



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 Linda D. Curtis
Councilmember Jimmy Gray
Councilmember W.H. "Billy" Hobbs
Councilmember Will Moffett
Councilmember Teresa V. Schmidt
Councilmember Chris Snead

STAFF: Mary Bunting, City Manager
Vanessa T. Valldejuli, City Attorney
Katherine K. Glass, CMC, Clerk of Council

Wednesday, May 2, 2018

1:00 PM

Council Chambers

Budget Work Session

CALL TO ORDER

Vice Mayor Curtis called the meeting to order at 1 p.m. Mayor Tuck, Councilwoman Schmidt and Councilwoman Snead were not present at roll call but Councilwoman Schmidt and Councilwoman Snead arrived just after roll was called.

Vice Mayor Curtis announced that Mayor Tuck was not present as he was with Congressman Scott Taylor who is touring Virginia Tech's Agricultural Research and Extension Center (AREC) which is located here in Hampton. The Mayor is expected to be present for the evening session.

- Present** 4 - Vice Mayor Linda D. Curtis, Councilmember Jimmy Gray, Councilmember Billy Hobbs, and Councilmember Will Moffett
- Absent** 3 - Councilmember Teresa V. Schmidt, Councilmember Chris Snead, and Mayor Donnie R. Tuck

LINDA CURTIS PRESIDED

AGENDA

- Present** 6 - Vice Mayor Linda D. Curtis, Councilmember Jimmy Gray, Councilmember Billy Hobbs, Councilmember Will Moffett, Councilmember Teresa V. Schmidt, and Councilmember Chris Snead

Absent 1 - Mayor Donnie R. Tuck

1. [18-0130](#) Budget Briefings (Continued) - Finance Committee's Recommendation on the Revenue Guideline for Real Estate Tax Rate Adjustment and Discussion by City Council

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

PART 1: FINANCE COMMITTEE'S RECOMMENDATION ON THE REVENUE GUIDELINE FOR REAL ESTATE TAX RATE ADJUSTMENT

City Manager Mary Bunting shared that this meeting is a special meeting called for the purpose of discussing the budget. She also explained that typically, a citizen member of the Finance Committee would present on the policy on revenue guidelines for real estate taxes; however, none of the citizen members were able to participate. The Vice Mayor was elected to give the presentation. At that time, it was not known that the Vice Mayor would be presiding over the meeting. Ms. Bunting noted that this presentation represents the unanimous agreement of the Finance Committee.

Vice Mayor Curtis reminded everyone that the Finance Committee meets at least once a year to review the City's tax policy. She noted that today's presentation will provide an overview of the revenue guidelines for real estate taxes and review the Finance Committee's recommendation for the FY19 Real Estate Tax Rate.

Vice Mayor Curtis provided a brief background regarding Council's approval of the financial guideline dealing with real estate growth. She then called upon City Manager Bunting who provided the following additional information about the policy and why the policy is reviewed annually: In 2006, the City Council approved a financial guideline dealing with real estate growth. At the time, we were in the middle of a real estate sector where housing values were growing very rapidly. Oftentimes people look at the tax rate rather than the amount they pay. If the tax rate is the same and real estate value is growing rapidly, the bill still increases because the function of the bill is the real estate tax rate times the value of your home divided by 100. While people often focus on the rate, equally important is how fast the home value is growing. If it grows very rapidly (even if the rate is not changed) the results could be a significantly higher bill. In 2006 when the guideline was being developed, the Council was concerned with rapidly escalating housing values and the need to be sensitive to that and to try to equalize the tax rate. The policy that was initially adopted suggested that the total revenue growth permitted in the budget from real estate revenue net of any new construction would be limited to either inflationary growth represented by the consumer price index or resident income growth. If

resident income growth was going higher, it would give us an opportunity to make investments such as new schools. A barometer was set and staff tracked the results. Not too long after that, we hit a place where values started to go down. Council added another tier to the policy which said what happens when you lose revenue growth. The rate ought to be equalized whether you have a rapid appreciation of real estate or whether you have a depreciation of real estate. The notion behind this was to have an effort to be intentional about setting the rate of the actual bill, not just looking at the tax rate and reflecting for how revenues from housing reassessments grew or didn't grow.

Vice Mayor Curtis read the following financial guideline on real estate growth: On February 8, 2006, City Council approved the financial guideline dealing with real estate growth: 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 the consumer price index for urban dwellers (CPI-U) or resident income growth (RI); whichever is greater in any given year. To the extent that budgetary needs require real estate revenue to grow faster than this factor, the Manager and Council shall explicitly explain the budget driving factors causing this so that residents may have a concise and clear understanding of the need to deviate from this financial guideline. This guideline was implemented with the FY07 budget.

Vice Mayor Curtis explained that on May of 2013, City Council approved the revision to the tax revenue guideline to incorporate a decline in real estate revenue. She then reviewed a chart which shows the tax equalization for years FY11 - FY19. In early years, there was a significant decline in real estate revenue; in 2013 and 2014, the actual tax rate increased; and in the remaining years, the equalized tax rate increased.

