

**RECOMMENDED  
FY 2010 OPERATING BUDGET  
POSITION PAPERS**

**TABLE OF CONTENTS**

**GENERAL**

1. Real Estate Assessments
2. School Funding
3. Capital and Debt Service Spending
4. Positions Eliminated or Frozen and Layoff Summary
5. Pension and Other Post Employment Benefit (OPEB)  
Contributions
6. Leave Exchange Program

**DEPARTMENTAL**

7. Public Utilities Enterprise Fund
8. Human Services
9. Police
10. Fire
11. Parks, Recreation and Tourism
12. Libraries and Information Services
13. Public Works General Fund
14. Public Works User Fees
15. Engineering
16. Vehicle Services
17. Human Resources
18. Purchasing

**COMMUNITY SUPPORT**

19. Children & Family Services Initiative for Hispanic Outreach  
Program
20. Community Support Funding Recommendations

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **REAL ESTATE ASSESSMENT**

### Issues

The State Code requires localities to periodically revalue all real estate property within their boundaries for purposes of taxation. While localities are given options on reassessment frequency, the Newport News City Code requires annual reassessments. The City Assessor determines changes in values that have occurred from the prior year to the current year, which serve as a basis for levying taxes for the subsequent year.

In the performance of the revaluation process, the City Assessor conducts property inspections, verifies sales and analyzes the market data to determine the new assessed values on every parcel of property in the City. The Assessor's Office mails notices of changes in values, responds to property owner questions and concerns about the new valuations, reviews the properties and revises the values where justified. Records are maintained on each parcel of property and information made available to the public as necessary or requested.

Equity or fairness in the valuations of like properties determines the quality of the reassessment process. Similar properties require equal treatment in the maintenance and application of values. This equity or fairness is determined by the uniformity of values or assessments of properties having like characteristics and qualities located in the same area. The courts have ruled that if it is impractical to enforce both the standards of market value and uniformity, the latter is the preferred end to be attained.

In an effort to ensure the equity/uniformity of assessments, properties are grouped by property type and then by area. Once this is accomplished, sales within the same time frame are researched and verified. Sales, which are considered to be arms-length transactions or valid indicators of market transactions, are then analyzed to derive indications of value which can be applied to like properties. The sales are also analyzed to determine value indications for differences in characteristics such as age, quality, size and amenities. These indicators are then applied to all properties within the area to determine the assessments. As a final check in the process, the proposed assessments are then compared to the valid sales within the areas to check and verify the accuracy and uniformity of values.

The City Assessor begins the reassessment of properties throughout the City in late August, with the requirement to complete the process by the following March, to produce the annual reassessment in time for the next year's tax levy. Appraisers review property sales in their areas of responsibilities, compare the sale to the current assessment, and verify and validate the sales information. They analyze the sales information for indications of values, apply the indications of values to other similar properties, and prepare reports and studies containing that information.

The City Assessor and Deputy Assessor review the information for accuracy and reliability, resolve questions and problems, and apply indicators of values to the appropriate properties in the area. Information is processed into the computer system; final review is done and reassessment notices generated and mailed to the property owners.

Beyond the review of sales data, the reassessment process includes recording property transfers to maintain the City's assessment records. To accomplish this function, the Assessor refers to court records, including deeds, wills and plats, identifies the property, determines if all or only a portion of it is involved in the transfer and takes appropriate action to complete the transfer including any changes in records as necessary.

Reassessment also involves the processing of building permits on a quarterly basis, determining the appropriate change in value due to the permit and updating records with changes to property description and corresponding change in value. It encompasses the collection of information on approved subdivision plats that have been filed and recorded in the courthouse for the creation of new tax parcels and the mapping of subdivision parcels to reflect changes in boundaries. In addition, the Assessor places a value on all tax exempt real estate: federal, state, city, church-owned and other exempt property.

In the fifteen years prior to FY2005, reassessment changes were generally modest across all property types. During these periods there was no or minimal increase in property values. In contrast, FY2005 through FY2008 exhibited the well documented increases in property values predominantly weighted towards residential property.

The table below shows a ten-year history of assessment changes across the major property types with corresponding tax rate changes.

#### Reassessment History

	Single Family Residential	Multi-Family	Condominium	Apartments	Commercial	Industrial	Tax Rate
2001/02	2.62%	1.24%	1.79%	8.05%	1.91%	1.66%	\$1.24
2002/03	3.74%	2.97%	2.01%	6.90%	3.00%	0.37%	\$1.27
2003/04	5.48%	2.92%	3.58%	13.18%	2.91%	0.73%	\$1.27
2004/05	9.22%	11.61%	7.65%	10.38%	3.95%	1.44%	\$1.27
2005/06	16.11%	17.74%	15.09%	12.05%	5.56%	5.60%	\$1.24
2006/07	21.15%	24.91%	18.94%	11.22%	9.13%	5.73%	\$1.20
2007/08	18.62%	25.01%	18.75%	8.09%	8.35%	5.42%	\$1.10
2008/09	5.35%	15.49%	7.07%	10.76%	8.84%	3.62%	\$1.10
2009/10	0.01%	0.55%	1.61%	3.80%	2.97%	2.90%	TBD

By mid-March 2009, the reassessment for FY2010 has been substantially completed. The valuation increase from reassessment is \$186,448,461 or 1.22% above the FY2009 current level. The following provides a summary in a table format:

#### Reassessment Summary for 2009/10

	2008/09 Total Levy (Current)	2009/10 Total Levy (Next)	Difference	Percent Change
Apartment	\$1,556,705,800	\$1,615,912,200	\$59,206,400	3.80%
Commercial	2,512,407,254	\$2,587,052,892	\$74,645,638	2.97%
Industrial	1,234,795,802	\$1,270,594,425	\$35,798,623	2.90%
Multi-family	49,630,500	\$49,902,800	\$272,300	0.55%
Condominium	697,720,000	\$708,942,700	\$11,222,700	1.61%
Residential	9,176,766,200	\$9,178,056,200	\$1,290,000	0.01%
Trailer Court	39,858,300	\$41,441,800	\$1,583,500	3.97%
Lessee	58,540,000	\$60,969,300	\$2,429,300	4.15%
Total	\$15,326,423,856	\$15,512,872,317	\$186,448,461	1.22%

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## SCHOOL FUNDING

### Issue

The school divisions in Virginia have no taxing authority and are not fiscally independent; they must rely on funding from Federal, State and local government to satisfy their Operating Budget requirements. To decide the level of local funding for its public school system becomes one of the most significant budgetary policy matters to be resolved in the adoption of the annual Operating Budget.

In Virginia, local schools depend heavily on State funding that is received through sales tax revenue apportionments, basic aid to support the Standards of Quality (SOQ), and other incentive-based or categorical revenues approved by the General Assembly during its biennial budget considerations. FY 2010 is the second year of the Governor's Biennial Budget. Under State policy, the local government is required to contribute at least a minimum level of funding that is determined by a Required Local Effort (RLE), which computes the locality's ability to pay for education. The RLE is calculated for Standard of Quality funding, based on March Average Daily Membership (ADM) projections. For FY 2009, the minimum Required Local Effort required by the City of Newport News was \$46,758,361. However, the City actually contributed \$113,800,000. This additional \$67,041,639 in funding by the City represents recognition that the state has not fully funded its SOQ obligations, and that even if it did, this level of State funding would be insufficient to support the level of educational services desired in our community.

In developing a recommended Operating Budget each year, the School Superintendent determines the new monies the School Division can expect to receive from the State, from federal impact aid, and from other miscellaneous revenue. The difference between the revenue sources and the School's base operating needs, plus additional funding for any new initiatives, becomes the basis for the request for local funding. In reality, the amount of local funding to be requested is often tempered by the School Division's understanding of the extent to which the City's General Fund resources may grow from one fiscal year to the next.

The process of determining a distribution of existing and new revenues between a locality's School Division and the municipal government becomes a fundamental decision in the annual budget process. In some Virginia localities, this is accomplished by agreeing in advance on a funding formula, the complexity of which varies among jurisdictions. In most localities, however, this determination must be made each year

by the governing body upon considering the recommendation of their City Manager and the amount of the request made by the elected School Board. In arriving at a distribution decision, the City Manager and governing body must evaluate the funding requirements for their municipal operation and weigh these against the financial needs of their School Division. While this would be the normal way to proceed in early September 2008, when the national economy began to slow down dramatically, it became evident that state and local revenues would be seriously impacted for the remainder of FY 2009 and into FY 2010.

Given the Governor's budget proposal announced in December 2008, it was clear that school districts could anticipate substantial reductions in State support for the upcoming fiscal year. Generally, over the past decade, the greatest increase in State funding has come in the first year of the State's biennium budget. With FY 2010 being the second year of the biennium budget, it would have been reasonable to project that the Superintendent's Recommended Budget would contain State revenues at least equal to the FY 2009. With the Governor's FY 2010 recommended budget, the State support to Schools actually declined over \$15.4 million, or a decrease of 7.8% from the current fiscal year. Other revenues for Newport News Schools saw no change in Federal Funds, at \$4,526,000, and a slight increase in other locally-generated revenues (tuition, athletic fees, etc.) of \$107,300, bringing the FY 2010 estimate for this source to \$1,389,550.

For the past several fiscal years, a funding formula has been used to estimate the City's Local Share Contribution. When calculating the funding formula, the City generally discounts those General Fund revenue sources restricted for use for specific purposes, and then has a net new revenue amount to fund its various requirements such as debt service, municipal services, and the School Division's request. Because debt service obligations, whether for School or City projects, must be met before revenues can be legally used for any other purpose, the funding for these obligations is subtracted from the formula before identifying what is available for discretionary School or municipal spending. Due to the extreme revenue reductions experienced by both the City and the Schools, it was agreed by the City Manager and the School Superintendent to forego using the funding formula for FY 2010, and that the City would provide the same level of funding in FY 2010 as in FY 2009, of \$113,800,000. There is one exception to this amount, which is noted below.

### **School Resource Officers**

Police Department currently provides funding for eleven (11) School Resource Officers (SRO) for the City of Newport News Public Schools. Nine (9) of these positions are fully funded in the annual operating budget of the Police Department, with the Schools reimbursing a portion of the expenses. The salaries and fringe benefits of two (2) additional SRO positions are fully funded by the School System, with their operating

costs paid by the Police Department. The FY 2009 Schools cost for all eleven positions is \$510,990. In order to simplify the operational agreement between the Police Department and Schools, and instead of the City billing Schools for the annual costs, the value of the Schools amount will be deducted from the fiscal year's City Local Share contribution, after the City-Schools revenue sharing percentage has been calculated. The FY 2009 Schools reimbursement of \$500,000 will become the base line funding for the reduction. The City will continue to absorb all other operating costs for these nine positions (salary and fringe benefits increases, plus routine operating expenses of fuel, telecommunications, supplies, etc.) in future fiscal years.

### **Funding Strategy**

The City's total General Fund revenue for FY 2010 is projected to decline by \$11.6 million or 2.7%. There were no new revenues projected to be generated in FY 2010 for any discretionary spending, after satisfying debt service and cash capital obligations.

With this decline in revenue from the current fiscal year, there is no new money available for various City FY 2010 expenditure requirements, i.e., departmental operational requirements, salary and benefit increases, and enhancing contributions to City retirement fund and post-retirement fund, or increased support for regional organizations.

Combining the City Manager's recommendation for local funding and the School Division's projection for State and federal revenues, the Division, after covering its debt service obligations, will have a total decrease from FY 2009 of \$15.7 million or 5% in the revenues available to address its spending requirements for FY 2010.

### **Impact**

The City Manager's recommended FY 2010 City Operating Budget provides for the same level funding as FY 2009 for Schools of \$113,300,000 with the School Resource Officer deduction of \$500,000 inclusive.

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **CAPITAL FINANCING AND DEBT MANAGEMENT**

During the development of the FY 2010 Capital Improvement Plan (CIP) last fall it became apparent that the rapid deterioration in the economy would result in a significant decline in revenues over the next several years. In order to reduce the costs of debt service and cash capital in our operating budget, we undertook an effort to curtail capital spending over the next two years and fund only those projects that were identified as critical.

In January 2009, City Council adopted a Fiscally Constrained FY 2009 CIP that reduced planned capital spending 63% from the original plan to ease the impact of new debt on the FY 2010 and FY 2011 Budgets. The constrained CIP reduced our debt burden (ratio of outstanding debt to assessed value) to 2.9% for FY 2010 and allowed the City to reach its goal of 3.0% two years earlier than planned. The debt service ratio (debt to total General Fund revenues) associated with the adopted FY 2009 CIP is 8.3% or well below the 9.5% limit.

The second year of this two-year reduction is reflected in the first year of the FY 2010 – FY 2014 CIP. Our challenge was to restructure our capital spending in the “out years” of this new CIP so that projects postponed from the early years could be undertaken within the five-year period without exceeding either the debt burden and debt service ratio policies.

The fiscally constrained FY 2010 – FY 2014 CIP not only adheres to our debt management policies, but, in fact, enables the debt burden ratio over the five-year period to drop to 2.5% by FY 2014. Meanwhile, our ratio of debt service to General Fund revenue continues to average 8.2% over this period, and our cash capital ratio goal of funding 20% of the CIP with cash allocations is still achieved in FY 2012.

### **Cash Capital**

The City continues to remain committed to cash funding from the operating budget to finance certain capital projects instead of taking on additional debt. The FY 2010 – FY 2014 CIP calls for total cash capital funding of \$38.8 million over the five-year period. Of this amount, \$3,875,000 is included in the FY 2010 Recommended Operating Budget which is down \$811,300 from the adopted FY 2009 Operating Budget of \$4,686,300. The ability to use cash capital financing instead of general obligation debt saves the City money by reducing long-term principal and interest payments. A table



showing the annual cash capital spending associated with the FY 2010 to FY2014 CIP is provided below:

### **Cash Capital Financing**

	<b>Cash Capital</b>	<b>General Obligation Bond Funding</b>	<b>Total General Fund CIP</b>	<b>Cash capital % of General Fund CIP</b>
FY 2008	\$4,842,000	\$34,598,000	\$39,440,000	12.28%
FY 2009	\$4,686,300	\$10,090,000	\$14,776,300	31.71%
FY 2010	\$3,875,000	\$18,155,000	\$22,030,000	17.59%
FY 2011	\$6,335,000	\$33,230,000	\$39,565,000	16.01%
FY 2012	\$11,530,000	\$32,105,000	\$43,635,000	26.42%
FY 2013	\$7,970,000	\$31,010,000	\$38,980,000	20.45%
FY 2014	\$9,175,000	\$36,055,000	\$45,230,000	20.29%

### **Debt Service**

The bond authorization to support the originally adopted FY 2009 CIP was scheduled for adoption in August 2008. The authorization would have allowed appropriations for projects in the approved FY 2009 CIP and the sale of bonds to support those projects. With early indications that the City was facing a potential severe revenue shortfall for FY 2009, the City Manager delayed bringing the bond authorization to City Council until January 2009, and instituted a freeze on all capital project activities, funding only those that were considered critical in nature. The capital spending constraints also allowed the City to postpone the need for a bond sale to finance these projects until July of 2009.

The action taken to preserve the City's existing bond cash had several beneficial effects. First was the opportunity to re-evaluate all existing capital projects that required funding for their necessity, urgency, and impact on future funding needs. Second, it allowed the City to forego the bond issue planned for the current fiscal year. (Each Bond sale results in one principal and two interest payments each year to the bond issuer, with the first interest payment normally due six (6) months after the bond sale.) By postponing the bond sale to July of 2010, the City would be able to postpone an interest and principal payment during that budget year, resulting in a significant debt service savings to the FY 2010 Operating Budget.

As the national economic conditions worsened in late-summer and early-fall of 2008, the timing of the bond sale to support the FY 2009 CIP had also changed. From September 2008 to January 2009, the municipal bond market was very inactive with virtually no money available to be lent to even the highest rated localities (those with

AAA ratings). By mid-January 2009, the credit market began to function in a normal manner once again with more demand for municipal tax exempt bonds. Routine competition among the investment firms returned, thus making interest rates more attractive than they had been for several years.

Early in 2009, the City's financial advisors, Public Financial Management (PFM), recommended that the City be prepared to sell bonds in April 2009, so that we could take advantage of favorable market conditions during this time period. The proposed bond issue will be structured so that the City will still realize the same savings, as if we had sold bonds in July of 2009, i.e., having only paid one interest payment and no principal payments in FY 2010.

In addition to the April 2009 bond sale, the City Council has also approved an authorization to refinance certain existing bonds issued at higher interest rates. The refinancing of \$38.5 million in existing bonds is also planned for April 2009. A refinancing is expected to generate additional debt service savings for the General Fund of about \$285,000 in FY 2010 and \$365,000 in FY 2011.

Below is a table showing the affect of the debt service savings from delaying the bond sale and from the anticipated refunding:

**TABLE TWO - General Fund Debt Service**

	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Budget</b>	<b>FY 2010 Recommended</b>
<b>Annual Debt Service</b>	\$31,728,218	\$38,307,194	\$37,220,999	\$35,591,352
<b>Amount Change</b>		\$6,578,976	(\$1,086,195)	(\$1,629,647)
<b>Percent Change</b>		20.7%	(2.8%)	(4.4%)

As illustrated by the above table, the actions taken to constrain capital spending and to delay the issuance of new bonds has helped the City cope with the revenue shortfalls in both FY 2009 and FY 2010.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## ELIMINATED, TRANSFERRED, AND NEW POSITIONS

### Positions Eliminated or Suspended, Attrition Savings

It became evident early in the current fiscal year that projected General Fund revenues would fall significantly short of budgeted levels for FY 2009 and that the negative trend would likely continue through FY 2010. Subsequent analysis projected the shortfall would be in the \$12 million range for both years. In response to the problem, the City Manager tightened the hiring suspension that he had imposed in February 2008. The savings from the resulting position vacancies along with other expenditure reductions appear to be sufficient for the General Fund to finish FY 2009 within the revised revenue projection.

In order to balance the FY 2010 Operating Budget, the City Manager made over \$11.6 million in *Current Service Level* budget reductions in the General Fund. The major element of these reductions was the elimination of 63 positions, 46 of which are vacant. The remaining seventeen positions are occupied. Due to the magnitude of the revenue-expenditure gap, it was necessary to eliminate positions in almost every department. In the other operating funds, there were 14 positions eliminated.

Additionally, 46 other vacant positions were suspended or frozen, meaning the departments will retain the allotment(s) but with no funding during the upcoming fiscal year. Table One below details, by department and position, the reductions and suspensions made for FY 2010.

In conjunction with these actions, reductions for normal vacancy savings (attrition credit) were included for some of the larger operating departments for the third consecutive fiscal year. These savings, amounting to \$2 million for FY 2010, are \$500,000 less than the current fiscal year, and are detailed in Table Two. This decrease results from the removal of the Police Department attrition credit for FY 2010 in exchange for not funding twelve (12) Police Officer positions, allowing for the City to apply for federal Stimulus Package money these positions.

