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Subject: Budget Work Session Planning Materials

Thank you for your patience as we have put together a package for you to consider in preparation for our next budget session. As you know, our original plan was to move into a second round of ranking the tier 1 projects. However, Council Members put much more into the Tier 1 category than we originally expected, so we wanted to streamline the information and make it easier for you to prioritize in our next session. Indeed, you ranked \$33.5 million of compensation, recurring and capital projects as Tier 1. This is well more than we will have available. Thus, we have put together several pieces of information together for you.

Overview

First, we want to summarize the available new revenue to allocate to compensation and recurring expenses. That amount of revenue is driven by the decisions you preliminarily made around the real estate and personal property tax rate. With the decision to aim for \$1.19 as the new real estate tax rate, and to use a 75% assessment ratio for personal property, it appears there will be **\$10,339,134** of new revenue to allocate to your priorities. There may ultimately be more revenue available, but as you will recall, we have base budget increases such as the regional jail, HRT, VRS and health insurance requirements, etc. to cover with the growth in other sources. Hopefully, there will be some additional revenue after we cover those categories, but we will not know how much until later this month. Thus, in the meantime, we think we should focus our conversations around the **\$10,339,134**, while prioritizing beyond that for any additional revenue that might ultimately become available.

To help focus on how you want to spend the **\$10,339,134**, we have prepared the following: (a) a recap of the cost of various compensation proposals, to include staff's recommendation of what we would propose while allowing for some other staffing and project-related investments; (b) a revised listing of staffing and recurring initiatives, organized by the tier voting results; and, (c) a revised listing of capital and one-time funding projects, organized by the tier voting results. I will provide and summarize each below.

A. Compensation Proposals

When we presented to you last week, we reported that most cities in the region were considering a 3-5% salary increase. Yesterday, at the regional city managers meeting, I learned that most localities had settled in on a 5% +/- salary increase, with some actually approaching 7% with pay scale adjustments. With that new knowledge, I have challenged our internal team to find a way to approach that same level for most of our employees.

Our recommendation is to do a 4% general wage increase; provide for a \$13 per hour minimum wage (while announcing plans to get to a \$15 minimum wage in FY 2024); make the necessary internal pay range adjustments and bring everyone to the new minimums; and, provide a 1-3% compression adjustment. A 3% compression adjustment would be provided to all sworn public safety personnel since their pay ranges would be adjusted by 3%. Thus, for public safety personnel, the total wage increase would be 7%. For the general workforce, the compression adjustment would be 2% for those making \$50,000 or less; 1.5% for those making between \$50,001 and \$100,000; and, 1% for those making over \$100,000. Thus, for the general workforce, the total wage increase would be between 5-6%. This would cost us **\$8,676,915**.

We realize that this is less of a minimum wage adjustment than many of you wanted; but, this package uses all but about \$1.66 million of the new money we know we can allocate. To give you options to either reduce or increase the compensation package, we have prepared the below chart that summarizes the total and incremental costs (or savings) of the other options. All of these options assume that we would provide compression adjustments of 1-3% as outlined above (3% for public safety and 1-2% for the general workforce). Our recommendation is highlighted in yellow.

<u>Civilian Workforce:</u>	<u>Total</u>	<u>Difference</u>
4% GWI/Targeted Adjustments	\$3,937,711	-\$1,056,836
4% GWI/\$12	\$4,260,400	-\$734,147
4% GWI/\$13	\$4,994,547	-
5% GWI/\$12	\$5,292,488	\$297,941
5% GWI/\$13	\$5,625,075	\$630,528
4% GWI/\$14	\$5,633,760	\$639,213
5% GWI/\$14	\$6,252,746	\$1,258,199
4% GWI/\$15	\$6,867,063	\$1,872,516
5% GWI/\$15	\$7,414,550	\$2,420,003
4% GWI/\$16.33	\$9,150,633	\$4,156,086
5% GWI/\$16.33	\$9,578,158	\$4,583,611

<u>Public Safety Workforce:</u>	<u>Total</u>	<u>Difference</u>
4% GWI/1-2%	\$2,916,814	-\$765,554
4% GWI/2%	\$3,160,600	-\$521,768

At our budget work session next week, we will ask you to reach consensus on the preferred compensation package choice. We encourage you to think about this in advance.

B. Recurring Staffing and Initiative Choices

When we presented staffing and initiative choices to you last week, we did not separate them into recurring and one-time categories. To help your prioritization exercise, we have now done so. The recurring choices will need to be supported with recurring revenues (either from the balance of the \$10,339,194 after making a compensation choice or with any additional available new revenue).

Because you ranked \$11.3 million in recurring initiatives as Tier 1, staff reviewed all of the projects once more, to ensure that the money you considered could indeed be spent in one fiscal year, especially when considering all the ARPA funds we also have allocated to spend in FY 2023. In some cases, we were able to scale back the request with a plan to implement over a couple of years. In other cases, we found that the operating department inadvertently requested more than needed. In still other cases, staff would recommend deferring the item simply to save money (as in the case of utilizing recurring money to fund the citizen satisfaction and merit bonus programs).

Thus, we are providing the attached worksheet that provides the original request and the staff recommendation, along with notes as to why the recommended amount is different than the initial request. These recurring projects are ordered by the number of Tier 1 votes received at the last meeting.

At next week's meeting, you will be given dots to indicate your top 3 and your next 5 secondary priorities.

C. Capital and One-Time Projects

When we presented the capital and one-time projects to you last week, they were interspersed with the recurring needs. To help with your prioritization exercise, we created the below chart of capital and one-time projects. The chart has been ordered by tier 1 rankings, and does reflect some staff notes about the timing of projects that we believe are best accomplished in FY 2024 or beyond due to staff capacity. The capital and one-time projects will be funded with one-time funds such as FY 2022 end-of-the year savings; existing unassigned fund balance; debt service savings; etc. We do not yet have a target number for how much we can spend on one-time and capital projects, as we do not know how much FY 2022 end-of-the-year savings we will have to use. That said, we expect a strong end-of-

year savings balance and believe there will be a sizable amount we can allocate to these types of projects.

At next week's meeting, you will be given dots to indicate your top 3 and your next 5 secondary priorities. Your choices will undoubtedly total more than the known available revenue, but we want you to do so in case there is extra revenue to allocate when final revenue estimates are completed.

Summary

We hope this advance material will help you to think about the difficult choices before us. Although the gap between our available revenues and all that we wish to accomplish is large, I do want to reflect that this is the most revenue we have had to invest in our workforce and community in a very long time. I believe that we will make meaningful progress on the goals you gave to me (improving compensation and staffing) with whatever choices you make.

If you would like to discuss this material before our pair meetings next week, please feel free to reach out to us.

Thank you again for your patience while we compiled this information for you in what will - hopefully - be a helpful package.

Mary