

**MINUTES OF FINANCIAL RETREAT  
OF THE NEWPORT NEWS CITY COUNCIL  
HELD AT THE MARINERS' MUSEUM  
IN THE HUNTINGTON ROOM  
100 MUSEUM DRIVE  
JANUARY 19, 2016  
8:30 A.M.**

**PRESENT:** Herbert H. Bateman, Jr. (10:51 a.m.); Sandra N. Cherry, D. Min.; Robert S. Coleman; McKinley L. Price, DDS; Sharon P. Scott (arrived at (10:15 a.m.); and Dr. Patricia P. Woodbury ----- 6

**ABSENT:** Tina L. Vick ----- 1

**OTHERS PRESENT:** James M. Bourey; Collins L. Owens; Mabel Washington Jenkins; Cynthia Rohlf; Alan Archer; Lisa Cipriano; Chad Pritchett; Sherry Crocker; Florence Kingston; Everett Skipper; Scott Dewhirst; Yvonne Manning; Jennifer Walker; RoShaundra Ellington and Theresa Clift

I. Financial Retreat

Mr. James M. Bourey, City Manager, explained that the City of Newport News FY 2017 – 2021 Five-Year Financial Forecast focused on the General Fund as well as User Fee and Other Funds. The Forecast assumed the current level of program offerings and services and limited expenditure increases. He advised that Ms. Lisa Cipriano, Director, and staff, Department of Budget and Evaluation, developed the FY 2017 – 2012 forecast with input from the City’s Operating Departments. The Departments provided expenditure cost estimates over the next five years to include current service levels with some enhancements for additional consideration and discussion. The FY 2017 – 2021 Five-Year Financial Forecast was a balanced budget. Staff felt there were matters that needed to be addressed, but were not included, as they did not fit into revenue projections.

City Manager Bourey explained that the FY 2017 – 2021 Five-Year Financial Forecast would assist with the development of future operating budgets. As a note of caution, he advised that the FY 2017 numbers were estimates and not included in the upcoming FY 2016 – 2017 Recommended Operating Budget. He recognized and introduced Mr. Elliot Gruber, President and CEO, of the Mariners’ Museum, to offer welcoming remarks, followed by Ms. Cipriano who would present the FY 2017-2021 Five-Year Financial Forecast (a copy of the presentation, “City of Newport News Five-Year Financial Forecast, FY 2017 to FY 2021,” is attached and made a part of these minutes).

Mr. Gruber welcomed members of City Council and staff to the Mariners’ Museum. He stated, as the new President of the Mariners’ Museum, he had to become focused on the museum’s future, as the museum was losing relevance to the City and the maritime community. He advised, with the City Manager’s involvement and support, the museum had become involved with the Newport News Public

School's Summer Program for Arts, Recreation and Knowledge (SPARK) and the City's Summer Training and Enrichment Program (STEP). Although, the Mariners' Museum was a strong financial institution, it would not be successful without active participation from the community. Their Strategic Plan emphasized the importance of becoming a stronger community partner. Mr. Gruber announced that the Mariners' Museum would sponsor a program entitled "People First", in April 2016. He advised that the program would be a celebration of people for one reason or another. He stated the museum planned to sponsor several new programs and events in the future. He welcomed suggestions, comments, or criticisms as he wanted to ensure an open partnership and relationship with the City. He was excited about the future. He turned the floor over to Ms. Cipriano.

Ms. Cipriano noted the purpose of the FY 2017 – 2021 Five-Year Forecast:

- To get a good picture of the City's operational needs over the next five years
- To understand the revenues that would become available to fund future needs
- To discuss priorities for available funding
- To have a conversation about financial strategies

Ms. Cipriano stated the Department of Budget and Evaluation considered many sources (Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve Bank of Richmond; Local Universities, etc.) in preparation of the FY 2017 – 2021 Five-Year Forecast (Forecast). She stated it was important to consider what made sense for the City of Newport News as well as the Hampton Roads Region.

Ms. Cipriano reiterated that the Forecast was not the proposed FY 2016 – 2017 Recommended City Manager's Operating Budget, although it included large factors and building blocks for the FY 2016 – 2017 Operating Budget, such as debt service projections, contributions to schools and salary assumptions. Staff began the Forecast with the FY 2015 – 2016 Adopted Operating Budget.