The combined savings from the eliminated and suspended positions, along with the attrition credit, is \$5.5 million dollars in salary and fringe benefits costs.

### Reduction-In Force

To implement the FY 2010 budget reductions, the City Manager will announce a Reduction-In-Force (RIF) immediately after the FY 2010 budget is adopted. The process

of implementing the RIF with respect to occupied positions will require coordinated activities between department heads and the Department of Human Resources. The Department of Human Resources staff will work with affected employees to determine if they can be placed in another vacant position for which they are or qualified. In situations where that is not the case, Human Resources will offer other placement services such as resume' assistance and employment counseling to the affected employee.

#### *New Positions in the General Fund*

Given the financial challenges, the increase in actual new positions was held to nine (9). Four (4) positions were added in the Sheriff's office, three (3) expiring grant positions were absorbed by the Police Department, one (1) Library position was added to accommodate the shift in the workload due to the proposed closing of West Avenue Library, and one (1) GIS Programmer position was added for Public Works. Four (4) positions that are associated with the implementation of the Enterprise Resource Planning (ERP) software were added to their respective departments' complement, but only after each department eliminated one other position to offset the increase. Below is a summary by General Fund department of the recommended new positions:

##### Finance

One (1) new Accounting Specialist A position was recommended to support the Enterprise Resource Planning (ERP) software system, financial module, and daily operations. Eliminated was one (1) Accountant I position.

##### Budget

One (1) new Senior Budget Analyst position was recommended to support the Enterprise Resource Planning (ERP) software system, budget module, and daily operations. Eliminated was one (1) Budget Manager position.

##### Purchasing

One (1) new Senior Buyer position was recommended to support the Enterprise Resource Planning (ERP) software system, purchasing module, and daily operations. Eliminated was one (1) Senior Supply Assistant position.

##### Human Resources

One (1) Human Resource Analyst II position was recommended to support the Enterprise Resource Planning (ERP) software system, human resources module, and daily operations. Eliminated was one (1) Staff Technician position.

##### Police

Two (2) grant funded School Resource Officers fully funded by the Schools system were included to support public safety efforts, as described in the City Manager's Transmittal Letter. One (1) Intelligence Analyst position was

recommended to be absorbed from an expiring federal grant, to provide continuity in research and maintenance of intelligence database in the City.

#### Sheriff

Three (1) Paramedic positions and one (1) Deputy Sheriff position were approved by the State Compensation Board for the Newport News City Jail, based on the Jail's population. These positions are partially funded by the State, and will not be effective until March 1, 2010.

#### Public Works

One (1) GIS Programmer was added to address the meeting the requirements of the Regional Consent Order (for environmental quality for the City's sanitary sewer functions) and for integrating the GASB-34 (national governmental accounting standards) for asset management.

#### Libraries & Information Services

One (1) Senior Librarian position will be added to Grissom Library branch to help absorb the shift of library patrons, with the recommended closing of West Avenue Library.

#### *Transferred Positions from Other Operating Funds/Departments to the General Fund*

A total of 11 positions were moved within the General Fund and other operating funds in an effort to centralize positions for improved efficiency. These changes are:

#### Fire

In an effort to comply with federal regulations regarding the National Incident Management System (NIMS), which is required to receive grant funding, the Office of Emergency Management (OEM) has been centralized in the Fire Department. Therefore, five (5) positions have been transferred from OEM to the Fire Department, and then two (2) positions were eliminated.

#### Engineering

One (1) EMS Manager position and one (1) EMS Specialist II position from the Environmental Management System (EMS) program were shifted from the General Liability Insurance Fund to the Engineering Department as a result of program changes.

#### Public Works

A total of nine (9) positions were transferred in the Public Works Department in the General Fund. In each case, there is no increase in cost to the General Fund: the position allotments will increase, but the expense will be charged to their respective funds. The allotments for five (5) Information Technology positions (GIS Manager, Information Technology Analyst C, Information Technology

Analyst A, GIS/Cartographic Specialist, GIS/Cartographic Technician) were moved from the Wastewater and Solid Waste funds to the General Fund Public Works Assets Management cost center to consolidate personnel and simplify payroll and administration. Four (4) Security Officer positions and allotments were moved from the Human Services Department to Public Works to allow for standardization of the City's internal security function and upgraded training. Human Services will be charged for this cost in order to continue to recoup the expense from the State for its share of social services costs.

#### *New, Transferred, and Shifted Positions in Other Operating Funds*

In addition to the cost saving efforts detailed above, there were two General Fund positions that were moved to other operating funds. Also in these other funds, fourteen (14) positions were eliminated and nine (9) positions added.

In the Recreation Revolving Fund, one (1) Parks Event Coordinator was moved from the General Fund. The IDA Fund is receiving the transfer of one (1) Senior Project Development Coordinator from the General Fund.

Eliminated positions include one (1) Marketing Coordinator and one (1) Education Specialist position in the Historical Services Fund. In the Public Utilities (Waterworks) Fund, twelve (12) positions (one Payroll Assistant, one Security Officer, one Water Services Representative II, four Senior Construction/Maintenance Workers, one Sr Utility Pipeline Inspector, one Utility Crew Supervisor, one Senior Pipelayer, one Administrative Assistant II, and one Meter Repairer II ) are eliminated. In addition, an attrition credit of \$1.7 million is also included in the FY 2010 Recommended Budget for this Fund.

Eight (8) new positions were added to the Wastewater Fund in response to the Regional Consent Order: One (1) Crew Supervisor C, two (2) Master Equipment Operators, two (2) Senior Pipelayers, and three (3) Senior Construction Maintenance Workers. These positions are partially funded and will not be filled until April 2010. The Pension Trust Fund is adding one (1) Benefits Analyst to assist with analytical work associated with the Pension and Post-Retirement Benefits Funds.

#### **Funding Strategy**

The full new cost for FY 2010 of all 9 General Fund new positions is \$464,837 and is partially offset by \$76,246 in State revenue for the Sheriff Department positions and by a \$155,000 in Local Funding to Schools for the shared School Resource Officer positions.

**Impact**

The net change of new, transferred and eliminated General Fund positions is a reduction of 48 positions from the FY 2009 Adopted Budget. The total City position allotment (not including Schools) is recommended at 3,455 for FY 2010.

# TABLE ONE – ELIMINATED, FROZEN, and NEW POSITIONS

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			POSITIONS FROZEN	FUNDING REDUCTION TOTAL	TRANSFERRED POSITIONS	NEW POSITIONS	DEPT CHANGE w/o Frozen
		F	V	Total					
City Manager's Office	Chief of Staff		-1	-1		-2			-1
	Executive Assistant <sup>(1)</sup>		0	0					
	Video Productions Manager				-1				
Human Resources	Diversity Coordinator		-1	-1		-3	1		-1
	Staff Technician	-1		-1					
	Sr Human Resource Analyst				-1				
	Human Resource Analyst II (ERP Position)								
City Attorney's Office	Legal Secretary		-1	-1		-1			-1
Internal Auditor	Audit Manager	-1		-1		-1			-1
Commissioner of Revenue	Accounting Technician				-1	-1			0
Treasurer	Sr Accounting Assistant		-2	-2		-2			-2
Finance	Accountant II		-1	-1		-1	1		0
	Accounting Specialist A (ERP Position)								
Budget	Budget Manager		-1	-1		-1	1		0
	Sr Budget Analyst (ERP Position)								
Purchasing	Deputy Director				-1	-4	1		-2
	Graphics Designer		-1	-1					
	Mail Clerk		-1	-1					
	Sr Supply Assistant		-1	-1					
	Sr Buyer (ERP Position)								
Information Technology	Sr Programmer/Analyst		-1	-1		-1			-1
Circuit Court Clerk	Deputy Clerks				-2	-2			0
Commonwealth Attorney	Long Frozen Investigator		-1	-1		-1			-1
Police	Police Officer				-12	-17		2 1	-2
	Administrative Assistant II		-2	-2					
	Weed & Seed Coordinator	-1		-1					
	Dispatch Coordinator		-1	-1					
	Police Aide		-1	-1					
	School Resource Officers - Grant								
	Intelligence Analyst								
Office of Emergency Mgmt	All Positions Transferred Out to Fire						-5		-5
Fire	Emergency Operations Tech	-1		-1		-6	5		0
	Coord of Emergency Management	-1		-1					
	Health & Safety Program Coord	-1		-1					
	Fire Management Analyst	-1		-1					
	Public Information Officer		-1	-1					
	Fire Prevention Inspector				-1				
	Transferred in OEM Positions								
Sheriff	Paramedic							3	4
	Deputy Sheriff							1	



**TABLE ONE – ELIMINATED, FROZEN, and NEW POSITIONS, Continued**

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			POSITIONS FROZEN	FUNDING REDUCTION TOTAL	TRANSFERRED POSITIONS	NEW POSITIONS	DEPT CHANGE w/o Frozen
		F	V	Total					
Adult Corrections	Correctional Officer II		-4	-4	-2	-9			-4
	Sr Correctional Officer				-3				
Juvenile Services	Custodian		-1	-1		-11			-9
	Long Frozen JS Counselor IIs		-7	-7	-1				
	Financial Services Analyst	-1		-1					
	Sr Social Worker				-1				
Codes Compliance	Building Codes Inspector		-1	-1		-1			-1
Engineering	Sr Engineering Tech				-1	-2			2
	Traffic Sign & Marking Mech II				-1				
	EMS Manager - Transferred in from Fund						1		
	EMS Specialist II - Transferred in from Fund						1		
Public Works	Operations Dispatcher		-1	-1		-20			1
	PW Management Analyst		-1	-1					
	Sr Storekeeper	-1		-1					
	Customer Service Center Mgr	-1		-1					
	Sr Painter	-1	-1	-2					
	Asst Administrator-Bldg Svcs	-1		-1					
	Operations Supervisor-JS	-1		-1					
	Carpenter Specialist		-1	-1					
	Custodial Supervisor		-1	-1					
	Sr Concrete Worker				-1				
	Equipment Operator Specialist				-1				
	Sr Equipment Operator				-2				
	Concrete Specialist				-1				
	Equipment Operator As				-5				
	Operations Superintendent						1		
	GIS Programmer							1	
	Transferred In From Other Funds/Depts						9		
Human Services	Sr Social Worker		-2	-2		-3			-7
	OYCF Community Svcs Coord		-1	-1					
	Security Officers - Transfer Out to PW						-4		
Parks, Recreation & Tourism	Parks Event Coord - Transfer Out to Rec Fund		-1	-1		-8			-4
	Sr Custodian		-1	-1					
	Recreation Program Supv				-1				
	Sr Recreation Program Coord		-2	-2					
	Sr Park Ranger				-2				
	Animal Control Officer				-1				
Libraries & Info Services	Supervising Librarian	-1		-1		-8			-6
	Sr Information Services Spec	-1		-1					
	Library Technician	-2		-2					
	Supervising Librarian A				-1				
	Long Frozen Librarian (Lee Hall)		-3	-3					
	Senior Librarian							1	
Development	Manager of Special Development				-1	-4			-1
	Manager of Marketing				-1				
	Sr Project Dev Coord- Transfer Out to IDA Fund		-1	-1					
	Staff Technician				-1				
GENERAL FUND		-17	-46	-63	-46	-109	12	9	-42

**TABLE ONE – ELIMINATED, FROZEN, and NEW POSITIONS, Continued**

DEPARTMENT	POSITION TITLE	POSITIONS ELIMINATED			POSITIONS FROZEN	FUNDING REDUCTION TOTAL	TRANSFERRED POSITIONS	NEW POSITIONS	DEPT CHANGE w/o Frozen
		F	V	Total					
General Liability Fund	EMS Manager						-1		
	EMS Specialist II						-1		-2
Recreation Revolving Fund	Parks Event Coord - Transfer in						1		1
Historical Services Fund	Marketing Coordinator		-1	-1		-2			
	Education Specialist		-1	-1					-2
Stormwater Management Fund	GIS Manager - Transfer Out						-1		
	IT Analyst C - Transfer Out						-1		
	GIS/Cartograph Spec - Transfer Out						-1		-3
Solid Waste Fund	IT Analyst A - Transfer Out						-1		
	GIS/Cartograph Tech - Transfer Out						-1		-2
Waste Water Fund	Crew Supervisor C							1	
	Master Equipment Operator							2	
	Sr Pipelayer							2	
	Sr Construction Maintenance Worker							3	8
Public Utilities	Payroll Assistant		-1	-1					
	Security Officer		-1	-1					
	Water Services Rep II		-1	-1					
	Sr Construction Maintenance Wrkr		-4	-4					
	Sr utility Pipeline Inspector		-1	-1					
	Utility Crew Supervisor		-1	-1					
	Sr Pipelayer		-1	-1					
	Administrative Assistant II		-1	-1					
	Meter Repairer II		-1	-1					-12
IDA Fund	Sr Project Dev Coor - Transfer in						1		1
Pension Trust Fund	Benefits Analyst							1	1
OTHER FUNDS		0	-14	-14	0	-2	-5		-10
TOTAL CITY POSITIONS		-17	-60	-77	-46	-111	7		-52

<sup>(1)</sup> Current year reduction occurring after budget preparation was established

**TABLE TWO – ATTRITION SAVINGS**

<i>DEPARTMENT</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010<sup>1</sup></i>
<b>Police</b>	\$660,000	\$688,642	\$0 <sup>2</sup>
<b>Juvenile Services</b>	\$340,000	\$340,000	\$336,856
<b>Public Works</b>		\$200,000	\$0 <sup>3</sup>
<b>Fire</b>		\$375,282	\$560,062
<b>Parks, Recreation , Tourism</b>		\$367,092	\$382,029
<b>Human Services</b>		\$611,820	\$661,014
<b>Commonwealth Attorney</b>			\$79,056
<b><i>Total Attrition Credit</i></b>	<b>\$1,000,000</b>	<b>\$2,585,286</b>	<b>\$2,020,770</b>

Notes:

<sup>1</sup>The base attrition credit remained the same from FY 2009 to FY 2010 for Juvenile Services, Parks, and Human Services. The retirement rate change for FY 2010 accounts for the amount difference between fiscal years.

<sup>2</sup>Police Department Attrition Credit eliminated in FY 2010. Twelve (12) Police Officer positions were frozen/suspended to allow for application of Federal Stimulus Package funding.

<sup>3</sup>Public Works Attrition Credit eliminated in FY 2010 due to adding ten (10) frozen/suspended positions.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## NEWPORT NEWS EMPLOYEES' RETIREMENT FUND (NNERF) PENSION FUND

### Issues

The Pension Fund has been underfunded since Fiscal Year 2003. Based on the actuarial valuation prepared as of July 1, 2008, the total unfunded actuarial accrued liability (UAAL) has increased to \$259.0 million, reflecting a \$47.9 million increase over last year. The UAAL refers to the excess of the pension plan's liabilities over its assets. The funded status of the Fund decreased from 77.9% to 74.9% over last year.

	Valuation Year				
	2004	2005	2006	2007	2008
<b>UAAL (in millions)</b>	\$139.6	\$208.6	\$212.2	\$211.1	\$259.0
<b>Funded Status</b>	80.8%	75.0%	76.3%	77.9%	74.9%

Contribution shortfall continues to be the major factor contributing to the UAAL. Since FY 2003, the Fund has an accumulated contribution shortfall of \$105 million. In addition to six (6) consecutive years of contribution shortfalls, for the fiscal year ending 2008, the fund did not meet its assumed rate of return of 8%. An actuarial rate of return of 6.6% was realized.

The implementation of a long-term plan to address the funded status and the contribution shortfall must continue to be a major priority for the City.

### Funding Strategy

The first phase of a three-year funding plan was adopted in the FY 2007 budget. The plan called for meeting the normal cost of the plan by increasing the contribution rate from 1.46% to 5.7% of payroll. The commitment was fulfilled in FY 2009 whereby contributions of approximately \$19 million were made to the Pension Fund. Over the last three years, contributions have increased from 35% to 48% of the Annual Required Contribution (ARC).

For FY 2010, the first phase of an eight-year funding plan is proposed whereby an additional contribution of \$2.5 million will bring the City's budgeted contributions to 50% of the ARC (\$21.5 million). It is the goal to contribute 100% of the ARC by FY 2017.

The proposed changes will not be effective unless contributions are at the required actuarial levels. Investment growth, reducing plan costs and meeting the required funding are the crucial elements to returning to a fully funded plan.

### **Impact**

Adopting and implementing a long-term strategy is important to the City's credit rating for bonds since Moody's Investors Service has noted that it "expects municipal entities with a large unfunded obligation to have, or develop, a plan to reduce them." The Pension funding issues must be solved with long-term as well as short-term goals. The three-year interim plan to raise pension contribution levels to meet normal cost has resolved a portion of our problem. The next eight years will close the gap between the ARC and actual contributions to the fund. Because the proposed changes are implemented prospectively or apply only to new hires, the unfunded liability will not have a material and immediate reduction. The proposals, if adopted, will have more of a long-term impact.

## **NEWPORT NEWS EMPLOYEES' POST-RETIREMENT HEALTH & WELFARE BENEFITS (POST-RETIREMENT FUND)**

### **Issues**

Similar funding issues are associated with the Post-Retirement Health and Welfare Fund, which provides medical and life insurance benefits for retirees. Effective for FY 2008, accounting standards require reporting the cost and commitments (liabilities) in the same manner as the Pension Fund. Prior to this change, governments followed a "pay-as-you-go" accounting approach in which the costs of benefits are reported when paid; there was no calculation of future benefits, consequently no long-term liabilities reported. The accounting change results in governmental plans having a newly reported unfunded liability with little or no assets accumulated to cover the long-term liabilities. The following are financial issues related to the City's Post-Retirement Health Fund:

- The City (City and Waterworks) is not meeting the Annual Required Contribution (ARC): For 2008, the ARC was \$11.7. The City's contribution was \$6.9, netting a net pension obligation (contribution shortfall) of \$4.8 million.

- For FY 2009, funding for City and Waterworks of \$7.8 million and \$0.8 million respectively is projected to meet plan expenses for the year but will fall short of the ARC by approximately \$3.9 million.
- For FY 2010, funding for City and Waterworks of \$8.5 million and \$1.0 million respectively is projected to meet plan expenses for the year mainly due to re-negotiated contracts for post-65 medical and life insurance coverages.
- Investment losses over the last year have caused the fund to decrease from \$13 million to \$8 million (38%).
- The most recent actuarial evaluation puts the unfunded liability at \$185 million, up \$17 million over last year.

### **Funding Strategy**

The first strategy has been met by increasing contribution to a level that meets the expenses of the plan. The City is contributing approximately 69% of the ARC. In January 2009, the City Manager recommended changes to the plan that are projected to decrease the ARC to a level less than the City's actual contribution. City Council is currently studying the available options to formalize recommendations for possible implementation January 1, 2010.