Vice Mayor Curtis explained that Council and the City Manager have been able to hold that tax rate; if we follow the tax policy to the letter, taxes would have been raised some years back, but they weren't because we have been able to live within our means. Vice Mayor Curtis clarified that the policy is in place to help the City have a relatively stable revenue source for future planning and building in the City.

Vice Mayor Curtis announced that the Finance Committee reviewed and voted unanimously at their March 29th meeting to recommend Council maintain the real estate tax rate at \$1.24 per \$100 of assessed value (this is 6 cents lower than the equalized rate per the guidelines).

Vice Mayor Curtis opened the floor for questions and comments from those on the dais.

Ms. Bunting said there are worthy projects where funds could go should we raise the rate to \$1.30. For example, City and School employee salary increases and infrastructure improvements in our community. She reminded everyone that when staff proposes a budget, it takes our competitive nature (with other communities) into consideration. She emphasized the importance of living within our means and being cognizant of where we are relative to other communities. For the benefit of the public, she clarified that this tax policy looks at how to maintain the status quo. Unless there is an increase in new construction, you must consider raising taxes to make investments. She reiterated this is a good policy because it tells us what it takes to be a status quo organization. If there are initiatives we want to advance and be more than a status quo, the rate may have to be raised in the future. The \$1.30 gives us a good barometer to know when we are getting out of line with what the residents should be able to afford to pay.

PART 2: FY19 MANAGER'S RECOMMENDED BUDGET RESPONSES TO COUNCIL INQUIRIES

Ms. Bunting introduced Interim Budget Director Lori Green to provide a summary of responses to questions previously raised by Council regarding the Manager's Recommended Budget. She noted that today's goal is to answer questions and receive direction from Council on their desired changes in order to amend the legal language to the budget prior to the next City Council meeting and to keep the public informed.

Inquiry topics included: continuation of youth camps, drainage ditches, fire and rescue safety equipment, fire and rescue staffing, health insurance, neighborhood center expansion support, impact of Medicaid expansion, parking accommodations at the sportsplex, street resurfacing, transportation for senior citizen excursions, and workforce development support.

TOPICS WHICH REQUIRED ADDITIONAL DISCUSSION AND/OR EXPLANATION

YOUTH CAMPS

Ms. Green provided the following information regarding youth camps: Camp Fury and Camp Prospect are hosted by the Fire and Rescue Division. Camp Fury is a camp for girls and is hosted in partnership with the Colonial Coastal Girl Scouts; participants are required to be girl scouts. Camp Prospect is a camp strictly for young men. The Virginia Rules Camp is hosted by the Police Division and is funded through a grant from the Office of the Attorney General. Other funding sources include donations from area businesses, volunteer organizations, private citizens

and City operating funds. The City is prepared to cover the cost of a grant share if those grants cease.

DRAINAGE AND DITCHES

In response to Councilwoman Schmidt, Public Works Director Lynn Allsbrook clarified that an easement is required before the City can install piping on private property.

FIRE SAFETY EQUIPMENT

In response to Councilwoman Schmidt, Ms. Green stated currently only essential warehouses have washer/dryer equipment; however, it is possible that this equipment could be built into each new station. She emphasized that this type of equipment must meet certain specifications and is expensive.

FIRE AND RESCUE STAFFING

Ms. Green clarified that the Battalion Chief Position is being vacated by retirement; therefore, there will be no reduction in force. She noted if Council desires to convert the position to a medic-firefighter, the staffing level for Fire and Rescue would remain at 297 permanent full-time positions.

Councilman Moffett asked for information about the role of Battalion Chief and why staff believes we can afford to eliminate the position.

Ms. Bunting clarified that an Assistant Chief Position will be eliminated, not the Battalion Chief Position. She explained that years ago, Council and the community questioned whether our Fire Department was top heavy. This resulted in a comparison of our administrative upper level command positions with other cities. It was determined that Hampton had a higher percentage of upper command positions; therefore, staff suggested and was comfortable with eliminating one position (when we received a retirement notice). Ms. Bunting continued explaining that people in five upper command positions are retiring, and now we are fulfilling the prior commitment to eliminate one position. She noted that this will create salary savings in the budget and emphasized that if there were not budget needs, then no positions would have been cut.

HEALTH INSURANCE

Councilman Gray asked whether staff has considered having the City join the State health insurance pool and whether there would be any cost savings by taking that

option.

Ms. Bunting stated staff considered that option in the past and determined that there was no financial savings. She explained when one group combines with another, the risk is spread over a larger group of people. In order for this to be effective, everyone in the pool must be in the same plan otherwise the result is adverse self-selection. She explained that Hampton currently has the best plan without adding more people to the plan because we pay based on actual utilization versus other plans where you pay based on everybody else in the plan. She said joining a State health insurance pool may be beneficial to smaller groups; however, Hampton has approximately 2,000 employees whose current plan is rich and has good coverage. She noted that employees may not want to switch to a plan where the benefit structure decreases.