Ms. Cipriano reminded that the components of the FY 2016 Financial Plan totaled \$925 million and was comprised of the following:

1. FY 2016 Recommended Operating Budget	\$828,696,882
General Fund	\$464,247,000
Separate Funds	\$102,295,504
Special Revenue Funds	\$263,154,621
School Operating Fund	\$295,872,597
2. FY 2016 Approved Capital Improvements Plan (CIP)	\$ 96,401,321
General Fund Supported Projects	\$ 55,696,821
User-Fee Supported Projects	\$ 40,704,500

Ms. Cipriano noted the composition, by percentages, of the FY 2016 Operating Budget:

- General Fund 41.2%
- School Fund 26.3%
- Other Special Revenue & Trust (Approximately 20 funds to include Parks Revolving Funds; Economic Development Revolving Funds; Pension Fund; OPEC Fund, etc.) 18.5%
- Waterworks Fund 7.7%
- Wastewater Fund 1.9%
- Stormwater Fund 1.8%
- Solid Waste Fund 1.3%
- Vehicle Services Funds 1.2%
- CDBG Fund 0.1%

Ms. Cipriano advised that the FY 2017 – 2021 Financial Forecast did not include projections for the Schools; it only included issues that the City had direct control over - Revenues and Expenditures. The largest two portions of the Operating Budget were Schools and the General Fund, which made up two-thirds of the entire annual Operating Budget. The Forecast would focus on the General Fund.

Ms. Cipriano stated 77% (\$356 million) of the \$464 million FY 2016 General Fund Revenue fell into two areas:

- Other Local Taxes (Sales, Meals, Lodging and BPOL Taxes) – 39%
- Real Estate Taxes (Real Estate, Personal Property and Machinery and Tools Taxes) - 38%

Mayor Price inquired whether projections were done for worst case scenarios should matters be out of the City's control, such as the elimination of the Machinery and Tools Tax. Ms. Cipriano replied yes.

Councilwoman Woodbury inquired whether the Meals tax had increased. Ms. Cipriano replied that the Meals tax was increased in FY 2013.

Councilwoman Woodbury inquired about the City's Meals tax in comparison to surrounding localities. Ms. Cipriano replied that Newport News' Meals tax was equal to the City of Hampton.

Ms. Cipriano stated the following revenue assumptions were considered in building the FY 2017 - 2021 Financial Forecast:

- Increase of Real Estate Assessments – property values and new developments
- Growth in Personal Property, Machinery & Tools, BPOL, Sales, and Meals Taxes
- No State Reductions
- Level or minor growth in other categories
- Overall Revenue Growth

Ms. Cipriano noted the General Fund Revenue Main Drivers of the FY 2017 – 2021 Financial Forecast (see detailed information in the presentation attached to these minutes, pages 16 – 35):

- Real Estate Tax Revenue - 10.4% increase
  - Includes Current, Delinquencies, Tax Deferrals, Public Service Corporations
  - No increase in Real Estate Tax rate
  - Increases in assessed values along with new developments

City Manager Bourey advised that much of the increase would be from natural growth in property assessments as well as additional property development. He advised that a substantial increase in revenue would be realized should the City develop Endview and the City Farm, along with other properties.

Mayor Price advised that several localities in the State had a three year assessment process, wherein they realized less of an annual impact. He inquired whether such was advantageous and whether it was done due to a state mandate. Ms. Cipriano replied that the City Code required an annual assessment process; however, York County was on a two-year assessment process.

Mayor Price inquired whether the City could change the assessment process. City Manager Bourey replied that staff felt it was equitable to continue with the annual assessment process as it would be to the City's advantage given growth and what was happening.

City Attorney Owens replied that most urban areas in the State followed an annual assessment process. Most of the rural Counties followed a biennial assessment process. He was not too familiar with jurisdictions that followed a three year assessment process.

Ms. Cipriano stated that the annual assessment process was more responsive, allowing appropriate adjustments based on revenue growth or decline.

- Personal Property Tax Revenue - 5% increase
  - Included current and delinquencies
  - FY 2017: 3% increase reflected increased levy (vehicles) and Business Personal Property Tax growth from economic development
  - FY 2017 – FY 2021: 1.2% increase annually
- Machinery and Tools Tax Revenue - 8% increase
  - Included Current and Public Service Corporations (PSC)
  - FY 2017 – FY 2021 1.8% to 2.2% increase annually due to economic expansion

Councilwoman Scott questioned which entities paid the most in Machinery and Tools taxes. Ms. Cipriano replied the Shipyard, Canon, and Continental.

- Sales Tax Revenue - 12% increase
  - Retail at Tech Center fully operational by FY 2017
  - FY 2017 – FY 2021: 2.1% to 3.1% increase annually due to economic expansion
  
- Meals Tax Revenue - 8% increase
  - FY 2017 – FY 2021: 1.6% to 2.5% increase annually due to economic expansion
  
- BPOL Tax Revenue - 8% increase
  - FY 2017 – FY 2021: 2.4% to 4.3% increase annually due to a recovering economy and the expansion of local businesses
  - Gross Receipts tax on Contracting, Retail Sales, Professions, Repairs, Wholesalers, Penalties, Interest, Prior Taxes

Ms. Cipriano advised that the Real Estate Tax rate would need to increase .28 cents (from \$1.22 to \$1.50) should the City's authority to collect Machinery & Tools and BPOL taxes be eliminated by the General Assembly.

