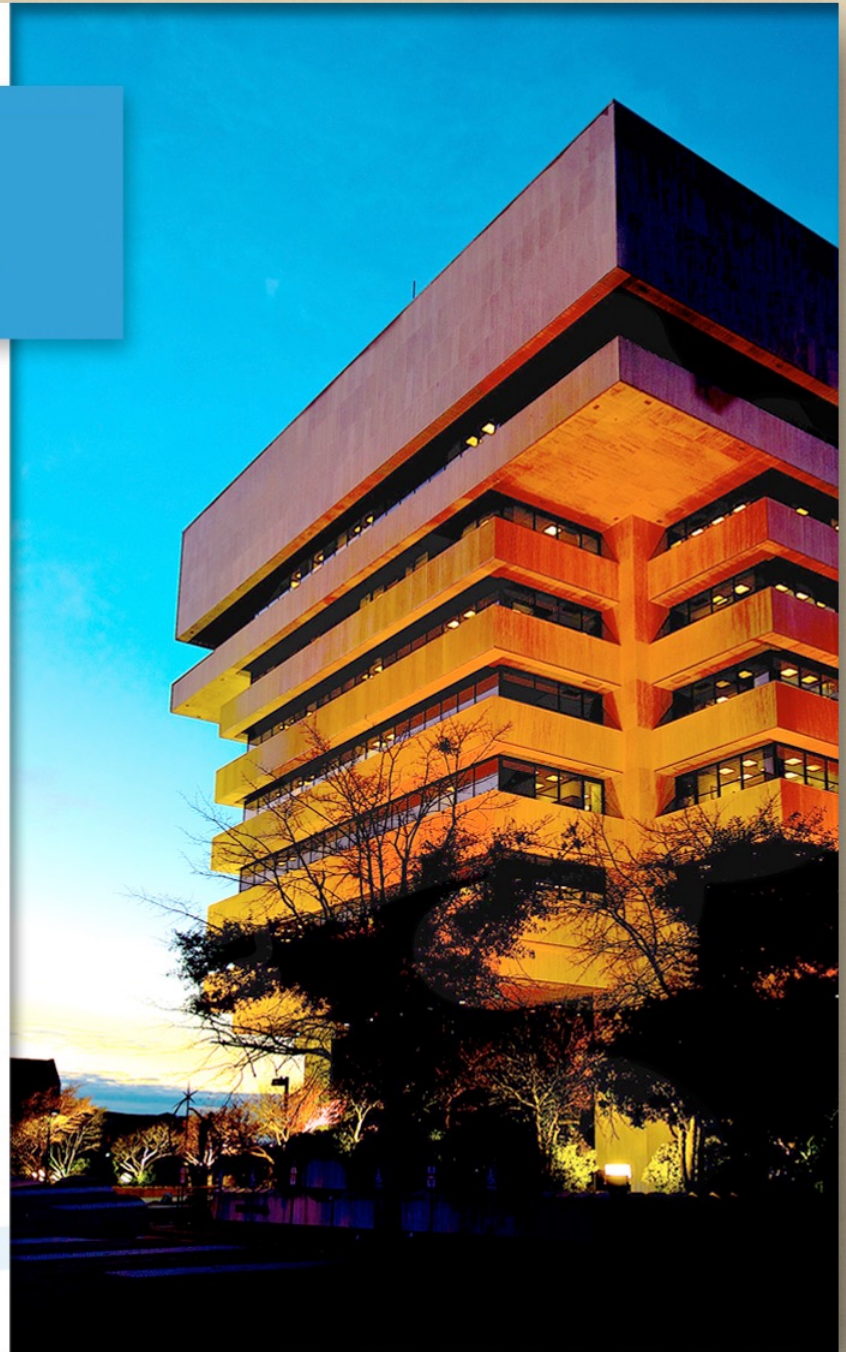




# **City Council**

## **FY25 Budget Development Work Session**

**February 28, 2024**



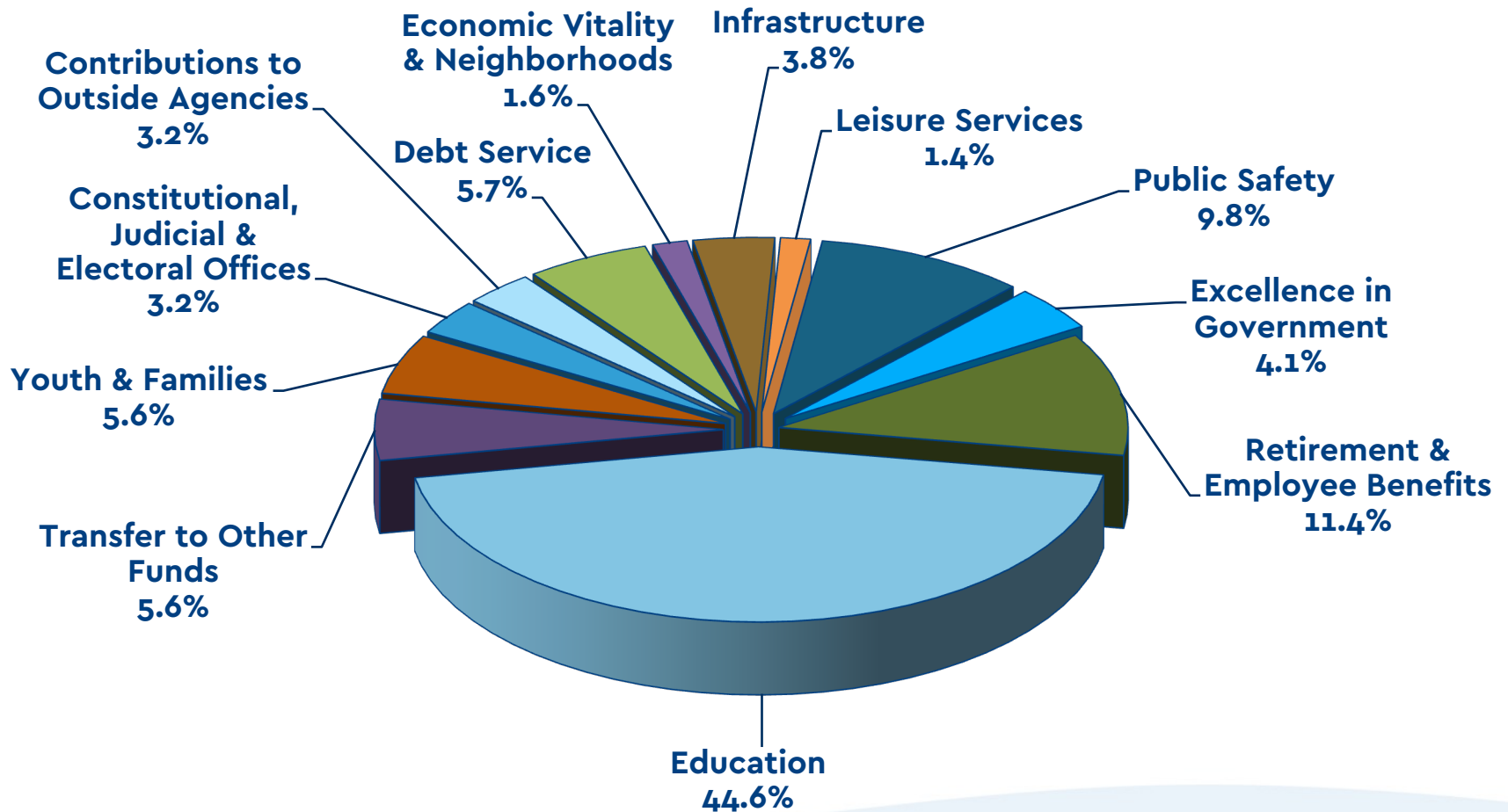
# Agenda

- Background/Budget Overview
  - Overview of Property Taxes and Programs
  - Overview of Public Works Funds Fee Structure
  - Key Budget Driver Focused Rankings
    - Compensation
    - Fringe Benefits
  - Refined Priority Rankings
    - Operating Budget
    - Capital Budget
- 

# General Budget Information

- Approval of the annual budget is one of City Council's most important jobs.
- The budget lays the groundwork for all City services and programs offered as determined by City Council and the community through the Strategic Plan, Community Plan, and Master Plans.

# Allocation of General Fund Dollars for Core Services



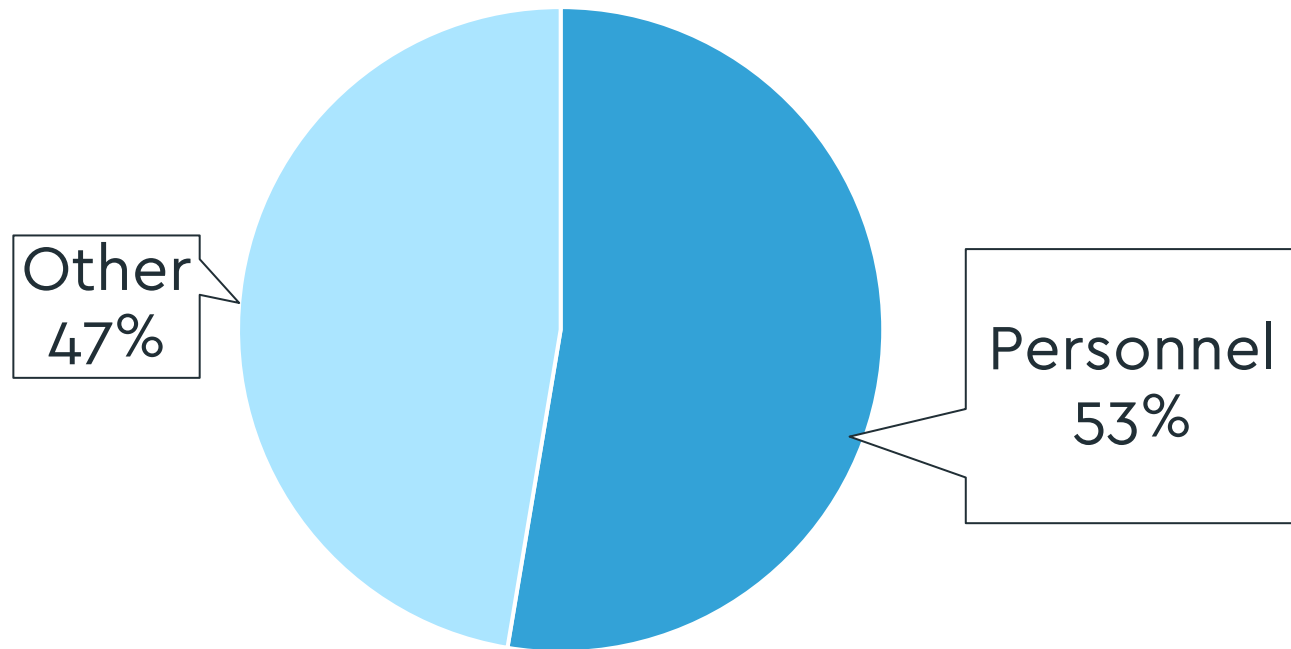
Percentages may not total 100% due to rounding

Source: City of Hampton FY24 Council Approved Budget




# City Employees

Personnel Services is over half the budget...

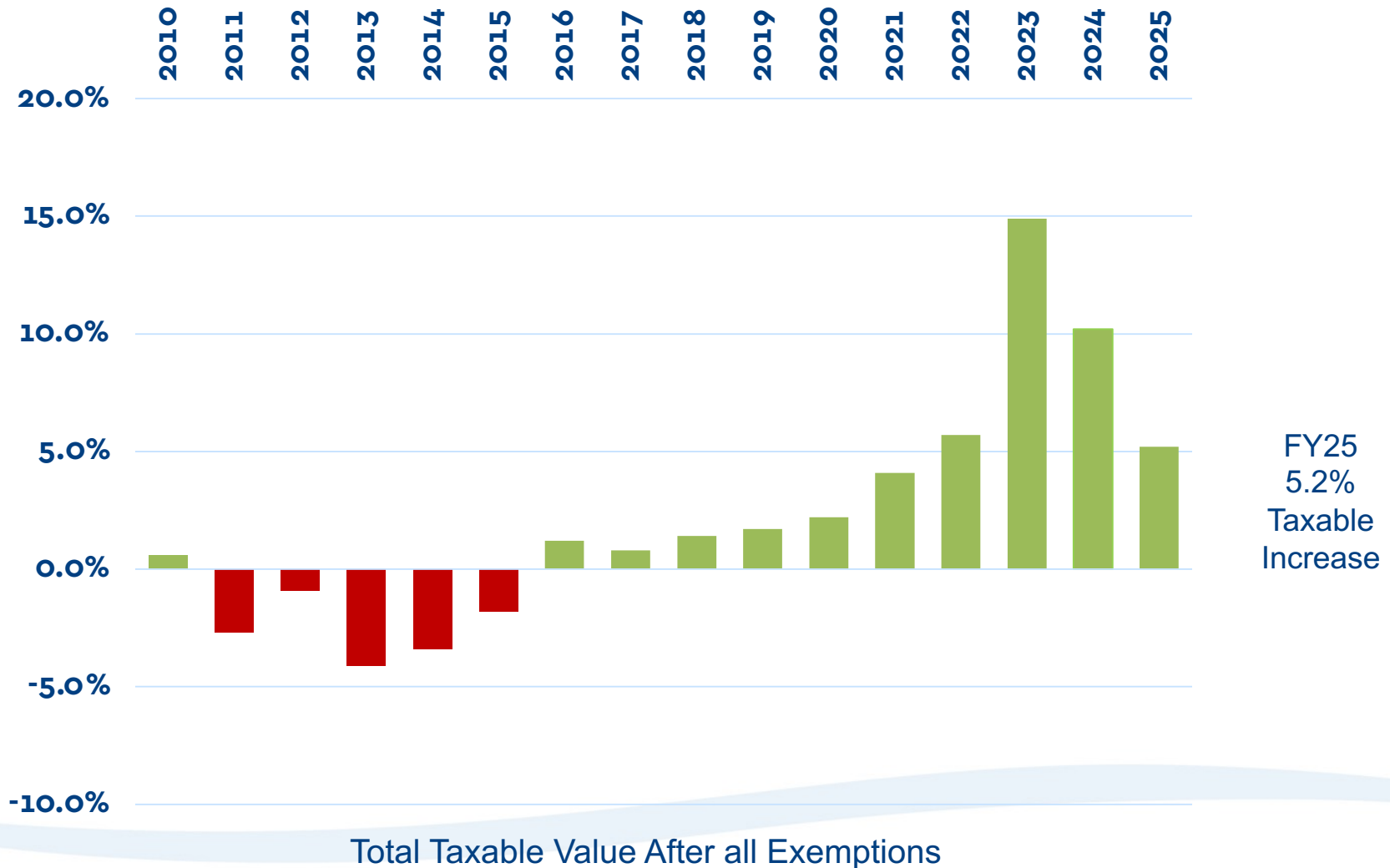


# Decade of Stagnant Revenues

- 11-year recovery from financial crisis: 2010-2020
    - Great Recession
    - Sequestration
  - Limited revenues used to address many of City Council's top priorities
  - Revenues began increasing right before the pandemic and have continued to grow
  - Working to address areas where we need to reinvest since the great recession
- 

# Land Book Retrospective

## Taxable Value Percent Change



# Sources of Local Revenues

80.92% of the locally generated revenues comes from:

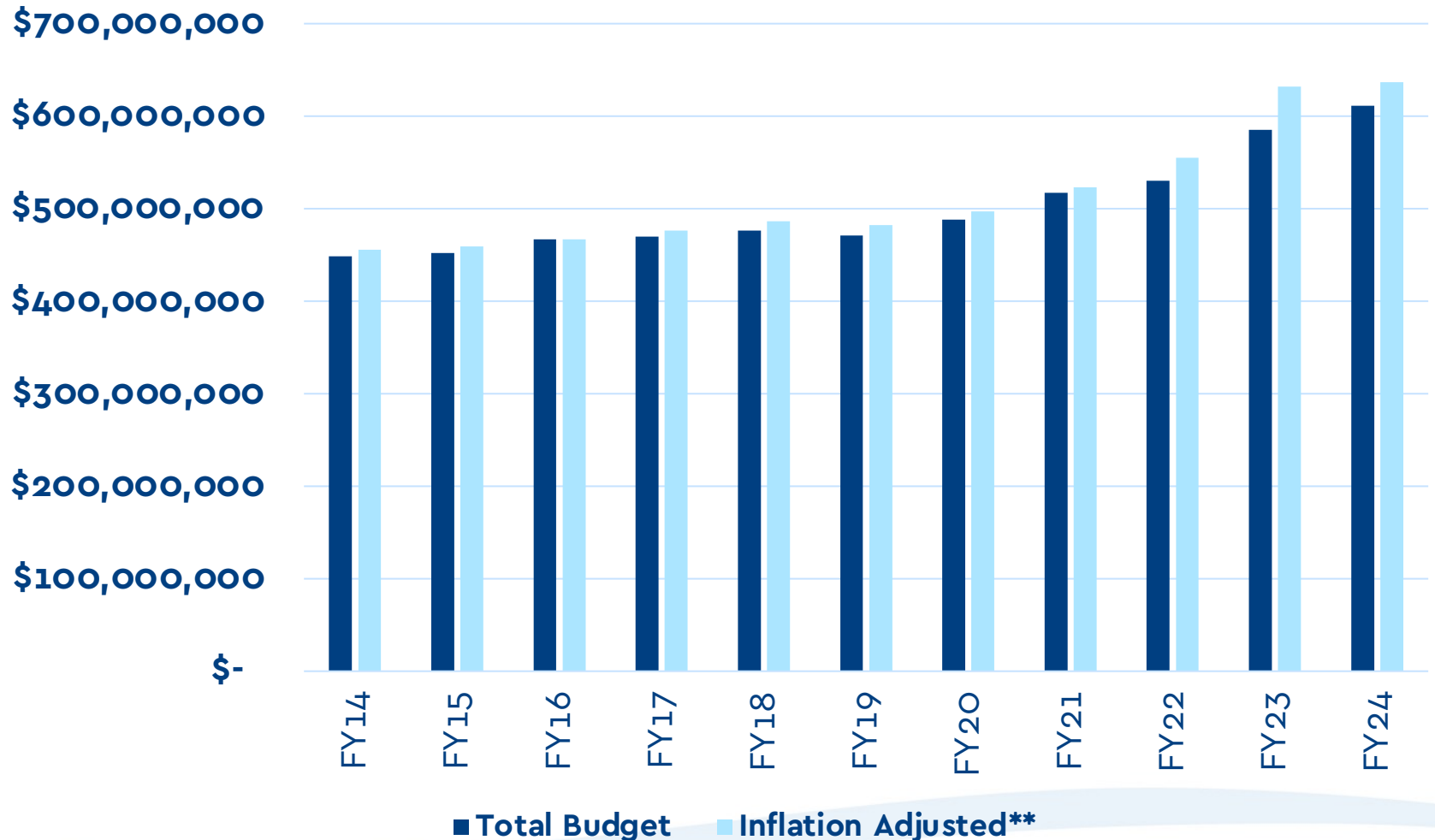
- 1) Real Estate - **47.84%**
- 2) Personal Property - **14.28%**
- 3) Meals - **8.15%**
- 4) Sales - **6.26%**
- 5) Business License - **4.39%**
- 6) Other Local Revenues - **19.08%**