### **Impact**

If the proposed changes are implemented, the City will be contributing more than 100% of the ARC. It is recommended that any decrease to the City annual OPEB contribution be transferred to increase the contribution to the Pension Fund.

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **EMPLOYEE LEAVE EXCHANGE PROGRAM**

### Issue

Currently, the City's employee benefits program includes a provision for employees to exchange accumulated paid personal leave (PPL) time for retirement credit or a contribution to an ICMA deferred compensation account at the employee's base rate of pay. To be eligible to participate in this program, an employee must be full-time, with more than five years of service and accumulated leave of at least 160 hours. The eligibility requirements and the amount of leave that an employee may exchange varies based on years of service as well as for firefighters that work a twenty-four hour schedule. To better illustrate the program provisions, Attachment I provides an overview of the leave exchange benefits available to employees.

Based on their June 30 PPL balances, employees apply for the various leave exchange options in July of each fiscal year. Funding for the FY 2008 leave exchange program was included in the FY 2009 Operating Budget

Based on employees' elections, the costs to the City are calculated and the funds to cover the costs of the leave exchange program are included in the Operating Budget in which the costs are incurred. For FY 2008, there were 1,531 employees that participated in either exchanging leave for retirement credit or an ICMA contribution. The cost of the program was \$1.8 million. Attachment II provides information since 1998 on the number of employees that have participated and the annual cost of the program.

As a short term cost savings measure, for FY 2010, it is proposed that the funding for the employee leave exchange program, relative to exchanging leave for retirement credit, be deferred. As noted, the leave exchange program includes the option to receive retirement credit and/or an ICMA contribution. Due to the differing requirements for retirement credit and ICMA contributions, separate recommendations will be offered on each of these benefits.

### Leave Exchange for Retirement Credit

For FY 2010, it is proposed that the funding for the leave exchange program for retirement credit be deferred. Due to financial implications, the deferral of the funding for this program is recommended only for the short-term. Every effort should be made

to restore funding over the course of the next several years. Within a few years, if the City is not in an improved financial position sufficient to absorb the cost of this benefit program, further consideration should be given to its ongoing affordability.

Under this proposal, employees would still be eligible to make an election to receive the retirement credit in accordance with the requirements of the program. The additional retirement credit and the transfer of funds to the Pension Fund will not be completed until the employee retires. Under this proposal, the City's costs will be recognized at the time the employee retires. This spreads the costs over time instead of 100% of the cost paid in one year.

As proposed, there would be no change in the benefit to the employee offered through this program. The Finance Department would continue to accept applications and document the retirement credit for some future point in time to be credited when the employee retires. The financial savings would be immediate to the General Fund. The current provision of exchanging 40 hours of PPL for 2 months of retirement credit equates to an annual rate of 11.54%. This rate is well above the Pension's normal cost rate for general employees of 9.9%; consequently, there is no immediate financial impact to the Pension Fund. However, the Pension Fund will lose the benefit of investment growth of a lump sum payment of approximately \$1.6 million.

#### Leave Exchange Contribution to ICMA

Currently as part of the leave exchange program, the City offers employees an opportunity to exchange paid personal leave for a contribution to an ICMA Deferred Compensation account. The amount of the contribution is based on the employee's base rate of pay. As you can see from the attachment, in FY 2008, there were 134 employees that participated in this exchange program at a cost of \$134,776.

From a regulatory and a financial standpoint, it would not be feasible to defer monetary contributions to an ICMA Deferred Compensation program to some future retirement date; therefore, it is recommended that the ICMA Leave Exchange program be continued for one final year, and then be eliminated effective after the June 2009 application process. The Operating Budget includes funding for this component of the leave exchange program in FY 2010 and the funding would be eliminated for this option in FY 2011. Continued funding for this program option for FY 2010 will honor the City's commitment to those employees that have planned for their participation in this program.



### Impact

The total cost for the employee leave exchange program was \$1.8 million in FY 2009. The FY 2010 Operating Budget includes \$250,000 to fund the associated costs with the ICMA exchange program as well as funding for the cost of the leave exchange for those individuals that may elect to exchange leave for retirement credit and retire during FY 2010. The net cost saving to the City of deferring the leave exchange program for FY 2010 is \$1.55 million.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## PUBLIC UTILITIES (WATERWORKS)

### Issues

For the current fiscal year, Waterworks expects a revenue shortfall of \$3.8 million from its \$81.7 million budget, and expects expenses to fall \$2.3 million below budget. Thus, a \$1.5 million unfavorable-to-budget year-end result is projected for FY 2009. Waterworks' operating reserves are used to meet such shortfalls, just as they are increased when favorable operations are experienced, which is more typically the case. The revenue shortfall is a result of an unexpected reduction in water sales (42.9 million gallons per day compared to the budgeted 45.3 million gallons per day) largely due to lower usage by the largest customer in the system. Expenses were reduced by \$2.3 million through hire lag and reductions in equipment purchases and contractual services saved another \$1.3 million. However, rapid and significant increases in chemical, fuel and power costs will amount to approximately \$1.4 million over budget in FY 2009, and do not allow for achieving a positive budget result for the year. These impacts are expected to continue to be felt through FY 2010.

FY09 Based On Actuals Through 2/28/2009				
	<u>Budget</u>	<u>Projected</u>	<u>Surplus/(Deficit)</u>	<u>%</u>
Average Rate	\$3.00	\$3.00	\$0.00	0.0%
Demand HCF	22,104,947	20,936,180	(1,168,767)	-5.3%
Demand	45.3	42.9	(2.4)	-5.3%
	<u>Budget</u>	<u>Projected</u>	<u>Surplus/(Deficit)</u>	<u>%</u>
Water Sales	\$ 66,263,000	\$ 62,661,924	\$ (3,601,076)	-5.4%
Water Meter Charges	5,300,000	5,600,000	300,000	105.7%
Interest-Operating Cash	2,100,000	1,000,000	(1,100,000)	47.6%
Hydrant Rental-Utilities	2,000,000	2,165,973	165,973	108.3%
System Development Fees	1,600,000	1,053,873	(546,127)	65.9%
Summer Consumption Rate	1,100,000	1,650,000	550,000	150.0%
Late Payment Fees	500,000	748,988	248,988	149.8%
New Account Fee	350,000	368,531	18,531	105.3%
Administration Cost	320,000	345,178	25,178	107.9%
Reconnection Charges	300,000	392,460	92,460	130.8%
Gain/Loss Fixed Assets	100,000	100,000	-	100.0%
<u>Other</u>	<u>1,767,000</u>	<u>1,781,186</u>	<u>14,186</u>	<u>100.8%</u>
<u>Total Waterworks Revenues</u>	<u>\$ 81,700,000</u>	<u>\$ 77,868,112</u>	<u>\$ (3,831,888)</u>	<u>-4.7%</u>

<u>FY09 Based On Actuals Through 2/28/2009</u>				
	<u>Budget</u>	<u>Projected</u>	<u>Surplus/(Deficit)</u>	<u>%</u>
Salaries	\$ 17,564,194	\$ 16,205,023	\$ 1,359,171	7.7%
Benefits	6,803,435	5,846,138	957,297	14.1%
Chemical Supplies	1,860,000	2,588,483	(728,483)	-39.2%
Debt Service	21,541,119	21,541,119	-	0.0%
Electricity	3,010,743	3,570,449	(559,706)	-18.6%
Fuel	595,000	669,972	(74,972)	-12.6%
Contractual Services	3,617,242	3,236,423	380,819	10.5%
Maintenance-Software/Hardware	494,619	471,394	23,225	4.7%
City Payments (ROLIC,IT,PILOT)	12,341,104	12,341,104	-	0.0%
<u>Other</u>	<u>13,872,544</u>	<u>12,931,802</u>	<u>940,742</u>	<u>6.8%</u>
<u>Total Waterworks Expenses</u>	<u>\$ 81,700,000</u>	<u>\$ 79,401,907</u>	<u>2,298,093</u>	<u>2.8%</u>
<u>Net Operations</u>		<u>(1,533,795)</u>	<u>(1,533,795)</u>	<u>-1.9%</u>

Waterworks' operating budget for FY 2010 (beginning July 1, 2009 and ending June 30, 2010) is proposed to increase from \$81,700,000 for FY 2009 to \$83,734,000 (a 2.5% increase). Sales estimates for FY 2010 are budgeted at 44 million gallons per day (mgd), a 1.3 mgd reduction from budgeted sales for FY 2009. Waterworks' sales hit this target two of the last three years, and the addition of the Lightfoot area of York County to Waterworks' system prior to July 1, 2009, will somewhat offset any reductions from larger users due to conservation or the downturn in the economy.

### Strategy

Waterworks has eliminated 12 positions in this proposed budget, reducing its total personnel count from 381 to 369. Waterworks' budgeted personnel level has not been this low since at least FY 1992. In addition, Waterworks has budgeted for continuation of the hiring freeze through the coming year and will closely monitor vacancies and budget progress throughout the year prior to filling any positions in order to assure that hire lag budget goals are met. These two actions combine to reduce budgeted salaries and benefits by approximately \$1.84 million including increased pension funding. Significant reductions are also realized in the proposed budget through refunding outstanding current bonds at lower interest rates now available. In addition, all six operating divisions of Waterworks have reduced expenses in multiple program areas to include rolling stock, contractual services, travel/training, overtime, and some software and IT equipment.

This year's budgetary increase derives primarily from full absorption of increases in chemical, fuel and power costs (a total of \$3.3 million) and a net debt service increase of \$827 thousand including bond refinancing reductions and increases due to financing for King William Reservoir. Transfers to the General Fund are increased by \$240 thousand in the IT and in-kind service categories. Return on equity to the General Fund is not

changed. Other than the noted reduction in personnel costs, and increases in chemicals, power, fuel, debt service and transfers, all other expenses show a net reduction of nearly \$510 thousand.

	<u>FY09 Budget</u>	<u>FY10 Budget</u>	<u>Increase/(Decrease)</u>	<u>%</u>
Salaries	\$ 17,564,194	\$ 15,812,854	\$ (1,751,340)	-10.0%
Benefits	6,803,435	6,712,188	(91,247)	-1.3%
Chemical Supplies	1,860,000	4,477,500	2,617,500	140.7%
Debt Service	21,541,119	22,368,568	827,449	3.8%
Electricity	3,010,743	3,687,212	676,469	22.5%
Fuel	595,000	620,000	25,000	4.2%
Contractual Services	3,617,242	3,634,537	17,295	0.5%
Maintenance-Software/Hardware	494,619	575,994	81,375	16.5%
City Payments (ROLIC,IT,PILOT)	13,226,104	13,466,010	239,906	1.8%
<u>Other</u>	<u>12,987,544</u>	<u>12,379,137</u>	<u>(608,407)</u>	<u>-4.7%</u>
<b>Total Waterworks Expenses</b>	<b>\$ 81,700,000</b>	<b>\$ 83,734,000</b>	<b>\$ 2,034,000</b>	<b>2.5%</b>

<u>FY09 Compared To FY10 Budgets</u>				
	<u>FY09 Budget</u>	<u>FY10 Budget</u>	<u>Increase/(Decrease)</u>	<u>%</u>
First 6HCF - Single Family Residential	\$ 2.78	\$ 2.78	\$ -	0.0%
All other Consumption	\$ 3.04	\$ 3.20	\$ 0.16	5.3%
Average Rate	\$ 3.00	\$ 3.12	\$ 0.13	4.2%
Demand HCF	22,104,947	21,470,588	(634,358)	-2.9%
Demand	45.3	44.0	(1.3)	-2.9%
Water Sales	\$ 66,263,000	\$ 67,094,000	\$ 831,000	1.3%
Water Meter Charges	5,300,000	6,100,000	800,000	15.1%
Interest-Operating Cash	2,100,000	2,100,000	-	0.0%
Hydrant Rental-Utilities	2,000,000	2,350,000	350,000	17.5%
System Development Charge	1,600,000	1,300,000	(300,000)	-18.8%
Summer Consumption Rate	1,100,000	1,150,000	50,000	4.5%
Late Payment Fees	500,000	550,000	50,000	10.0%
New Account Fee	350,000	400,000	50,000	14.3%
Administration Cost	320,000	340,000	20,000	6.3%
Reconnection Charges	300,000	300,000	-	0.0%
Wholesale Treated Water Sales	-	150,000	150,000	-
Gain/Loss Fixed Assets	100,000	75,000	(25,000)	-25.0%
<u>Other</u>	<u>1,767,000</u>	<u>1,825,000</u>	<u>58,000</u>	<u>3.3%</u>
<b>Total Waterworks Revenues</b>	<b>\$ 81,700,000</b>	<b>\$ 83,734,000</b>	<b>\$ 2,034,000</b>	<b>2.5%</b>

Waterworks projects FY 2010 revenues at existing fees and budgeted demands will not provide revenues sufficient to finance the projected 2.5% increase in operating costs. FY 2010's budget includes an increase in the System Development Fee (SDF) to \$1570 for a 5/8-inch meter, effective July 1, 2009. Council adopted an ordinance in January 2006 that implemented a 10-year schedule of annual 8% SDF increases that began on July 1, 2006. The SDF for a 5/8" residential service will increase to \$2,520 by FY2015. The bimonthly **meter service fee** for a 5/8-inch residential meter will increase by 12.7% from \$6.30 to \$7.10 in FY 2010, the first increase in this fee in four years. The **fire service fee** charge (which hasn't increased in three years) will increase by 8.0% from \$2.50 to

\$2.70 per bimonthly bill. Each of the fees will increase proportionately for larger size meters.

It is also recommended, effective July 1, 2010, that Waterworks continue with the Low Usage, Lifeline rate structure implemented in FY 2008 whereby a rate for the first 600 cubic feet (hcf) used by single metered, residential customers is maintained at the existing rate of \$2.78/hcf (not increased in three years). For all other residential, commercial and industrial consumption a **water consumption rate** of \$3.20/hcf would be charged which is 5.3% higher than current. The differential between the two rates is now 15%, the target established four years ago.

■ **Water Rate Increase Proposed**

- **Maintain the Low Usage Lifeline Inclining Block Water Rates for single metered residential customers at \$2.78 (3<sup>rd</sup> year of no increase) for the first 6HCF**
- **Increase the rate of \$3.04 to \$3.20 (+5.3%) per HCF for all other consumption**
- **Summer Consumption Rate (SCR) increases in proportion to water rate: to \$0.64/HCF (up \$0.03 or 4.9% from \$0.61)**
- **System Development Fees (SDF) increased 8% for FY10 by Ordinance previously enacted: 5/8" from \$1450 to \$1,570**
- **Service Fees and Fire Service Fees increased at inflationary levels**
  - **5/8" service fee up 12.7% from \$6.30 to \$7.10 (last increased 4 years ago)**
  - **Fire service fee up 8.0% from \$2.50 to \$2.70 (last increased 3 years ago)**

These changes result in a total increase for a low usage (6 hcf in two months) residential customer's water fees of \$0.50 (3.9%) per month or \$6.00 annually, a moderate use customer (12 hcf) would see a \$1.00 (4.6%) increase per month or \$12.00 per year, and a higher use customer (18 hcf) would see an increase of \$1.50 (4.8%) per month or \$18.00 per year. As is policy, in conjunction with the water rate increase, the Summer Consumption Rate (SCR) is also recommended to increase from the current \$0.61/hcf to \$0.64/hcf. Waterworks is aware of the financial constraints facing its customers and has examined a wide range of alternatives to minimize rate increases.

Newport News Residential Customers							
Description of Charge	FY 2009 Current	FY 2010 Proposed	Dollar Change	Percent Change	FY 2010 % of Bill	Monthly \$ Effect	Yearly \$ Effect
<b>Residential Low Usage Lifeline - 6 HCF (4,488 Gallons) Bimonthly Bill- Approximately 8 Weeks</b>							
Water	\$ 16.68	\$ 16.68	\$ -	0.0%	63.0%	\$ -	\$ -
Service Charge	6.30	7.10	0.80	12.7%	26.8%	0.40	4.80
Fire Service Fee	2.50	2.70	0.20	8.0%	10.2%	0.10	1.20
Water Related Charges	\$ 25.48	\$ 26.48	\$ 1.00	3.9%	100.0%	\$ 0.50	\$ 6.00
<b>Residential 12 HCF (8,976 Gallons) Bimonthly Bill- Approximately 8 Weeks</b>							
Water	\$ 34.92	\$ 35.88	\$ 0.96	2.7%	78.5%	\$ 0.48	\$ 5.76
Service Charge	6.30	7.10	0.80	12.7%	15.5%	0.40	4.80
Fire Service Fee	2.50	2.70	0.20	8.0%	5.9%	0.10	1.20
Water Related Charges	\$ 43.72	\$ 45.68	\$ 1.96	4.5%	100.0%	\$ 0.98	\$ 11.76
<b>Residential 18 HCF (13,464 Gallons) Bimonthly Bill- Approximately 8 Weeks</b>							
Water	\$ 53.16	\$ 55.08	\$ 1.92	3.6%	84.9%	\$ 0.96	\$ 11.52
Service Charge	6.30	7.10	0.80	12.7%	10.9%	0.40	4.80
Fire Service Fee	2.50	2.70	0.20	8.0%	4.2%	0.10	1.20
Water Related Charges	\$ 61.96	\$ 64.88	\$ 2.92	4.7%	100.0%	\$ 1.46	\$ 17.52

## Impact

- Elimination of 12 positions and continuation of hire lag budget goals.
- Reduction in funding of several program areas, i.e. rolling stock, contractual services.
- Increases in fees to Waterworks' customers to include:
  - system development fee increase
  - A 12.7% increase in meter service fee for 5/8-inch residential meter
  - A 8.0% increase in the fire service fee
  - A 5.3% increase in water consumption rates
  - Increase in summer consumption rate

Despite the FY 2010 increases discussed, Waterworks still remains one of the lower cost water utilities in Southeastern Virginia, and the proposed increases compare favorably to those of most other water and wastewater utilities in the region, state and nation.

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **DEPARTMENT OF HUMAN SERVICES**

### **I. Overview**

The FY 2010 proposed Budget for the Department of Human Services is a current services budget. It is anticipated that current programs and services will serve the same number of clients/customers as provided for in the adopted FY 2009 Budget. The current services FY 2010 Budget for core social service programs such as Foster Care, Child and Adult Protective Services, Family Stabilization, Food Stamps, Medicaid and TANF is \$40.2 million, with revenues of \$32 million (80%), and a net City cost of \$8.2 million (20%). There are significant expenditure increases included in the FY 2010 Recommended Operating Budget for core services. Child day care is expected to increase by \$239,411, with 90% or \$215,470 reimbursed by the Commonwealth of Virginia. Adoption Subsidy and Special Needs Adoption are expected to increase by \$977,460, but 100% of these costs will be reimbursed by the Commonwealth of Virginia.