- General Fund Revenues – Other Categories - 2% increase
  - State Aid to Localities: Forecast contains NO additional rounds of State cuts in FY 2017 – FY 2021
  - One declining revenue – Telecommunications Tax unless revised by the General Assembly
  - Most other revenue categories were fee or rate based – not much change in growth. Anticipated to be relatively flat or minimum growth at 2%

Ms. Cipriano explained that the State designated the number of positions and salaries for the staff of Constitutional Officers, and reimbursed a small portion of their operating cost. The City supplemented various salaries and positions for Constitutional Officers for which the State did not reimburse. The City only received reimbursement for what the state felt the job was worth.

Mayor Price understood that there was no discussion regarding the Schools, but inquired whether there was any projection on impact aid. Ms. Cipriano replied that the Governor's budget for FY 2017 included an additional \$1 billion over the biennial for the City, but, she was not aware of federal impact aid.

City Manager Bourey stated that there needed to be some discussion about Schools, as the City did not include a significant increase for the Schools in the Capital Improvements Plan (CIP) or the Operating Budget. The Governor's budget had a significant increase for the Schools. He reiterated that a conversation was needed because there was a significant gap in the CIP for the Schools that needed to be addressed.

Ms. Cipriano noted the majority of the FY 2016 General Fund Expenditures were spent in the following categories:

- Salaries and Fringes 43.8%
- Support for Schools 25.5%
- All Other 22.7%
- Debt Service 8.0%

Ms. Cipriano stated 77.2% (\$358.5 million) of the \$464 million of the FY 2016 General Fund Expenditures fell into three areas:

- Salaries and Fringes 43.8%
- Support for Schools 25.5%
- Debt Service 8.0%

Ms. Cipriano advised that the following General Fund Expenditure Assumption were considered in building the FY 2017 - 2021 Financial Forecast:

- Salary increases of 3% each year
- Planned NNERF contributions (100% of Annual Required Contribution (ARC) in FY 2016 – meant flat contributions for FY 2017 to FY 2021)
- VRS rates of 6% in FY 2017, 9% in FY 2018, 10% in FY 2019-2021, including growing VRS workforce

Ms. Cipriano reminded that NNERF was closed in FY 2010. She advised that City employees hired after March 1, 2010 were a part of the VRS Retirement Plan. The City paid 100% of the VRS Annual Required Contribution annually and would never fall behind. One-third of the City's workforce was a part of the VRS (1,114 employees).

Councilwoman Woodbury inquired about the number of employees that were left in NNERF. Ms. Cipriano replied that NNERF covered retirees and current City employees. One-third of approximately 3300 to 3500 City employees were in the VRS retirement system.

Councilwoman Woodbury inquired about the proposed increases to VRS contributions from 6% to 9%. Ms. Cipriano replied that the City's contribution to VRS would increase as NNERF employees retired. City Manager Bourey explained that the numbers would increase in a natural way due to the transition of NNERF employees to VRS employees. As NNERF employees left and retired, new hires would be a part of the VRS.

Ms. Cipriano stated the total Annual Required Contribution for both the NNERF and VRS amounted to approximately \$41 million. City Manager Bourey explained that the Actuary required a certain ARC based on future needs. Ms. Cipriano stated it was anticipated that the City would be required to contribute to NNERF for the next 50 or more years. The ARC for VRS would increase as the ARC for NNERF decreased over the years.

- Healthcare increases of 3% in FY 2017-2021

City Manager Bourey explained that for the past three years the City put a premium on wellness, which had made a substantial difference in the City's health insurance premiums. The City offered employees a \$50 Gift Card for having an annual physical. By doing so, employees began to realize and work on health issues. Employees also received a \$50 gift card for doing an online health assessment, which offered feedback on how to improve their health. The City health insurance premiums decreased due to employees becoming more aware and taking steps to improve their overall health. He believed further premium reductions would be realized in the future as employees took steps to improve and monitor their health. Initially, prescription drug use would increase because employees were finding out about issues, such as hypertension, that they did not know they had. City Manager Bourey believed that over time, as the City continued to stress wellness, drug use would decrease.

City Manager Bourey advised that the City performed a Health Insurance Dependent Audit in 2015, which showed that there were many illegal dependents that should not have been on the City's healthcare system. The audit results also saved the City money.

Councilwoman Scott questioned how employees were able to include non-dependents on their healthcare coverage. City Manager Bourey replied that employees continued to include ex-spouses and non-dependent aged-out children on their healthcare coverage. The City saved approximately 3% on healthcare premiums due to the Dependent Audit.

City Manager Bourey advised that a \$100 gift card would be awarded to City employees who completed their annual physical, an online health assessment and an online counseling session.

Councilwoman Cherry inquired whether numbers or names were received from Anthem in relation to the health assessments and annual physicals. City Manager Bourey replied that the City received the number of employees who completed the requirements; however, an employee's information was confidential. Ms. Cipriano replied that Anthem reported that an employee had completed their annual physical, but they did not include any bio-metric information.