# Total Budget and Inflationary Impact

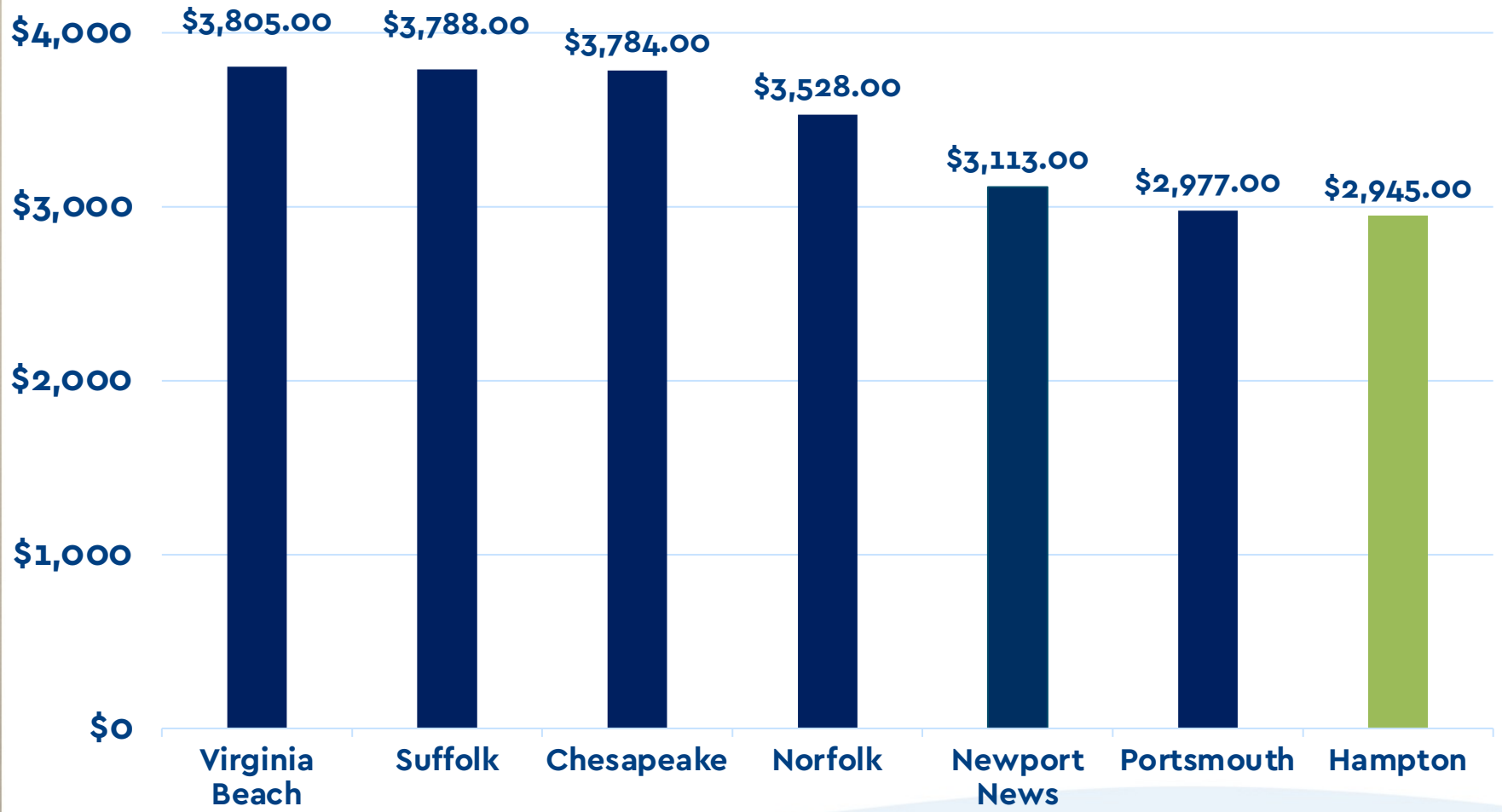
## SINCE FY14



Source: [usinflationcalculator.com](https://www.usinflationcalculator.com) date accessed 2/16/2024

\*Inflation is measured by the percent increase in the Consumer Price Index (CPI) for Urban Consumers

# Hampton Homeowners Pay Less Taxes



*FY24 City tax rate applied to median home value from Zillow data December 31, 2023*

# Financial Resiliency

- Addressed Council priorities while maintaining financial resiliency.
- Financial resiliency commitment and culture.
  - ❑ Conservative budgeting and management practices
    - Conservative budgeting;
    - On-going financial monitoring;
    - Continued operational improvements and efficiencies, adjusting when/where necessary;
    - Adherence to Council's Financial Policies; and,
    - Strengthening/maintaining public trust through engagement.

# Financial Resiliency (Cont'd)

- ❑ Continue diversification of economic investments and tax base)



## STRATEGIES TO GROW THE TAX BASE



- **HR Center**
- **Seafood Center**
- **Workforce development**
- **Business retention, expansion & attraction**

- **Attract new development**
- **Work with owners to revitalize**

- **Higher-value developments**
- **Revitalization programs**
- **Appeal to Millennials, downsizing Boomers**

- **Improve hotel stock**
- **Build on sports tourism**

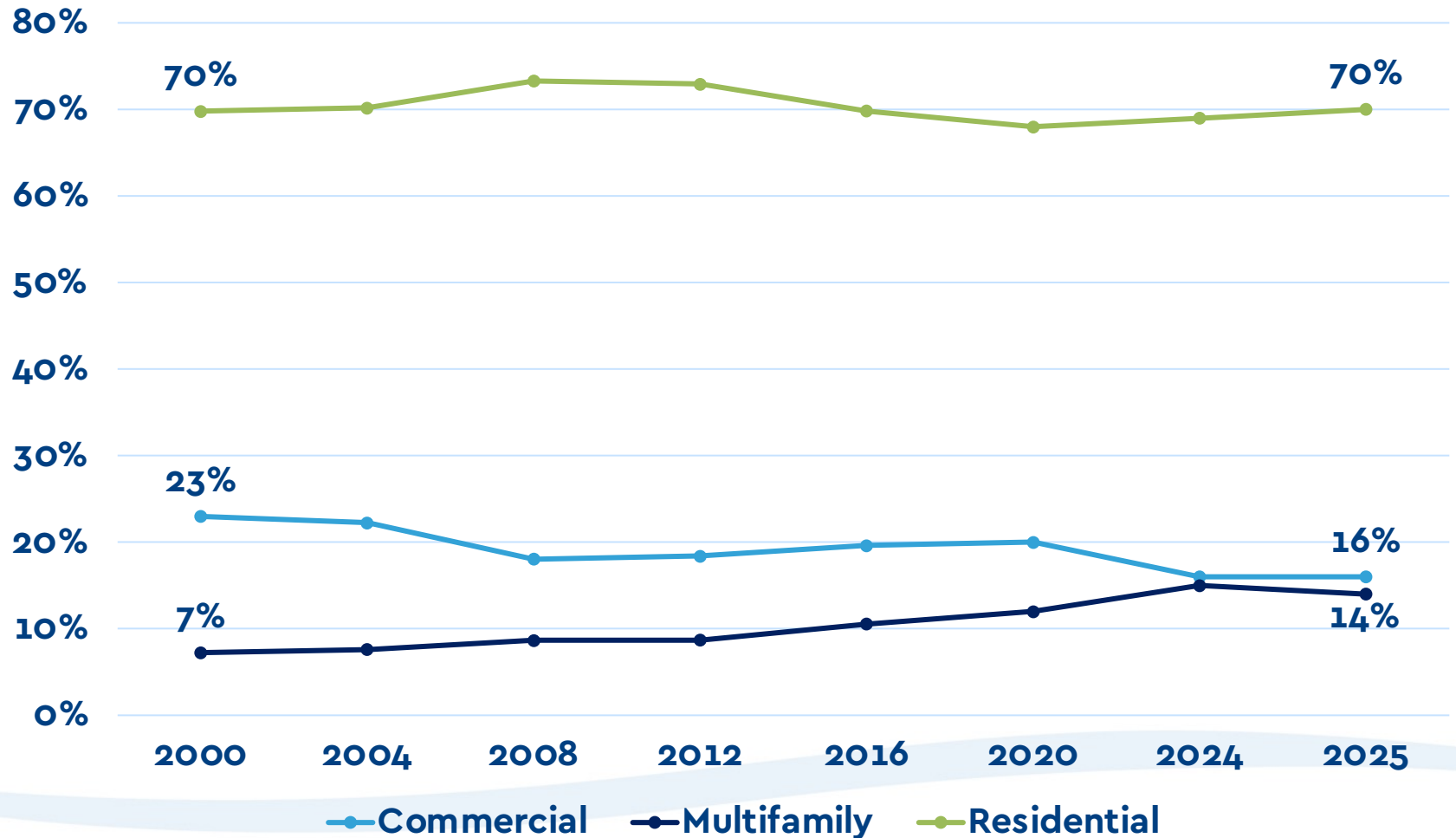


# FY25 Budget Challenges


- Retaining & Attracting Employees
  - Global decline in workforce
  - Inflation fueled wage growth
- Staffing Levels
- Infrastructure Maintenance
  - Some progress made in funding for infrastructure maintenance since the great recession, more needed
- Inflation
- Evolving tax base that is increasingly dependent on residential and multifamily
  - Shift to online retail
  - Commercial environment changing

# Total Market ASSESSED Value Comparison (Taxable)

Total Market Assessed Value Comparison (Taxable)



# Revenue Growth Slowing in FY25

- Real estate property values growing but at lower rates.
  - Personal property taxes on vehicles are projected to be flat.
  - Other local taxes are experiencing healthy growth.
  - Interest earnings from investments are strong.
- 

# 1<sup>st</sup> Round Ranking Results Overview

- Operating Budget
  - Green = \$
  - Yellow = \$
- Capital Budget
  - Green = \$
  - Yellow = \$
  - Red = \$



# Summary of Budget Overview

- Continue to maintain financial resiliency
- Significant investments in many strategic priority areas
- Continued but slower revenue growth expected in FY25
- Many needs have been identified
- Key FY25 Challenges:
  - Competitive wages for employees
  - Retaining and attracting employees
  - Staffing levels
  - Infrastructure maintenance
  - Inflation
  - Evolving tax base

# Questions/Discussion

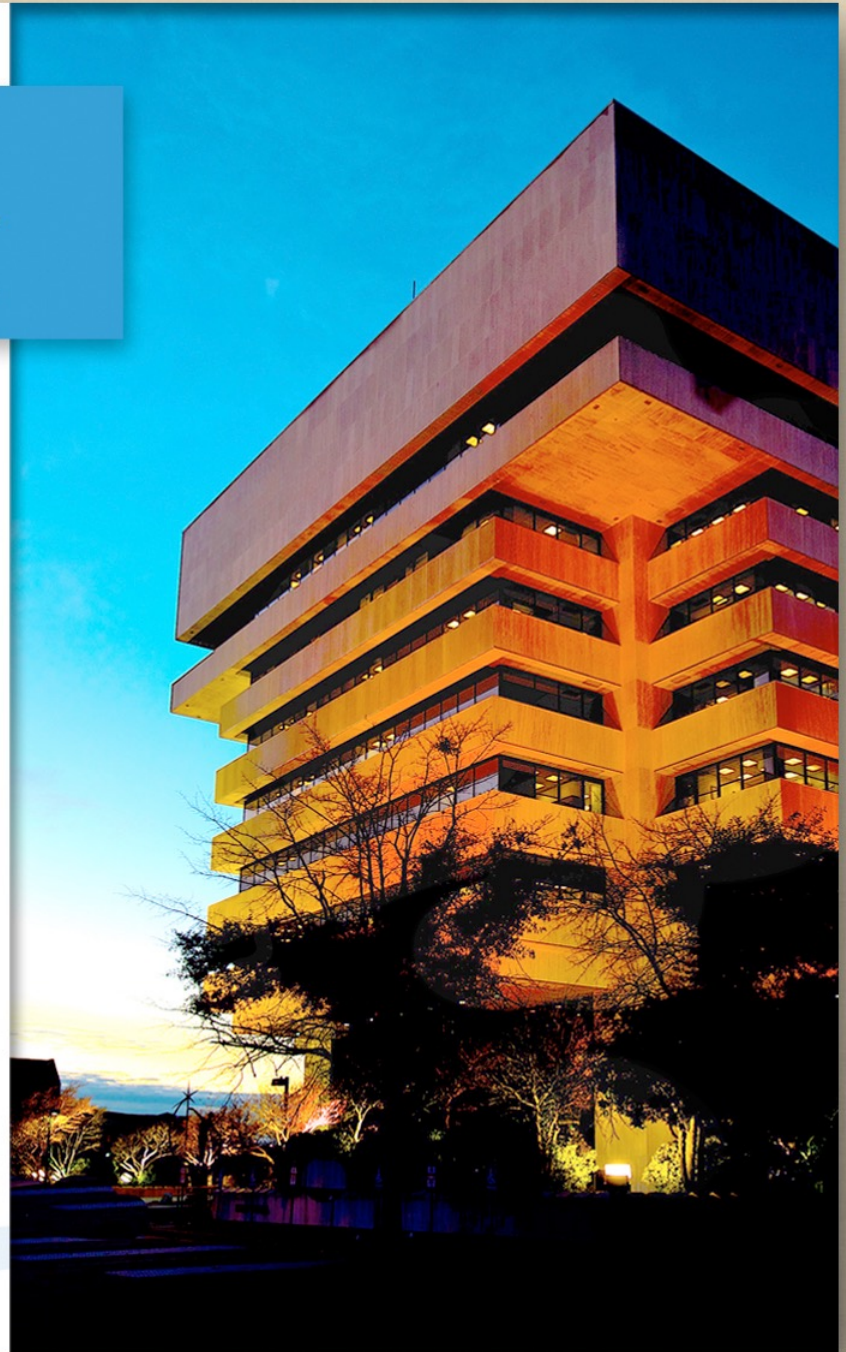


# HAMPTON VA

## **Real Estate Tax Relief Program for the Elderly and Disabled**



## **Disabled Veteran Real Estate Tax Exemption Program**



# **REAL ESTATE TAX REDUCTION PROGRAMS**

## **ELDERLY OR DISABLED REAL ESTATE TAX RELIEF**

(Local Option)

- Freeze
- Deferral
- Exemption (Grandfathered)

## **DISABLED VETERAN REAL ESTATE TAX EXEMPTION**

(State Mandated)



# LOCAL OPTION PROGRAM REQUIREMENTS

To qualify for Hampton's Real Estate Tax Relief Program:

- Applicant must own the real property and use as sole residence;
- Owner is sixty-five (65) and older OR permanent and totally disabled;
- Maximum household income not more than \$64,000;
- Net Worth (excluding home) cannot exceed \$200,000;
- Up to ten (10) acres of land where house is situated; and,
- Exclusion up to \$7,000 of income for other individual(s) who live on the premises.

# TAX RELIEF AVAILABLE TO HAMPTON HOMEOWNERS FOR NEW APPLICANTS

- **TAX FREEZE** – amount of tax payment is frozen at the tax paid in the initial year they entered the program. Tax payment will not increase and if the tax decreases in a subsequent year the homeowner will pay the lower tax.
- **DEFERRAL** – postpone paying all or a portion of tax. Deferral of tax constitutes a lien on the property. The deferred tax becomes due the earlier of the property sale date or within one year from the death of last qualifying owner. The accumulated deferred tax is not subject to penalty or interest unless paid AFTER the due date. City will not attempt to collect on the lien until after taxes become due and delinquent.

