



City of Hampton

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

Council Approved Minutes - Final City Council Work Session

Mayor Donnie R. Tuck
Vice Mayor Jimmy Gray
Councilmember Chris L. Bowman
Councilmember Eleanor Weston Brown
Councilmember Steven L. Brown
Councilmember Michelle T. Ferebee
Councilmember Billy Hobbs

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

Wednesday, April 13, 2022

1:00 PM

Council Chambers

CALL TO ORDER

Mayor Tuck called the meeting to order at 1 p.m. All members of the City Council were present.

Present 7 - Councilmember Chris L. Bowman, Councilmember Eleanor Weston Brown, Councilmember Steven L. Brown, Councilmember Michelle T. Ferebee, Vice Mayor Jimmy Gray, Councilmember Billy Hobbs, and Mayor Donnie R. Tuck

DONNIE R. TUCK PRESIDED

AGENDA

1. [22-0121](#) Budget Briefing - Hampton City Schools Budget Scenario

Attachments: [Presentation](#)

City Manager Mary Bunting introduced the item and emphasized that the school budget will be presented as it stands because the state budget, which drives both the School and City budgets, has yet to be received. She added that oftentimes revenue is received from various state programs, but with the absence of a state budget, these budgets were developed without clear direction from the state on what may or may not be provided.

Superintendent of Hampton City Schools (HCS), Dr. Jeffery Smith, gave opening remarks and thanked Council for the strong partnership it has with the School Board and HCS. In addition, he thanked Council, the City Manager, staff and the citizens of Hampton for supporting HCS.

Chairman of the Hampton School Board, Dr. Richard Mason, greeted those on the dais and provided the following introductory information: The Virginia School Boards Association (VSBA) reminds us that school boards have three responsibilities: to select and hire a superintendent; institute policy development; and improve and supervise the budget. We take these responsibilities seriously and hold them in our highest regard. As such, the budget being brought forward today was unanimously approved by the members of the School Board as we must be good stewards of our tax payers' money. HCS mission is to work in collaboration with our community to ensure academic excellence for every child, every day, whatever it takes. Along with the mission, the School Board provided the Superintendent with our priorities during the development of this budget. These priorities included maximizing every child's learning; attracting, developing and retaining exceptional staff; and creating nurturing environments within our schools. Not only are we presenting to the Council a balanced budget, but this budget aligns with the division's mission and priorities.

Prior to the next portion of the presentation, Mr. Mason took a moment, on behalf of the School Board, to thank Council for its collaboration and strong partnership and shared that because of this investment in our young people, HCS Class of 2021 posted the highest on-time graduation rate of 96.86% since 2008 (exceeding the state average); recorded the lowest dropout rate in the divisions history with a .34% dropout rate (this is not only significantly lower than the state average, but also the lowest dropout rate that the other 15 school divisions in our region currently have); made history as the inaugural graduating class of the academies of Hampton; and had 26 students graduate with their associate degrees a few weeks before receiving their high school diplomas.

Mr. Mason again thanked Council for their partnership, investment in the City and dedication to the students and staff.

HCS Chief Financial Officer, Brittany Branch, greeted those on the dais and began presenting the FY2022-2023 School Board approved budget. She shared the five key elements of the budget which are a 5% compensation increase; no increase to employee healthcare premiums; salary adjustments; new positions; and a link to additional budget information.

Ms. Branch spoke a bit about the FY2022-2023 budget development process and the school board priorities for the next school year. Priorities are to maximize every child's learning; attract, develop and retain exceptional staff; and create safe and nurturing environments.

Ms. Branch stated that when developing the budget, staff ensured that a process was utilized to align the funding with the strategic plan and what the School Board prioritized for the next school year. She announced that the total budget is approximately \$385 million based on the following seven funds within the school division: school operating; food and nutrition services; reimbursable projects; rental income; student activity; athletics; and HCS instructional resource toolkit. Funding amounts for each of these categories are included in the slide presentation.

The next section of the presentation provided more information about the school operating fund, the largest fund which is approximately \$268 million and represents 70% of the total budget. This fund houses all of the financial resources and expenditures that are not required to be accounted for in another fund.

