the Operating Budget.

While it will not be easy and will require fiscal discipline, the strategy as outlined is doable.

Issues: Newport News Employees’ Post-Retirement Health & Welfare Benefits (Other Post Employment Benefits – OPEB)

Similar funding issues are associated with the OPEB Fund, which provides medical and life insurance benefits for retirees. Effective for FY 2008, accounting standards require reporting the OPEB cost and commitments (liabilities) in the same manner as the Pension Fund. Prior to this change, governments followed a “pay-as-you-go” accounting approach in which the costs of benefits are reported when paid; there was no calculation of future benefits, consequently no long-term liabilities reported. The accounting change results in governmental plans having a newly reported unfunded liability with little or no assets accumulated to cover the long-term liabilities. Due to the recent reporting requirement, the OPEB Fund has a funded ratio of only 4.6%. The most recent actuarial evaluation (July 1, 2008) puts the unfunded liability at \$185 million, up \$17 million from 2007. The following is a summary of the issues related to the OPEB fund.

- The City (*City and Waterworks*) is not meeting the Annual Required Contribution (ARC): For FY 2009, the City contributed 74% of the ARC, as follows (in millions):

	<u>2009</u>	<u>2008</u>
ARC	\$12.5	\$11.7
Actual	<u>9.2</u>	<u>6.9</u>
Shortfall	\$ 3.3	\$ 4.8

For FY 2010, City funding of \$9.5 million is projected to meet plan expenses for the year.

- As of FY 2009, the actuarial value of City assets was \$6.5 million.
- The Newport News Public Schools (NNPS) is in the process of legally separating from the City’s OPEB Fund (note that the above-stated statistics exclude NNPS). Upon authorization of the separation, the City will transfer its assets in accordance with the latest valuation report (approximately \$1.6 million). As of FY 2009, NNPS had a funded ratio of 1.5%, an UAAL of \$178 million and contributed 22% of the ARC.

Funding Strategy

The first strategy has been met by increasing contribution to a level that meets the expenses of the plan. The goal is to contribute 100% of the ARC (now at 74%). In January 2010, City Council adopted modest changes to the plan that have no immediate

cost savings but are projected to save \$1 million over 10 years. The following changes were implemented and effective March 1, 2010.

- For new hires: Close the current plan to new hires and establish Retirement Health Reimbursement Accounts for each new individual. The funds will come from the operating budget. City contributions to each account will be 3% of the average City employee salary. For FY 2011, \$1,300 ($\$42,831 \times 3\%$) will be contributed to each account.
- For current employees having less than 10 years of service as of March 1, 2010: Pre-65 Retiree Health Plans: Establish a new dollar-cap for the City's premium contribution for coverage levels other than Retiree-single. (There will not be a change in the City's premium contribution provision for Retiree-single coverage). For all other levels the City's premium contribution will be calculated at 60% of the March 1, 2010, total premium and will be increased annually by a COLA.

Impact

Short-term, there are no material savings for the Fund due to the changes impacting new hires and current employees with less than 10 years of service. After the actuarial report for 2010, there will be a better gauge on the future impact of the changes which enables the development of a time-line to meet the ARC.

FY 2011 BUDGET POSITION PAPER

APRIL 2010

EMPLOYEE COMPENSATION AND BENEFITS ACTIONS

Overview

Employee compensation and benefits continue to represent a major expenditure in the City Operating Budget. Historically, in addition to salaries, the City has offered other monetary benefits for employees. During difficult financial conditions, employee compensation and benefits are areas where localities must look to reduce or eliminate costs. In FY 2009 and FY 2010, through attrition and a hiring freeze, the City was able to avoid massive lay-offs, furloughs, salary reductions, and early retirement buy-out programs.

For the second year in a row there has been no funding provided for general salary increases for City employees. However, our workforce is being required to do more with fewer resources. Departmental organizational restructuring has been encouraged throughout the City to accommodate the shifting of the workload. As we continue to require employees to do more with less, there is a point of diminishing returns on the remaining employees' ability to maintain service levels.