# EXEMPTION (GRANDFATHERED)

- Only available to qualifying homeowners who were in the program on July 1, 2013 and continue to meet qualifications

Income Level	Tax Relief
\$0 - \$25,000	100% tax credit
\$25,001 - \$27,000	75% tax credit
\$27,001 - \$29,000	50% tax credit
\$29,001 - \$31,000	25% tax credit

# FY22, FY23 and FY24

## Real Estate Tax Relief: Local Option

Program	FY22 Tax Revenue Impact	FY23 Tax Revenue Impact	FY24 Tax Revenue Impact
<b>25% - 100% Exemption</b>	\$915,755 446 parcels	\$915,755 446 parcels	\$535,997 321 parcels
<b>Freeze</b>	\$75,440 313 parcels	\$125,993 368 parcels	\$164,723 341 parcels
<b>Deferral</b>	\$294,791 155 parcels	\$302,777 143 parcels	\$305,089 132 parcels
<b>Total</b>	\$1,285,986 914 parcels	\$1,011,954 884 parcels	\$1,005,809 794 parcels

**FY12 - FY24**  
**Residential Tax Revenue Impact**

**DISABLED VETERAN REAL ESTATE  
TAX EXEMPTION**

*Total 13 Year Revenue Loss*

*\$32,442,054*



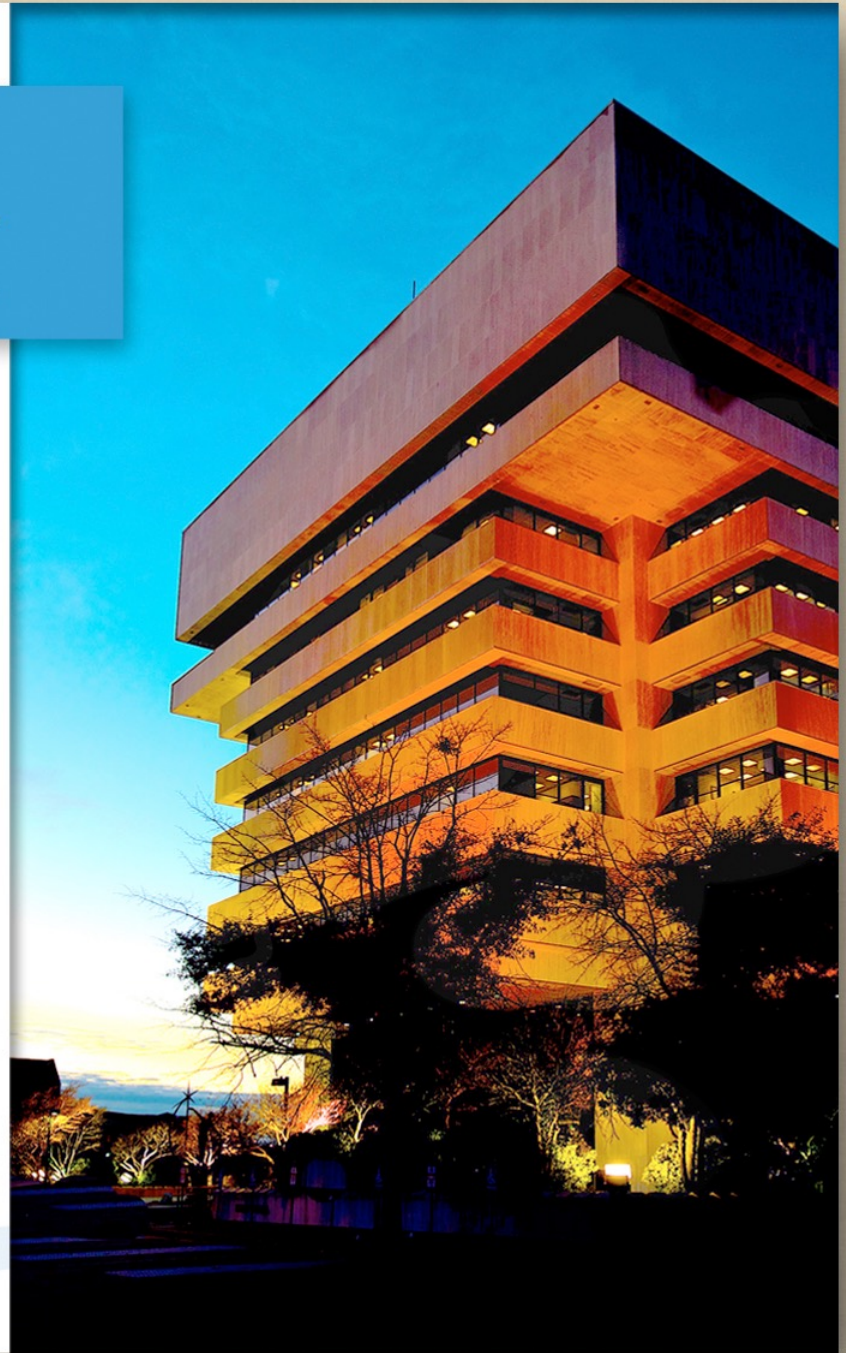
# FY12 - FY24 Residential Tax Revenue Impact

Fiscal Year	DV Annual Real Estate Tax Impact	Number of Parcels	% Hampton Residential Tax
FY12	\$695,672	323	.73%
FY13	\$ 778,105	390	.85%
FY14	\$1,049,090	453	1.01%
FY15	\$1,251,329	556	1.19%
FY16	\$ 1,395,324	616	1.35%
FY17	\$ 1,531,720	665	1.48%
FY18	\$ 1,786,596	769	1.69%
FY19	\$ 2,239,290	1,159	2.43%
FY20	\$2,383,099	950	2.54%
FY21	\$3,308,325	1,322	3.42%
FY22	\$ 4,356,491	1,609	4.21%
FY23	\$ 5,229,439	1,614	4.34%
FY24	\$6,437,574	1,817	5.17%



# HAMPTON VA

## **2024 Personal Property Tax Assessment**



# Personal Property Valuation

- Vehicles are assessed using the J. D. Power pricing guide or by a percentage of cost price.
- The City assess vehicles at 100% of clean loan as required by Section 58.1-3503(A)(3).
- This valuation guide is used by every locality in the Commonwealth of Virginia.

# Personal Property Valuation

## §58.1-3503(A)(3) Summarized

- Section 58.1-3503(A)(3) automobiles, shall be valued by means of a recognized pricing guide or if the model and year of the individual automobile are not listed in the recognized pricing guide, a percentage of original cost may be used.
- In using a recognized pricing guide, the Commissioner shall use either of the following two methods. The Commissioner may use all applicable adjustments in such guide to determine the value of each individual automobile, or he shall use the base value specified in such guide which may be either average retail, wholesale, or loan value.

# Used Prices Will Continue To Decline

## USED PRICES WILL CONTINUE TO DECLINE

J.D. POWER  
AUTO SUMMIT

Industry Level Used Retail Price Index Forecast (Full Year-Over-Year, Vehicles up to 8 Years in Age)



Source: J.D. Power Valuation Services



# Used Prices Will Continue To Decline

## MIDSIZE SUV – FORD EXPLORER

Real World Used Retail Price Example, MY18 Prices Over Time

J.D. POWER  
AUTO SUMMIT

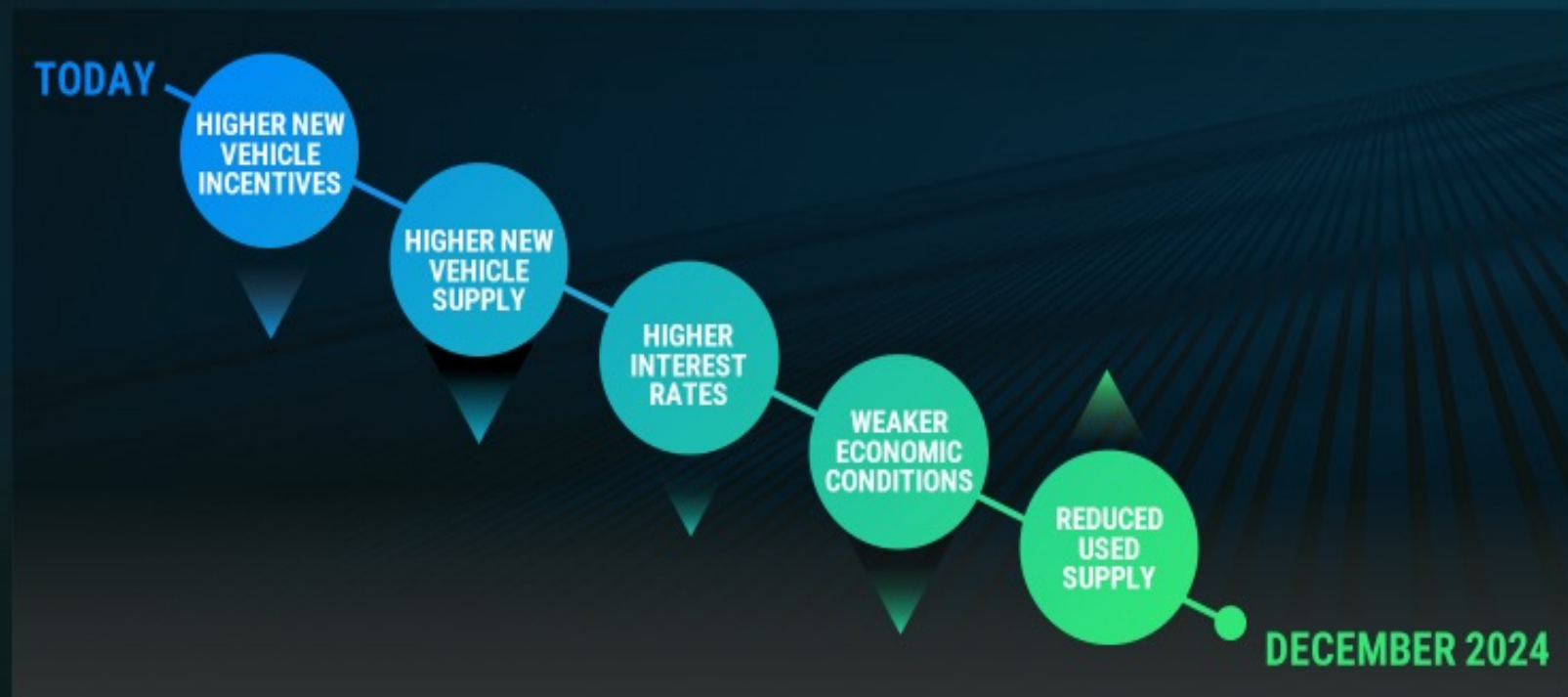


# Used Prices Will Continue To Decline

## USED PRICES WILL CONTINUE TO FALL

J.D. POWER  
AUTO SUMMIT

Multiple Headwinds Will Continue to Push Used Prices Lower



Source: J.D. Power Valuation Services



# Personal Property Valuation

Used vehicle prices have continued to decline as a result of:

- Increase in new vehicle inventory
- Reduction in used vehicle values
- Weaker economic conditions

This trend is expected to continue through 2024.



# Personal Property Assessment and Tax of Vehicles by Year

TAX YEAR	PROPERTY CLASS	NUMBER OF VEHICLES	ASSESSED VALUE	TAX
2022	Regular Auto/Truck Book	113,285	\$899,553,949	\$39,682,604
2023	Regular Auto/Truck Book	112,276	\$986,575,124	\$43,573,713
2024	Regular Auto/Truck Book	111,800	\$990,609,263	\$43,694,899
2022	Based on 3.19.22 Rough	Includes 75% AR		
2023	Based on 3.17.23 Rough	Includes 93% AR		
2024	Based on 2.10.24 Rough			

Assessment Ratio (AR) approved by City Council reduced the assessed value in Tax Year 2022 by 25% and in Tax Year 2023 by 7%.

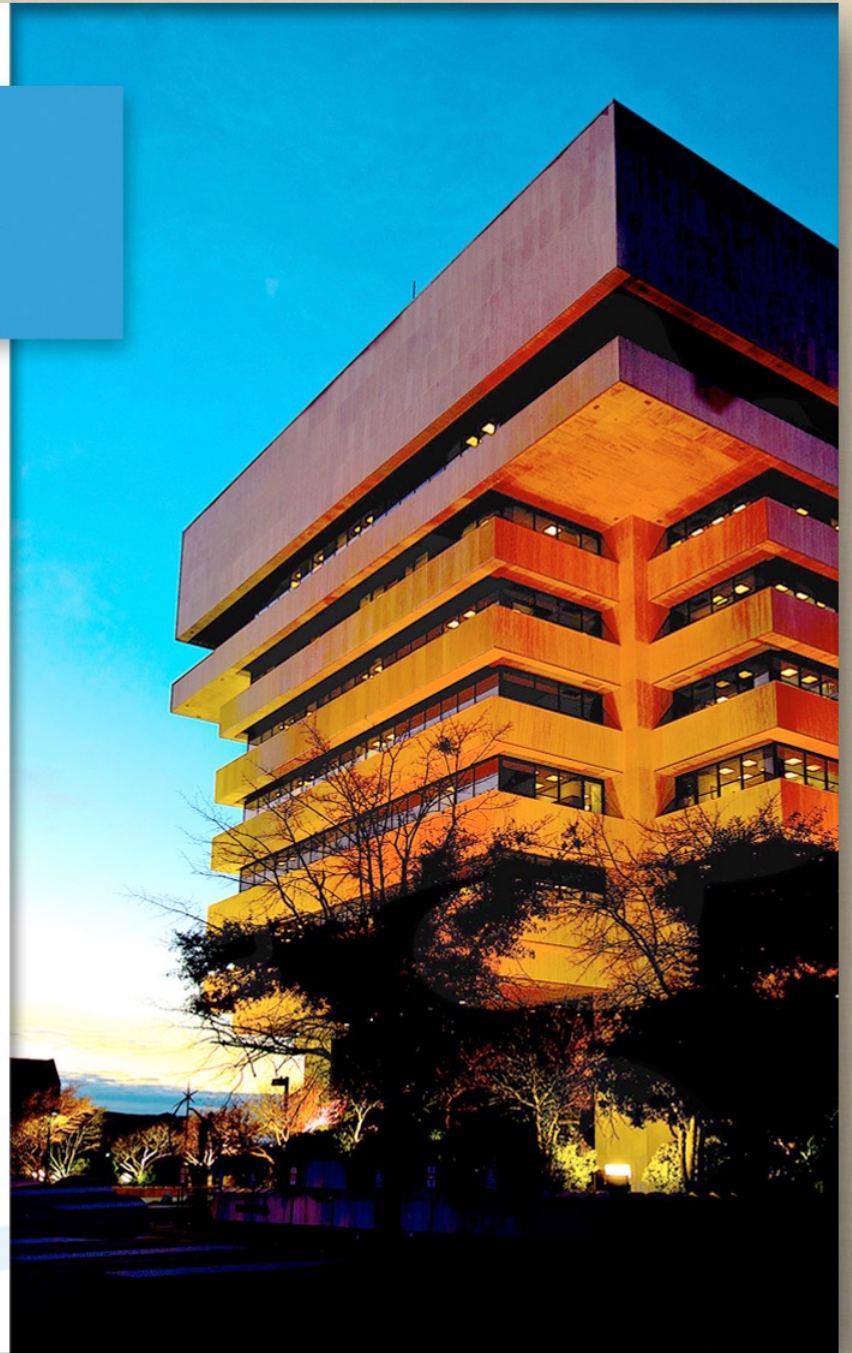
The figure for 2024 above does not reflect an assessment ratio.

# Talking Points

- The personal property book has to be presented to the City Treasurer by April 1<sup>st</sup>.
- We anticipate tax revenue to remain flat 2024.
- The lack of growth is consistent within the Hampton Roads region.
- This does not include assessments through April 1<sup>st</sup>.
- This does not include supplements throughout the year.
- This also does not include business personal property.