Finance Director Karl Daughtrey added that approximately a year ago, our Benefits Manager reviewed the State's plan and determined that the premiums under the State's plan are much higher than the City's premiums; therefore, it would not be cost beneficial to the City to join the State's plan.

In response to Councilwoman Schmidt, Mr. Daughtrey explained that there is no employee plus spouse insurance category (versus family option) because the same level of dollars must be collected to cover expenses; if a category premium for employee and spouse is created, the family premiums would increase.

Ms. Bunting added that families with young children may not put as much of a demand on the health plan (cost) as two people in their 50's. She noted that the assumption is that two people may be cheaper than a family of five; however, that is not always the case.

IMPACT OF THE MEDICAID EXPANSION

In response to Vice Mayor Curtis, Ms. Green confirmed that there would be no fiscal impact in FY19 regarding reimbursement for positions at social services programs; however, the City would potentially need to allocate additional funds for FY20.

Ms. Bunting added that the State usually provides a block amount of money which covers salaries for programs; however, there is no way to determine at this point how many people will be serviced via social services programs; therefore, we will need to match whatever new positions we get in FY20.

Councilwoman Snead added that, in addition to new positions, there may be expenditures for additional items such as furniture, office space and equipment.

Ms. Bunting agreed with Councilwoman Snead and added that since it is impossible to project amounts; contingency funds will be used for the first year and then build it into the FY20 budget.

NEIGHBORHOOD CENTER EXPANSION SUPPORT

In response to Vice Mayor Curtis, Ms. Bunting explained that approximately \$70,000 is available to cover supporting the expansion of a number of neighborhood centers.

Ms. Bunting reminded Council that these are only recommendations; however, staff will make adjustments to accommodate Council's preferences regarding what they would like to see funded.

SENIOR CITIZEN EXCURSIONS

Councilman Gray expressed concern about excursion accommodations for our seniors as activity buses lack accommodations such as rest rooms and a comfortable ride for lengthy trips and/or trips with long travel times due to traffic. He inquired about charter buses being used for local trips.

Ms. Green reminded everyone that staff estimates that using a charter bus service will add approximately \$15 to \$20 per person per trip. An additional consideration is trip distance.

In response to Councilman Moffett, Parks and Recreation Director Kevin Myers stated estimates were provided based on data from local companies and bus drivers. He reminded everyone that the cost of an excursion depends on the trip distance.

Councilman Gray shared an example of a local trip he was recently involved in and explained that the cost per person for the charter bus was not very high. He suggested staff look into charter companies that may be able to provide services at reasonable prices.

Councilman Moffett commented that he believes there are local vendors which provide better rates; however, he would continue the discussion with Mr. Myers following the meeting.

WORKFORCE DEVELOPMENT SUPPORT

Ms. Bunting clarified that the staff member who is working on Workforce Development began in Minority Business Development. At the time, there was

another full-time employee in Minority Business Development. Because the employee (Ms. Pam Croom) is motivated and had extra capacity, the Economic Development Department Director at the time assigned her the extra Workforce Development task (with which she has done a fantastic job) part-time. Ms. Bunting continued explaining that when the other Minority Business Development Department employee left the organization, the notion was to fill that vacant position and have that new person do the work of a full-time and part-time person freeing up Ms. Croom to do full-time Workforce Development work. She noted that if this plan does not work, she will return to Council next year seeking to add another position.

For the record, Councilwoman Snead commented that she would never want anything to be taken away from Minority Business Development; however, the work Ms. Croom is doing is crucial to our strategic area because it helps prevent poverty, gets people employed and boosts the economy. She commended Ms. Croom for a job well-done and added that she (Councilwoman Snead) could see our full potential by having Ms. Croom in this position full-time.

Ms. Bunting noted the way to codify this would be to include it in the service description in the budget document.

Ms. Green provided the following summary: Staff has identified approximately \$70,000 (that is excluding any additional revenues that may surface from what Mr. Daughtrey may be able to find or what we may be able to get from the State) that can be used for changes to the budget. Staff recommends Council give consideration to expanding the neighborhood center support as it is one of Council's strategic priorities.

Ms. Green opened the floor for additional questions and/or comments from those on the dais. No questions or comments were presented.

Ms. Bunting suggested that Council inform staff whether what has been proposed is acceptable and if not, inform them of categories that they would like to see funded or inform them of any topics of concern. She emphasized that staff needs to be made aware of this information as soon as possible so that they may have the opportunity to prepare for next week's meeting.

ADJOURNMENT

The Vice Mayor adjourned the meeting at 2:01 p.m.

Contact Info:
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Donnie R. Tuck
Mayor

Katherine K. Glass, CMC
Clerk of Council

Date approved by Council _____