Ms. Branch spoke about the other six funds within the school division. Food and nutrition services cover revenues and expenditures for cafeteria operations; the majority of reimbursable projects are related to the Federal Pandemic Relief Grants (all grants the school division receives are accounted for in reimbursable projects); and rental income accounts for revenue received for the renting of spaces within the school division to external parties and these revenues are utilized to cover utilities, repairs and maintenance.

In response to Mayor Tuck, Ms. Branch explained that staff budgeted a special large project in the rental income amount in FY22, but no large project has been planned for in the upcoming year, therefore, the amount allocated for the upcoming year is much less. In addition, reimbursable projects comprises all grant programs (state, federal and other local grants) with the assumption that the grants we currently receive will be received and the projected amounts to be carried over to the upcoming year must be considered. The Federal Pandemic Relief Grant is where the majority of the change is happening; there were also decreases in other grants where carried forward funds were used.

Ms. Branch returned to speaking about the other funds. Student activity funds are comprised of student clubs, fundraisers and miscellaneous activities at the various schools. The increase in athletics funds will help support the initiative of expanding middle school sports. The final fund, HCS instructional resource toolkit, is an enterprise fund or business type activity where HCS curriculum is sold to other school divisions and HCS receives a fee for training others about these materials.

The remainder of the presentation was focused on the FY2022-2023 School Operating Fund which is projected to be approximately \$268 million. Revenue sources include state revenue, local contributions, sales tax, federal funds and miscellaneous funds. Ms. Branch spoke a bit about each revenue source and the

programs funded by them. Data related to these revenue sources and the programs funded by them is included in the slide presentation.

The next group of slides that Ms. Branch reviewed listed the school operating fund expenditures by classification and by object/type. These slides also provided additional information related to compensation; teacher salary scale adjustments; minimum wage and support staff salary adjustments; reclassifications and supplements; healthcare costs; deferred compensation (pension/retirement); and position changes.

Councilman Brown asked about the HCS Pharmacy Center listed under miscellaneous revenues. Ms. Branch shared that HCS has its own pharmacy center and revenue is generated by what people pay out of pocket by going to the HCS Pharmacy. She emphasized that the idea is not to make large profits off of employees; instead, the revenue supports operating the pharmacy center. School Board member Jason Samuels, who was in the audience, added that the typical prescription costs \$2; therefore, this system provides cost savings for staff while simultaneously benefiting the school division.

Councilwoman Ferebee and Councilman Brown asked how Hampton's salaries compare to other local and national salaries. Ms. Branch noted that information is not yet available, but is being compiled as other areas release their school budgets.

Councilwoman Brown commented that it is helpful to see fringe benefits highlighted in the presentation because it shows the value of fringe benefits as a part of total compensation.

Ms. Branch continued speaking about salary adjustments and announced that bus driver pay within the school system will begin at \$21 per hour. This ensures that Hampton is competitive with other school divisions and that Hampton has the best employees in the classroom and transporting students.

Mayor Tuck asked what potentially created the \$1.8 million decrease in healthcare cost in the budget. Ms. Branch explained that HCS is self-insured; therefore, premiums are not paid. In addition, administration for the health plan is contracted out and decreases in fixed administrative fees are expected.

Ms. Bunting noted that last year, the City received a similar level of savings by switching health insurance providers.

Ms. Branch reviewed the final slide of the presentation which listed the remaining miscellaneous non-payroll expenses of the school operating fund and the amount

allocated for each category.

Mayor Tuck shared that Council recently visited a few facilities in the City, including the Aquaplex, and commented that he is excited about the Elementary Aquatics Program because it will assist our youth with learning how to swim. This is important, particularly in a community surrounded by water. Ms. Bunting added that she is confident that we will be the first City and school division to accomplish this for our youth. She also acknowledged the importance of the City and schools working together to ensure water safety in our community.

Ms. Branch thanked everyone for their attention. She also thanked City leaders and City departments for collaborating on a high level with the school system. She then opened the floor for questions.

Councilman Brown commended the School Board and staff for developing an outstanding presentation and budget.