# HAMPTON VA

## **Real Estate Tax Rate Stabilization**



# Real Estate Tax Rate Stabilization Policy

- Real estate revenue growth, net of new construction, from one fiscal year to the next, shall be limited to the equivalent percentage increase in an inflationary growth factor as measured by either:
  - Consumer price index for urban dwellers (CPI-U); or
  - Resident income growth (RI); whichever is greater in any given year



# Real Estate Tax Rate Stabilization Policy

(Cont'd)

- If budgetary needs require real estate revenue to grow faster than this factor, the Manager and Council shall explicitly explain the budget drivers.
- Review all revenues and fees to encourage diversity and less reliance on real property revenues during economic declines



# Tax Equalization

- Historically, we have kept the tax rate lower than what the policy suggested
- Finance Committee will review the results of the Policy as part of the budget process and report to Council

# Tax Equalization (Cont'd)

Fiscal Year	Increase/(Decline) In Real Estate Tax Revenue	Actual Tax Rate*	Equalized Tax Rate*
2015	(1,327,579)	\$1.24	\$1.30
2016	578,339	\$1.24	\$1.30
2017	1,569,560	\$1.24	\$1.30
2018	1,416,775	\$1.24	\$1.30
2019	2,208,293	\$1.24	\$1.30
2020	2,418,641	\$1.24	\$1.30
2021	5,907,396	\$1.24	\$1.30
2022	7,576,490	\$1.24	\$1.27
2023	23,041,523	\$1.18	\$1.19
2024	13,981,531	\$1.16	\$1.18
2025	7,692,64	TBD	\$1.17

\*Actual and Equalized rates are per \$100 of assessed value

# Impact of R. E. Tax Rate Decrease on Real Estate Tax Revenues

Tax Rate	FY25 Estimated Revenues	FY24 Estimated Revenues	Revenue Increase over FY24	Reduction in Estimated Revenues
\$1.16	178,115,886	170,423,212	7,692,674	
\$1.15	176,578,538	170,423,212	6,155,326	(1,537,348)
\$1.14	175,041,190	170,423,212	4,617,978	(3,074,696)
\$1.13	173,503,842	170,423,212	3,080,630	(4,612,044)
\$1.12	171,966,494	170,423,212	1,543,282	(6,149,392)

# Impact of R.E. Tax Rate Decrease on Public Service Corp. Tax Revenues

Tax Rate	Estimated Revenues	Reduction in Estimated Revenues
\$1.16	4,738,790	
\$1.15	4,697,741	(41,049)
\$1.14	4,656,692	(82,098)
\$1.13	4,615,643	(123,147)
\$1.12	4,574,594	(164,196)

# Impact of RE Tax Rate Decrease on PTC CDA Incremental Real Estate Tax Revenues

Tax Rate	Estimated RE Revenues	Base Year	Estimated Incremental RE Tax Revenues	Reduction in Incremental RE Tax Revenues
\$1.16	2,803,610	831,924	1,971,686	
\$1.15	2,779,441	831,924	1,947,517	(24,169)
\$1.14	2,755,272	831,924	1,923,348	(48,338)
\$1.13	2,731,103	831,924	1,899,179	(72,507)
\$1.12	2,706,934	831,924	1,875,010	(96,676)

# Net Increase in Real Estate Revenues Allocated to City and Schools

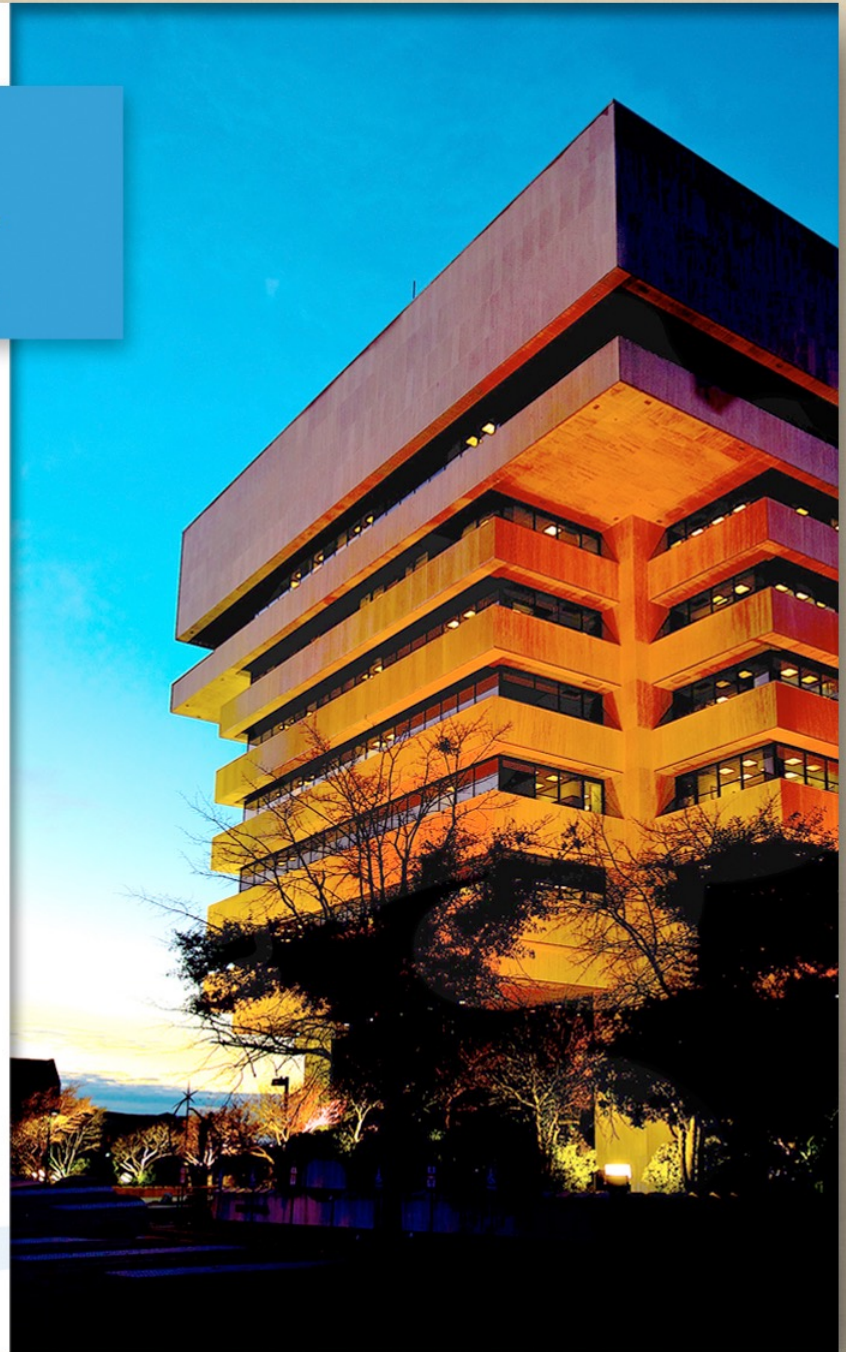
Tax Rate	City	Schools
\$1.16	3,848,240	3,844,434
\$1.15	2,959,471	3,195,855
\$1.14	2,070,700	2,547,278
\$1.13	1,181,930	1,898,700
\$1.12	293,160	1,250,122



# HAMPTON VA

## **Public Works Funds**

**Request for Fee Increase:  
Solid Waste Management**



# Solid Waste Program

- Our mission is to provide weekly collection of residential trash, yard waste, and bulk trash and provide for recyclable material collection and solid waste disposal.



# Solid Waste Services

- Weekly trash & bulk collection
- Weekly leaf collection (seasonal)
- Trash and recycle disability special collections
- Container delivery and repair
- Special collections - Bulk
- Illegal dump enforcement and collections
- Information package mailings
- Assist Public Works during emergency events
- Metal collection for recycling
- Provide residential and commercial yard waste facility
- Hampton Clean City Commission clean up bulk trash collections
- Hampton Coliseum bulk trash collections
- Hampton City Schools bulk collections
- Neighborhood “blitz” collections  
Community and Neighborhood Partnerships
- Storm (hurricane, tornado, and severe thunderstorm) response and recovery
- Tire collection
- Others...



# Steam Plant Program

- Our mission is to facilitate the incineration of Hampton's trash to generate steam that is utilized by NASA to meet energy needs.



# Solid Waste Fee Increase Drivers

- Hampton Trash Disposal Costs
  - City cost increases are impacted by our 10-year agreement with NASA
  - Increased cost to replace and repair solid waste equipment
- Recycling Costs
  - Increased cost as global recyclable demand decreases (Tidewater Fiber contract increase annually)
- Solid Waste Fee last increased in FY 2020

# Steam Plant Drivers

- Replace two aging cranes: \$6.2 million
- Major boiler rehabilitation: \$8.8 million
- Ongoing annual maintenance does not include these major upgrades

*These projects are anticipated to be debt funded and will extend the useful life of the cranes and boilers through 2040*



# Solid Waste Fund

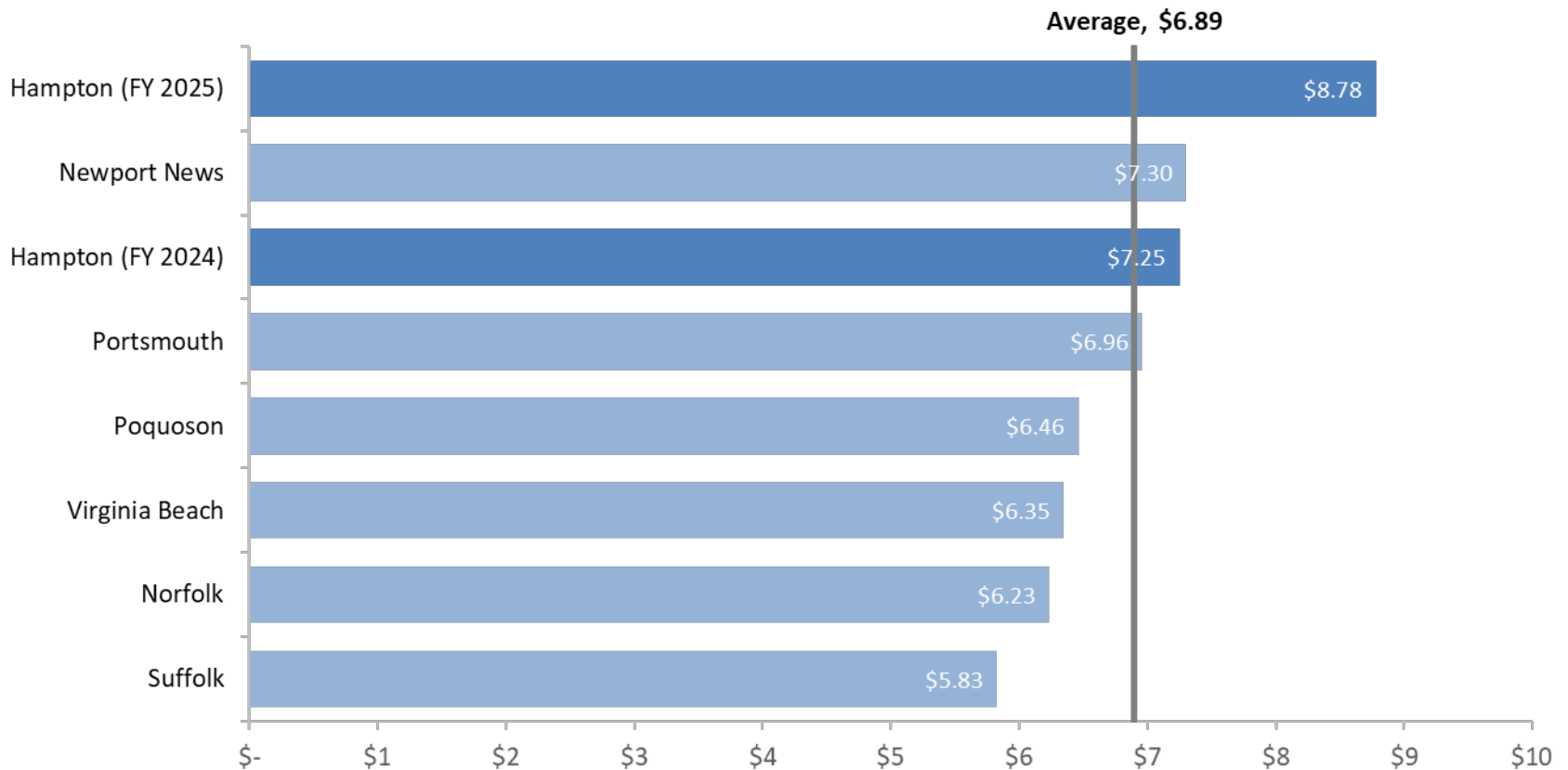
## Projected Fees

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Weekly Fee	\$7.25	\$8.78	\$9.22	\$9.50	\$9.78	\$10.08
Monthly Fee	\$31.42	\$38.05	\$39.95	\$41.17	\$42.38	\$43.68
<i>Weekly Increase</i>		\$1.53	\$0.44	\$0.28	\$0.28	\$0.30
<i>Monthly Increase</i>		\$6.63	\$1.90	\$1.22	\$1.21	\$1.30



(Solid Waste fees are based on current projections and subject to change in future fiscal years)

# Solid Waste Monthly Bill Comparison



*This comparison does not reflect any proposed increases by other communities*

# Solid Waste Cost Increases

- Our last solid waste increase was in FY 2020
- Increased cost of equipment & maintenance
- Increased recycling cost
- Increased cost of landfill disposal
- City increased portion to maintain the Hampton steam plant
- Cost to retain qualified staff “CDL Operators”

# Solid Waste Options

- Request legislation modifications to the overall recycling definition, as Hampton may have an opportunity to reduce cost by processing our recycling materials at the Hampton Steam Plant (Waste to Energy)

“Potential savings could reduce future rates by \$0.47 or \$1 million dollars”

- Explore the possibility of technology to use (Waste to Energy) “steam” to support power generation for NASA and Langley Air Force Base.

# Solid Waste Options

- Reducing bulk collections from weekly to bi-weekly decreases the projected solid waste fee by \$0.25
- Reducing bulk collections from weekly to monthly decreases the projected solid waste fee by \$0.35
- Reducing bulk collections would increase overall violations and the need for additional enforcement staff to manage illegal dumping concerns
- Reducing bulk trash collections would impact appearance of our neighborhoods and increase flooding concerns

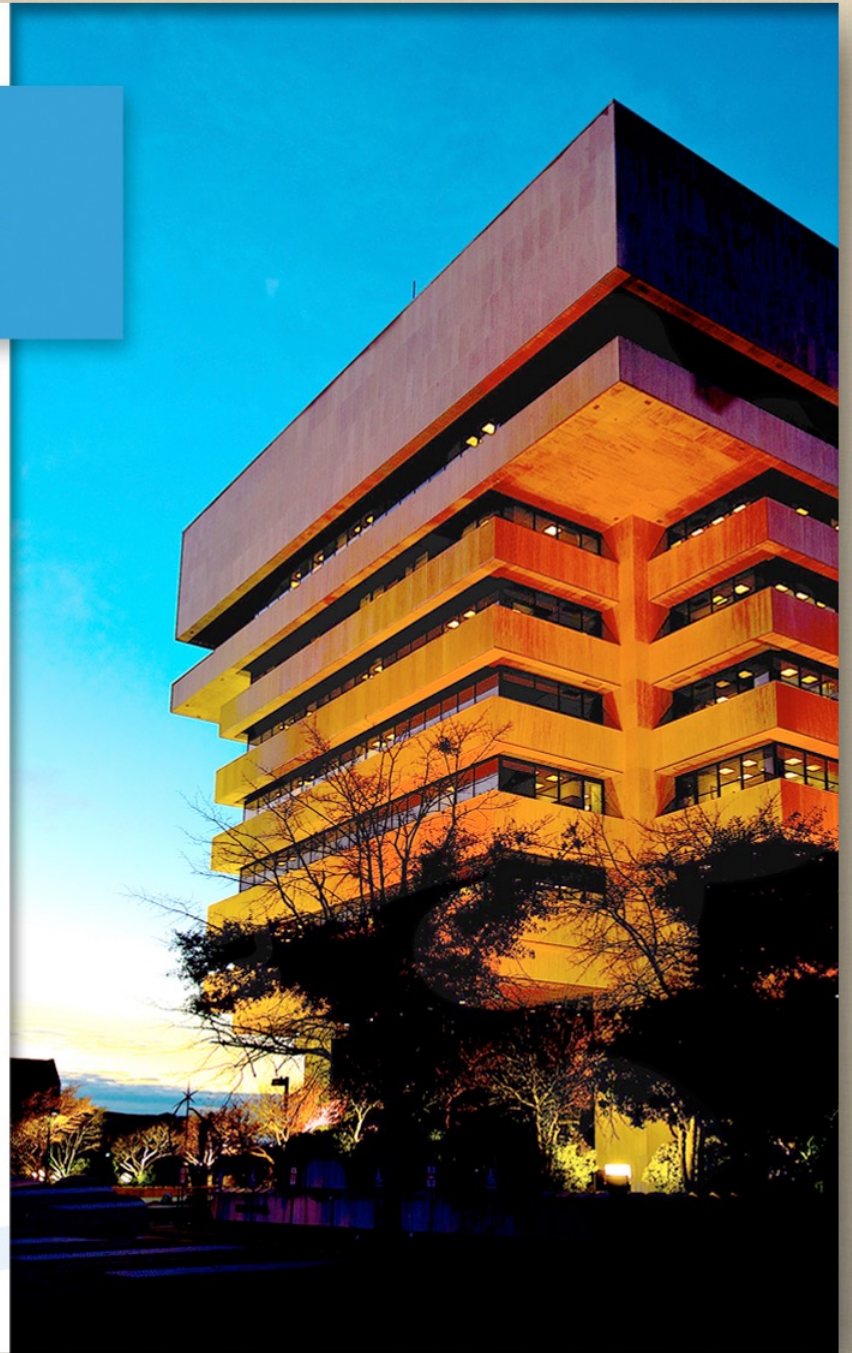


# Recommendations

- Increase our solid waste rate to \$8.78 which adjust for ongoing cost escalations to provide our current services
- Explore cost participation and debt funding options with NASA Langley Research Center for our Hampton Steam Plant
- Explore alternative opportunities to maintain the lowest possible rate for our customers while providing an essential service to our community