Other programs and services such as Healthy Families, Comprehensive Services Act, Virginia Cooperative Extension, Office on Children, Youth and Families, and Homeless Prevention Services will cost \$5.9 million, of which \$248,102 is reimbursed by the State.

In summary, the total FY 2010 appropriation for Human Services is \$46.2 million. Projected reimbursement from the State is \$32.3 million, resulting in a net City cost of \$13.9 million.

### **II. Accomplishments**

Some of the key accomplishments of the Department are listed below.

- The Department's Food Stamp Payment Accuracy rate for 2008 was 98.75%, the second highest in the Commonwealth of Virginia. The Department will be accepting an award on March 31, 2009 for this accomplishment.
- There are 236 children in Foster Care. This is the lowest number of children in Foster Care in the history of the Department. This is largely due to the efforts of the Department's foster care prevention services.

- Of the 1,143 hard-to-serve clients enrolled in the Department's Welfare-To-Work Program, 681 or 60% obtained employment at an average wage of \$7.62 per hour and 70% of those employed retained their jobs for five months or more.
- Targeted Outreach - The Targeted Outreach Program concluded the fiscal year 2007-2008 serving 102 youth, of which 79 youth received services from providers who were directly reimbursed from the DCJS Title V Grant. A total of 45 agencies have been assessed and approved to provide intensive case management services under the Targeted Outreach Program. During this grant period, over 19,000 total hours of service were provided to participants and 10,174 service hours were reimbursed from grant funding. Analysis of the TOP outcomes indicates a 16.9% reduction in involvement with law enforcement, a 5.4% reduction in truancy and 27.5% reduction in suspensions/expulsions.
- Community Services Board/Healthy Families Pilot Program - This partnership between Newport News Community Services Board (CSB) and Newport News Healthy Families Initiative (HFI) expands the Newport News Healthy Families Program to serve both first-time parents and families who already have children. The Community Services Board assigned a staff member to Healthy Families to provide home visitation services.

### III. Impact of the Economy on Services

There are a number of impacts the Department is seeing as a result of the economic recession. The chart below reflects some trends by comparing FY 2007 to FY 2008 for key service areas. It is anticipated that these trends will continue in the near future and that services to families and children in Newport News will become even more critical due to rising unemployment rates, housing costs and health care premiums.

Program	2007	2008	Percent Increase
<b>Food Stamps</b>			
Applications	8,898	10,613	19
Households	8,790	10,047	14
Monthly Value	\$2.0M	\$2.6M	30
Annual Value	\$23M	\$24M	4
<b>Fuel Assistance <sup>1</sup></b>			
Applications	3,025	3,678	22
Households	2,655	3,185	20
Annual Value	\$.545M	\$1.3M	138



<b>TANF <sup>2</sup></b>			
Applications	2,865	3,331	16
Households	1,540	1,668	8
Monthly Value	\$399M	\$440M	10
Annual Value	\$5.0M	\$5.1M	2
<b>Medicaid</b>			
Applications	6,237	6,653	7
Households	14,891	14,379	(3)
Monthly Value	10.5M	10.8M	3
Annual Value	\$126M	\$129M	2
<b>Child Day Care</b>			
Children Served	1,429	1,477	3
Families Served	855	912	7
Home Day Care	164	176	7
<b>Child Protective Services</b>			
CPS Complaints	2,454	2,616	7
<b>Family Stabilization <sup>3</sup></b>			
Families Served	154	253	64
Children Served	446	443	(1)

#### Notes

<sup>1</sup> Fuel assistance makes one-time payments to utility providers on behalf of eligible clients. The increase reflects an increase in the number of eligible clients benefiting from this federal assistance.

<sup>2</sup> TANF is Temporary Assistance to Needy Families. The increase reflects demand for assistance.

<sup>3</sup> The Family Stabilization Program provides case management to keep children connected with their families or to work with families attempting to get their children returned to them. The increase in families served is a direct result of the number of referrals made by the court, schools, police and staff.

## **IV. Strategies to Address Homeless Families**

As in the past, the City of Newport News has supported the PORT Winter Shelter Program operated by LINK of Hampton Roads. PORT provides emergency shelter for

homeless individuals from November 5 to March 25 of every year. LINK of Hampton Roads coordinates the availability of church-based emergency shelters. To support the 2008-09 PORT Winter Shelter Program, operating agreements were established with LINK of Hampton Roads, the Newport News Sheriff's Office, Hampton-Newport News Community Services Board and the Department of Human Services. Ancillary operating agreements were established with The Salvation Army and Transitions Family Violence Services.

Last year, PORT provided emergency shelter for both individuals and families. This year, however, it was determined that PORT shelters were appropriate for homeless adults and that homeless families should be served in an environment more appropriate for families. The City Manager, therefore, directed the Department of Human Services to implement a strategy that PORT could use to avoid having homeless families staying overnight in a PORT Winter Shelter.

In response to the City Manager's directive, the Department of Human Services established a memorandum of agreement (MOA) with The Salvation Army and an MOA with Transitions Family Violence Services to house homeless families that may appear at a PORT Winter Shelter for emergency housing. Since implementation of these agreements, 41 homeless families were placed in local motels or with Transitions, for which the cost are expected to exceed \$200,000. Most of these families were served through The Salvation Army's motel/hotel voucher program.

It is costly serving families in motels and extremely difficult, at best, for The Salvation Army, Transitions and DHS to provide the intensive case management that leads homeless families to permanent housing arrangements where homeless families are not relying on government intervention. Best practice suggests that homeless families are better served by addressing the many housing barriers such as availability and affordability of housing, the number of children involved, family income, if any, their creditworthiness and their criminal backgrounds.

Consistent with best practice, therefore, the FY 2010 recommended Budget for Human Services includes \$250,000 to implement a plan to address the unique housing needs of homeless families. The City believes that the plan has to include the use of a motel/hotel voucher program where appropriate and the use of the Housing Broker Team (HBT) best practice model or approach. This approach is designed to expand the capacity of the existing supply of affordable housing to accommodate homeless families facing housing barriers such as bad credit, large family size, prison history, etc.

Homeless families in emergency homeless shelters, transitional housing or facing eviction, are screened and assigned a housing barrier score. The case worker then refers the homeless family to the HBT to assign ongoing case management, develop a budget, secure public assistance (e.g., Food Stamps, Medicaid, TANF), if eligible, and match the

homeless family with the appropriate landlord. The homeless families are then placed quickly into housing and must work towards self-sufficiency to receive short-term rental assistance and ongoing case management.

The HBT model is beneficial to landlords since vacancy rates for apartments will decrease. Additionally, affordable housing will increase in Newport News. Efforts to entice landlords to enter into rental leases with homeless families include providing ongoing tenant case management that links families and individuals to other needed support and resources; offering assistance and mediation to landlords and tenants in resolving crises or conflicts that may threaten leasing agreements; and absorbing the cost of an unsuccessful housing placement by paying for damages and eviction costs.

To sustain the signed lease arrangement between the landlord and the homeless family, the City has to provide a level of ongoing tenant case management. The Housing Broker Team, working with DHS, will provide the ongoing tenant case management.

The Norfolk Department of Human Services is using the HBT model. As a short-term and long-term strategy to address the housing needs of homeless families, the HBT model offers the best opportunity for the City to implement a systematic approach to moving homeless families into permanent housing arrangements.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## POLICE DEPARTMENT

Crime in Newport News has decreased by 14% since 2005: 7% in 2006, 7% in 2007 and 1% in 2008. Fighting crime has been, and will continue to be, the number one priority of the Newport News Police Department. Violent crime, which historically was contained in certain pockets of the City, is now City-wide, with a high number of robberies and shootings occurring around the City.

In terms of ongoing drug distribution issues, we are combating a trend of rising heroin availability, which has correlated historically with times of economic stress. Heroin is cheaper to produce than crack cocaine and is, thus, cheaper for the drug users to purchase.

Juvenile violent crime continues to be a major concern. Our working relationship with the schools and other partners of the Criminal Justice system are stronger than ever; we will continue to combat the juvenile crime problem.

In 2008, the Police Department utilized its resources to accomplish the following tasks:

- ✚ Violent Crime: During 2008, the Homicide Unit investigated a total of 537 cases, including 17 homicide reports. The remainder of the offenses involved four kidnapping/abductions, 87 aggravated assaults, 154 deceased persons, 118 suicides or attempted suicides, 52 overdoses and 109 weapons offenses.
- ✚ Robberies: During 2008 the Robbery Unit investigated 518 reported incidents. The incidents included bank robberies, business robberies, food delivery and taxi robberies, and robberies from individuals. This led to the arrest of over 200 adults and juveniles for the crimes with a clearance rate of 31%.
- ✚ Counterfeit Efforts: A Counterfeit Clothing and Trademark merchandise investigation resulted in a joint effort of local and federal law enforcement agencies; 75 law enforcement personnel executed 24 search warrants, and effected 10 arrests. More than \$13,000 in cash was seized from the target locations, along with an estimated value greater than \$2,000,000 in counterfeit Trademark merchandise. The anticipated value of seizure and number of arrests are expected to rise as follow-up investigation continues. Many suspects have already pled guilty in court, and several more have been charged with additional charges as the investigation continues.

- ✚ Economic Crime: During 2008, Economic Crimes detectives experienced an influx of cases centered on identity theft and credit card fraud. As a result of these cases, the detectives' caseloads increased: approximately 900 cases assigned to five Economic Crimes Detectives and approximately 400 cases assigned to the three precincts for investigation. The main theme in these investigations was that from 2007 to 2008, the suspect(s) became much more organized in their criminal enterprises, which equates to the need for a much more comprehensive investigation that spans several months to conclusion. In many of these cases, the suspects involved in the criminal syndication are also linked to violent crimes such as robbery, aggravated assault and even homicide.

A new aspect of fraud investigations spans the internet into cyber crimes criminal activity. Many of the cases reflect money scams and property frauds that are originating outside of the United States. These cases are reviewed and then forwarded to the FBI for investigation. The vast number of these cases, alone, would completely overwhelm the detectives who are already stretched to their workload limit investigating the approximately 1300 cases originating in Newport News.

- ✚ Gang Enforcement: During 2008 we enhanced our gang enforcement unit and gangs continue to be a major concern. The Gang Enforcement Unit has identified 189 sets of gangs in the City with over 2,046 members. Of the 2,046 members, 379 are juveniles, 1,383 are adults, and 284 are unknown. Gang members work for the betterment of their organization by holding meetings, paying dues and committing crimes in the name of the gang. Gangs are responsible for a plethora of crimes across our City: murder, robbery, burglary, larceny, witness intimidation, assault and battery, shootings, drug distribution, weapon offenses, and vehicle theft.

Our Department participates in the FBI-sponsored Peninsula Safe Streets Task Force, which is comprised of Newport News police officers and one FBI agent. Currently, the Safe Streets Task Force (SSTF) is solely focused on dismantling the Dump Squad. As of March 12, 2009, the SSTF indicted 12 Dump Squad members on 45 felony charges. Members were charged with numerous crimes that varied from racketeering, murder, firebombing and shooting at a police station, maiming, use of a firearm, drug distribution and robbery. The investigation is still on-going.

- ✚ Two initiatives, one in February and one in November, culminated in approximately 100 arrests for each operation. The warrant operations are based on a comprehensive list of our most wanted individuals posted in the *Daily Press*.

- ✚ Accreditation for Dispatch: Seeking accreditation for our Dispatch Center, which is an associated option from the Commission on Law Enforcement Accreditation. The process required to attain and retain accreditation will ensure that the Communications Division develops and maintains the highest standards in terms of written policies and procedures, personnel practices, and delivery of service. The current CALEA program presents 218 standards and with multiple requirements considered, presents 497 requisites the Communications Division is striving to meet in the broad categories of: organization, direction and supervision, human resources, recruitment, selection, promotion, training, operations, and critical incidents, special operations, and homeland security.

### Technology

- ✚ RMS: June 2009, is the projected “go live” date for implementing the RMS/JMS. Many police personnel, including Records and other civilian staff, have already been trained in the RMS software.
- ✚ Dataworks: The Department purchased a stand-alone system, *Dataworks Plus Digital Crime Scene*, for the storage, search, and retrieval of all departmental digital photographs. This system will be completely operational in early 2009. The system is programmable to allow for various access levels dependent upon assignment and specific need based on crime types and other criteria.
- ✚ MediaSolv: Purchased a stand alone system, MediaSolv, which is intended to streamline the process associated with the documentation of interviews. This system will allow us to digitally record interviews and burn multiple copies with specialized state-of-the-art equipment. The system also allows the Commonwealth’s Attorney’s office to view live interviews.
- ✚ Tasers: Purchased 30 Tasers and trained personnel in the use of the less lethal weapons. The Tasers were issued to officers in December 2008.

### STRATEGIES FOR 2009-2010:

Our goal for the coming year is to continue to decrease crime City-wide. We had a Crime Summit scheduled in January 2009, during which our strategies for the year were developed. Our focus for the coming year will focus on:

- **crime prevention efforts**
- **community partnerships**
- **aggressive enforcement**
- **community clean-ups**
- **comprehensive efforts towards juvenile crime**

- **utilization of technology**
- **maintain intelligence on criminal networks**
- **review of internal staffing for optimal efficiency**

#### Focus and Strategies:

- ✚ Robberies: We will conduct security surveys of businesses, gather intelligence on gangs and juveniles, monitor heroin users who commit robberies, assign resources where the problems are occurring, and educate and work with the taxi industry about robbery prevention. A Robbery Reduction Crime Summit was recently held for taxi and delivery driver businesses.
- ✚ Burglaries: Officers will be assigned to problem areas, we will educate the community via officer education; utilize the reverse 911/City Watch to alert citizens; vary responses to the types of burglaries throughout the City; apply our new RMS technology, especially with pawn shops; and monitor release of juvenile offenders.
- ✚ Crimes by Location: Rather than conduct crime analysis by crime type, we will enhance our crime analysis by location. There are multiple locations throughout the City—hotels, blighted locations, rooming houses—that are prey to a variety of crimes. We will utilize a multi-agency task force approach for crime prevention and enforcement activities.
- ✚ Crime Prevention: We will engage business owners and residents in our crime prevention efforts, utilizing community education, security surveys, and reaching out especially to our Hispanic community.

#### **FY 2010 Proposed Budget**

The proposed FY 2010 budget for the Police Department includes 12 frozen sworn positions and will cut one Police Aide, two Administrative Assistant IIs, one Dispatch Coordinator, portions of our part-time funds, and the Weed and Seed Coordinator after the end of the grant. The Police Department is working toward a reallocation of work for the civilian positions through reclassification and work redistribution. The most serious impact on the Department is in the sworn positions; however, the proposed use of grant funds will minimize that impact.

#### **What We Are Doing:**

##### **COPS Grant**

To accomplish our crime fighting goals, we **MUST** hire, train and retain a highly skilled workforce. The FY 2010 budget proposal calls for freezing 12 sworn officer positions.

To overcome the frozen positions and to work toward obtaining needed officers, we will be applying for additional officers under the Federal Economic Stimulus Plan. While the number of officers for which we will qualify is unclear, we are hopeful that we can recover the 12 frozen positions at a minimum.

### **Justice Assistance Grant (JAG)**

The City of Newport News is also eligible for \$1,039,801 in special JAG funds associated with the Federal Stimulus legislation. The Police Department is proposing to use a substantial portion of this grant for equipping officers hired through the COPS grant.

### **Impact**

The Police Department's proposed use of grant funds will minimize the impact of the 12 frozen sworn positions. The civilian positions that have been proposed for cuts will affect the distribution of workload among some of our civilian and sworn personnel. However, the Police Department is committed to providing the high level of service to our citizens as we have in the past. Through ongoing analysis of calls for service and offenses, we will continue to aggressively fight crime. Through working with our citizens and businesses, we will apply our community policing principles to prevent crime, educate citizens, and try to identify offenders. Through the application of technology, such as the Records Management System, we will utilize technology advances to work more efficiently.

NNPD has had to make sacrifices in the proposed budget, as have most City agencies, however, reductions have been modest and the core mission of the NNPD can be sustained with this budget proposal. There is the possibility that greater federal grant revenue will allow the Department to minimize the impact of proposed cuts and actually enhance some crime reduction efforts over the next 18 months.



# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **FIRE DEPARTMENT / OFFICE OF EMERGENCY MANAGEMENT**

### **Issues**

The Fire Department (FD) is a labor-intense organization requiring over 93% of all budgeted funds to be directed to personal services and fringe benefits – leaving very little latitude, if any, for internal reductions without reducing personnel and creating a direct negative impact on service levels. The current fiscal environment requires that we seek every opportunity to reduce expenses while balancing the required services provided to, and expected by, the citizens. Any significant reduction in our departmental appropriation will result in the reduction of personnel and in diminished service levels.

The continued pressure on the operating budget has been softened, to some extent, by our success in seeking and obtaining grant funding for many of the initiatives accomplished in the past few years. Significant equipment expenditure requirements are anticipated in FY2010 and FY2011 to include upgrades to our breathing apparatus and personal protective clothing. We have already begun to evaluate those needs and to secure funding from alternate sources outside of the City general fund where possible. Many of the grants that we target require some cost share on the City's part, but we firmly believe that if we can secure funding for 50% to 80% of the cost of critical needs, it is effort well spent. We will continue to aggressively pursue grant opportunities that are beneficial to the City.

The FD has been unable to expand in areas that are critical to our day-to-day operations; but rather, redeployed existing assets to meet identified needs. In that light, we sought an innovative solution to the service response deficit identified in the Colony Pines/Denbigh Blvd. area of the City. Station #11, located adjacent to the Newport News/Williamsburg International Airport, is projected to go online in early FY 2010 and will allow the Department to provide an enhanced level of service to the immediate area at minimal increased cost. Based on current staffing projections, we will be required to move existing assets into this facility to make it operational.

A new area that will create challenges and opportunities, is the recent merger of the Office of Emergency Management (OEM) with the FD. The merger has provided the opportunity to leverage our human resource and financial reporting capacity for the benefit of the OEM while providing the opportunity for collaborating on special projects with subject matter experts: haz-mat, Emergency Medical Service, tech-rescue,

etc. To take advantage of the economy of scale created with the merger of OEM with the FD, we need to exercise the opportunity to adjust staffing responsibilities. The integration of FD personnel into the OEM over the past year has eased the transition, and we are working diligently to meet the Manager's operational objective to transition to the National Incident Management System operations model.