The following information is provided in support of the proposed recommendations included in the FY 2011 Operating Budget relative to employee compensation and benefits.

Financial Stipend

The cornerstones of any organization are the employees who commit themselves to support the goals and mission of the organization. The City benefits from a highly skilled and motivated workforce, which provides the leadership and commitment required to maintain the City's capacity to conduct operations and to provide services to citizens. Due to continuing fiscal challenges, most regular City full-time employees have not received a general wage or merit increase in the last two (2) years. The recommended budget for employee salaries for FY2011 does not include funding for any merit or cost-of-living increases for employees.

To recognize employees for continuing to provide efficient and effective service during this economic downturn, the FY 2011 Recommended Budget includes funding to provide regular full-time employees with a one-time lump sum salary stipend of \$500.

This stipend will be paid after July 1, 2010 to regular full-time active employee with an employment date prior to January 1, 2010.

City employees are faced with the same economic challenges as our citizens and have seen increases in their own living expenses. Of particular concern are escalating health insurance costs and effective July 1, 2010, regular full-time employees with the City's health insurance will experience an average increase of 15% in their premiums. While not directly linked, the \$500 stipend would at least partially compensate employees for the increase in their out-of pocket health insurance premium costs.

Although the City is not in a position to be able to provide employees with a general wage or merit increase, it is important and appropriate to acknowledge the dedicated service that our employees continue to provide to our citizens.

Educational Supplement

For over 20 years, it has been the policy of the City of Newport News to provide an educational incentive for the attainment of an Associate's (\$600) or Bachelor's (\$1,000) degree for sworn police and fire employees. When the policy was first implemented, it was used as a recruiting tool to attract new employees and as an incentive to reward existing sworn police and fire employees for degree attainment. However, since 1987 there have been many changes in the field of public safety. Currently, 68% of sworn police employees and 37% of fire employees either have an Associate's or Bachelor's degree, which combined, equates to an additional \$319,000 in compensation that is not included in the computation of base salary for general adjustments, merit increases, promotional increases or other compensation or benefits. Other regular full-time employees were not offered any educational supplement. For the current fiscal year, due to fiscal constraints, the City eliminated the tuition incentive reimbursement program for all employees.

For FY 2011, it is recommended that the City of Newport News no longer provide the educational incentive to sworn police and fire employees. Effective June 30, 2010, existing sworn police and fire employees who receive the incentive will be grandfathered by including the supplement into their base pay. Effective July 1, 2010, the City will no longer provide the educational supplement to sworn police and fire employees.

Leave Exchange Program

The City's benefits program includes a provision for eligible employees to exchange accumulated paid personal leave (PPL) for retirement credit or a transfer to an employee's paid medical leave (PML) balance. As the City continues be challenged with

reducing the operating budget, it is recommended, beginning FY 2011, the Leave Exchange Program be eliminated. This means that FY 2010 will be the last year that eligible employees will be able to exchange PPL for retirement credit through the Leave Exchange Program. Eligible employees who meet the criteria to retire due to age or service eligibility will continue to have the option to elect to exchange PML for retirement credit, with the Finance Department applying the credit upon retirement. It is estimated that the annual liability reduction for eliminating this program is \$1.8 million.

Reclassifications

For FY 2011, the net elimination of 14 filled and 98 vacant positions is recommended. In order to accommodate the reductions in the workforce, departmental organizational restructuring has been encouraged throughout the City to accommodate the workload and maintain existing service levels. For the continuous operation of City services, it will be necessary to reclassify some existing positions to reflect additional job duties and responsibilities. The reclassification of a position is a means of evaluating either a filled or vacant position to ensure the newly assigned duties and responsibilities are in alignment with the City's current Classification and Pay Plan. The evaluation may result in the position moving up or down in salary grade or remaining at the same grade. In cases that result in upward movement, it will be necessary to compensate employees for taking on the additional duties and responsibilities that have resulted from the reclassification. The reclassifications will solely be the result of a proper evaluation of the position.