# HAMPTON VA

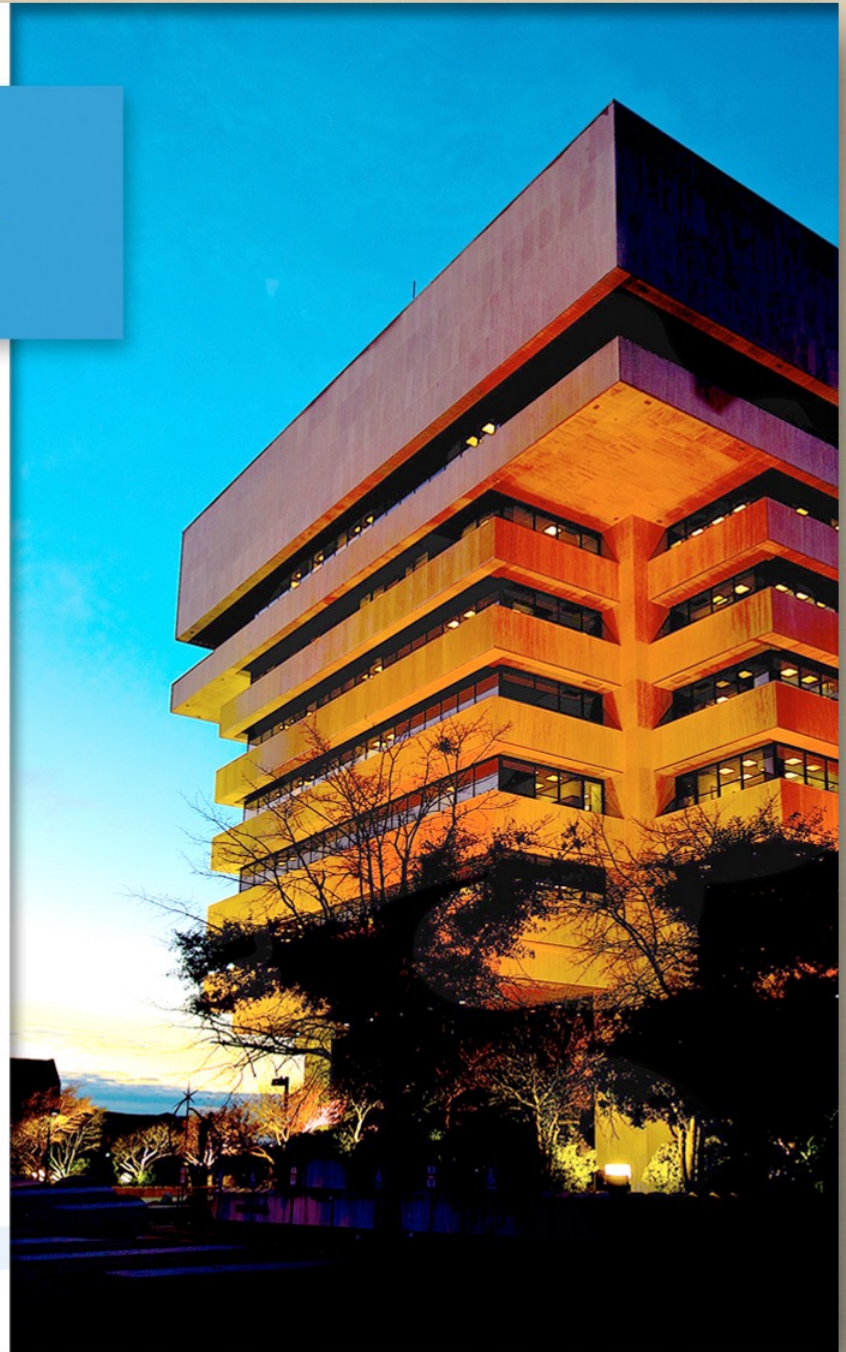
## Questions



# HAMPTON VA

## **Public Works Funds**

**Request for Fee Increase:  
Stormwater Management**





# Stormwater Program

- Our mission is to protect public health, water quality, and the environment by operating and maintaining our stormwater system.
- Our Stormwater Team operates and maintains Hampton's stormwater system and network of infrastructure.



# Stormwater Services

- Municipal Separate Storm Sewer System (MS4) permit
- Capital Project Management
- Maintenance
- Outfall Maintenance
- Slope Mowing
- Front Ditch Piping Program
- Entomology
- Mosquitos Control
- Illicit Discharge Investigation/Testing
- GIS/Survey
- E&S Inspection
- Flood Reduction Events
- Water Quality
- Emergency Response
- Stormwater Management Facilities (Best Management Practices)
- Inspection and Pest Control Operations
- Illicit Discharge, Detection and Elimination Program
- Channel Inspection and Maintenance
- Stormwater Outreach Program
- Assessment and Cleaning of System
- Summer Storm Program
- Inspection of Commercial and Residential Land Disturbing Activities
- Right-of-Way Maintenance Program
- Off-Road Ditch Maintenance



# Stormwater Fee Increase Drivers

- Increased costs of capital projects.
- Increased operating and maintenance expenses due to capital projects and future stormwater and environmental initiatives.
- Reduce neighborhood flooding with enhanced stormwater systems and maintenance.
- Last bond funding was 2019 (General Obligation Bond) and 2020 (Environmental Impact Bond).

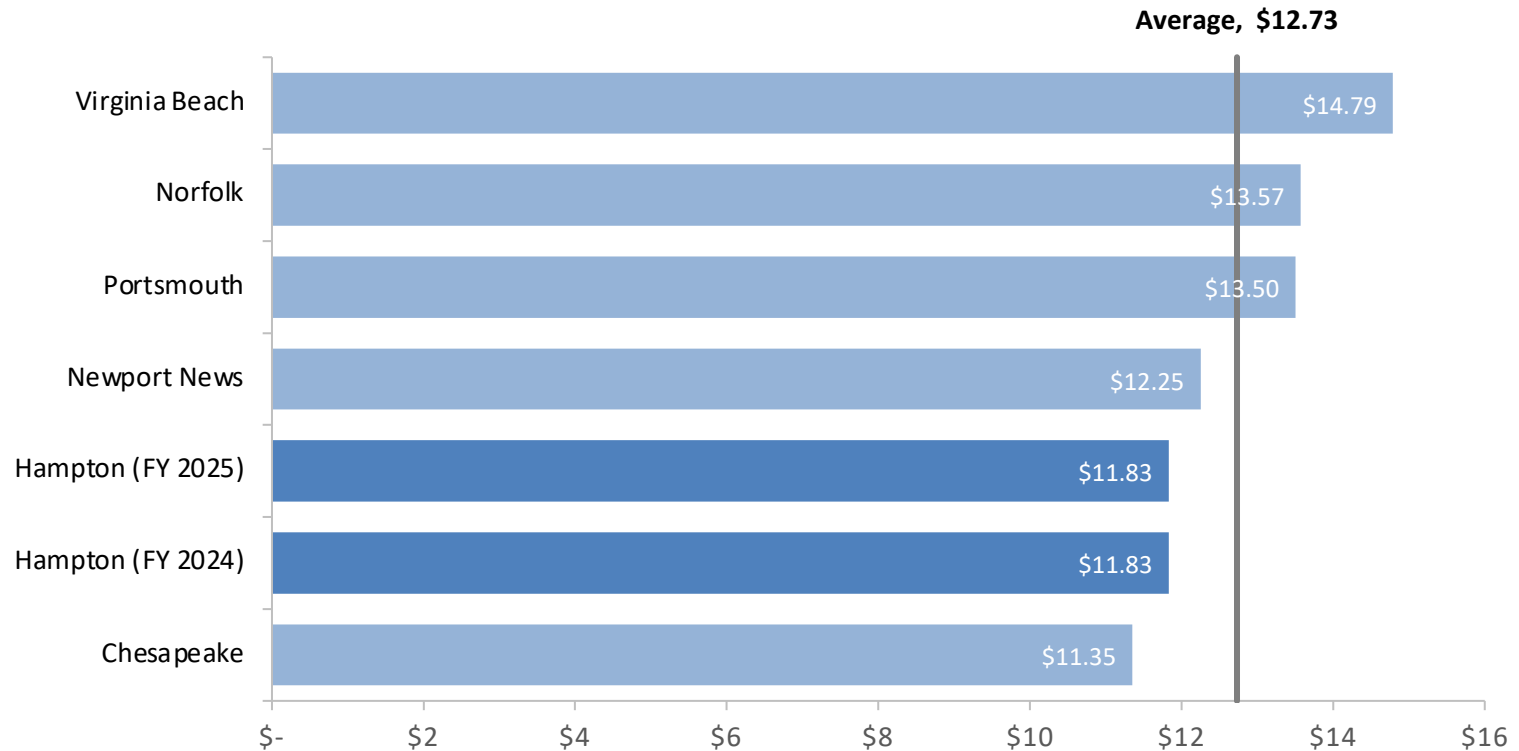
# Stormwater Projected Fees

Fee per ERU	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Monthly Fee	\$11.83	\$11.83	\$12.83	\$13.83	\$14.83	\$15.83
<i>Increased capital costs</i>		-	\$1.00	-	\$1.00	-
<i>Increased maintenance costs</i>		-	-	\$1.00	-	\$1.00
<i>Total Increase</i>		-	\$1.00	\$1.00	\$1.00	\$1.00



(Stormwater fees are based on current projections and subject to change in future fiscal years)

# Stormwater Monthly Bill Comparison



*This comparison does not reflect any proposed increases by other communities*



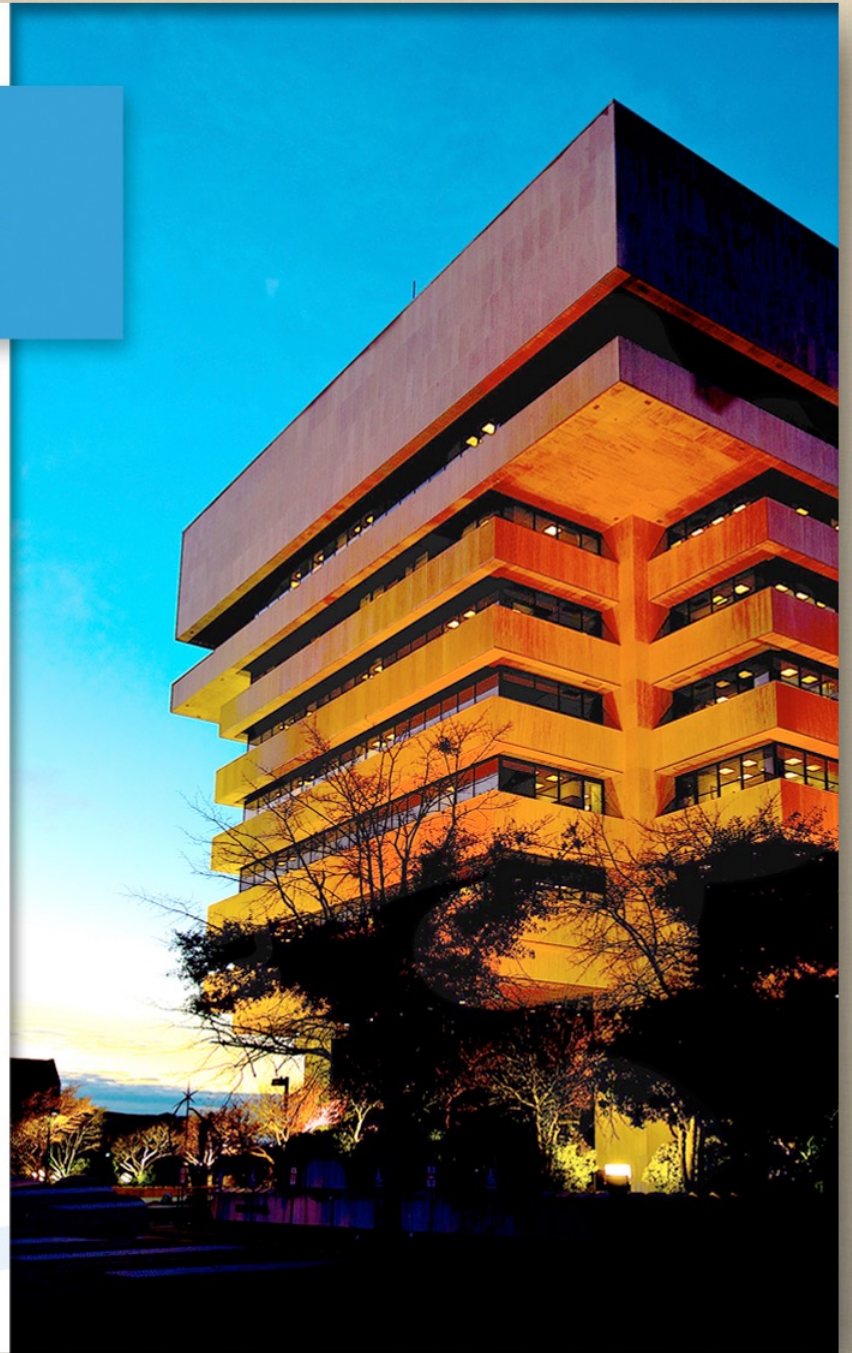
# Recommendation

- Maintain the current stormwater fee for FY 2025
- Review projections of expenses and revenues for FY 2026 and beyond



# HAMPTON VA

## Questions

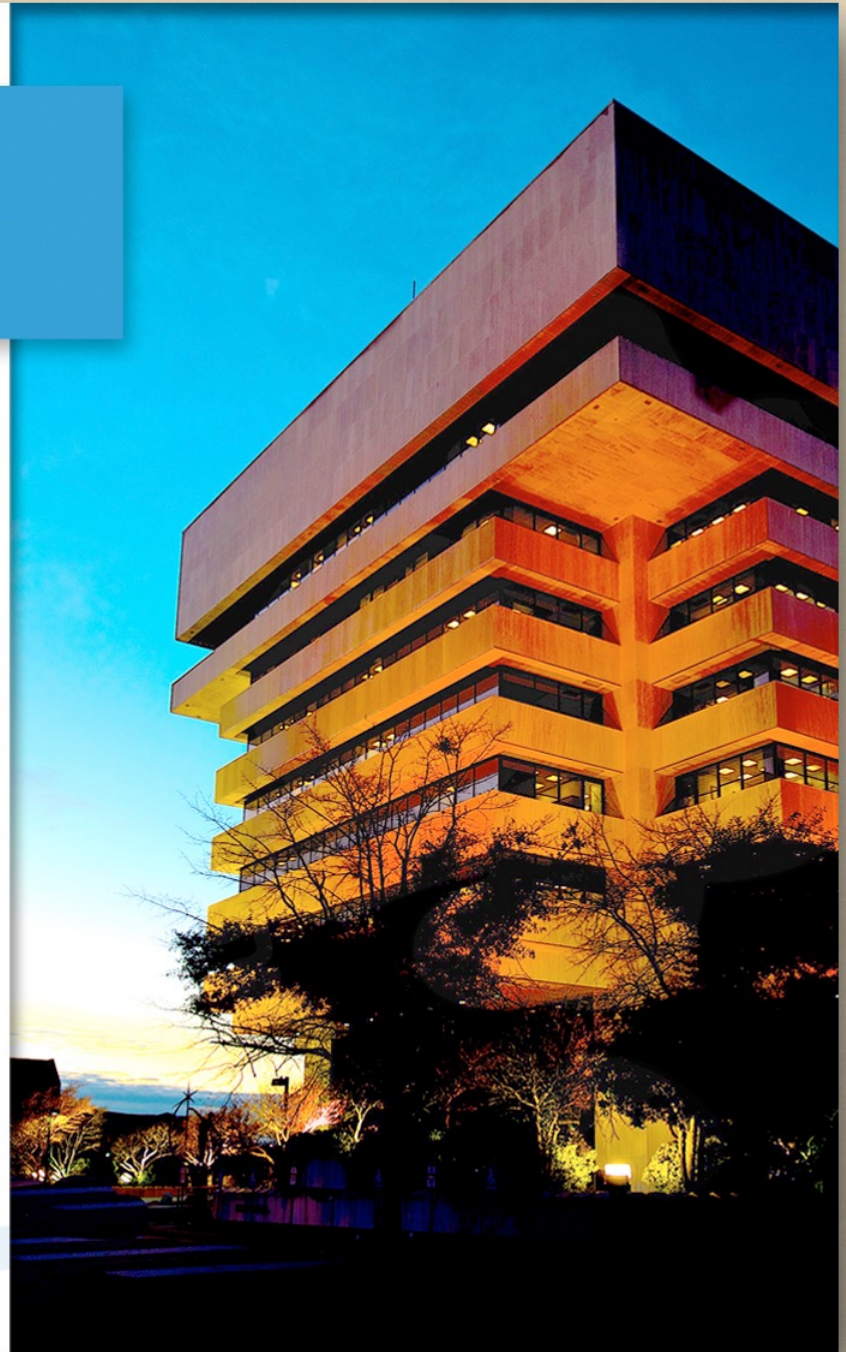




# HAMPTON VA

## **Public Works Funds**

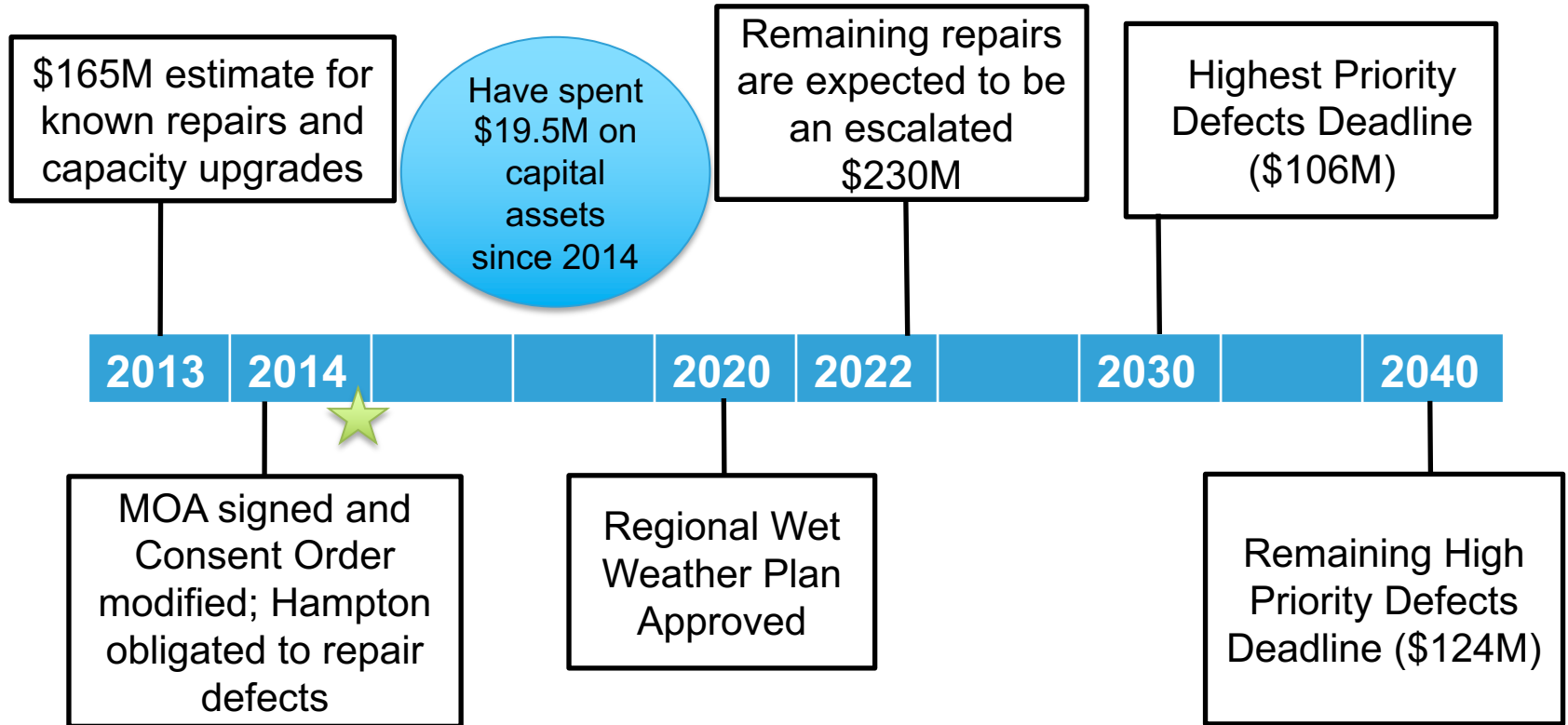
**Request for Fee Increase:  
Wastewater Management**



# Wastewater Program

- Our Team's mission is to protect public health, water quality, and the environment by operating and maintaining wastewater collection.
  - Minimize sanitary sewer overflows and subsequent health impact
- We convey wastewater from homes/businesses to Hampton Roads Sanitation District's (HRSD) large pipe systems and treatment plants.
  - Wastewater Collection System Maintenance
  - Pump Station Maintenance
  - Construction Projects
- Our wastewater bill has a base rate for operations and a surcharge rate to support regulatory compliance
  - The Memorandum of Agreement (MOA) between HRSD and Localities is enforced by Virginia Department of Environmental Quality (DEQ) through the Consent Order.