Vice Mayor Coleman inquired about the reason that Schools were on a separate healthcare system than the City; he believed that the healthcare premium was lower if the employee pool was larger. Assistant City Manager Rohlf replied the Schools healthcare was generally more expensive than the City's, due to their population. City Manager Bourey explained that the creation of a larger pool may result in lower overall costs, but would not work for the City and Schools because the Schools' incidence of use was higher.

- Debt Service/Cash Capital amount based on adopted CIP
- Fuel increase 1% annually in FY 2017 – 2021

Mayor Price inquired whether there were any federal incentives for the City to use alternative types of fuel. Ms. Cipriano replied there was a huge cost to convert existing vehicles to alternative fuels. The City did have some vehicles that used alternative fuel.

- Utility increases of 3% each year
- HR Regional Jail per diems increase by \$1 annually in FY 2017 – 2021

Ms. Cipriano advised that the Regional Jail rate would increase by \$1 per year over the next five years. The City budgeted for a minimum of 200 inmates per day, which amounted to \$4.5 million.

Councilwoman Woodbury inquired whether all 200 slots were filled at the Regional Jail. Ms. Cipriano replied most of the 200 positions were filled, which was tracked on a monthly basis.

- Local grant match included for COPS grant; retention of officers after completion
- Level funding programmed for NNPS, CSB, other outside agencies
- HRT – 3% annual increases

City Manager Bourey advised that the City was not doing all it could for transit. He stated a Rapid Transit Study was underway that would dramatically change how transit was provided in the City. Transit was very important and funding had to be increased.

Mayor Price inquired about the size of HRT buses for particular routes that had only a few riders. City Manager Bourey replied that much of HRT's cost was related to bus drivers. He stated that a smaller bus and route would not provide huge savings. It was rather difficult to benefit from a smaller bus, as there were periods of the day when a small route became full.

Ms. Cipriano noted Salary Cost Projections from FY 2017 – 2021 would amount to 3% annually and result in an overall growth of approximately \$160 million.

Ms. Cipriano noted the History of Salary Adjustments from FY 2010 - 2016, which did not include salary increases made to offset increased retirement contributions (see information on page 42 of the presentation attached and made a part of these minutes).

Mayor Price inquired whether there were any projections for fluctuations in salary increases. Ms. Cipriano replied it was based on an individual's performance since it was merit based.

Councilwoman Cherry felt that employee performance criteria needed to be looked into as there were issues.

Ms. Cipriano noted the amount of General Fund Positions had decreased since FY 2010 from a gross reduction of 522 positions and a net reduction of 139 General Fund positions. Since that time, employees had provided the same amount of service, as matters were handled smarter and more efficiently due to technology.

Ms. Cipriano noted Pension and Healthcare Projections for FY 2017 - 2021. She advised that General Fund five year projections amounted to an overall annual increase of 2%. She noted a few areas that would need to be addressed to balance future revenues and expenditures:

- Expenditure reductions, but smaller than past years
- Projected gap less with potential higher revenue growth actually was realized. Revenue growth was critical to avoid further expenditure reductions
- Projected need for enhanced revenue increases if additional funding was provided to enhance services
  - New positions for meeting projected needs
  - Operating equipment – technology and vehicles
  - Continued restoration of programs & services to levels prior to Recession
  - New Programs

City Manager Bourey advised that many City facilities and buildings were in need of repair. He stated such needs were not included in the five-year plan. No increases were proposed for the School's CIP. He spoke with Dr. Ashby Kilgore, Superintendent, NNPS, about a meeting between the School Board and City Council. He suggested a Work Session discussion be planned.

City Manager Bourey stated that additional funding was needed for the Youth and Gang Violence Initiative. He stated staff hoped to expand STEP. A briefing was planned in the near future.

City Manager Bourey stated that HRT routes needed to be expanded; however, additional funding would be needed. It would be nice to have a Transit funding source outside of the General Fund. A General Fund contribution would be needed to purchase smaller buses and/or replace the fleet.

Mayor Price inquired whether the Rapid Transit Study included efficiencies that might reduce routes or make them efficient. City Manager Bourey replied that HRT was studying a Transit Corridor to travel through a 25-mile corridor of Newport News and Hampton. He believed a rapid transit system would be proposed if the study determined that the numbers justified the investment. The current system would have to be reconfigured and be a feeder network that travelled through residential neighborhoods and commercial areas. He believed there would be more efficiency, along with a significant capital costs and operating increases and the potential for additional riders.

Councilwoman Woodbury inquired about match funding from the State and Federal governments to purchase buses, which totaled 68% of the cost, which was due to go away by the end of 2016. City Manager Bourey stated there had always been federal funding for the purchase of buses, but no one could determine what would happen in the future.

Councilwoman Cherry inquired whether there was a mechanism on the buses to determine the ridership and the time of day that the buses were at maximum capacity. Councilwoman Woodbury replied that such a mechanism was employed by HRT.