Discussion took place among the members of Council, Ms. Branch, Dr. Smith and some of the School Board members in attendance. Topics of discussion included the use of American Rescue Plan Act (ARPA) funds for reimbursable projects, some of which include HVAC projects, roof projects, Chromebook replacement and continuation of learning programs; "We Care Days" and the next scheduled day for May 27; funding for increased security in schools; and appreciation for Council's investment and support of the Science addition at Kecoughtan High School.

Dr. Smith commended Ms. Branch on her efforts and work in this area.

Mayor Tuck opened the floor for additional questions and comments from Council. None were posed.

Mayor Tuck thanked Dr. Smith, the School Board, staff and administrators for creating a positive environment which encourages our students to dream big and express their career aspirations and goals.

Dr. Smith made closing remarks and thanked City Council, every member of the school support team, the School Board, students, families and the community at large for their continued support and investment in public education.

Mayor Tuck acknowledged Dr. Reginald Woodhouse who joined the meeting late.

Also attending were School Board members Tina Banks-Gray, Joe Kilgore, Jason Samuels, and Rev. Reginald Woodhouse. Board member Ann Stevens-Cherry was unable to attend.

2. [22-0123](#) Highlights of the City Manager's Fiscal Year 2023
Recommended Budget

Attachments: [Presentation.pdf](#)

Ms. Bunting commented on how proud we can all be of how well the City and School Division works together. She then transitioned into presenting the FY2023 recommended budget.

Ms. Bunting shared that the combined City and School budget totals \$581,938,724 and explained that the state requires City Council to incorporate the school budget within its larger total City budget. She clarified that City Council does not have the ability to dictate how the school funds should be used, instead this is designed to reflect a total cost of government approach in the City government budget. Forty-six percent of the budget goes to school operations and fifty-four percent goes to City operations. This includes payments to outside agencies and debt service payments for both the City and school capital projects.

Ms. Bunting announced that while the overall City budget is increasing by 9.7%, the City's operational portion used to provide City services is increasing 6.8%, which is under the rate of inflation. This budget provides for significant tax relief of \$24.5 million, including a real estate tax rate reduction of 6 cents per \$100 of evaluation; no increases in fees for stormwater, wastewater or trash collection; meaningful wage increases that range from 5 - 7% to attract and retain talented staff (this includes the general wage increase as well as the compression adjustment); additional measures to support Police and Fire and EMS; targeted staff increases; support for new efforts targeted to youth; funding that will improve the City's economy, infrastructure and quality of life; and full funding of the Hampton City Schools budget based upon our local funding contribution.

Ms. Bunting prefaced the remainder of the budget presentation with the following statement: This is the first time since I've been City Manager where we have seen strong revenue growth. I'm very pleased that our momentum and progress will enable us to both make significant investments in our workforce and community as well as to provide meaningful tax relief for our public. Our strong revenue growth is a tribute to the economic development and housing strategies we have implemented and the resulting momentum we have built. We are seeing signs of growth in nearly every part of our City and in every sector of development. As but a few examples of our success, we can point to the fact that home values have increased 16% and are on the whole, finally at or above where they were before the great recession. Expansions at Langley Air Force Base are bringing new Air Force personnel to our City. New high-end apartment complexes have opened and others are under