# Regulatory Requirements



In 2014, Hampton began our first of many Repair/ Rehabilitation/ Replacement projects!

# Regulatory Requirements

Old Consent Order	Activity	Current Consent Order and MOA
✓	Flow Monitoring	✓
✓	Repair of Defects	✓
✓	Potential Capacity Upgrades	✓
✓	City has Flow Reduction Requirements	
✓	HRSD has Flow Reduction Requirements	✓
2037	End Date	2030, 2040

MOA ties Hampton performance to HRSD performance in 2040



# HRSD – SWIFT INITIATIVE

SWIFT - “Sustainable Water Initiative for Tomorrow” program which was presented to Hampton City Council by the Hampton Roads Sanitation District in 2017 with a goal of achieving:

- Water quality discharges from wastewater treatment plants
- Aquifer replenishment & nutrient pollutant reductions
- Improve the MS4 regulatory compliance
- Integrated Wet-Weather plans mandated by HRSD Federal Consent Decree which impact locality rehabilitation plans

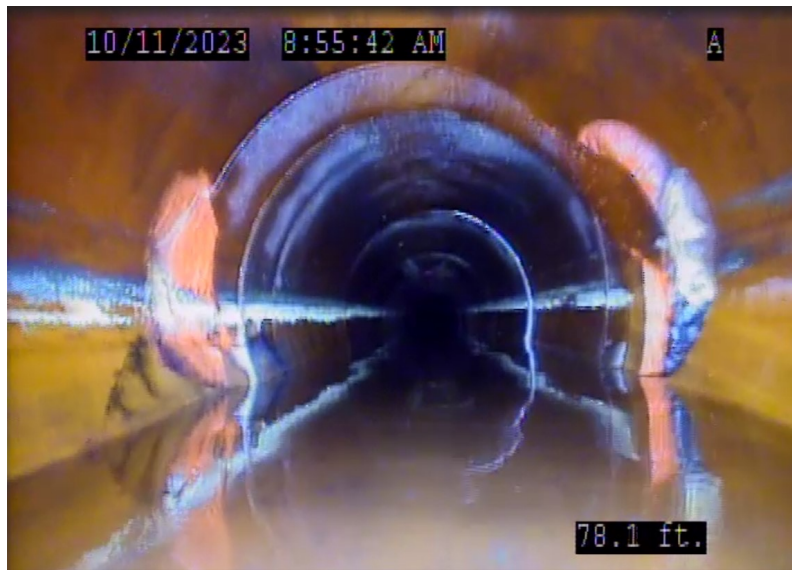




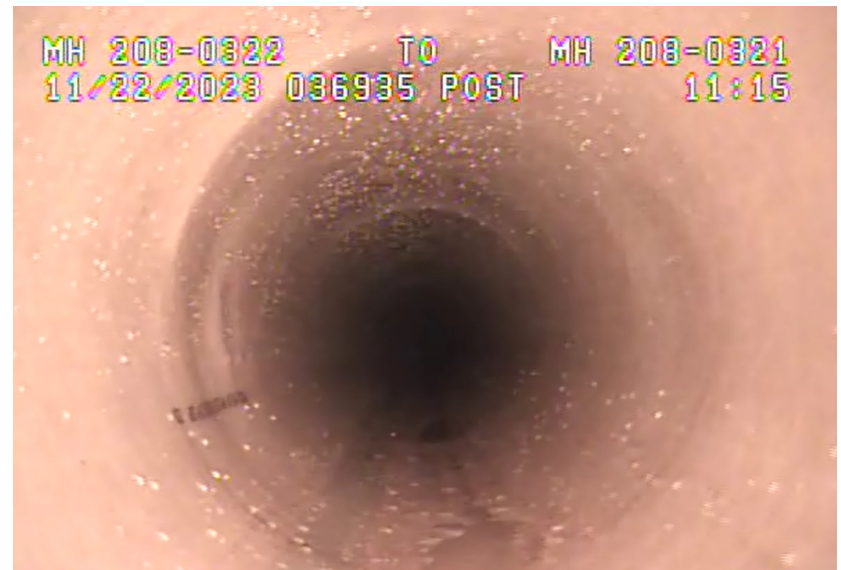
# Problems and Solutions

- Example is a damaged pipe from directional drilling.
- Rehabilitation (sliplining) is a key technology/product.

Before Rehab



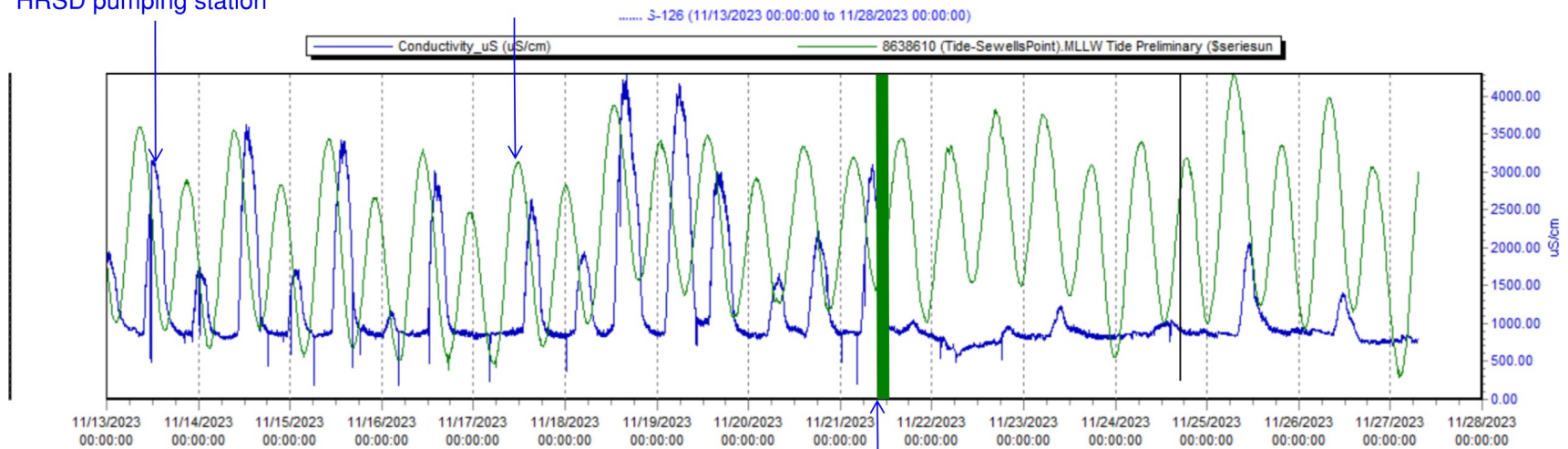
After Rehab



# Measuring Success

Blue line represents the salinity of the sewage, measured at downstream HRSD pumping station

Green line is the water level of the James River (ie, the tide)

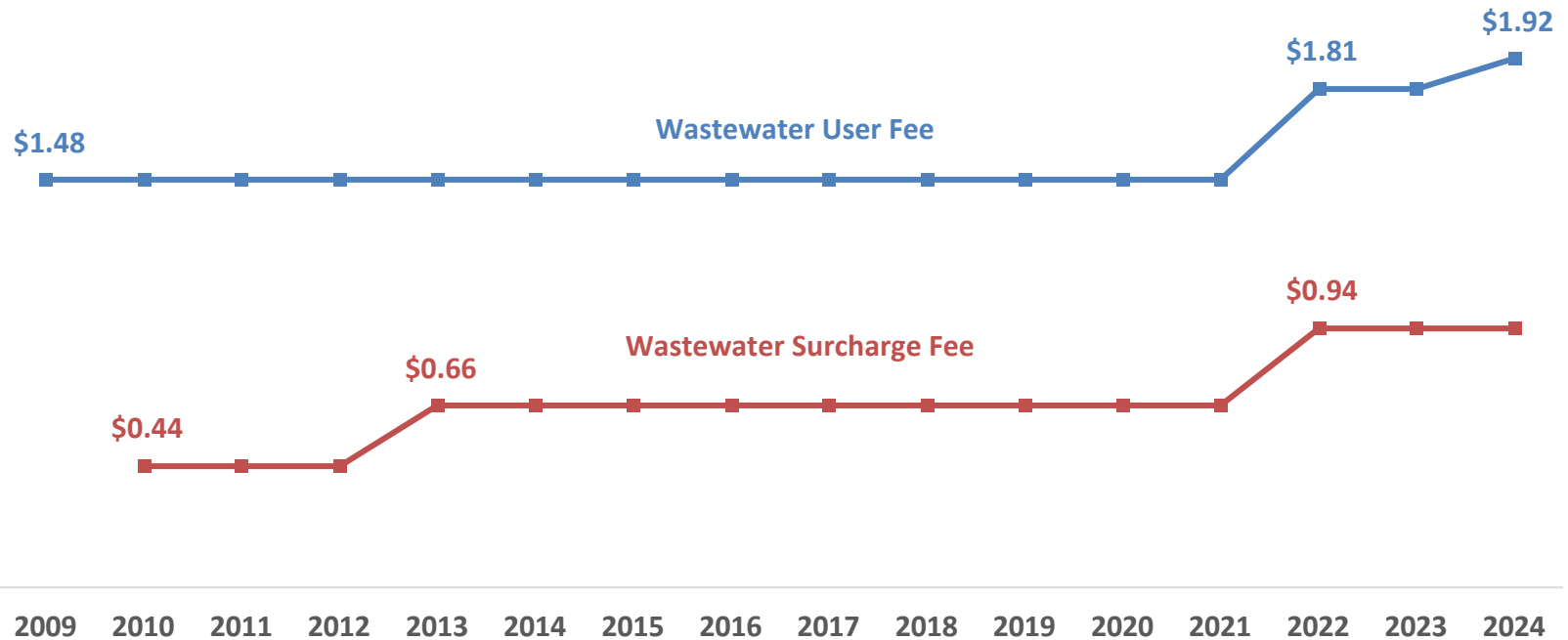


Before CIPP, salinity spikes with each high tide every day.

Full CIPP performed on 11/21/23

After CIPP, daily spikes are nearly eliminated!

# Wastewater Fee History (per 100 cubic feet)



# Wastewater Fee History

- In 2010, a surcharge was added to wastewater bills for regulatory and capital projects.
- Since full adoption of the MOA in 2014, Wastewater has focused on performing the required work and drawing down cash reserves to minimize rate increases.
- Wastewater is prioritizing the worst defects before 2030 as required by the regional regulatory schedule.

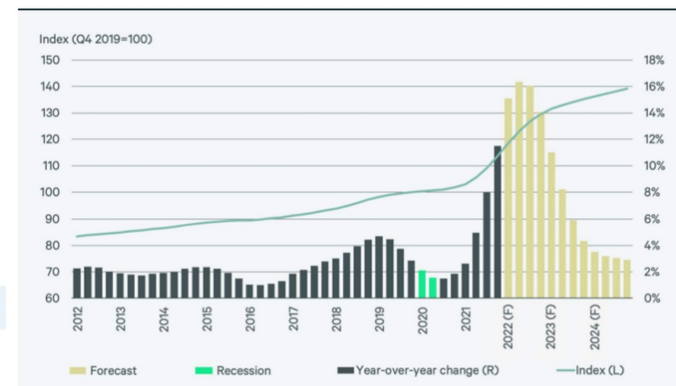


# Rate Increase Drivers

- Cost of Construction (Inflation)
  - Costs for construction and operating and maintenance (O&M) activities over the past several years have drastically increased post-COVID
  - On our recent Pump Station 148 project, costs increased 80% over a 12-month period.
  - National year-over-year construction cost indexes are still increasing, with some costs rising faster than inflation.



Figure 44: Historical CBRE Construction Cost Index performance





# Rate Increase Drivers

- Regional MOA still requires ongoing work
  - HRSD continues to work on larger repairs, not the routine issues that impact our citizens on a day-to-day basis.
  - Hampton continues to be responsible for sewer overflows due to roots, grease, and other failures.
- DEQ continues to increase regulatory oversight




Underground  
damages to  
sewer pipes



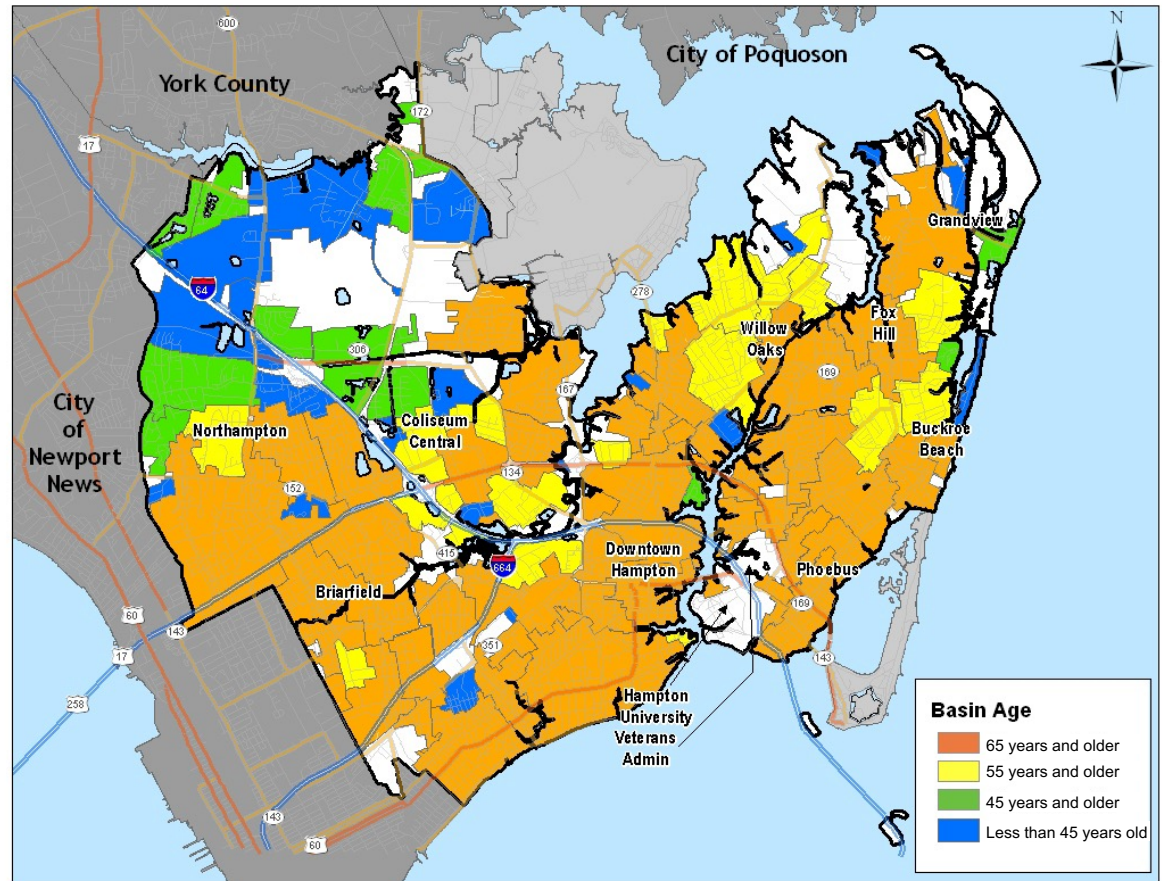
# Increased Oversight

- DEQ continues warnings and enforcement.
- DEQ has implemented a point system involving fines for localities with overflows.
- Hampton received two warning letters in 2023.

