



City of Hampton

22 Lincoln Street
Hampton, VA 23669
www.hampton.gov

Council Approved Minutes - Final City Council Special Session

Mayor Donnie R. Tuck
Vice Mayor Jimmy Gray
Councilmember Eleanor Weston Brown
Councilmember Steven L. Brown
Councilmember Linda D. Curtis
Councilmember W.H. "Billy" Hobbs
Councilmember Chris Snead

STAFF: Mary Bunting, City Manager
Cheran Cordell Ivery, City Attorney
Katherine K. Glass, CMC, Clerk of Council

Wednesday, May 6, 2020

1:00 PM

**Council Chambers and
Electronically**

Budget Work Session

CALL TO ORDER

Mayor Tuck called the meeting to order at 1:05 p.m.

All members of the City Council were present utilizing video conferencing provided by Zoom. The meeting was hosted remotely by Dacia Walker, Marketing/Development Manager. Mayor Tuck was physically present in Council Chambers also participating in the Zoom video conference.

Present 7 - Councilmember Eleanor Weston Brown, Councilmember Steven L. Brown, Councilmember Linda D. Curtis, Vice Mayor Jimmy Gray, Councilmember Billy Hobbs, Councilmember Chris Snead, and Mayor Donnie R. Tuck

DONNIE R. TUCK PRESIDED

READING OF THE CALL FOR THE SPECIAL MEETING

The Clerk of Council, Katherine K. Glass, read the call for the meeting as follows: This meeting has been called by agreement of all members of the City Council for the specific purpose of taking legislative actions which, if not taken, would cause irreparable harm to the City of Hampton and its citizens, and is necessitated due to the continuing public health threat caused by the communicable disease known as Novel Coronavirus or "COVID-19".

AGENDA

1. [20-0131](#) Budget Briefing and Finance Committee's Recommendation on the Revenue Guideline for Real Estate Tax Rate Adjustment and Discussion by City Council

Attachments: [FY21 Budget Presentation](#)
[Tax Policy Guidelines Presentation](#)

The Clerk read the title for the item.

City Manager Mary Bunting made the following statement regarding the item: Many years ago, the then Council adopted a real-estate tax rate adjustment guideline that was really intended to look at what we call tax rate equalization looking at ensuring that a tax rate did not remain constant if real estate assessments were raising very rapidly, thus increasing a tax burden unexpectedly. Similarly, it was amended to also reflect that when real estate revenues drop, that a tax rate should probably increase so that we do not have undo impact on City service delivery. Since that time, the Council-appointed Finance Committee makes an annual review of the budget to include a presentation from the real estate assessor about the actual real estate assessment increases as well as looking at the factors of that guideline that include resident income growth and consumer price index changes. The Finance Committee did meet and reviewed these policies and is recommending that the tax rate be held constant - that the tax rate that we currently have of \$1.24 per hundred is actually lower than the tax rate equalization policy.

Ms. Bunting introduced Finance Director Karl Daughtrey to review the information which led the Finance Committee to their recommendation.

Mr. Daughtrey shared the following background information and timelines associated with the process: On February 8, 2006, City Council approved the financial guideline dealing with real estate growth; On May 8, 2013, City Council approved the revision to the revenue guideline for real estate taxes to incorporate a decline in real estate revenue, to allow flexibility to the governing body regarding the application of the tax rate factors, and to review all revenues and fees to encourage diversity and less reliance on real property revenues during economic declines.

Mr. Daughtrey presented fiscal years 2012 through 2021 figures regarding tax rate equalization. He listed the increase/decline in real estate tax revenue produced in the budget process, the actual tax rate, and the equalized tax rate produced by the Council revenue guideline for each fiscal year.

Mr. Daughtrey reported that on May 5th, the Finance Committee voted unanimously to recommend Council maintain the real estate tax rate at \$1.24 per \$100 of assessed value (\$0.06 lower than the equalized rate per the guidelines).

Ms. Bunting addressed some of the questions posed by Council at the last evening session.