construction. Two neighborhood centers, Mary W. Jackson and Old Hampton and the Fox Hill Neighborhood Center are or will soon be open. We have two new centers of national and even international renown, the Huntington Ingalls Center of Excellence for Unmanned Systems opened this year and the Virginia Tech Virginia Seafood Agricultural Research and Extension Center will be expanding into a new building this fall. Despite this strong performance, there were several challenges. Lingering gaps in the global supply chain, the war on Ukraine and other factors driving inflation to new levels that we had to account for in this budget. The shrinking labor force is also a challenge. In the Hampton Roads Region, the workforce is about 44,000 people smaller than it was before the pandemic, roughly equivalent to the population of Isle of Wight County and the City of Franklin (to put that in perspective). There's also increased talk of a recession ahead based upon economic predictions and consumer confidence surveys. Mortgage rates have also increased since the last year already from 3.11% to 4.72% and higher mortgage rates typically will slow housing values which means fewer people to buy homes. We are also finalizing our budget recommendation at a time when the General Assembly has not yet completed its work as we discussed earlier. Many issues that could impact our budget remain unresolved, perhaps the biggest one of these is Governor Youngkin's proposal to eliminate the grocery sales tax which would reduce the City's budget by \$3.3 million. We do not yet know whether or not the General Assembly will make up the lost revenues for localities, thus, we have had to plan for a worst case scenario in the release of our budget. We remain hopeful that the state budget adoption will occur before the final votes on ours and in fact that they will make up this lost revenue. Should that happen, the Council will be free to determine how to use the \$3.3 million we had to set aside in our Manager's Recommended Budget for this potential loss. We also entered our budget development process with an absolute goal to lower our real estate tax rate as much as practical while addressing the needs outlined above. We are fulfilling a commitment to our residents. When we had to raise the real estate tax rate in FY2014 because of real estate valuation declines, we made a commitment to lower the rate when values ultimately increased once more, and that is what this budget does. Just as we've done for the last 13 years, we offered residents the chance to weigh in on how we would balance these opportunities and challenges. This proposed budget reflects what we believe to be the proper balance between tax relief and responsible investment in our workforce, service delivery and infrastructure while acknowledging some of the uncertainties I discussed. This will allow our community to continue to prosper with an improved quality of life for our residents now and in the future. The pandemic caused us to be very conservative in projecting revenues and controlling expenses which has resulted in some savings. Those savings coupled with federal relief through the CARES Act and the American Rescue Plan Act (ARPA) have created opportunities to make significant capital investments outside the budget process. Today, as I review the full picture of

investments that the FY2023 will bring to us, I will highlight both those initiatives funded with the City budget revenues as well as those funded with ARPA funds.

Ms. Bunting reviewed the slide presentation and provided additional information about the budget related to tax rates and fees; employees; educated and engaged citizens; a safe and clean community; family resilience and economic empowerment; economic growth; living with water; placemaking; good government; and looking ahead (the future).

Ms. Bunting announced that the full recommended budget will be released Friday, April 15; will be available online; and copies will be available in libraries on April 18. Council has two public hearings on the budget on April 27 and May 4. By tradition, amendments are not made to the budget until the last final Council vote on May 11. She noted that hopefully the state budget will be complete by that time.

Mayor Tuck opened the floor for questions and comments from Council. No further discussion took place.

Mayor Tuck thanked Ms. Bunting for the agenda items and again thanked the members of the School Board, Dr. Smith and Ms. Branch for their presentation.

REGIONAL ISSUES

There were no regional issues.

NEW BUSINESS

There were no items of new business.

CLOSED SESSION

3. [22-0133](#) Closed session pursuant to Virginia Code Sections 2.2-3711 A (.3), (.5) and (.8) to discuss the disposition of publicly held real property in the LaSalle Road and Kecoughtan Road corridors of the city where discussion in an open meeting would adversely affect the bargaining or negotiating strategy of the city; to discuss a prospective business or industry where no previous announcement has been made of the business or industry's interest in locating or expanding its facilities in the community; and to consult with legal counsel employed by the City regarding specific legal matters concerning taxi cab ordinances in the Hampton City Code which require the provision of legal advice by such counsel.

At 2:24 p.m., a motion was made by Councilmember Billy Hobbs and seconded by Councilmember Steven Brown, that this Closed Session - Motion be approved. The motion carried by the following vote:

Aye: 7 - Councilmember Bowman, Councilmember Weston Brown, Councilmember Brown, Councilmember Ferebee, Vice Mayor Gray, Councilmember Hobbs and Mayor Tuck

CERTIFICATION

4. [22-0113](#) Resolution Certifying Closed Session

At 4:36 p.m., a motion was made by Councilmember Billy Hobbs and seconded by Councilmember Eleanor Weston Brown, that this Closed Session - Certification be approved. The motion carried by the following vote:

Aye: 7 - Councilmember Bowman, Councilmember Weston Brown, Councilmember Brown, Councilmember Ferebee, Vice Mayor Gray, Councilmember Hobbs and Mayor Tuck

ADJOURNMENT

The meeting adjourned at 4:36 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 _____