	
<p>Commonwealth of Virginia VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY TIDEWATER REGIONAL OFFICE 5636 Southern Boulevard, Virginia Beach, Virginia 23462 (757) 518-2000 FAX (804) 698-4178 <a href="http://www.deq.virginia.gov">www.deq.virginia.gov</a></p>	
Travis A. Voyles Secretary of Natural and Historic Resources	Michael S. Rolland, PE, PWD, PWS Emeritus Director (804) 698-4020  Craig R. Nicol Regional Director
July 7, 2023	
Mr. Jason Mitchell, Director City of Hampton Department of Public Works 22 Lincoln Street Hampton, VA 23669	
Delivered electronically: <a href="mailto:jmitchell@hampton.gov">jmitchell@hampton.gov</a>	
<b>WARNING LETTER</b>	
RE: Warning Letter No. W2023-07-T-107 1748 Old Buckroe Road (SSORS ID 106274)	
Dear Mr. Mitchell:	
The Department of Environmental Quality ("DEQ" or "the Department") has reason to believe that the City of Hampton may be in violation of the State Water Control Law and Regulations at 1748 Old Buckroe Road, Hampton, VA.	
22 Lincoln Street Hampton, VA 23669	
Delivered electronically: <a href="mailto:jmitchell@hampton.gov">jmitchell@hampton.gov</a>	
<b>WARNING LETTER</b>	
RE: Warning Letter No. W2023-10-T-111 N Hope St & E Chamberlain (SSORS ID 106295)	

# Hampton Sanitary Sewer Age Map

- The majority of Hampton's wastewater system is more than 65 years old.
- By 2040, 33% of Hampton's wastewater system will be 100 years old!





# Required Work for MOA

- Ongoing Operating and Maintenance Costs
- \$230M total for capital projects (in 2022 dollars)
  - \$106M required by year 2030
    - Highest priority defects ....
  - \$124M required by year 2040
    - Remaining priority defects ....



← Turn this

Into this →



# Wastewater Projected Fees

Fee per CCF	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Wastewater User Fee <sup>1</sup>	\$1.92	\$2.38	\$2.45	\$2.52	\$2.60	\$2.68	\$2.76
<i>Fee Increase</i>		\$0.46	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Wastewater Surcharge Fee <sup>2</sup>	\$0.94	\$2.12	\$4.79	\$4.93	\$5.08	\$5.23	\$5.39
<i>Fee Increase</i>		\$1.18	\$2.67	\$0.14	\$0.15	\$0.15	\$0.16
Combined Monthly Bill <sup>3</sup>	\$19.10	\$30.06	\$48.36	\$49.77	\$51.30	\$52.84	\$54.44
<i>Monthly Bill Increase</i>		\$10.96	\$18.30	\$1.41	\$1.53	\$1.54	\$1.60

<sup>1</sup> covers the cost of general sewer system maintenance

<sup>2</sup> recovers the cost of MOA requirements

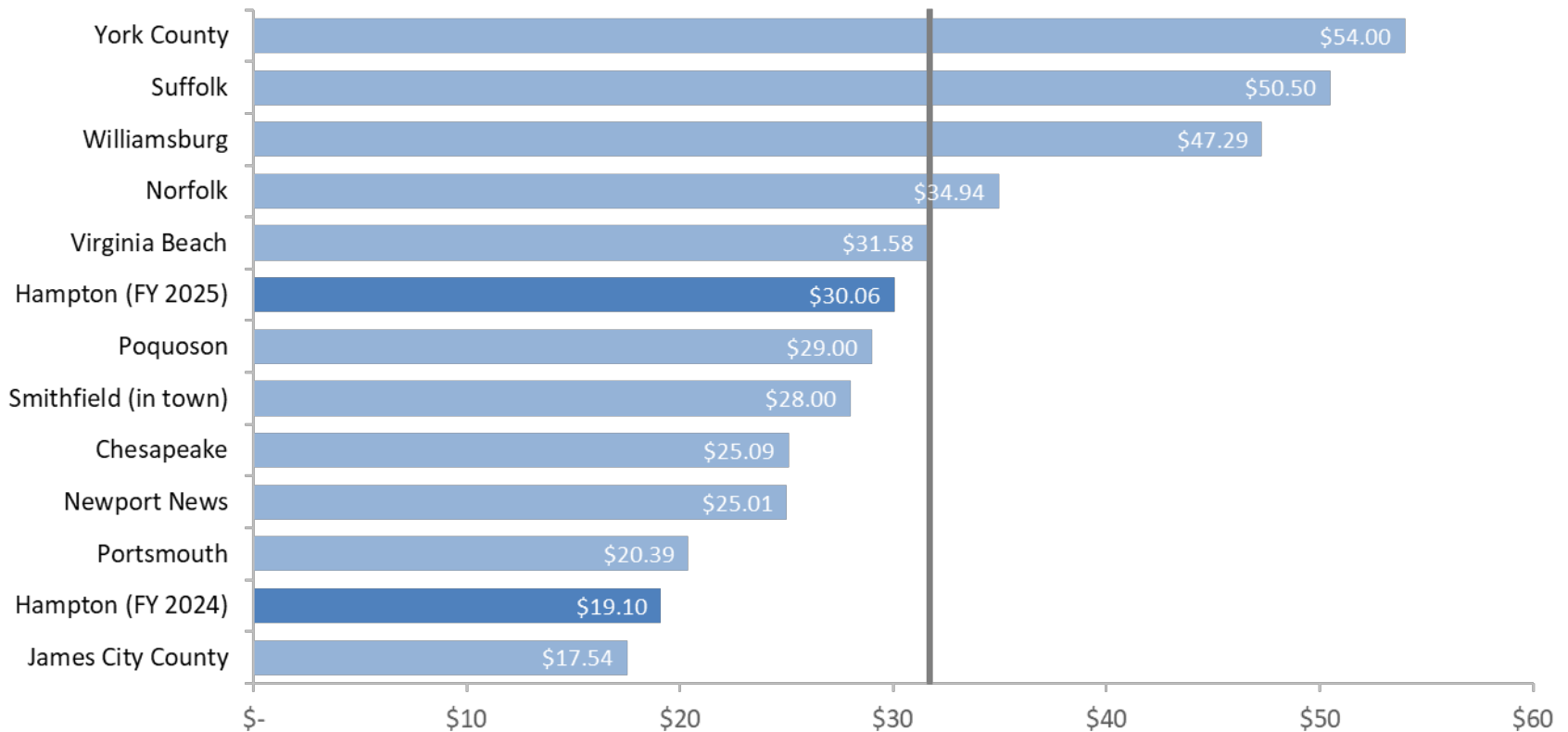
<sup>3</sup> based on 668 cubic feet of usage per month (~5,000 gallons)

(Wastewater fees are based on current projections and subject to change in future fiscal years)



# Monthly Bill Comparison

Average, \$31.73



*Monthly bill for 668 cubic feet (~5,000 gallons); Excludes HRSD treatment charge*

*This comparison does not reflect any proposed increases by other communities*

# Recommendations

- Increases are required for the Operating Rate to meet maintenance regulations.
- Increases are required for the Surcharge Rate to meet regulatory capital costs.
- Adopt the following rates:

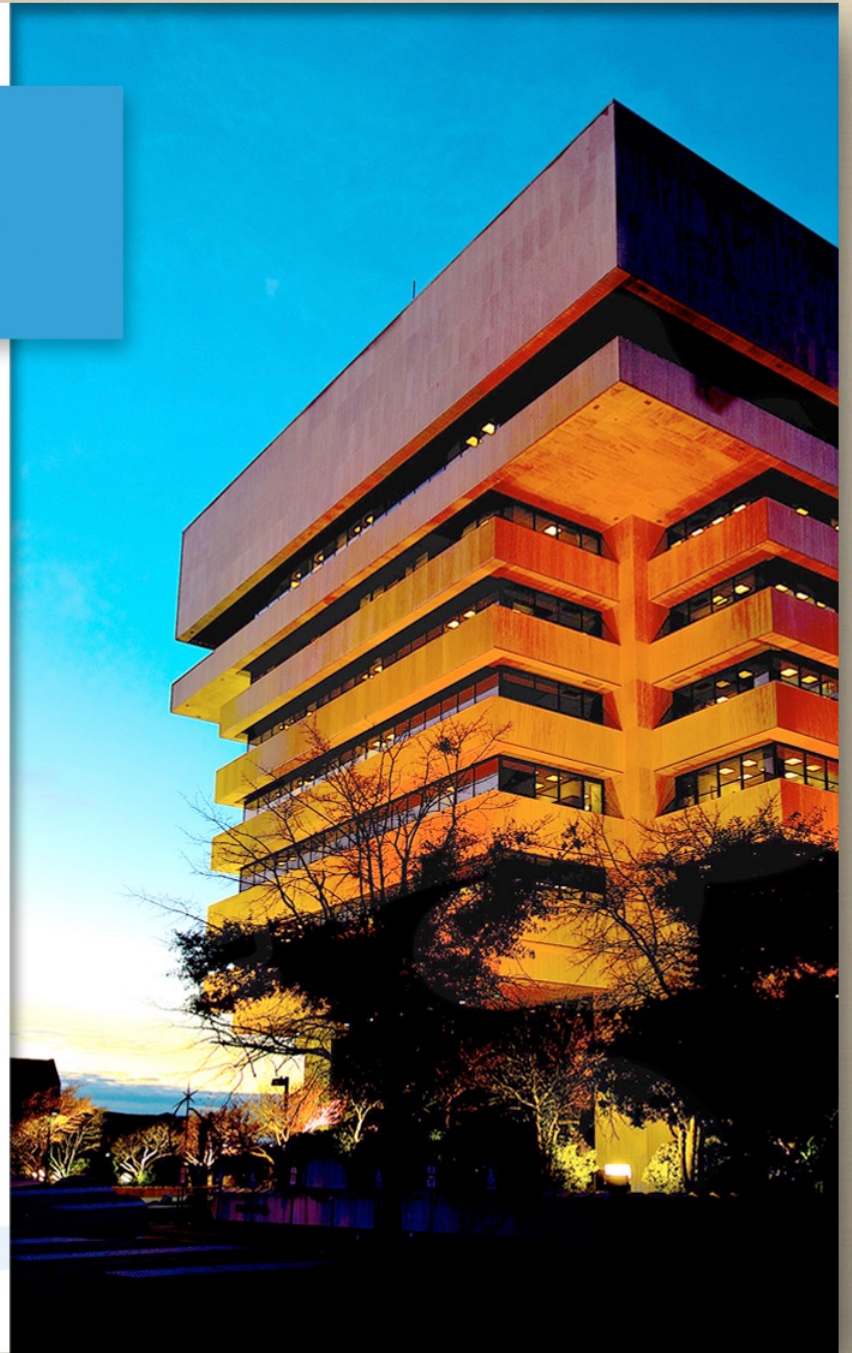
Fee per CCF	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Wastewater User Fee <sup>1</sup>	\$1.92	\$2.38	\$2.45	\$2.52	\$2.60	\$2.68	\$2.76
<i>Fee Increase</i>		\$0.46	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08
Wastewater Surcharge Fee <sup>2</sup>	\$0.94	\$2.12	\$4.79	\$4.93	\$5.08	\$5.23	\$5.39
<i>Fee Increase</i>		\$1.18	\$2.67	\$0.14	\$0.15	\$0.15	\$0.16

<sup>1</sup> covers the cost of general sewer system maintenance

<sup>2</sup> recovers the cost of MOA requirements

# HAMPTON VA

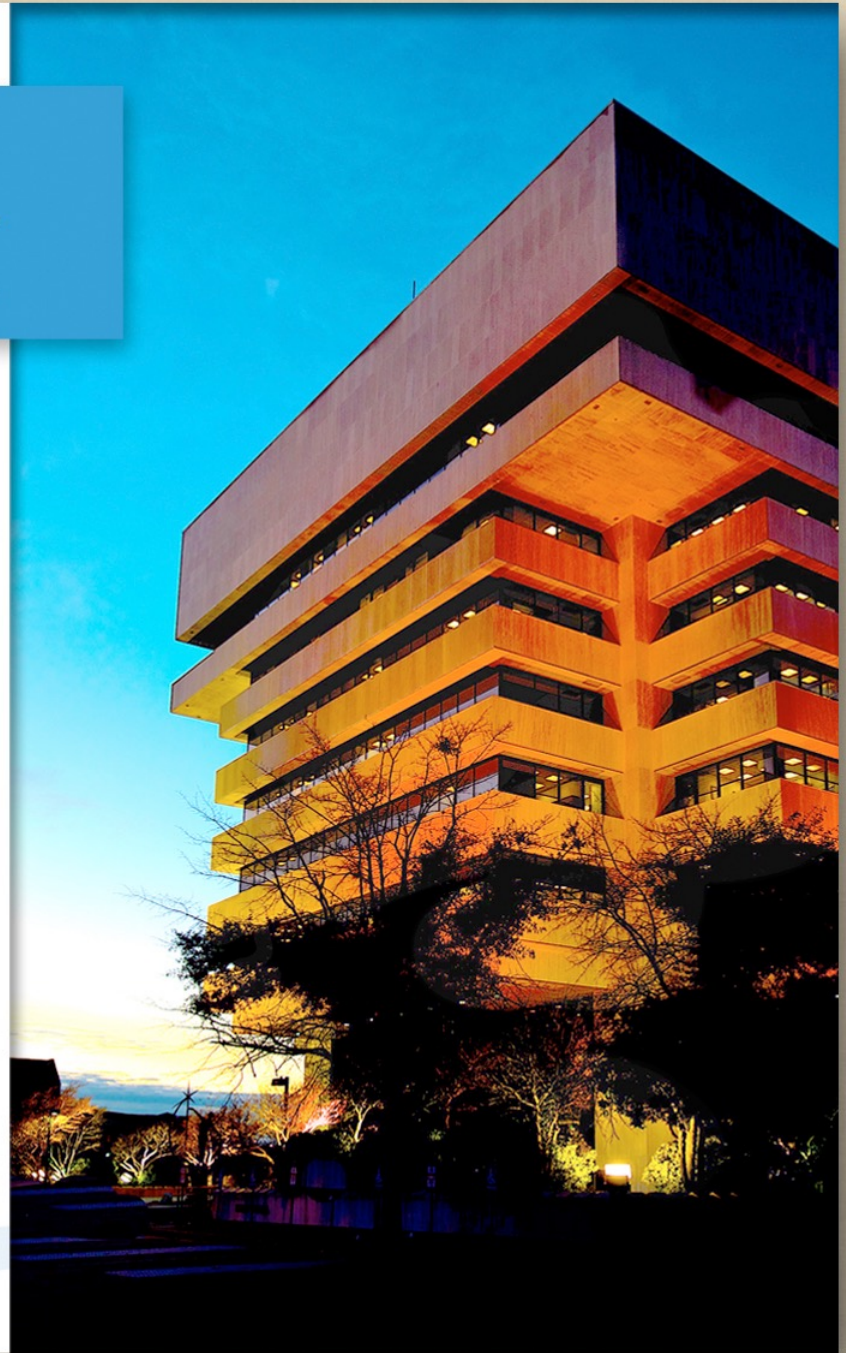
## Questions ?





# HAMPTON VA

## Compensation



# Compensation

- Provide competitive pay to retain and attract talent by:
  - Providing competitive wage increases
  - Reviewing and updating pay scales for hard-to-fill positions
  - Addressing compression
  - Recognizing high performers with monetary and non-monetary awards



# Public Safety Step Plan

- Implemented 1/12/2024; first paycheck 1/26/2024
- 11 grades
  - 10%-15% between each grade
  - “Senior” and “Master” increases factored in
  - Larger increase going from non-exempt to exempt rank
- 24 steps
  - 2.5% increase between each step
  - Step advancement based on completed months of service in rank as of January 1<sup>st</sup>
  - Future step advancement pending available funding
    - No catch up provision if funding not available

# Public Safety Step Plan Advancement: January 2025

<u>Division</u>	<u>Total</u>
Fire	\$677,745
Police	\$556,504
Sheriff	\$113,027
Total	\$1,347,276*

\* Based on current rank

# Civilian General Wage Increase

- Most localities are discussing a 3% increase for FY25
- General Assembly approved a 2% increase for certain school employees, pending Governor approval
- General wage increase (GWI) must be greater than any market adjustments to prevent compression for existing employees. Options include:
  - 4% GWI and a 3% market adjustment, or
  - 3% GWI and a 2% market adjustment

# Civilian General Wage Increase

	<u>Unified</u>	<u>PPT/WAE</u>	<u>Total</u>
<u>General Fund:</u>			
4%	\$2,630,495	\$709,881	<b>\$3,340,376</b>
3%	\$1,972,871	\$532,411	<b>\$2,505,282</b>
<u>Non-General Fund:</u>			
4%	\$895,968	\$238,249	<b>\$1,134,217</b>
3%	\$671,976	\$178,687	<b>\$850,662</b>



# Civilian General Wage Increase

	4% GWI	3% GWI
<u>General Fund:</u>		
	\$3,340,376	\$2,505,282
<u>Non-General Fund:</u>		
	\$1,134,217	\$850,662

# Civilian Market Study

- Conducted “In-House”
- Certain positions required grade adjustments
  - Market trends
  - Vacancy Rates/Hard to fill positions
- City’s minimum wage remains ahead of the Commonwealth
  - City is currently \$15/hour
  - Commonwealth is currently \$12/hour, House and Senate approved \$13.50 1/1/2025 and \$15 1/1/2026, pending Governor approval

# Civilian Market Study Methodology

- 300 positions reviewed
- Positions and duties from all Hampton Roads cities, some neighboring counties, Richmond and Greensboro, NC were reviewed to identify “matches”
- Salary grade minimums were compared for matches to determine position in the market
- If adjustments were needed, all positions in a series were reviewed (i.e. Equipment Operator I, II, III, etc.)