Ms. Bunting reminded everyone that at the last meeting, Council was presented with a pre-COVID-19 budget; and, the uncertainty of the crisis posed questions about how revenues will be managed. She noted that adjusting the Manager's Recommended Budget was an impossible feat because the length and extent of the impact cannot be predicted.

Ms. Bunting clarified that if things return to normal after the stay-at-home order is lifted, revenues should return to customary levels fairly quickly; otherwise, deeper revenue impacts will be felt.

Ms. Bunting explained that ranges of impact vary; therefore, any adjustments made now will need to be made again once there is certainty about revenue. She continued explaining that City Charter limits the upward adjustment of local revenues once the budget is adopted; therefore, if we adjust downward too much, we would not be able to capture revenues to use for things that were put on hold in the beginning of the fiscal year.

Ms. Bunting shared some of the plans in place designed to avoid overspending. Twelve million dollars of new initiative and employee salary increase funds will be immediately frozen on July 1st ; our accounting system locks these expenditures; therefore, there is no need to defund expenses and move them to contingency - moving these funds back to their intended purposes would also require Council action; other expenses are dependent on actual revenue collections such as economic development projects (if those revenues do not materialize, there would be an immediate reduction of the expense requirement); continue to maintain a limit on new hires (with some exceptions) and non-essential spending; and hold off on new general fund capital expenditures.

Ms. Bunting expressed concern about how employees may perceive movement of funds. She explained employees may consider defunding of compensation out of the retirement and employee benefit budget as a move that will result in them not receiving raises; however, the intention is to provide raises if revenues materialize.

Ms. Bunting listed the ways in which staff plans to keep Council and the community abreast of where we stand in the process: Council will be provided with monthly

updates on revenue tracking; quarterly updates will be presented at afternoon work sessions; and staff will communicate to Council prior to any frozen funds being spent.

Ms. Bunting shared the order of spending if and when funds are released. The order is as follows: employee salary increases and targeted compression adjustments; positions which will free up Community Development Block Grant (CDBG) funding to needed prioritized housing repairs for low-income individuals on the program waiting list; other new positions will be added as funds permit; and the planned bond issue will be deferred or structured to providing debt service relief in the FY21 budget.

Ms. Bunting concluded her remarks. She stated that staff recommends proceeding with the proposed pre-COVID-19 budget with the understanding that actions will be taken to control spending until the revenue picture is clear. She reiterated that monthly and quarterly updates on the revenue picture and resulting expenditure actions will be presented to the Council and community.

Ms. Bunting opened the floor for questions.

In response to Mayor Tuck, Ms. Bunting reminded everyone that this is typically when staff receives Council's desired amendments to the budget. She announced that staff has proposed two changes to the budget language regarding Hampton Roads Transit (HRT) and the Neighborhood Infrastructure Funds used for work on Old Buckroe sidewalk improvements.

Ms. Bunting opened the floor for additional desired changes from Council.

Councilwoman Curtis reminded everyone about the concern she expressed at the last meeting with regards to new spending. For example, the two new positions listed under the Office of Economic Empowerment and Family Resilience.

In response to Councilwoman Curtis, Ms. Bunting explained that the two positions under the Office of Economic Empowerment and Family Resilience (Director and part-time administrative support) will be dedicated to grant writing; and researching and determining ways to address poverty in the community. She noted that the department would fall under either the City Manager's Office or the Department of Human Services.

Vice Mayor Gray expressed the need for an intentional effort to address poverty in the City. He explained that a few years ago, Council agreed to work on addressing this concern; however, no resources have been allocated for the effort. He

continued stating that, in his opinion, adding these positions would help coordinate resources (from the City, community, non-profits and private sector) to address the problem and would be beneficial to the City.

Councilwoman Snead agreed with Vice Mayor Gray's comments. She also commented that while there is a desire for higher valued housing to bring people with higher wages to support high end restaurants and businesses, there is also a need for economic diversity and a need to assist those in our community who are on the poverty level. She suggested mirroring poverty programs similar to ones in Norfolk and Richmond as those communities have experienced success in addressing poverty in their communities.