Councilwoman Cherry inquired about express bus service as was suggested previously by Councilwoman Vick. City Manager Bourey recalled the request by Councilwoman Vick was to institute express bus service on Jefferson Avenue. He stated HRT studied the issue and determined that adding express bus service was not cost effective. They felt it was more cost effective to change the route structure. HRT reconfigured the route from the Transit Center to Patrick Henry Mall, City Center and the Tech Center, which did not require a transfer, and took only 30 minutes or less. The reconfiguration required additional City funding to implement.

Councilwoman Cherry inquired whether residents who lived below 16<sup>th</sup> Street had to take a bus to the Transit Center and transfer to Patrick Henry Mall. City Manager Bourey replied he was not sure of the exact route structure. He felt City Council needed to take a look at the overall route structure and make significant changes for efficiency purposes. He reiterated that a transit study was underway and suggested that City Council see the results before making a major route overhaul. Some would undoubtedly need to get to the Transit Center in order to travel north of Mercury Boulevard. Major changes were needed for the transit system, but the challenge was getting a dedicated funding source.

Councilwoman Scott questioned what was meant by a dedicated funding source. City Manager Bourey explained that a dedicated funding source was funding that resulted in a variety of ways that would be dedicated and earmarked for transit.

Councilwoman Woodbury recalled three years ago, the General Assembly passed a huge transportation bill that mostly benefitted Northern Virginia, which was allowed to take 1 – 2% of the monies received for transit. She advised that the Hampton Roads local delegation would not allow the same to happen, and HRT did not receive the same as Northern Virginia localities. The dedicated funding source was a piece of revenue that would only be for transit.

Councilwoman Scott recalled the referendum several years ago that would have allowed 0.1 cent to be used for a dedicated funding source for transit.

Councilwoman Cherry inquired whether the City had funding in its budget to create a designated funding source for transit. City Manager Bourey replied the City did not have funding to create a designated funding source.

Councilwoman Cherry inquired about the new programs and where the funding would come from. Ms. Cipriano replied it would come out of future projected revenue growth.

Councilwoman Cherry inquired whether such funds could be used to create a designated funding source. City Manager Bourey felt it was unlikely that future revenue could be used to create a designated funding source for transit.

City Manager Bourey advised, in order to balance future revenues and expenditures, economic development would become important in building the tax base. He envisioned the development of Endview and the City Farm properties as well as the build-out of the Tech Center. City departments had prepared their budgets with less revenue than what they received in prior years, which resulted in a savings of

approximately \$1 million. The City planned to continue to do that. The City could benefit substantially from automation, such as a landscaping sprinkler system. Staff was developing an online City Permit system that would tie all City departments together.

Councilwoman Woodbury stated that City Clerk Mabel Jenkins asked for suggestions from City Council regarding the City Clerk/City Council FY 2016 – 2017 Operating Budget. She suggested that the Virginia Freedom of Information Act Booklets to members of the City's Boards, Commission and Committees be made available online, which would alleviate mailing costs. She felt the City should speak to members of the Legislature to propose the initiative. City Manager Bourey replied that there was a City initiative to look at how the City could become paperless. Electronic signing of documents was happening now and more and more would be accepted in the future. A City project was underway to encourage departments to store their documents online. The Department of Waterworks was going through an exercise of filling all their documents online which would offer a huge savings on time and effort.

Councilwoman Woodbury inquired whether staff could call the State to inquire about making the FOIA booklets available online. City Manager Bourey replied that staff planned to go through the process to do that for everything.

City Manager Bourey stated that there were Federal and State grants available for different projects, such as state revenue sharing for transportation. There was a huge benefit in state and federal revenue sharing. Through regional cooperation, the City could tie into funding that may not have otherwise been available. It was very important to be an active player by participating on a regional level. There were many revenues that the City could take advantage of.

Councilwoman Woodbury noted the "Go Virginia" initiative would receive approximately \$20 million for a regional effort. She believed the City should be involved in acquiring some of the funding for a regional project. City Manager Bourey stated that Ms. Florence Kingston, Director, Department of Development, was an active leader and the City was participating in the "Go-Virginia" effort. He stated Ms. Kingston had been helping to reinvent the Hampton Economic Development Alliance to become more effective.

Mayor Price inquired about regional efforts with adjacent localities for City services, such as what was done with the Fire Departments. City Manager Bourey replied such issues were being looked into to see how the City could benefit. He noted a regional effort with Hampton Roads Sanitation District (HRSD) who was going to take over sewer activities for the entire region. Staff continued to look at transportation, solid waste, and wastewater initiatives to see whether they posed any benefits.

Mayor Price inquired about mandates from the Federal government that would be expensive to implement. City Manager Bourey replied that staff continued to be pushed on improvements to stormwater. He introduced Mr. Everett Skipper, Director, Department of Engineering, to speak on the issues that were causing increases to the City's stormwater utilities.