One significant deficiency was immediately identified in the area of software management and analysis. There are a number of independent software platforms in use at the OEM that require support and administration to ensure that they remain current and viable. Neither the FD nor the Department of Information Technology has the personnel resources to devote to the OEM to address the deficit. The City's ability to respond effectively will depend on the efficient operation of this software. Communications, incident response, recovery operations and cost recovery are just a few of the operational aspects impacted by the software programs that I am most concerned about. The only new position requested is a Business Analyst to address software program administration and to assist in grant management and data analysis support for Emergency Management.

### **Funding Strategy**

In order to reduce the department's expenses, all departmental positions were reviewed to determine where potential savings could be found. The first item evaluated was the average attrition rate on an annualized basis. Since we only hire twice a year, there can be a significant amount of time that a position remains vacant. We have projected that these vacancies will allow an increase in the credited for attrition savings from \$309,000 in the FY 2009 Budget to \$450,000 recommended for FY 2010. The review process also identified five positions that can be abolished with minimal impact to the citizens; although, there will be a more pronounced impact to our internal customers. We have recommended eliminating three positions in the administrative division of the FD. They are the Public information Officer (vacant), the Fire Management Analyst and the Occupational Safety and Health Officer. The critical aspects of these positions will be transitioned to other employees and some ancillary duties will be eliminated. The personnel services savings related to these positions is projected at \$113,489.

It is also being recommended that two of the OEM positions--one of two Emergency Operations Technicians (EOTs) and the Coordinator of Emergency Management--be eliminated. The work assigned to one of the EOTs is predominately administrative in nature and deals with human resource, budgetary, financial and other administrative-type duties better filled by an administrative assistant. The FD's existing staff is more than capable of assuming responsibility for most of these functions, making one of the two EOT positions unnecessary.

The other recommendation is for the abolishment of the Coordinator of Emergency Management position that will be vacant due to a retirement. While the OEM has positions for a coordinator and a deputy coordinator, a fire staff battalion chief has been acting as the deputy coordinator for the past year. This staffing structure was necessary for a standalone department, but as a division of the FD the duties of Coordinator can be handled as an ancillary duty of the Fire Chief. This is the customary structure found in most of the regional jurisdictions where the OEM rests within the FD and places the Fire Chief in the regional and state emergency management network. This placement will allow the Fire Chief to operate on the City's behalf as a peer when discussing emergency management issues. The personnel services cost savings associated with the elimination of two OEM positions will be \$174,278.

Abolishing the position of Coordinator of Emergency Management will require a change to City Code of Ordinances, Chapter 2, Article XXVII, and Section 2-645 and 2-647 in regards to appointing the coordinator and the responsibilities associated with the position. If the responsibilities of the coordinator are transferred to the Fire Chief, that will also have to be addressed in the City Code of Ordinances Chapter 16, Article 1, section 16-1, to create the legal authority for the Fire Chief to operate, and act on behalf of the City, as the Coordinator of Emergency Management pursuant to State Code 44-146.19, Powers and duties of political subdivisions.

Lastly, one vacant Fire Prevention Inspector will remain frozen for FY2010 with a savings of \$47,410. Total budget reductions from the FD from attrition credits and personnel reductions will exceed \$998,000.

### **Impact**

The total budget for the FD, to include the absorption of the OEM budget, has decreased slightly from the FY 2009 appropriation of \$31,380,433 to the FY2010 Manager's recommendation of \$31,210,473 after all reduction proposals are taken into account. This is a decrease of 0.5% (\$169,970). The positions recommended for abolishment result in a reduction from 376, inclusive of FD personnel and OEM staff, to 371 authorized positions. No sworn firefighter positions are being eliminated or frozen for FY 2010.

The elimination of the civilian positions is not expected to negatively impact current service level activity to the public in FY2010, but will diminish the responsiveness to internal customers who need data analysis or other requests for information or assistance. It must be emphasized that even though budgeted staffing is retained at current allotments, a significant increase in the volume of service calls will impact on the FD's ability to maintain acceptable response times. For this reason, once City financial resources improve, increased staffing for the FD should be given priority.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## PARKS, RECREATION AND TOURISM

### Department Overview

The Department of Parks, Recreation and Tourism is responsible for providing a wide variety of programs and services to directly enhance and enrich the quality of life for City residents and visitors. Quality of life contributions serve to affect a broad range of social and economic considerations in Newport News. Such considerations include attracting/retaining businesses and residents, strengthening/revitalizing neighborhoods, providing positive economic impact on property values, improving community health and lowering health costs, enhancing youth development and reducing juvenile crime, diversifying City revenues and promoting green infrastructure and sustainability. In addition to traditional parks and recreation responsibilities, this Department oversees historical preservation, animal services, tree and public landscape maintenance and local tourism initiatives.

The Department's budgeted resources help operate and maintain a large number of facilities, including 32 parks, 17 historic sites, 82 playgrounds, 66 recreation facilities and almost 100 outdoor sports fields (to name just a few). Department operated programs and facilities experienced over 4.6 million visits/uses in FY2008, including: 61,000 campers; 8,300 boaters; 209,000 picnickers; 111,000 *Celebration in Lights* visitors; 1,400 school-age program participants; 17,000 youth sport participants; 27,000 historic site visitors; and 74,000 aquatics program participants – again, to name just a few. The Department offers over 2,000 different programs, classes, activities and events annually.

### Cost Savings Initiatives

The Department of Parks, Recreation and Tourism identifies and implements cost-savings measures and efficiencies, wherever appropriate. Some of the more significant cost-savings measures over the past year included:

- Pursuing available grants to help offset costs of a number of park and historic site projects, such as the King-Lincoln Park Wavescreen Fishing Pier (over \$440,000) and improvements to the Virginia War Museum in Huntington Park, as well as at other historic sites (over \$150,000). Grant funding also accounts for annual reimbursement of two full-time restoration carpenters (\$110,000) and one part-time archeologist (\$30,000) assigned to the Department's Division of Historic Services.

- Encouraging and promoting the use of volunteers in parks, athletics and at historic sites to assist with facility operations, programming and maintenance. Over 371,280 volunteer hours were expended on behalf of parks and recreation in 2008, amounting to an estimated value of between \$2,432,000 (based on straight minimum wage) to \$7,243,673 (based on Virginia's calculated standard value of \$20.08/hour). It is worth noting that these total hours equate to the cost of approximately 178 full-time employees.
- Annually reviewing and balancing self-supporting and related program fees to ensure maximum recovery of costs, while minimizing negative impact on program accessibility. This resulted in an overall increase of over \$120,000 in additional revenue during FY2009.
- Identifying other cost controls and implementing various programming efficiencies (such as deferring the hiring of new employees). Such initiatives resulted in savings of over \$1 million during FY2009.

The Department will continue to seek out additional efficiencies and cost-savings measures as appropriate. As a critical step toward this end, the Department is already advising organizations and agencies that have utilized Department facilities, personnel and equipment for their special events, usually at little or no cost, that they will need to be prepared to pay for these costs in the future.

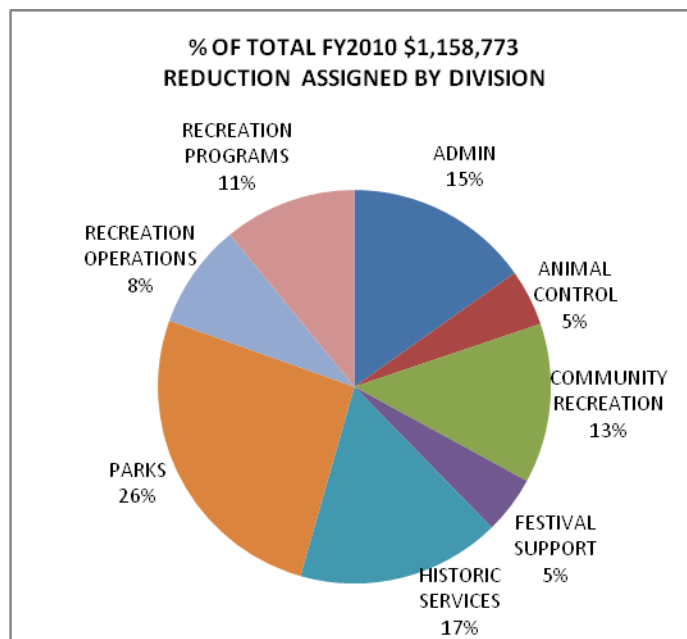
### **Overview of Proposed FY2010 Budget Reductions**

The City Manager's FY2010 recommended budget for Parks, Recreation and Tourism is based on a 7.4% decrease (\$1,158,773) from the total FY2009 General Fund contribution (actually, 9.3% total decrease when including a \$309,000 required attrition return to the General Fund). While steps to offset this reduction are described below, the total FY2010 budget for the Department will show an overall decrease of 3.5%--primarily in consideration of several line item increases that address rising utility costs, higher employee fringes and the upcoming increase in the Federal Minimum Wage.

While not impacted by the General Fund contribution, the Department's self-supported funds are also being decreased from \$9,549,400 to \$9,325,200 (2.35%) to adjust to a continuing decline in revenues associated with the current economic situation.

To accommodate the noted \$1,158,773 general fund reduction with as little impact as possible to program participants and facility users, the Department will freeze or abolish ten full-time positions, move **Chart 1**

one additional full-time position to the recreation revolving fund, eliminate the contracted Executive Director position at the new Downing-Gross Cultural Arts Center, significantly reduce the dedicated right-of-way contribution to the Department and make a number of other operational cuts, as shown under *Reduction Details* below. This reduction is actually being distributed among Department divisions as shown in Chart 1 (which shows percentage of the total \$1,158,773 reduction that is impacting each division).



While the General Fund contribution to the FY2009 Parks, Recreation and Tourism budget translated into a 20.7¢/day investment per resident, the FY2010 general fund will reduce this investment to approximately 19.9¢/day per resident.

### **Reduction Details**

The noted \$1,158,773 reduction is broken down as follows (not listed in any particular order of priority):

1. Reduce Full -Time Department Personnel. Approximately \$572,642 in savings will be realized by freezing six (6) and abolishing an additional four (4) full-time positions. All of these positions are currently vacant and are detailed in Table 1.

*Impact/Considerations:* Several of the four full-time positions recommended for elimination have been vacant for a considerable period of time with no significant detrimental effect. The workload associated with all four of the abolished positions has already been redistributed to other employees. The most noticeable impact from these position reductions will translate into some increased seasonal closures at the City's historic sites (e.g., other than the Virginia War Museum, all three of the City's historic homes will remain closed on Tuesdays and Wednesdays throughout the year; currently, they are closed on Tuesdays year-around, and on Wednesdays from January 1 to March 31. In addition, historic services classes and programs for which a fee is charged will only be offered if registration fees adequately cover program/class costs.

The impact from the six “frozen” positions is considered more significant, since three of the six positions are related to public safety (two rangers and one animal control officer), one position is a senior manager (administrator of historic services), one position is a senior athletic program coordinator and the remaining position is associated with the operation of the new Downing-Gross Cultural Arts Center. The expected impact from not immediately filling the public safety positions will result in less attention to safety and maintenance issues in City parks and recreation areas as well as increased wait time for response to calls for park or animal service-related assistance. To help adjust to this reduction in staff, organizations and agencies that have relied on ranger personnel for special events (e.g. walk-a-thons, traffic control, etc.) are being instructed that they will need to build personnel and other resource costs into their future event budgets.

Freezing the full-time Administrator of Historic Services position will (and has) necessitated some reorganization of historic service’s staff and responsibilities and, as with the public safety positions, is expected to result in some decrease in operational efficiency.

Freezing the Senior Athletic Program Coordinator will create considerable challenges in ensuring quality City-wide athletic programming until the position is refilled. While we originally had five full-time positions associated with athletic programming, this particular position is one of three remaining staff (two of the five positions were previously abolished).

The final vacancy – associated with full operation of the new Downing-Gross Cultural Arts Center – was authorized in FY2009 but never filled. Two other vacancies at Downing-Gross, however, will be filled in FY2010, which will double the current full-time staff from two to four, and should have an immediate and positive impact on the operation of this facility.

**Table 1 – Proposed Full-Time Reductions**

Position	Freeze Position	Abolish Position	Cost Savings
Administrator – Historic Services	✓		\$87,172
Marketing Coordinator – Historic Services		✓	\$54,750
Senior Custodian – Doris Miller Community Center		✓	\$36,640
Recreation Program Coordinator – Downing-Gross CAC	✓		\$52,217
Sr. Rec. Program Coordinator – Therapeutics		✓	\$57,542
Education Specialist – Historic Services		✓	\$52,133
Senior Park Ranger #1	✓		\$60,494

Sr. Rec. Program Coordinator - Athletics	✓	\$57,542
Senior Park Ranger #2	✓	\$60,494
Animal Control Officer II	✓	\$53,658
Total Savings		\$572,642.00

2. Eliminate Contracted Executive Director at Downing-Gross Cultural Arts Center for a cost savings of \$100,000.

*Impact/Considerations:* The need for this position (and the associated responsibilities of facility management and fund raising) was seen as critical in getting the new Cultural Arts Center up and running. However, because of the nationwide and local decline in charitable giving, it will be difficult to attract significant private donations in the near term, and, therefore, having an executive director position that focuses on fund-raising is not an immediate priority. Other arrangements have been made for managing the facility thereby avoiding the need to budget for the executive director position in FY 2010.

3. Reduce Special Event Funding. Reduce the current City-wide special event funding by an additional \$55,000. This action follows a 28% reduction (\$200,000) in City-wide special event funding that was implemented in FY2009.

*Impact/Considerations:* The noted reduction will eliminate funding currently provided to the Virginia Arts Festival for Spring "Kickoff" and holiday events at City Center. As part of the FY2010 budget, Parks, Recreation and Tourism is also realigning events to accommodate the FY2009 decrease, which will result in program reductions to all special events produced by the Department, as well as foregoing the cost of national entertainment for the City's July 4<sup>th</sup> Stars in the Sky celebration.

4. Close the Main Street Therapeutics Office. This move will save approximately \$23,384, primarily by eliminating utility costs and part-time costs associated with this City-owned facility.

*Impact/Considerations:* Closing this facility will necessitate relocating all associated programs and services to the Brittingham-Midtown Community Center. These programs specifically include services for adults with special needs, and averaged around 3 to 5 participants over the past several years. The noted savings account for all expenses associated with this facility and assumes utilities will be shut off and the building closed to use.



5. Reduce Operating Hours at Two After-School Recreation Centers. The Saunders and Newsome Park year-round, drop-in, athletic centers will close on Friday evenings from March through October. This action will save \$5,600 (35 weeks x 4 hours/day x 2 staff @ \$7.85/hour x 2 sites).

*Impact/Considerations:* Attendance at these facilities has averaged less than 10 people per evening during the March to October timeframe. These facilities would remain open on Fridays during the youth basketball season and during any special events or structured programs during the off-season. Patrons interested in using these facilities during the Friday closures will need to access the Magruder, Doris Miller, Jenkins, Richneck or Warwick Recreation Centers.

6. Close Magruder Pool. Use some of the associated savings to increase hours at the Doris Miller Pool. This would net an estimated overall savings of \$24,785 and eliminate the need to invest an additional \$20,000 or more to make the minimal repairs needed to open this facility for the 2009 season.

*Impact/Considerations:* The Magruder Pool has been sitting for many years, resulting in water leaks in the pool expansion joint(s); the subsequent pressure has caused the pool coping and tiles to crack and dislocate, causing numerous safety hazards and Health Department violations. The water leak has continued to worsen each season and is resulting in increased water costs (\$15,206 in water expenses for the 2008 season). In addition, the decking around the pool shell is beginning to crack. Staff has been advised by the Health Department that the pool will not pass the necessary inspection to approve it for opening unless a minimum of \$20,000 or as much as \$200,000 in repairs are made (including repairs to comply with the Virginia Graeme Baker Act). Repairs include installation of certified drain covers, as well as an automatic pump shut-off system and safety vacuum release.

Magruder Pool experienced approximately 3,600 visits in 2008. To accommodate the closing loss of this aquatic facility, staff is recommending \$37,281 be moved from the Magruder operating budget to the Doris Miller Pool to allow the latter to remain open 7 days/week, and for an extended number of hours per day. This increase is noted in Table 2 (note: for comparison, the Doris Miller Pool experienced 14,951 visits in 2008).

**Table 2 – Proposed Expansion in Doris Miller Pool Hours to Accommodate Magruder Pool Closure**

Day of Week	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Hours open in 2008	1-5	Closed	12-7	12-7	12-7	12-7	1-5
Hours to help accommodate closure of Magruder Pool	12-6	10-7	10-7	10-7	10-7	10-7	11-6

7. Transfer General Fund Expenses to the Recreation Revolving Fund. Move the expenses associated with one full-time Parks Events Coordinator (\$45,396) and the Mary Passage Teen Program (\$20,870) from the general fund to the recreation revolving fund.

*Impact/Considerations:* Staff has determined that the General Fund cost of the Parks Division's Events Coordinator position (\$45,396) could be offset by reducing the "Reserve for Improvements" line item in the parks portion of the Recreation Revolving Fund. While this would directly reduce general fund expenses, it will also reduce [revolving account] funds normally available and used for upgrading equipment or making improvements to fee-based park facilities/programs, such as boating, camping and picnicking facilities. This move will also reduce funding for replacing and refurbishing deteriorating exhibits associated with the City's Celebration in Lights.

Staff has also determined that the Recreation Revolving Fund could accommodate the current expenses (\$20,870) associated with the Brittingham-Midtown teen program (primarily part-time staff costs). The most significant impact from this move would be to reduce discretionary funds normally available and used for upgrading supplies and equipment in the teen program.

8. Reduce Contracted Landscaping and Adopt-A-Tree Funding. Eliminate funding associated with contracted landscape maintenance (cutting, trimming, mulching and trash/debris removal) of five City sites, including Chowan Ditch (\$15,148), the HRT Downtown Bus Terminal (\$26,753), West Avenue (\$16,120), Hampton Roads Center Parkway (\$4,318) and Boxley Boulevard (\$7,730). Reduce Adopt-A-Tree program funding by \$1,911 (25%). Total savings: \$71,980.

*Impact/Considerations:* Reducing contracted landscape maintenance at the noted sites will result in less attention to maintenance of these sites, and decrease overall site aesthetics. While Adult Corrections/Sheriff's Department inmate work crews might be able to assist with periodic clean-up and groundskeeping activities at these locations, such work will be less regular than currently occurs with contracted maintenance. Reduction of the Adopt-A-Tree fund (\$1,911) is expected to have negligible impact, since the remaining funding (approximately \$6,000) will more closely align to what is spent from this fund on an annual basis.

9. Reduce Dedicated Right-of-Way Park and Recreation Improvement Funding. This action will reduce the current \$440,000 in dedicated funding by \$176,000.