Councilwoman Curtis mentioned a prior presentation given by Human Services Director Wanda Rogers who indicated that efforts are already underway in that area. She questioned whether there is a need to add a director position with such a high salary and requested to see additional information including desired qualifications, salary calculations, and a detailed job description.

Councilwoman Snead commented that there are other single-focused positions in the City with high paying salaries that are not questioned, such as the one which works with the military. She emphasized that, in her opinion, this initiative is worth the money if it will improve our community and make it more economically advantaged. She noted that there is a job description available for this new position and is uncertain why Councilwoman Curtis has not received it. She also noted that the Human Services efforts focus on those who already receive some sort of assistance; however, this initiative is for another class of people in need.

Councilman Brown asked whether the individual in this position would be required to have the experience and skill set essential to bring people to a true living wage. He also asked how this position correlates with Workforce Development which is already tasked with assisting people with this concern.

Ms. Bunting explained that the Workforce Development Program is separate from this one with the two new positions. She continued explaining that the Workforce Development Program has been provided with funds to expand our outreach; however, this new position is intended to be a strategic position to link the City with various external partners including nonprofit organizations and foundations in an attempt to determine what everyone can bring to the table.

Vice Mayor Gray noted that Ms. Rogers has since provided data showing that approximately 9,000 households receive some sort of public assistance; however, these are pre-COVID-19 figures. He also spoke about the working poor and

emphasized that poverty in any community increases crime and increases costs associated with government services. He said in his opinion, intentional efforts to reduce poverty will help Hampton in the long-run because these new positions (resources) will assist in connecting people to job training and skill sets so that they are prepared to obtain employment once new positions become available in the City.

Councilwoman Brown commented that it was her understanding that this would be a strategic position to leverage existing resources to make them more effective. She expressed the importance of measuring these efforts in order to know whether these resources are being effective and whether our funds are being leveraged properly to make a difference for our citizens.

Councilman Brown inquired about available data to show the results of successful programs in other localities such as Norfolk and Richmond.

Mayor Tuck reminded everyone that Hampton was the first locality in the region to add a military position, and other localities have since added that position indicating that there is value to it. He added that if this new position helps people move from a poverty status to a functioning household status, then there is value to the position and it should not stop us from moving forward.

In response to Councilman Brown, Vice Mayor Gray stated that he has no specific data about various locality improvements; however, a 2017 City of Portsmouth poverty study recommendation indicated that a strategic work position would be beneficial. He added that perhaps the individual in this position for Hampton could reach out to those communities to learn about successful programs which can be replicated in Hampton.

Ms. Bunting noted that on May 13, additional Community Development Block Grant (CDBG) funds will be available for allocation. Staff has recommended that part of those funds be used for a poverty study to begin following the path of other localities. She noted that these will be federally funded efforts as opposed to locally funded efforts.

Councilwoman Snead explained that she is passionate about this topic because years ago she received assistance from a similar program and is uncertain of where she might be today had she not received that assistance. She emphasized the need for programs to assist families with job opportunities, training and managing resources. She added that due to the success of Richmond's program, it now has an entire staff and the program has been effective for more than five years.

Councilman Brown suggested Hampton review data from Richmond's program to

help Hampton design a strategy to address poverty in our City.

Councilwoman Snead reminded everyone that the poverty study will help develop strategies fit for our particular community. She added that the individual in the position will be charged with considering best practices by studying local communities and communities across the country that have been successful.

Councilwoman Curtis noted that she just received the job description via email from Assistant City Manager Steve Bond.

Councilwoman Brown suggested that the individual in this position monitor redundancies and initiatives which have and have not worked in an attempt to fine tune the program and assure that every dollar being spent will be effective in meeting this important goal.