# Office Specialist

Survey Source	Job Title	Min
Chesapeake	Office Specialist	\$ 35,136
Newport News		
Norfolk		
Portsmouth	Office Specialist I	\$ 36,500
Suffolk		
Virginia Beach		
Greensboro, NC		
Richmond		

<b>Market Minimum Average</b>	\$ 35,818
<b>Hampton Minimum</b>	\$ 31,200
<b>Hampton vs Market</b>	-13%
<b>Proposed Minimum</b>	\$ 35,116



# Office Specialist

- Study revealed some overlap in administrative support positions:
  - Office Specialist, Office Specialist Senior
  - Office Assistant, Office Assistant Senior
  - Administrative Assistant, Administrative Assistant Senior
  - Executive Assistant, Executive Assistant Senior
- Recommendation is to eliminate the Office Specialist and Office Specialist Senior positions
  - Aligns with the market in title and salary

# Office Specialist Series

Current			Recommended		
Title	Grade	Minimum	Title	Grade	Minimum
Office Specialist	101	\$31,200	Office Assistant	104	\$35,116
Office Specialist, Senior	102	\$32,136	Office Assistant, Senior	105	\$36,139
Administrative Assistant	107	\$37,254	Administrative Assistant	107	\$38,372
Administrative Assistant, Senior	109	\$39,523	Administrative Assistant Senior	109	\$40,709
Executive Assistant	110	\$40,709	Executive Assistant	111	\$41,188
Executive Assistant, Senior	113	\$45,132	Executive Assistant, Senior	113	\$46,486

# Plans Reviewer II

Survey Source	Job Title	Min
Chesapeake	Plans Examiner II	\$ 57,526
Newport News	Plans Examiner II	
Norfolk		
Portsmouth		\$ 55,548
Suffolk		
Virginia Beach	Plans Examiner II	\$ 55,064
Greensboro, NC		
Richmond		

Market Minimum Average	\$ 56,046
Hampton Minimum	\$ 51,503
Hampton vs Market	-8%
Proposed Minimum	\$ 63,261

# Plans Reviewer Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Plans Reviewer I	113	\$45,132	117	\$55,435
Plans Reviewer II	116	\$51,503	120	\$63,261
Senior Plans Reviewer	120	\$61,418	123	\$72,191



# Building Codes Inspector II

Survey Source	Job Title	Min
Chesapeake		
Newport News	Building Codes Inspector, Senior	\$ 46,323
Norfolk	Building Codes Inspector II	\$ 48,912
Portsmouth		
Suffolk	Building Inspector II	\$ 48,487
Virginia Beach		
Greensboro, NC		
Richmond		

Market Minimum Average	\$ 47,907
Hampton Minimum	\$ 45,132
Hampton vs Market	-6%
Proposed Minimum	\$ 50,764

# Building Codes Inspector Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Building Codes Inspector I	111	\$41,930	113	\$46,486
Building Codes Inspector II	113	\$45,132	115	\$50,764

# Inspector Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Codes Compliance Inspector	110	40,709	113	\$46,486
Codes Compliance Inspector, Senior	112	\$43,188	115	\$50,764
Electrical Inspector I	111	\$41,930	113	\$46,486
Electrical Inspector II	113	\$42,132	116	\$53,048
Plumbing/Mechanical Inspector I	111	\$41,930	113	\$46,486
Plumbing/Mechanical Inspector II	113	\$42,132	116	\$53,048

# Equipment Operator I

Survey Source	Job Title	Min
Chesapeake	Equipment Operator I	\$ 38,767
Newport News	Equipment Operator I	\$ 34,173
Norfolk	Equipment Operator I	\$ 39,312
Portsmouth	Equipment Operator I	\$ 46,184
Suffolk	Heavy Equipment Operator	\$ 41,886
Virginia Beach	Motor Equipment Operator	\$ 33,804
Greensboro, NC	Operator, Heavy Equipment	\$ 37,807
Richmond	Equipment Operator I	\$ 39,000

<b>Market Minimum Average</b>	\$ 38,867
<b>Hampton Minimum</b>	\$ 33,100
<b>Hampton vs Market</b>	-15%
<b>Proposed Minimum</b>	\$ 39,523

# Equipment Operator Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Equipment Operator I	103	\$33,100	108	\$39,523
Equipment Operator II	106	\$36,169	110	\$41,930
Equipment Operator III	107	\$37,254	112	\$44,484
Equipment Operator IV	109	\$39,523	113	\$46,486
Equipment Operator V	110	\$40,709	114	\$48,577
SW Equipment Operator I	107	\$37,254	111	\$43,188
SW Equipment Operator II	109	\$39,523	113	\$46,486
SW Equipment Operator III	110	\$40,709	114	\$48,577



# Parks Technician

Survey Source	Job Title	Min
Chesapeake		
Newport News		
Norfolk		
Portsmouth		
Suffolk	Park Attendant	\$ 32,760
Virginia Beach	Park Assistant	\$ 35,494
Greensboro, NC	Park Attendant	\$ 39,046
Richmond		

<b>Market Minimum Average</b>	\$ 35,767
<b>Hampton Minimum</b>	\$ 32,136
<b>Hampton vs Market</b>	-10%
<b>Proposed Minimum</b>	\$ 36,169

# Parks Technician Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Parks Technician	102	\$32,136	105	\$36,169
Parks Senior Technician	103	\$33,100	106	\$37,254
Parks Master Technician	106	\$36,169	109	\$40,709
Parks Technician Team Lead	109	\$39,523	112	\$44,484

# Recreation Professional, Senior

Survey Source	Job Title	Min
Chesapeake	Recreation Specialist II	\$ 47,224
Newport News		
Norfolk		
Portsmouth		
Suffolk		
Virginia Beach	Recreation Specialist II	\$ 49,944
Greensboro, NC		
Richmond	Recreation Program Instructor, Sr.	\$ 43,680

<b>Market Minimum Average</b>	\$ 46,949
<b>Hampton Minimum</b>	\$ 41,930
<b>Hampton vs Market</b>	-11%
<b>Proposed Minimum</b>	\$ 46,486

# Recreation Professional Series

	Current		Recommended	
Title	Grade	Minimum	Grade	Minimum
Recreation Professional	109	\$39,523	111	\$43,188
Recreation Professional, Senior	111	\$41,930	113	\$46,486

# Civilian Market Study and General Wage Costs

	4% GWI, 3% MKT	3% GWI, 2% MKT
<b><u>General Fund:</u></b>		
GWI	\$3,340,376	\$2,505,282
MKT	\$800,170	\$703,924
<u>TOTAL</u>	<u>\$4,140,546</u>	<u>\$3,209,206</u>
<b><u>Non-General Fund:</u></b>		
GWI	\$1,134,217	\$850,662
MKT	\$485,238	\$439,961
<u>TOTAL</u>	<u>\$1,619,455</u>	<u>\$1,290,623</u>



# Options 1 and 2

1

3% GWI & 2% MKT

---

2

4% GWI & 3% MKT

---

# Implementation of Compression Relief

2 year  
0.25%

A. Cap at 2.5%, at year 10+  
B. Cap at 5.0%, at year 20+

1 Year  
0.50%

C. Cap at 5.0%, at year 10+  
D. Cap at 10%, at year 20+

# Option Summary with Costs

## Option 1: 3% General Wage Increase + 2% Market Adjustment

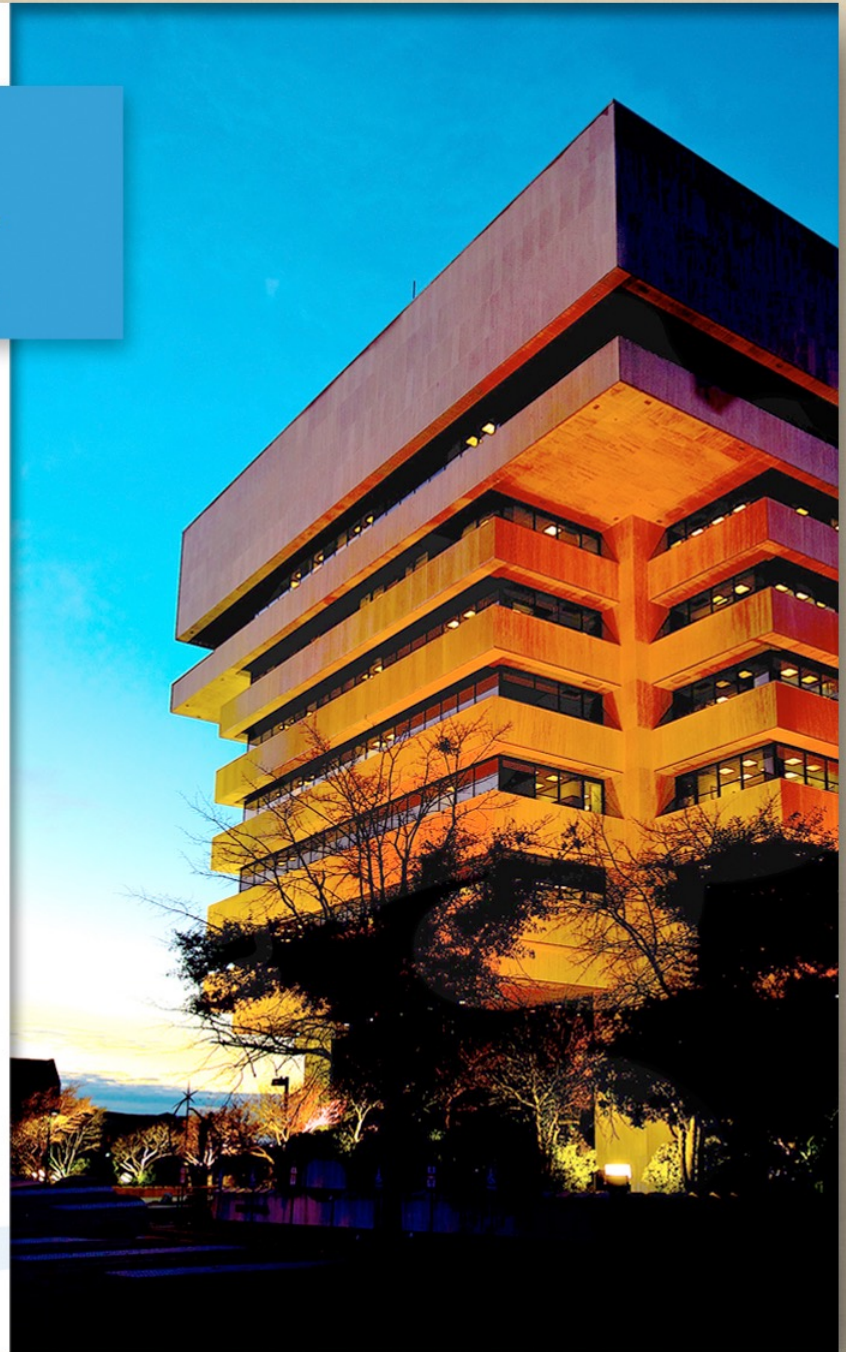
Compression Relief		General Fund
0.25%	1A - Cap at 2.5%, at year 10+	\$4,236,180
	1B - Cap at 5.0%, at year 20+	\$4,664,564
0.50%	1C - Cap at 5.0%, at year 10+	\$5,263,155
	1D - Cap at 10%, at year 20+	\$6,096,334

## Option 2: 4% General Wage Increase + 3% Market Adjustment

Compression Relief		General Fund
0.25%	2A - Cap at 2.5%, at year 10+	\$5,177,496
	2B - Cap at 5.0%, at year 20+	\$5,610,040
0.50%	2C - Cap at 5.0%, at year 10+	\$6,214,446
	2D - Cap at 10%, at year 20+	\$7,079,534

# HAMPTON VA

## **Fringe Benefits**



# Impact of the Health Insurance Increase

Active Employees  
Option: 80/20  
EE Increase in Premium

Tiers	5.1% Increase To Premium Annual	% of Avg Salary
EE Only	\$ 103.20	.17%
EE & Minor	\$ 157.44	.25%
Family	\$ 360.24	.58%



# Impact of the Health Insurance Increase

Active Employees  
Option: Historical Rates  
EE Increase in Premium

Tiers	5.1% Increase To Premium Annual	% of Avg Salary
EE Only	\$ 82.56	.13%
EE & Minor	\$ 149.76	.24%
Family	\$ 323.28	.52%

# Impact of the Health Insurance Increase

Active Employees  
Option: 50/50  
EE Increase in Premium

Tiers	5.1% Increase To Premium Annual	% of Avg Salary
EE Only	\$ 258.24	.41%
EE & Minor	\$ 393.60	.63%
Family	\$ 720.48	1.16%

# Impact of the Health Insurance Increase

Active Employees  
Option: 100% City  
EE Increase in Premium

Tiers	5.1% Increase To Premium	% of Avg Salary
	Annual	
EE Only	\$ -	
EE & Minor	\$ -	
Family	\$ -	

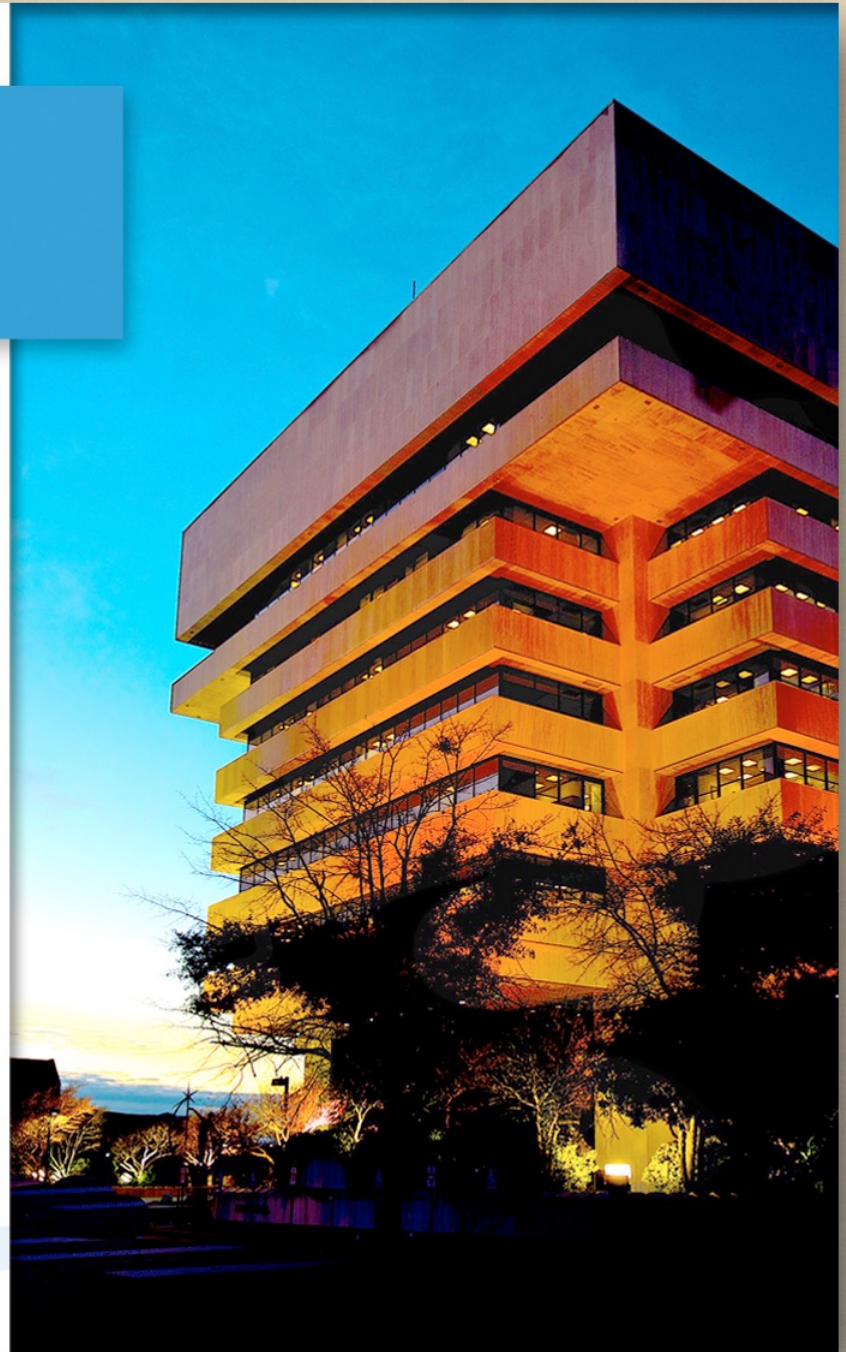
# Fringe Benefits – Health Insurance

## Net Increase in Health Insurance Cost for the General Fund

<u>Options</u>	<u>5.1% Increase To Premium Annual</u>
City: 100%	\$ 1,472,565
Historical Rates	\$ 1,377,762
City: 80% , Employee: 20%	\$ 1,363,354
City: 50% , Employee: 50%	\$ 1,231,223

# HAMPTON VA

## Operating Budget





# HAMPTON VA

## Capital Projects