Mr. Skipper reminded that staff had provided a five-year projection of budget increases of 4 – 8% on stormwater and wastewater. He stated the regional wastewater effort noted changes that the City believed would help; however, there was an issue with the HRSD that dealt with the number of basins that had problems and whether HRSD would resolve all or part of the regional problems. The City continued to have issues regarding the Total Maximum Daily Load (TMDL), which was a measurement of how much pollutant was allowed into the State waters. Engineering staff continued to work with the City Attorney's office to eliminate some of the required mandates and why they were not needed. There had been some success in reducing the number of mandates, which in turn reduced the proposed increases. City Manager Bourey explained that the mandates were predicated by the "Clean Water Act" to prevent the dumping of pollutants into the waterways.

Councilwoman Scott inquired whether the City was in jeopardy of being fined by the United States Environmental Protection Agency (EPA) for not implementing certain wastewater mandates. Mr. Skipper replied yes; under the "Clean Water Act" there had always been levels at which the City received warnings. Councilwoman Scott inquired whether the City was in the warning stage. Mr. Skipper replied that the Consent Order was implemented because the EPA decided that there were enough regional violations. The City did not have many issues, but suffered due to the region.

Councilwoman Scott inquired about the number of violations that the City was in jeopardy of being cited for should the EPA come to the City. Mr. Skipper replied there were a number of issues, due to the EPA's unreasonable mandates. He stated a sewage overflow was a violation of the "Clean Water Act." The City was required to report a sewage overflow within 24 hours. There were fines and penalties associated with an overflow.

Councilwoman Scott inquired how the City prioritized projects to avoid EPA fines. Mr. Skipper replied, on the sanitary sewer side, the City looked at the amount of flow coming from an area versus how much was expected. The City would have to begin a project if there was more flow than what was normal. Staff looked at particular pump stations to determine whether they were performing appropriately.

Councilwoman Cherry understood the EPA could fine the City, per day, for certain infractions. Mr. Skipper replied no; the City would only be fined for pump station and manhole overflows. The City managed the systems to minimize the risk of overflows. The City was required to report an overflow, which rarely happened.

Councilwoman Scott inquired about the last time an overflow was reported. Mr. Skipper replied that two overflows were reported in 2015.

Councilwoman Cherry recalled there were sewer issues and overflows in the downtown area in 2015 that the City was monitoring due to bacteria levels. She inquired whether those issues were resolved. Mr. Skipper replied that the Hilton Beach had experienced bacteria issues, which was monitored by the State. The City was working with HRSD to identify the reason for the bacteria leak

and had not been able to identify the problem. The City was working with HRSD to replace several thousand feet of pipe and was investigating storm systems.

Councilwoman Cherry inquired whether each locality could be cited separately, although they operated as a region. Mr. Skipper replied yes, each locality could be cited separately as well as HRSD and the region.

Councilman Bateman inquired whether the work being done along River Road in front of Hilton Elementary School, back to Milford Road, along the ditch across from St. Andrews, was being done to alleviate the bacteria issue at Hilton Beach. Mr. Skipper replied that there had been work ongoing for two to three years in the Hilton area to alleviate bacteria at the Hilton Beach. The bacteria issue at Hilton Beach was ongoing. The City continued to be aggressive about the issue. The work was also being done to alleviate the flooding that occurred after a heavy rain under the railroad track on Main Street between Warwick and Jefferson Avenues.

Mayor Price inquired whether the project at Warwick and Bland Boulevards was still underway. Mr. Skipper replied, yes; they were raising Warwick Boulevard approximately three feet, which was similar to the project at 27<sup>th</sup> Street and Buxton Avenue where the street would be raised to get out of the flood plain.

Councilwoman Scott inquired about the cause of the flooding on 26<sup>th</sup> Street. She indicated, on occasion, when she left her church after a heavy rain, the area would be flooded. Mr. Skipper replied that was a portion of the Salter's Creek watershed, which was a very low lying area that was subject to tidal flooding. The largest issue was not due to rain, but due to the tidal impact in the area. The highest tides could reach 7 to 8 feet.

City Manager Bourey indicated the retention and attraction of young professionals was a matter being researched as the City looked at economic development and the future. It was a challenge to get college graduates to return or stay in the area. Economic development was essential to attracting a workforce moving forward. The City had to develop a more educated workforce that would help drive, attract and retain employees. Additional training was also necessary. The City had to substantially "step up its game" in the future.

Councilwoman Scott indicated it would be difficult to attract young people without having a night-life, because young people wanted something to do after work hours. City Manager Bourey agreed and indicated that he and staff were working to increase the night-life venues where young people would want to frequent.

Councilwoman Cherry hoped that the downtown Superblock, where the Charrette was held, would be considered as a venue. A sense of place where one felt safe to go for entertainment was needed. City Manager Bourey agreed and indicated the City needed to recreate the area for nighttime entertainment.