*Impact/Considerations:* Since its implementation in the mid-1990s, this dedicated funding has proven critical in assuring timely repair, refurbishment, replacement and upkeep of parks and recreation facilities and amenities not normally available or eligible for CIP funding. Examples include replacement and repair of playground equipment and surfacing, replacement of park amenities (waste receptacles, picnic tables, bridges, signs,

*benches, fences, bleachers, scoreboards, etc.), refurbishment of athletic fields and courts, and replacement of specialized park, athletic field and golf course equipment.*

*This reduction will delay some of the noted replacements, resulting in increased maintenance to extend the life of selected worn/aging playground equipment and park amenities. While a portion of the right-of-way funding has also traditionally addressed unexpected/unplanned equipment failures and facility repairs (e.g. storm or vandalism damage to park facilities), the extent of these needs is difficult to predict for the future and may necessitate a special appropriation if repairs exceed the remaining budgeted funding.*

10. Close the Huntington Park Beach Concession. This action will save approximately \$17,483 in part-time costs currently needed to staff the concession operation from Memorial Day weekend through Labor Day weekend.

*Impact/Considerations: Revenues received from concession sales are significantly less than operating costs. Eliminating the concession (unless a private firm can be solicited to undertake its operation), may inconvenience beach goers, who currently have access to drinks, ice, hot dogs and related concession food items. Responsibility for inspecting the adjacent restrooms (and stocking paper products as needed) will be reassigned to City lifeguard staff.*

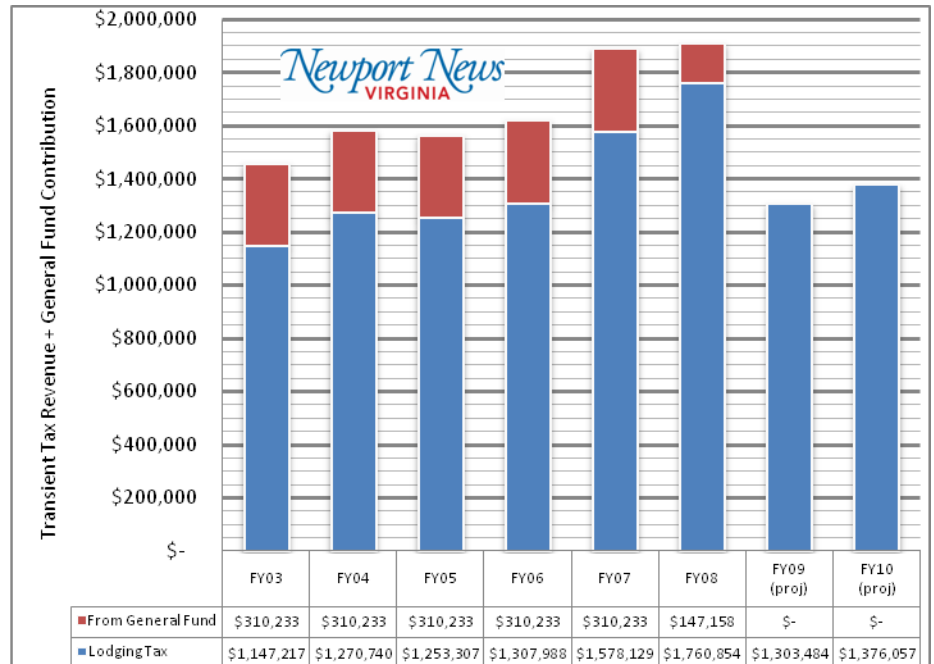
11. Eliminate the Landscape Inspector Position. Eliminating the City's part-time Landscape Inspector will result in a savings of \$45,633. This position is assigned to provide oversight of the City's twenty (20) contracted landscape sites (being reduced by five sites, see #8, above). This position is currently vacant.

*Impact/Considerations: Proper oversight of the work that is contracted through private landscape firms necessitates regular and consistent follow-up to ensure compliance with work specifications. The extensiveness of contracted City landscape maintenance sites amounts to anywhere from 16 to 32 hours of follow-up inspection per week, depending on the nature of the work and the time of year. Elimination of this position will necessitate increased involvement by the City's full-time Landscape Planner and the City's Irrigation Specialist, which, coupled with their other work assignments, will translate into less oversight and an increased "reactive", rather than proactive, approach to inspections.*

## Revolving Fund Reductions

In addition to the noted general fund reductions, we are reducing various non-general fund budgets to adjust to declining revenues. Of special mention, is the significant reduction in the City's Tourism Fund that started in FY2009 as a result of the sharp decrease in transient room tax revenue. Chart 2 depicts the General Fund contribution and transient room tax revenue that has been provided to the Tourism Fund over the past several years. As **Chart 2**

noted on the chart, the City's General Fund contribution was eliminated in FY2009, leaving the budget fully dependent on the dedicated percentage of collected transient tax. The FY2010 Tourism Fund will decline by at least 15.2% when compared to the FY2009 budget. This decline is being addressed primarily by reducing marketing and travel expenses. For example, instead of sending Visitor Guides to address the close to 50,000 in annual "label inquiries," we are now sending a post card to encourage potential visitors to view the Tourism website and download materials of interest--a significant savings in postage, printing and paper costs.



## Summary

The proposed reduction to the FY2010 Parks, Recreation and Tourism operating budget will necessitate cuts to a number of Department programs, activities and services. While staff has made every effort to spread the impact of these cuts throughout Department operations—with particular emphasis on programs and activities that have less attendance and participation--the scope of the noted reductions will still result in some user inconvenience and resistance.

Beyond the cuts already noted, the Department of Parks, Recreation and Tourism will continue to look for, and pursue, opportunities for improving efficiencies, and further reducing costs, wherever appropriate.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## CLOSURE OF WEST AVENUE LIBRARY

Public libraries play an ever-expanding role in the community that goes beyond the traditional services of circulating library books and answering reference questions. They provide gathering places for youth after school, free classes and programs for out-of-school adults and a public forum for the exchange of ideas and experiences. Free services include the use of personal computers, meeting and study rooms, tutoring locations and service, and test monitoring. Local libraries play a role in governmental functions by providing voter registration, state and local tax forms, notary service, and driver courses and testing to regain drivers' permits. Copiers and fax services are available. The demand for and use of these services, particularly by those of limited resources, is increasing. During FY 09 the Public Library System has accomplished the following initiatives:

- Established SNAP Centers at Grissom, Main Street and Pearl Bailey Libraries to provide employment assistance and career development. More than 2,135 people already have used the SNAP Centers during these tough economic times. At least three have reported that they were successful in obtaining employment through the assistance they received in the SNAP centers.
- Developed and implemented the Chill Spot, an after-school safe zone for youth in the Southeast Community that includes tutoring, games, learning experiences and programs such as *Emerging Artists*; *Yes, You Can Go to College*; and *Healthy Weight, Healthy Teens*.
- Provided more than 1,800 children and teens with the opportunity to maintain and improve reading skills through the 2008 Summer Reading Programs' special events that included storytimes, puppet shows, crafts and more.
- Presented more than 334 free programs and computer classes for adults and more than 490 free programs and computer classes for youth. More than 13,217 people attended these programs. Additionally over 193,821 people made use of the computer labs located in each library.

### Issues

The Department of Libraries and Information Services has developed a proposed current service level budget for FY10 that reflects a 6 percent reduction in operating costs. In light of the Library System's expanding role and the increased use of services as described, the Library Board of Trustees and staff identified core service areas. These core services are: (a) educational enrichment, (b) library material and staff resources, (c)

library as community place and (d) community outreach. These core services areas were used to establish budget reduction strategies that have the least impact on the general public. However, no one service can stand on its own, and each is affected in one way or another by the others. The premise that a strong library materials budget is critical to the on-going operation and success of the Library System was also a key consideration in determining budget cuts.

One of the options presented in the 2008 Facility and Space Needs Study of the Newport News Public Library System was the closure of the West Avenue Library. The West Avenue Library is a three-floor historic structure containing approximately 11,800 square feet. It is not ADA accessible and has limited parking available for public use. The Library is open 40 hours per week or 2,080 hours on an annual basis. It serves the downtown area of the City and is located within 1.5 miles of the Pearl Bailey Library. The Friends of the Newport News Public Library are also housed at West Avenue and provide \$25,000 to \$30,000 annually in support of the Library System.

The use of the West Avenue Library has been affected by changes in the downtown area, and it is no longer a hub for library service. During FY08, West Avenue Library had a circulation count of 44,712; of these, 25,618 were telephone renewals. Of the circulations conducted in person, 13,785 were for Newport News residents. In order to conserve resources and to be more efficient and effective, the Library System recommends that the West Avenue Library be closed to the public and its resources reallocated to the remaining three libraries. While the building would be closed to the public, the space would continue to be used for library purposes.

Annual operating cost for the West Avenue Branch Library is \$266,919. This cost includes four full-time and two part-time positions. In addition to serving the West Avenue Library, full-time staff work at the Law Library when needed.

#### Newport News Public Library System - FY 2008

	Bailey	Grissom	Main St.	West Ave.	Total
<b>Circulation</b>	60,829	275,299	242,256	<b>44,712</b>	715,613*
<b>Visitor Count</b>	259,098	367,491	249,418	<b>38,865</b>	942,224
<b>Reference</b>	10,615	46,645	35,555	<b>7,572</b>	126,182
<b>Registration</b>	18,498	57,735	53,104	<b>5,061</b>	137,127

\*includes Administration, Bookmobile, Outreach, remote renewals, Technical Services and SLBPH

## Strategy

The 6 percent reduction needed will be accomplished using the following strategies:

1. Close West Avenue Library to the public. Responsibility for library service to downtown users and residents would be shifted to the Pearl Bailey Library, which is located 1.5 miles from West Avenue Library. In addition, two bookmobile stops will be scheduled for the downtown area and selected with input from library patrons. The four full-time staff would be reassigned to existing vacancies and positions resulting in no job loss. However, two part-time positions would be eliminated. One of the two part-time positions is currently vacant.

The Friends of the Library will continue to use the West Avenue Library, and other remaining space will be used for the Library System's storage collection. The storage collection consists of seasonal materials/topics that will be maintained at this location when not in use at any of the branch libraries. The total cost savings for implementing this strategy is \$183,550.

2. Other reductions to reach the balance of the 6 percent reduction are:
  - Reduce part-time staff at Administration and Technical Services: \$105,326
  - Reduce various non-personnel related line items: \$59,739
  - Reduce library materials budget: \$3,500

## Impact

- **Patrons:** Patrons of West Avenue will be served by the Pearl Bailey Library, the Main Street Library and the Bookmobile. The Pearl Bailey Library is within 1.5 miles of the West Avenue Library.
- **West Avenue Library Staff:** Staff will be placed in vacant positions or reassigned with no job loss for full-time employees.
- **The Friends of the Newport News Library:** No impact.
- **Bookmobile:** One part-time position will be added to the bookmobile staff to accommodate new downtown stops.
- **Operating Hours:** The only reduction in operating hours would occur at the West Avenue Library. Total hours of operation are limited to 40 hours per week or no more than 2,080 hours on an annual basis.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## GENERAL FUND

### DEPARTMENT OF PUBLIC WORKS

#### Issues:

As an American Public Works Association (APWA) Accredited Agency, the Department of Public Works is obligated to; “...ensure acceptable levels of service delivery while maintaining expenditures so as not to exceed revenues.” Several management practices are identified which must be met in order to assure that we comply with APWA financial practices. For example:

- Clarity of budgeting responsibilities and internal controls for expenditures and revenues
- Budget preparation procedures
- Thoroughly documented procedures for accounting and reporting of budget variances
- Reviews of alternative service delivery methods
  - Must be evaluated to ensure that service delivery choices are in line with our mission, vision and value statements

The Department of Public Works continues to experience a significant demand for human and capital resources. However, under current economic conditions our ability to provide the current level of public works services is rapidly becoming a more challenging task. The imposition of the hiring freeze, travel restrictions and loss of capital assets (vehicles) are beginning to erode our ability to:

- Maintain, preserve and repair our public buildings
- Maintain and repair our streets
- Clean and maintain the stormwater collection system
- Collect and dispose of trash and recycling
- Maintain and improve our sanitary sewer infrastructure

In December 2008, the Department of Public Works submitted a list of expenditure reductions in the amount of **\$759,232** to the Director of Budget and Evaluation. The reductions included savings generated by the delayed hiring of some General Fund positions (six-month delay) and freezing approximately 16 positions until the end of the current fiscal year.



A second set of budget reductions in the amount of **\$420,138** was submitted to the Department of Budget and Evaluation on February 17, 2009. This reduction proved extremely difficult to implement and any further reductions during the current fiscal year would result in the elimination of existing personnel and a significant reduction in Public Works programs and services.

The current reduced funding levels and hiring freeze, along with the Public Works FY 2010 reduction in service recommendations, will diminish our ability to meet the requirements of the Public Works and City of Newport News Emergency Management Plan.

Furthermore, each position frozen or eliminated in the FY 2010 budget proposal will further impede our ability to adequately maintain our public buildings and repair and rebuild primary, secondary and neighborhood streets.

### **Funding Strategy:**

Public Works evaluated current operations to determine the most effective means to meet the City Manager's ten percent budget reduction guidelines. While many smaller line item adjustments to the Public Works General Fund Budget were considered and implemented, the only way to approach the ten percent objective was to reduce positions. The determination on which positions would be eliminated was made only after assuring that their elimination would not jeopardize public health and safety.

The Customer Service Center continues to receive approximately 250 calls per day during the week and approximately 50 calls per day on weekends. Approximately 89.8 percent of the weekday customer service calls are received prior to 4:30 pm and 10.2 percent of the weekday customer service calls are received from 4:30 pm to 11:30 pm.

Given that such a large proportion of the customer service calls are received prior to 4:30 pm, Public Works is adjusting the Call Center's hours of operation. The new hours will be 6:30 am to 6:00 pm Monday through Friday and on Saturday and Sunday 7:00 am to 3:30 pm. All calls received after scheduled operating hours will be recorded. The calls will be responded to the next business day. However, to ensure continued attention to public health and safety, sewer stoppage crews will operate on their current schedule and will be dispatched by way of cell phone notification through the telephone switch.

Based on the adjustments in the Call Center operating hours, Public Works is recommending the elimination of the Customer Service Center Supervisor and one Public Works Dispatcher position. Because the telephone switch will be automated to forward emergency telephone calls to the evening sewer stoppage crews, the elimination of these positions should not have a significant impact on operations. The

schedules for on-call supervisors are already in place and the call routing to the on-call supervisors can be readily accommodated by the telephone switchgear. The savings generated by the elimination of the Customer Service Manager is approximately \$84,000. The Operations Dispatcher expenses are charged to other Public Works Divisions so the cost savings is not considered in the General Fund Budget, but will result in the reduction of one position allocation.

The Public Works Management Analyst and Part-time Assistant for the Analyst are currently vacant. Both positions are recommended for elimination and will result in a savings of approximately \$72,000 per year. The Management Analyst was responsible for conducting in-depth analysis of Public Works operations, Public Information Officer (PIO) responsibilities and assisting the Department with American Public Works Association (APWA) Accreditation. This workload is currently being shared among several Public Works employees.

The Public Works Senior Storekeeper position is also recommended for elimination. This position is currently filled and the workload currently assigned to the Senior Storekeeper will need to be shared by several members of the current Public Works Warehouse staff. The savings generated by the elimination of the Public Works Senior Storekeeper is approximately \$68,000 per year.

Two Senior Painter positions are also recommended for elimination. One of the positions is currently filled while the other has been vacant for some time. Public Works plans to contract major in-house painting projects and assigning smaller “touch-up” painting tasks to existing Building Services personnel. The move to contract larger painting jobs will require more detailed planning efforts and some departments may experience some delay in painting requests. The savings generated by the elimination of these two positions is approximately \$100,000 per year.

One Operations Supervisor in the Building Services Division is also recommended for elimination. This position is currently filled. The Operations Supervisor is assigned to Juvenile Services and is responsible for assuring that preventive and corrective maintenance tasks are completed throughout the facility. The workload currently assigned to the Operations Supervisor will be completed on an as-needed and prioritized basis by employees staged in the downtown area. The Juvenile Services facility may experience a longer response time for some non-emergency maintenance needs. The savings generated by the elimination of this position is approximately \$92,000 per year.

The Street Maintenance Division recommends the elimination of contracted concrete replacement projects for FY 2010 for residential and arterial paving contracts. Much of this work was completed in support of contracted paving operations. However, in FY 2009, the Street Maintenance budget was reduced by \$1,641,450 in contract paving

operations and \$58,550 in construction materials funding. Consequently, the funds to support the concrete work for these projects should be eliminated. The savings generated by the elimination of the contracted concrete work is \$500,000 per year. The reduction in contract paving and reconstruction work will be sustained for FY 2010.

Finally, ten vacant Street Maintenance Division positions will be unfunded for FY 2010. The positions include Concrete Workers and Equipment Operators. The savings generated by the freezing of these positions will result in an annual savings of approximately \$417,000. These vacancies especially reduce our flexibility in responding to future natural or manmade emergencies.

**Impact:**

The reductions in positions and service levels that the Department had to make to adapt to the current fiscal environment are significant. The effect of the reductions can be expected to result in some delays in customer service response, deferred maintenance of public buildings and postponed street paving and reconstruction. Public Works' capability to respond to natural and manmade disasters has also diminished by the overall loss of positions. In the short term this may be appropriate, but it is not advisable over the long term.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

USER FUNDS

DEPARTMENT OF PUBLIC WORKS

## Issues:

Public Works remains keenly focused on its fiscal responsibility for both its General Fund and User Fund Divisions. To assure that both rate and infrastructure funding levels for each Public Works User Fund meet generally accepted accounting principles, the City contracted with Whitman, Requardt & Associates, LLP and Municipal & Financial Services Group. The *Sewer, Stormwater and Solid Waste Cost of Service Study was completed* in December of 2008. The goal of the study was "...to conduct a comprehensive Rate Analysis of the Sewer User Fee, Stormwater User Fee and the Solid Waste User Fee accounts." The study was designed to:

- Determine a methodology to keep rates and fees low over time through sound financial management principles while maintaining proper system maintenance
- Review Stormwater, Solid Waste and Wastewater Funds to assure continued stability and financial health
- Ensure users of the systems and services are appropriately charged for expenses they cause the City to incur
- Assure that the utility systems are self-supporting
- Provide sufficient reserves for unexpected costs and repair and rehabilitation of assets

The final report revealed that:

- The Stormwater, Solid Waste and Wastewater Funds are financially healthy
- Rates for all three services have been set to adequately recover operating and debt expenses for FY09
- The City is spending appropriately to repair and replace the wastewater system assets in a timely and efficient manner, through planning in both the capital and operating budgets

### **Solid Waste Fund - Funding Strategy:**

A two-year increase in the Solid Waste User Fee was approved by City Council during the FY 2009 budget process. The increase was/is needed to cover increases in both

contracted services (recycling contract, landfill disposal contract) and the need to purchase recycling and trash containers that have reached the end of their useful life. The new rate is an increase of \$0.35 to \$5.38 or \$18.20 per year per household.