In response to Mayor Tuck, Ms. Bunting assured everyone that an assessment tool will be part of the program. She also reminded everyone that this position (along with others) will be frozen until the revenue picture becomes clear. This delay also allows preparation time to work on tasks such as job descriptions and the poverty study. She reiterated that this position will not be funded on July 1st and that Council will be informed prior to proceeding with hiring for the position.

Mayor Tuck opened the floor for additional questions and discussion regarding the budget.

Vice Mayor Gray requested additional information from the City Manager regarding the change in the management of the CDBG funds.

Ms. Bunting announced that additional funds for the home repair effort will also be received. She assured Council that they will be provided with the number of people that can be assisted with these funds and the shift of positions from CDBG to the General Fund. She reminded everyone that this shift will not happen on July 1st; however, Council will receive information in order to understand the annualized effect.

Mayor Tuck asked Ms. Bunting to speak about the radio replacement system and whether it will be a onetime cost or paid for in installments over a number of years.

Ms. Bunting explained that when the radio system was last upgraded (about 15-20 years ago), the lease purchase amount was included in the CIP as a payment each year. She clarified that this is debt of the community whether the payment is done as a lease purchase or paid for up front in bond issuance money. She added that it

was put into debt service to conform to accounting standards, but at a time when interest rates are lower, bond issuance at a onetime course was taken into consideration.

Mayor Tuck expressed concern about the uncertainty of our current financial situation and the need to consider making payments versus a onetime payment. Ms. Bunting reiterated that it would be paid for over time through the bonds versus a lease purchase payment.

In response to Councilwoman Snead, Ms. Bunting stated that it has been approximately 15-20 years since the last radio system upgrade. She assured everyone that a new system is needed particularly as new standards and technology has evolved. She also noted that the last payment on the former system will be made this year; therefore, no payments will be crossed and the prior systems payments will be complete before upgrading to the new system.

Councilwoman Curtis made the following statement regarding the budget: I certainly understand where this came from and three or four months ago when we were talking about our strategic priorities, all of the things that we put in made sense. I do understand and acknowledge the thinking that went into the very deliberate decision to proceed with a pre-COVID-19 budget that adds almost 6% to last year's budget, but I cannot support it. I think a better approach would have been to recognize and acknowledge as the Mayor has, as the manager has and as I am sure all of us do, that these are very uncertain economic times that we have already lost some revenue and that is not likely to turn around very quickly. I recognize the assumptions that this budget makes that we will not spend and I want you to know that in no way do I suspect that these are not the things that are going to happen, but I just think it sends the wrong message to our public. Federal government has already spent 60% of its FY2021 budget on COVID, and that's the total budget, but they can print money when they run out. Even the General Assembly is going to go back and revisit the budget that they passed with the same expectations and hopes that we all had of a good financial year ahead. Mr. Mayor, we have almost 10,000 Hampton citizens filing for unemployment. We have people who can't make their rent payments; people who can't make their mortgage payments; people whose businesses are going under and more of that is expected. One of my COVID isolation practices has been to start reading the Wall Street Journal. I subscribe to it and I read it cover to cover every day. It's not full of good news looking down the road. So, for me, I would have preferred and I would support a budget that recognized that we were going to have to make some cuts as so many localities across the State and across the country have done. So, I can't support this budget and I know what tonight's session will be like and I know what next week's session will be like. So, I just wanted to take this opportunity to explain how I feel about it. I

would have very much preferred to see a contraction as opposed to an expansion of our budget. Thank you.

Mayor Tuck acknowledged the sacrifice and work of City staff and public servants at every level in recognition of Public Service Recognition Week, particularly during these uncertain times.

The first votes on the budget will be taken tonight and any amendments which may be necessary will take place at the next meeting of City Council on Wednesday, May 13, 2020.

ADJOURNMENT

The meeting was adjourned at 2:02 p.m.

Contact Info:

Clerk of Council, 757-727-6315, council@hampton.gov

Donnie R. Tuck
Mayor

Katherine K. Glass, CMC
Clerk of Council

Date approved by Council _____