Councilwoman Scott stated that Mariner's Row in City Center would be the perfect entertainment venue and would mimic what was going on throughout the United States. She travelled often, and that was the closeness that was needed. Businesses were moving at record speed out of the Mariners Row. City Manager Bourey agreed, and indicated that there had been talk about repurposing the area; however, some were concerned that the City would be giving up the retail in the area. Councilwoman Scott disagreed and indicated that the retail was moving to the Tech Center. City Manager Bourey felt the suggestion was great, but the transition in ownership could affect some of the improvement. He totally agreed that it was an ideal place that could be repurposed for nighttime entertainment.

City Manager Bourey asked City Council to think about matters that they want to see moving forward.

Councilwoman Woodbury recalled the Superblock Charrette plans were beautiful. She inquired whether there were plans to have another plan prepared for the Superblock. City Manager Bourey replied no. He stated staff felt that the Superblock Charrette plan provided a great example of the character and nature of development that could attract people. The whole idea was to go beyond the Superblock and come up with a vision for the area.

Councilwoman Woodbury questioned how ideas could be taken from the Superblock Charrette when nothing had been implemented. Ms. Cipriano replied that potential funding was included in the CIP for downtown initiatives that was not specifically dedicated to a certain portion of the Charrette. City Manager Bourey replied that a physical plan for the entire downtown area was needed with would entail the Charrette plan. More work had to be done in the area before a dedicated developer would be open to investment. The Charrette offered a physical design and plan for the Superblock, but a physical concept was needed for the entire area. There was no defined plan for areas outside of the Superblock.

Lunch break: 11:56 a.m. - 12:51 p.m.

City Manager Bourey introduced Ms. Cipriano to report on the City's User Fee Funds and issues that were important to the City's strategic long-range plans.

Ms. Cipriano stated, although there were 23 special revenue and trust funds, she was only going to provide revenue and expenditure projections for four funds: Waterworks; Solid Waste; Stormwater Management; and Wastewater.

Ms. Cipriano stated the Waterworks FY 2016 budget totaled \$86,950,000. She noted the Revenue and Expenditure Assumptions for FY 2017 – 2021 (see information on pages 49 – 50 in the presentation attached to these minutes):

- **Revenue Assumptions**
  - FY 2017 – 2021                      2.0% rate increase

- **Expenditure Assumptions**
  - Same salary and benefit assumptions as the General fund
  - Increase in Pension
  - Revised funding for debt service and capital requirements
  - Inclusion of bond sale fees
  - Fountain Plaza II rent increase

Ms. Cipriano advised that Waterworks had a number of large projects planned in the future. She stated while their current debt service was decreasing, there would be an increase to address future projects.

Councilwoman Woodbury inquired about the future projects that were proposed for the Department of Waterworks. Ms. Cipriano replied, the Radio Frequency project. City Manager Bourey introduced Mr. Scott Dewhirst, Assistant Director, Department of Waterworks, to report on projects that were underway by Waterworks.

Mr. Dewhirst reported that the largest Waterworks project that was underway was implementation of an Advanced Metering Infrastructure-(AMI) Customer System. He stated that the AMI system would replace analog meters with a computerized system that would report usage over digital communication interfaces, such as phone lines. Meter readers would no longer have to physically go onto a property to read meters. Waterworks was in the final stages of negotiation to begin the Feasibility Study. This was the largest expenditure (\$30 million) that Waterworks proposed for FY 2017, and wanted to be sure that they understood all the ins and outs about the project. At the same time, they were expanding the network to receive meter information, they wanted to expand the system to receive other sensors and smart infrastructure such as traffic sensors, environmental quality sensors, flood sensors, etc. Waterworks would collaborate with other City departments. They collaborated frequently with Public Works and Waterworks SCADA (Supervisory Control and Data Acquisition) system, but this offered another avenue to receive additional information. They would be able to collect data and turn pumps on and off from a computer desktop. Waterworks believed it was a very feasible project and a great thing to do.

Councilwoman Cherry inquired whether the City's internet infrastructure was able, or would be updated, to accommodate the proposed AMI system so that other departments would be able to use the system. She inquired whether there was a cost associated with upgrading the City's internet bandwidth. City Manager Bourey stated the City was in the process of researching the matter and was not sure whether an update was necessary or what the costs would be. A study was being undertaken to determine the information.

Ms. Cipriano stated the Stormwater Management Fund FY 2016 budget totaled \$19,993,000. She noted the Revenue and Expenditure Assumptions for FY 2017 – 2021 (see information on pages 50 – 52 in the presentation attached to these minutes):

- **Revenue Assumptions**
  - FY 2017: 4.7% increase to Stormwater Management Fee
  - FY 2018: 6.7% increase to Stormwater Management Fee
  - FY 2019: 8.3% increase to Stormwater Management Fee

- FY 2020: 5.8% increase to Stormwater Management Fee
- FY 2021: 5.5% increase to Stormwater Management Fee
- **Expenditure Assumptions**
  - Same salary and benefit assumptions as the General Fund
  - Increase in Pension
  - Transfer three Senior Equipment Operator positions from GF to better align major outfall maintenance function
  - Additional staff and equipment to provide resources to address environmental mandates (Municipal Separate Storm Sewer System [MS4] and TMDL)
  - Fountain Plaza II rent increase