The FY 2010 Solid Waste User Fund Budget includes reductions in overtime (\$25,000), vehicle wash (\$8,750), travel and training (\$5,100), contract services (\$45,000) and construction materials (\$8,600). These reductions will prove beneficial during the rate-setting process for FY 2011.

A bid package is being developed for the recycling contract. The current contract with Tidewater Fiber will expire on June 30, 2009. Public Works is working with the Purchasing Department to carefully craft the bid documents to ensure that the City receives the best possible price for this important service.

### **Stormwater Fund - Funding Strategy:**

The Department of Public Works and the Department of Engineering share this fund. The recommended Stormwater User Fee is \$5.45/ERU which is a 6.9% increase over the current rate of \$5.10. The average household cost will increase by \$4.20 per year to \$65.40.

Prior to this fiscal year, projects such as the repair of swales, GIS mapping, lake enhancement, slip-lining of storm drains, stream restoration and miscellaneous small improvement projects were funded in the CIP. The current CIP includes \$2 million for this work. For FY 2010, partial funding for these projects is included in the operating budget in the amount of \$500,000.

### **Wastewater Fund - Funding Strategy:**

Public Works and the Department of Engineering continue to work together to implement the requirements of the Department of Environmental Quality Consent Order (DEQ-CO). The time and effort required by this team to manage the complexities of the DEQ-CO is intensive. Unfortunately, despite our efforts, the contractual cost to meet the requirements is expected to increase significantly during the next several fiscal years.

The FY 2010 budget presents our best estimate of the necessary expenses to:

- Implement the SSES Program
- Implement the “Find and Fix” Program
- Continue Flow Modeling
- Develop a long-term capital plan

The DEQ-CO Technical Standards require that any sewer line discovered to “*pose an immediate threat to the environment*” must be repaired immediately (“Find and Fix”). Therefore, Public Works will need to hire one additional construction crew to repair damaged sewer lines discovered during the Sanitary Sewer Evaluation Survey (SSES) component of DEQ-CO and a GIS Programmer Analyst to maintain the additional infrastructure data acquired during the SSES phase of the DEQ-CO.

Budgeting for long-term capital improvements and other components of the DEQ-CO cannot be completed until the SSES Program is underway. The FY 2010 recommended Sewer User Fee will remain the same at \$1.63/HCF or approximately \$189 per household per year.

In order to meet the requirements of the DEQ-CO, the Wastewater Consent Order Surcharge will need to increase from \$0.45/HCF to \$0.90/HCF. This will allow cash payment for engineering services and facilitate the installation of data acquisition equipment in many of the City’s sewerage pumping stations. An additional \$2.6 million is needed for the installation cost of the remainder of the data acquisition equipment. The debt service for this additional equipment is \$294,391 and is included in the new surcharge rate. The \$0.90 rate should not have to be increased for five years unless there are major changes to the Consent Order and engineering study findings.

**Impact:**

The Solid Waste Fund is adequately funded with the rates established in FY 2009. The reduction in expenses implemented in FY 2010 should help during the FY 2011 rate-setting process. A major variable in setting the rate in FY 2011 and beyond will be the results of the upcoming recycling bid contract price. The Stormwater and Wastewater Fund increases will provide the necessary funding to continue to appropriately manage our infrastructure and maintain adequate reserves for unexpected emergencies.

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **ENGINEERING**

### **Issues**

In November 2008, the Department of Engineering implemented organizational changes that resulted in significant and permanent cost savings. Nine full-time positions were eliminated during FY 2009 resulting in a current year savings of approximately \$500,000 and a savings in FY 2010 of approximately \$645,000. These savings were partially offset by approximately \$50,000 of merit increases to 25 staff. In addition to the positions eliminated, the Department froze six vacant positions at an annual savings of approximately \$300,000. In February 2009, an additional two vacant positions were slated to be frozen through FY 2010, resulting in an annual savings of approximately \$100,000. Even with this significant reduction in staffing, the Department is able to maintain its current level of service by leveraging technology and applying a consistent emphasis on performance.

The major components of the organizational changes implemented in FY 2009 are detailed below:

Construction Inspection – Formerly a stand-alone division, this function was reorganized under the leadership of the Civil Design Division to improve communication between engineers and the inspectors that support them. Four of the positions eliminated in the Department are from this group consisting of a Field Engineer and three Inspectors, two of which had been vacant for over two years. The Field Engineer duties were absorbed in part by a Civil Design Engineer and in part by two Inspection Supervisors. The division was able to absorb the elimination of the inspector positions by increased reliance on technology. Substantial operating efficiencies were gained by digitizing the daily inspection reports, which are completed in the field using laptops, automatically generating invoices from the daily reports and scheduling inspections directly from the plan and permit systems.

Architecture – Formerly a stand-alone division, this function was reorganized under the leadership of the Architectural Inspection Division to improve responsiveness to construction issues. The Licensed Architect position was eliminated and the duties were absorbed in part by the Architectural Field Engineer and in part by two staff Architects. In order to facilitate these changes, some of the Field Engineer's duties were absorbed by two recently upgraded Inspection Supervisors. The daily architectural

inspection reports and invoices were also digitized providing for increased operating efficiencies.

Survey Team - This group was reorganized under the leadership of the Technical Support Division to optimize integration of CAD, GIS, Survey and Document Management. The Survey Party Chief position was eliminated and the duties were absorbed in part by the Survey Coordinator and in part by leveraging new digital survey equipment that can be operated by a single person rather than a two or three person crew.

Stormwater Engineering - Three vacant positions were eliminated; an Engineer III, a Construction Inspector I and an Engineering Technician. These position eliminations were possible due to several service improvement initiatives that also provided increased operating efficiencies. The Erosion and Sediment (E&S) inspections were digitized and scheduled automatically by the permit process. This improvement resulted in approval by the Department of Environmental Quality of an alternate inspection procedure that reduced annual required E&S inspections from 9,000 to 3,000. The BMP inspection process was also digitized, thus improving enforcement and follow-up. Even with these position eliminations, the division was able to absorb the responsibility for the Wetlands Board from the Department of Development with no increase in staff.

Frozen Positions - The following positions were frozen in FY 2009 and will remain frozen through FY 2010:

- Site & Subdivision Technician
- Traffic Signs and Marking Mechanic - 2 positions
- Engineering Technician III - 2 positions
- Senior Engineering Tech

Of these positions, keeping the two Traffic Signs and Marking Mechanic positions vacant, poses the greatest risk for delivering adequate services. Despite a new asset management and work order system, the time necessary to manage the sign and marking installation, and maintenance has not decreased as originally anticipated. In addition to the positions listed above, two additional vacant positions were also frozen through FY 2010. The Department will be allowed flexibility, to select and adjust as necessary which of the vacant positions will be left unfilled, so as to minimize the impact to service levels.

Environmental Management Services - This function was shifted from the Office of Self-Insurance to the Department of Engineering with an annual budget of approximately \$150,000. As this group is closely related to the efforts of the Public Works Energy Manager, Stormwater Environmental Services group and Architectural staff, alignment



<b>Engineering Fee Schedule</b>
---------------------------------

of this function within the Department of Engineering will provide for increased operating efficiencies.

### **Revenue**

The Department of Engineering is responsible for the collection of various fees, largely related to development. The most significant change in revenue estimates for FY 2010 is the anticipated reduction in sanitary sewer connection and assessment fees. The current economic conditions, coupled with the fact that these fees are generally tied to new development, has resulted in a reduction of \$600,000 in the revenue estimate for FY 2010.

The attached table lists the various fees that the Department of Engineering is responsible for and compares the FY 2009 and FY 2010 rates. Only two types of fees were increased for FY 2010; the various sanitary sewer connection and assessment fees, which went up by 4% to reflect the ongoing construction cost increases and the Residential Parking Program Permit fee, which went from \$4 to \$10 per year. This large increase was necessary because the fee had not been adjusted since the inception of the program in the early 1980's and because of the investment in new technology, which allows for more efficient police enforcement.

<b>Engineering Fee Schedule</b>				
<b>Fee Type</b>	<b>FY 2009 Rate</b>	<b>FY 2010 Rate</b>	<b>Increase Amount</b>	<b>Increase %</b>
Right of Way Permit:				
Commercial Entrance	\$ 200	\$ 200	No change	-
Residential Entrance	\$ 65	\$ 65	No change	-
Underground Installations & Other	\$ 50	\$ 50	No change	-
Site Plan Filing:				
Class 1 Permit Base Fee	\$ 375	\$ 375	No change	-
Plus \$130.00/acre x acres	-	-	No change	-
Class 2 Permit	\$ 220	\$ 220	No change	-
Site Plan Inspection:				
Class 1 Permit Base Fee	\$ 125	\$ 125	No change	-
Plus \$125.00/acre x acres	-	-	No change	-
Class 2 Permit	\$ 35	\$ 35	No change	-
Site Plan Resubmittal	\$ 250	\$ 250	No change	-
Subdivision Inspection				
Base Fee	\$ 250	\$ 250	No change	-
Plus length of street x 1.8%	-	-	No change	-
Development Plan Filing - Preliminary				
Base Fee	\$ 250	\$ 250	No change	-
Plus per lot	\$ 10	\$ 10	No change	-
Development Plan Filing				
Base Fee	\$ 400	\$ 400	No change	-
Plus per lot	\$ 30	\$ 30	No change	-
Recordation:			No change	-
Plat Filing Base Fee	\$200	\$200	No change	-
Plus \$25 per lot	-	-	No change	-
Mylar & Prints	\$ 70	\$ 70	No change	-
Recordation	\$ 21	\$ 21	No change	-
Over Dimensional Permit:				
Single Trip	\$ 75	\$ 75	No change	-
Single Trip - Super load	\$ 150	\$ 150	No change	-
Blanket Permit	\$ 200	\$ 200	No change	-
Blanket - additional trailers, each	\$ 50	\$ 50	No change	-

<b>Engineering Fee Schedule (contd)</b>				
<b>Fee Type</b>	<b>FY 2009 Rate</b>	<b>FY 2010 Rate</b>	<b>Increase Amount</b>	<b>Increase %</b>
Land Disturbance Permit:				
Agreement in lieu of plan	\$ 75	\$ 75	No change	-
Plan - up to 10,000 sq ft	\$ 175	\$ 175	No change	-
Plan - up to 20,000 sq ft	\$ 225	\$ 225	No change	-
Plan - up to 30,000 sq ft	\$ 275	\$ 275	No change	-
Plan - up to 40,000 sq ft	\$ 300	\$ 300	No change	-
Plan - up to 50,000 sq ft	\$ 325	\$ 325	No change	-
Plan - over 50,000 sq ft	\$ 350	\$ 350	No change	-
Plus \$25 for sq ft in increments of 10,000 sq ft in excess of 60,000 sq ft	-	-	No change	-
Sanitary Sewer Connection - Assessed:				
Front footage fee per LF	\$ 47	\$ 49	\$ 2	4 %
Subdivision front footage per lot	\$ 7.70	\$ 8	\$ .30	4 %
Single Family w/in 12 mo	\$ 280	\$ 291	\$ 11	4 %
Single Family after 12 mo	\$ 561	\$ 583	\$ 22	4 %
Sanitary Sewer Connection - Not Assessed:				
Single Family	\$ 2,808	\$ 2,920	\$ 112	4 %
Single Family plus lateral installation	\$ 1,123	\$ 1,168	\$ 45	4 %
Multifamily	\$ 393	\$ 409	\$ 16	4 %
Commercial - first lateral	\$ 561	\$ 583	\$ 22	4 %
Commercial - each additional lateral	\$ 393	\$ 409	\$ 16	4 %
Industrial	\$ 561	\$ 583	\$ 22	4 %
Mobile Home	\$ 393	\$ 409	\$ 16	4 %
Hotel	\$ 393	\$ 409	\$ 16	4 %
Residential Parking Permit	\$ 4	\$ 10	\$ 6	150 %

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## VEHICLE SERVICES

### Issues

The City Department of Vehicle Services maintains a fleet of 1,425 vehicles including all general fund vehicles, fire apparatus (CIP) and user-fee fund vehicles and equipment. The current fleet has a replacement value of approximately \$70,274,000. The breakdown is as follows: General Fund \$31,809,500, User Fee \$18,464,500, Fire Apparatus \$20,000,000.

For FY10, the VES Departmental budget was reduced by \$1.4 million representing a 12% reduction from FY09. The total reductions were accomplished through a decrease in personnel, administration, maintenance and repair costs of \$288,747. The City's fuel budget was also reduced by \$1.1 million or 32% compared to FY09.

In order to sustain the reductions in funding, several initiatives and cost containment measures have been implemented:

A fleet management consortium was founded by Newport News, York County, and Chesapeake in 2008 and has been expanded to include Williamsburg, James City County, Hampton, and Hanover County. This group was formed to share procurement best practices for fleet management. A recent example of savings generated from consortium participation was the purchase of Police vehicles. The consortium purchase price was \$447 less per vehicle compared to the State contract price.

Vehicle Services is continually striving to reduce expense. The City's ongoing fleet utilization initiative has reduced fleet growth. With the cooperation of the departments supported by Vehicle Services, 125 vehicles have been removed from the fleet or reassigned to replace higher utilization vehicles. To date, the fleet utilization program has generated \$437,500 in savings. Other examples of cost containment measures are:

### **Capital Costs:**

- With the cooperation of Public Works, \$64,084 was removed from the purchase price of two closed circuit TV trucks used for sewer inspections.

- Vehicle Services negotiates all pricing within policy guidelines. A combined negotiated savings of \$30,873 was realized on vehicles delivered in the last 6 months. This included 11 truck chassis, and 14 refuse & dump truck bodies.

#### **Operational Costs:**

- Parts and maintenance contracts have been negotiated for savings, as well. For example, a contract renewal for tire purchases included an increase that was reduced from 7.5% to 3.5%, avoiding \$6,800 in expense.
- In an effort to recapture the maximum resale value for light vehicles the overhead expense (selling costs) associated with managing surplus sales was reduced by 45%. This was accomplished by changing auction service providers.
- Bio-Diesel is purchased when economically advantageous. Bio-Diesel is made of renewable organic raw materials and is available in 5% and 20% blends of Bio and regular diesel. Since May of 2006, 187,898 gallons of bio-diesel have been purchased for a total cost savings of \$21,995.
- The City's fuel cost reduction efforts have been complemented by purchasing the smallest, most fuel efficient vehicle where practical. For example, since January 2005, 25 full-size eight cylinder pickups have been replaced with compact four and five cylinder pickups. These smaller, more efficient vehicles deliver improved fuel economy (8% more fuel efficient) at a lower purchase price (approximately \$2,500 less per truck).

#### **Impact**

The Departmental operating budget reduction was accomplished, in part, through department reorganization that will improve productive capacity. Accordingly, the reduction to the budget is not anticipated to impact the level of service provided to supported operating departments.

Beginning in FY08 a change was made to route surplus vehicle sale revenue to the vehicle replacement fund. Surplus vehicle sale revenue has averaged \$425,000 annually. This revenue combined with the successful utilization program has made the \$1.7 million annual General Fund appropriation for vehicle replacement adequate. In FY09 the \$1.7 million appropriation was reduced by \$200,000 and this will again be proposed in the City Manager's FY10 Budget. The impact of deferring an additional \$200,000 of replacements to FY11 will extend life cycles and has the potential to increase fleet repair and maintenance costs. Additionally, dependent upon price escalation in the new vehicle market, the purchase of deferred replacements in FY 2011 may become more costly. The impacts of the \$200,000 FY10 deferment will affect light duty vehicles not assigned to public safety.

# **FY 2010 BUDGET POSIITON PAPER**

**MARCH 2009**

## **HUMAN RESOURCES - EMPLOYEE DEVELOPMENT**

### Issues

In challenging economic times, it is necessary to balance the importance of continuing employee development programs with limited financial resources. To address this challenge, the Department of Human Resources has reviewed and made recommendations for three employee programs for the FY2010 Operating Budget. The programs include employee development, employee recognition and tuition reimbursement.

### **Employee Development**

As a result of an expected increase in retirements, the City took steps in calendar year 2006 to begin preparing to fill the void created by the potential loss of employees in key leadership positions. A WINN team was created to look at developing a career development program. The team finished its work in February 2007, and its recommendations, after approval by the Management and Leadership Teams, were submitted to the Department of Human Resources for implementation.

By July 2007, the Human Resources Department began to work on taking the recommended program and developing an enhanced model to provide additional opportunities for all employees to receive much needed training. The program was finalized and announced in January 2008, with courses beginning the following month.

During calendar year 2008, which was the first year of providing a comprehensive training and development program for City employees, 105 courses were provided that included 2,037 attendees. The average per person cost to provide this comprehensive employee development program is \$30.00.

The Department of Human Resources uses a mix of internal and external facilitators to provide our instructor-led training courses. The program includes courses in leadership, supervision, policy, work-life topics, and technical skill development. The program uses a mix of instructor-led courses, as well as online, Internet-based training. The program has had excellent reviews from participants and many directors have commented on how it has positively impacted their employees, as well as their performance.

The employee development program is a vital aspect of the City's strategy to attract and retain a competent workforce to meet the challenges of the future. By preparing our workforce, we can more effectively provide outstanding service to our citizens. At an average cost of \$30.00 per person, the benefit is well worth the modest cost. The overall program will be retained in FY2010, but its budget has been reduced by \$10,000, to \$105,000.

### **Recognition Programs**

Employee recognition is an important component of the City's retention strategy. Social scientists have stated for decades that employees intrinsically value recognition and are more likely to stay with an organization that recognizes their contributions. Furthermore, studies have shown that the cost of turnover averages 30% of an employee's base salary. Because of this, the Department of Human Resources is recommending the following employee recognition programs for FY2010:

#### **Service Awards**

It is recommended that two, two-hour receptions be held during the work day for FY 2010; one for 5-10-year employees and another for 15+-year employees. A video presentation will be featured along with the employee recognition. This is consistent with the plan for FY2009.

#### **C.A.R.E. Program**

The City Ambassadors Recognized for Excellence or C.A.R.E. Program was recommended by a WINN team and received support from the Management and Leadership Teams for implementation. There will be a nomination form created and anyone can nominate any employee who exemplifies organizational values, ethics and WINN principles. These values include, but are not limited to: excellence in service delivery, efficient use of community resources, integrity, equity, honesty, compassion and respect, sharing of resources, and effective communication. An unlimited number of nominations will be accepted.

Recipients of a C.A.R.E. award will receive a letter from the City Manager, a certificate of excellence, and a C.A.R.E. lapel pin. Recognition will also occur through a variety of publications and media. The City Manager will select one of the C.A.R.E. award recipients to receive the annual City Manager's Award.

The previous budget for the Annual Service Awards and Employee of the Month Programs were \$63,000. These programs can be offered, as outlined above, for a total cost of \$30,000, resulting in an annual savings \$33,000.

### **Tuition Reimbursement Program**

For over 25 years, the City has offered assistance to employees to defray the cost of their education through a Tuition Reimbursement Program. The philosophy is that a more educated workforce benefits the City and its citizens. Over recent years, the tuition costs have risen significantly. As a result, in FY2009, action was taken to reorganize this program by centralizing the funding, updating the policy, and more consistently administering the program and the budget of \$262,700.

Approximately 150 employees, or only 4% of the employee population, utilize the tuition reimbursement benefit. The average benefit for each employee using the program was \$1,750. Given the budgetary situation, it is recommended that the Tuition Reimbursement Program be suspended for FY2010, or until such time that the financial situation improves. This cost savings to the City is \$262,700.

### **Impact**

Currently, the City provides employees with excellent training and benefits, as well as important recognition for their service and contributions to the organizational goals and objectives. All three of these programs add value to the organization and positively impact the delivery of services to the citizens. The proposed modifications to the employee development programs, as outlined, still provide opportunities to enhance the skills and abilities of the workforce, but allow for an overall cost savings in FY2010 of over \$300,000. As the City's financial position improves, it would be appropriate to re-examine our funding for employee development, training and recognition programs to ensure that the resources are sufficient to increase employee performance and job satisfaction.



# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **DEPARTMENT OF PURCHASING**

### Issues

In addition to the core procurement services provided to all City Departments, the Purchasing Department also offers centralized warehouse services, printing services, graphics services, mail services and motor pool services. Traditionally, the delivery of these duties has been provided by a relatively small staffing complement with most operations comprised of one to five employees.

During FY 2009, Purchasing experienced a reduction of four (4) employees out of a full time complement of twenty-five (25) which equated to an overall staffing decrease of 16%. All of these vacancies occurred as a result of the retirements of senior employees comprised of the Deputy Director, Print Shop Supervisor, Mail Room Coordinator and a Graphics Designer II. Due to the hiring freeze and the desire to reduce costs where feasible, the Purchasing Department examined opportunities for temporarily re-assigning the various duties of the vacant positions to the remaining staff. Options were also developed for possible service reductions in the affected divisions of the department. Finally, a series of personnel actions were proposed that would best maintain current service levels, even with reduced staffing.

### Funding and Operational Strategy

While the current reductions in staffing and the reassignment of duties are workable over the short-term, they may not be sustainable in the longer term given potential work-load increases. The following provides an outline of the reassignment of duties throughout the various divisions of the Purchasing Department to accommodate a reduction in staffing.

With the freezing of the Deputy Director position, part-time funds were allocated to hire a part-time procurement analyst which was filled by the former Deputy Director allowing the Department to maintain the experience and the provision of some duties while realizing a salary cost savings. The remaining duties were assumed by the Department Director, and the Procurement Administrator. For FY 2010 the Deputy Director position is authorized, but not funded.

The loss of the Print Shop Supervisor position created a significant issue with maintaining the productivity of the print shop. This retirement also occurred during a period of significant workload increases associated with enhanced printing capabilities from new technology. Therefore, a strategy was developed to transfer a Senior Supply Assistant from the Central Warehouse to the Print Shop and re-allocate the position to a Printer II. Further, the existing Printer II position was identified for reclassification to a Lead Printer position. In order to maximize supervisory oversight of the Print Shop, the division will be placed under the supervision of the existing Graphics Coordinator and renamed the Printing and Graphics Division.

In an effort to maximize the use of departmental resources a review of the Central warehouse was also conducted. The review determined that it was feasible to reassign one (1) employee to the Print Shop due to the reduced sales of goods that are presently stocked in the warehouse. This staff restructuring of five (5) positions to four (4) may, however, be short-lived due to the economy. The staffing reduction in the warehouse will require the back-up support for the Motor Pool to be moved to the Purchasing Administrative Division.

The retirement of the Mail Room Coordinator also created a significant challenge in maintaining existing mail services. This is especially true in light of the divisions' recent initiation of a City-Wide Courier System that began as a recommendation of the WINN Committee tasked with enhancing fuel conservation opportunities. With this service being in place for approximately one (1) year, centralized mail courier service is offered twice daily to a total of over sixty (60) mail stops. During the tenure of this service, the City has reduced duplicative mail services from other outlying departments that reduced staffing by seven (7) employees. A plan was also developed to establish and recruit for a part-time Mail Clerk to support the function.

With the implementation of the Munis ERP software throughout the City, Purchasing is now responsible for all matters related to the functionality of the procurement module. A Senior Buyer had been assigned to this role with city-wide oversight of the program, but the Senior Buyer needs to be reclassified to a Business Analyst-Purchasing position to better reflect the new responsibilities associated with the ERP implementation.

## Impact

With implementation of this staff restructuring, Purchasing should be able to maintain a satisfactory service level to all departments in FY 2010. However, of concern is that failure to fund the Deputy Director position in the future could hamper the timely resolution of complex procurement issues or providing regulatory guidance in the administration of procurements.

Without the proposed adjustment in staffing for the Print Shop, the production capability would be severely impacted, as would the capability of the division to react to the priority printing needs for Council, the City Manager and the Budget Department. Not only would print jobs be delayed, but it is likely that a number of jobs would have to be outsourced at the significantly higher cost, i.e., as much as 50%.

# **FY 2010 BUDGET POSITION PAPER**

**MARCH 2009**

## **CENTER FOR CHILD & FAMILY SERVICES**

### **Issue**

The Center for Child and Family Services Inc. was established in 1943, and is a not-for-profit corporation, dedicated to providing counseling services to individuals, families and organizations throughout Hampton Roads. The Center is located in Hampton, VA and the staff is comprised of professionals in the fields of social work, behavioral health counseling, psychology and financial counseling. The Center accepts most major health insurance and utilizes a sliding fee scale for those individuals who do not have health insurance. No one is turned away due to their inability to pay for services.

The Center for Child and Family Services Inc. initiated the Hispanic Outreach Program in 2008, as a culturally and linguistically sensitive outreach and counseling program for the local Hispanic community. The Program provides consultation to local agencies and direct counseling services to the residents of Newport News through its women's support groups, individual and family therapy, male batterers intervention groups, youth adjustment groups, financial counseling and supervised visitation services. By helping the under-served Hispanic members of the community receive services, this program will contribute to safer families and a safer community. In addition, technical assistance and training will be available to other local organizations working with the Hispanic community.

### **Funding Strategy**

The Hispanic Outreach Program is currently funded by a one-time United Way community investment grant which ends July 2009. The Center for Child and Family Services has requested funding in the amount of \$18,500 from the City of Newport News, and \$18,500 from the City of Hampton. Current United Way funding has provided 756 hours of group counseling to 50 Newport News residents; 400 counseling hours to 60 Newport News residents; 10 Agency consultations and 12 public outreach activities. If either jurisdiction chooses not to fund the program, citizens of that jurisdiction would not receive services from the Hispanic Outreach Program. Many Newport News agencies see the need to serve the Hispanic population, but do not have Spanish speaking staff, and the cost and coordination of using interpreters is an inefficient means of solving the problem. If neither jurisdiction chooses to fund the Hispanic Outreach Program, a large percentage of the 8,000-plus Hispanic residents would not receive services due to language and cultural barriers and the program

would be eliminated due to lack of funding at this time. Additionally, momentum for the Program would be lost until funding could be obtained at some future date.

### **Impact**

The current Hispanic Outreach Program counselor is compensated by United Way Kickoff funding and provides services in the community at local churches, health departments and schools. This outreach addresses a barrier of fear within the Hispanic community. Without funding, the Hispanic Outreach counselor position would be eliminated. Locally, the Hampton-Newport News Community Service Board is the only other non-profit that has a Spanish speaking therapist. The Newport News Public Schools has an English-as-a-Second-Language (ESL) Welcome Center with two bilingual staff. The staff work with Refugee and Immigration Services to match ESL families with City and community resources but do not offer on-site or off-site counseling. The Welcome Center acts as a referral service according to the need of the family.

The Center for Child & Family Services is requesting a one-time grant to sustain the Hispanic Outreach Program. This funding would allow the agency to reapply in the regular United Way two-year funding cycle for additional Child and Family Services monies to support this program, or apply for local grant, national foundations and Federal grants. The current Hispanic Outreach Program counselor will be eligible for licensure in the State as a counselor which would allow the agency to collect insurance for his counseling services to supplement some of the program expense. The Center for Child and Family Services will continue to pursue other grant funding and collaboration of resources with community agencies. The Hispanic Advisory Committee to the City Manger endorses the Hispanic Outreach Program.

# FY 2010 BUDGET POSITION PAPER

MARCH 2009

## COMMUNITY SUPPORT FUNDING RECOMMENDATIONS

### Issues

Not-for-profit organizations fill an important role in improving the quality of life for the community by providing vital services to residents of Newport News. The Community Support Action Grant ("CSAG") program provides the vehicle for qualified, non-profit organizations to apply for funding from the City for the establishment, expansion or maintenance of community service programs.

For FY 2010, 59 CSAG requests have been received. Nine (9) of these requests are from "new" organizations, defined as any organization that did not receive a FY 2009 CSAG award. The total amount of FY 2010 CSAG *requests* is \$9,256,085, which represents a 22.0% increase to the \$7,588,326 FY 2009 CSAG Budget. The total *recommended* FY 2009 CSAG award amount is \$8,011,491, which represents a 5.6% net increase to the FY 2009 Budget (see table on following pages for additional detail).

Within the Community Support category, the Operating Budget distinguishes between discretionary grant funding allocated to not-for-profit organizations ("Community Support") and contributions that the City provides to support the efforts of regional organizations ("Regional Organization Support").

### Funding Strategy

The total FY 2010 recommended amount for Community Support is \$2,483,492, which represents a \$90,601 (3.5%) reduction to the amount budgeted for Community Support in FY 2009. The approach in formulating the Community Support recommendation for FY 2010 was to identify opportunities to reduce the total level of grant awards while maintaining level funding for organizations that provide necessary human services to our citizens. For those agencies that focus on arts, cultural, and related activities, a 10% across the board reduction has been recommended. An exception has been made for the Virginia Living Museum due to the City's long-term commitment to sustain and enhance this facility, which is located on land leased from the City. Reductions have also been recommended for several of the organizations categorized within Miscellaneous Services (see table below for more information).

Of the nine (9) requests received from new applicants, only the request from the Center for Child and Family Services is recommended to receive funding [\$18,500 recommended award]. The grant funds recommended for the Center for Child and Family Services will be used to expand the City's Hispanic Outreach efforts.

## **Impact**

While the real estate reimbursement program will be continued for FY 2010, funding has been transferred from Community Support to the Non-Departmental category. Since the publication of the FY 2010 Recommended Operating Budget, it has been determined that the cost associated with the \$30,000 increase to the Boys and Girls Club of the Virginia Peninsula will be addressed in the operating budget for the Department of Parks, Recreation, and Tourism. This adjustment will reduce the total Recommended CSAG amount to \$7,981,491.

The total level of support to Regional Organizations recommended for FY 2010 is \$5,527,999. The FY 2010 increase of \$516,472, or 9.3%, to the FY 2009 Budget, is driven by an increased level of funding required to support the operation of Hampton Roads Transit (“HRT”) bus routes throughout the City. The HRT FY 2010 Operating Budget anticipates dramatically reduced levels of State and Federal funding, requiring increased support from the City to maintain the current level of service. The table on the following pages details FY 2010 CSAG award requests and recommendations, as well as approved FY 2009 CSAG award amounts.

## FY 2010 COMMUNITY SUPPORT REQUESTS

Note: Items highlighted in yellow were not funded in FY09

No.		FY 2009 Budget	FY 2010 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Percent
<b>CULTURE AND TOURISM</b>							
1	Holocaust Educational Foundation, Inc.	4,500	4,500	0	0.0%	0	-100.0%
2	N. N. Arts Commission - Support for Performing Arts	253,020	288,365	35,345	14.0%	227,718	-10.0%
3	N.N. Public Art Foundation	55,000	65,000	10,000	18.2%	49,500	-10.0%
4	Peninsula Fine Arts Center	105,930	105,000	-930	-0.9%	95,337	-10.0%
5	Port Warwick Foundation	0	15,000	15,000	0.0%	0	0.0%
6	Sister Cities	59,500	59,500	0	0.0%	53,550	-10.0%
7	VA Air and Space Center – Capital	62,500	10,000	-52,500	-84.0%	10,000	-84.0%
8	Virginia Arts Festival Newport News	100,000	100,000	0	0.0%	90,000	-10.0%
9	Virginia Living Museum	597,631	627,513	29,882	5.0%	597,631	0.0%
<b>HEALTH/EMERGENCY SERVICES</b>							
10	American Red Cross - Disaster Services	10,000	10,000	0	0.0%	10,000	0.0%
11	Denbigh House - Brain Injury Patients	31,000	31,000	0	0.0%	31,000	0.0%
12	Eastern Virginia Medical School	0	181,913	181,913	0.0%	0	0.0%
13	Patient Advocate Foundation	5,000	25,000	20,000	400.0%	0	-100.0%
<b>INDIGENT SERVICES</b>							
14	Foodbank of the VA Peninsula	75,000	75,000	0	0.0%	75,000	0.0%
15	LINK of Hampton Roads, Inc.	70,000	70,000	0	0.0%	70,000	0.0%
16	Office of Human Affairs	110,000	150,000	40,000	36.4%	110,000	0.0%
17	Menchville House Ministries	0	30,000	30,000	0.0%	0	0.0%
<b>MILITARY SERVICES</b>							
18	U.S.O. of Hampton Roads	10,000	15,000	5,000	50.0%	9,000	-10.0%
19	U.S.S. Newport News Liaison Comm.	10,000	20,000	10,000	100.0%	9,000	-10.0%
<b>MISCELLANEOUS SERVICES</b>							
20	Center for Child and Family Services	0	18,500	18,500	0.0%	18,500	0.0%
21	Hampton-Newport News Criminal Justice Agency	0	149,205	149,205	0.0%	0	0.0%
22	Insight Enterprises	29,925	29,925	0	0.0%	29,925	0.0%
23	Newport News Crime Watch Coalition	22,765	22,765	0	0.0%	20,489	-10.0%
24	Peninsula READS	27,000	27,000	0	0.0%	24,300	-10.0%



## FY 2010 COMMUNITY SUPPORT REQUESTS

Note: Items highlighted in yellow were not funded in FY09

No.		FY 2009	FY 2010	Amount	%	City Manager	C.M.'s +/-
		Budget	Request	Difference	Diff.	Recommend	Percent
	Real Estate Tax Reimbursement Program	2,706	0	-2,706	-100.0%	0	-100.0%
26	Village Vision	0	443,481	443,481	0.0%	0	0.0%
	CSAG Reserve	0	0	0	0.0%	15,000	0.0%
<b>REGIONAL EFFORTS</b>							
27	Hampton Roads Economic Development Alliance	179,899	179,153	-746	-0.4%	179,153	-0.4%
28	H.R. Military and Federal Facilities Alliance	90,620	90,920	300	0.3%	90,920	0.3%
29	Hampton Roads Partnership	16,508	15,675	-833	-5.0%	15,675	-5.0%
30	H.R. Planning District Commission (HRPDC)	149,109	148,600	-509	-0.3%	148,600	-0.3%
31	HRPDC Metro Medical Response	36,368	36,244	-124	-0.3%	36,244	-0.3%
32	HRPDC Municipal Construction Standards	5,764	5,745	-19	-0.3%	5,745	-0.3%
33	HRPDC Debris Management	1,114	0	-1,114	-100.0%	0	-100.0%
34	H.R. Sports Commission	27,000	27,000	0	0.0%	27,000	0.0%
35	Hampton Roads Transit (HRT)	3,946,945	4,461,461	514,516	13.0%	4,461,461	13.0%
36	HRT Capital	255,024	255,024	0	0.0%	255,024	0.0%
37	James City County Transit (Newport News to Williamsburg)	25,000	25,000	0	0.0%	25,000	0.0%
38	Peninsula Council for Workforce Development	92,775	92,776	1	0.0%	92,775	0.0%
39	Regional Air Service Development Fund (RAISE) [former Airport Task Force]	108,744	108,744	0	0.0%	108,744	0.0%
40	Regional Homelessness Commission	41,657	41,657	0	0.0%	41,657	0.0%
41	Small Business Development Center	10,000	10,000	0	0.0%	0	-100.0%
42	Virginia Peninsula Chamber of Commerce	17,350	17,350	0	0.0%	17,350	0.0%
43	VA Peninsula Chamber of Commerce - Business Center	7,650	7,650	0	0.0%	7,650	0.0%
<b>SENIOR SERVICES</b>							
44	Peninsula Agency on Aging	52,800	67,040	14,240	27.0%	52,800	0.0%
45	Retired Senior Volunteer Program	7,000	7,000	0	0.0%	7,000	0.0%

VICTIM SERVICES							
46	Center for Sexual Assault Survivors	0	4,000	4,000	0.0%	0	0.0%
47	Court Appointed Special Advocate (CASA)	78,000	78,000	0	0.0%	78,000	0.0%
48	Child Abuse Center - CHKD	33,000	33,000	0	0.0%	33,000	0.0%
49	Newport News Human Rights Commission	9,000	9,000	0	0.0%	9,000	0.0%
50	Transitions Family Violence Services	63,363	101,820	38,457	60.7%	63,363	0.0%

### FY 2010 COMMUNITY SUPPORT REQUESTS

Note: Items highlighted in yellow were not funded in FY09

No.		FY 2009 Budget	FY 2010 Request	Amount Difference	% Diff.	City Manager Recommend	C.M.'s +/- Percent
<b>YOUTH EDUCATION</b>							
51	An Achievable Dream	100,000	100,000	0	0.0%	100,000	0.0%
52	Job Education Training (J.E.T.) Corps	36,800	41,024	4,224	11.5%	36,800	0.0%
53	VA Scholarship & Youth Dev Foundation	10,000	10,000	0	0.0%	9,000	-10.0%
<b>YOUTH PROGRAMS</b>							
54	Boys and Girls Club of the Virginia Peninsula	164,285	165,000	715	0.4%	164,285	0.0%
55	C. Waldo Scott Center	301,419	292,640	-8,779	-2.9%	292,640	-2.9%
56	Excellence Girls Club	0	45,895	45,895	0.0%	0	0.0%
57	Youth Challenge	0	100,000	100,000	0.0%	0	0.0%
58	YMCA Capital	10,000	10,000	0	0.0%	10,000	0.0%
59	YWCA	39,655	65,000	25,345	63.9%	39,655	0.0%
	<b>TOTAL</b>	<b>\$7,588,326</b>	<b>\$9,256,085</b>	<b>\$1,667,759</b>	<b>22.0%</b>	<b>\$7,981,491</b>	<b>5.2%</b>