Ms. Cipriano stated the Wastewater Fund FY 2016 budget totaled \$21,484,000. She noted the Revenue and Expenditure Assumptions for FY 2017 – 2021 (see information on pages 55 – 56 in the presentation attached to these minutes):

- **Revenue Assumptions**
  - FY 2017 – 2021                      3.0% overall rate increase
- **Expenditure Assumptions**
  - Same salary and benefit assumptions as the General fund
  - Increase in Pension
  - Additional staff and equipment to address infrastructure assessment and rehabilitation effort (Consent Order)

Ms. Cipriano noted the Special Revenue Fund FY 2016 budget totals (a copy of fund totals are on page 58 of the presentation attached to these minutes). She advised that all the funds had rates and fees associated with specific services. Not all had employees associated with them. The Economic Development Fund was managed by the Department of Development. Not much change was projected for the User Fee Funds other than for Stormwater, Wastewater, and Solid Waste.

City Manager Bourey introduced Ms. Florence Kingston, Director, Department of Development, to talk about future projects. He recalled mentioning the \$8 million that the City would receive annually from the full development and retail of the Tech Center. There were other projects that could make a huge difference for the City overtime. He asked Ms. Kingston to talk about the possible development of Endview Plantation.

Ms. Kingston advised that the largest track of undeveloped land (Carlton Farms and Endview Plantation) was located in the northern part of the City. She advised that staff wanted to be judicious with regard to the development of this property. The Endview property was acquired in the 1990s, and some of the land was restored for historic preservation. The proposed development would need to be compatible and complimentary to the area. The original development plans included mixed residential and would generate approximately \$4 million in revenue. The original concept would use land sale funds to cover the infrastructure of the development, because it was undeveloped land that needed utilities and road networks.

Mayor Price inquired whether the City would be responsible for covering the cost of infrastructure for the development of Carlton Farms and Endview Plantation. Ms. Kingston replied yes.

Vice Mayor Coleman inquired about the estimated cost for the project. Ms. Kingston replied the original cost to include a funding mechanism, such as CDBG funds, would amount to approximately \$35 million, which would cover the development and infrastructure. The cost could vary depending on the developer. Staff was trying to get a Public/Private partnership to share the vision and develop a strategy.

Mayor Price inquired whether the acreage could include a school. Ms. Kingston replied she recalled that the original plans for Huntington Pointe included a school site. She did not recall reserving a school site for the Carlton Farms and Endview projects.

City Manager Bourey stated that one of the matters that staff talked about was to ensure that there was a full range of housing prices in the area because the City did not have much high-end housing. He advised that high-end housing generated additional revenues than expenditures. The City wanted housing on all levels, but really needed to push for higher-end housing, which would result in increased revenue. He envisioned high-end housing for Carlton Farms and Endview.

Councilwoman Cherry inquired whether a market analysis had been done to determine what could fit in the Carlton Farms and Endview area. She recalled a study was done by the Buxton Group several years ago, but no action was taken. Ms. Kingston agreed; however, the model had changed. A market study of the land was done approximately 10 years ago by the developer that was interested in the land.

Councilwoman Cherry recalled that the community was not in support of the project, and inquired about what had been done since that time to cause the community to see the benefit of developing the land. Ms. Kingston replied that staff had not engaged the Carlton Farms and Endview community, since working in Brooks Crossing and the Southeast Community. Before they went back to start to entertain development, community engagement and buy-in for the vision of the development was required.

Councilwoman Cherry was hopeful that community engagement would be entertained before the City moved forward with a project, since this would be the last major housing development in the City. Ms. Kingston agreed.

Councilman Bateman recalled that the study done for Endview involved an extraordinary amount of work that included residents of the Lee Hall area. There were many who liked the plan as well as those who were against the plan. All involved crafted what type of development they wanted for the area it was not anything that was forced on the residents of the community. It was a project that sought lots of input from the community and across the City. He agreed that anything done would demand a vigorous amount of community work to ensure that people had input on what went on in the area. Ms. Kingston noted the delay in the development of the areas was also due to the housing decline. The developer did not want to start a project until the market improved. The time had come to plan and develop the area.

Councilwoman Woodbury inquired whether the City was actively seeking a developer for the area. City Manager Bourey replied that nothing had been done at this point. He suggested that the best process would include a grocery store and an RFP to review developer qualification before going through the process of selecting an appropriate developer that had the capacity and ability to do an outstanding job. He felt the City should move forward with a project for the property. This area was a huge asset for the City and represented a great development opportunity.

Councilwoman Woodbury inquired about Huntington Pointe and whether it was still on the books. City Manager Bourey replied it was still on the books and a development plan had been done. Ms. Kingston stated the City was in need of new housing as the City was listed as having the second oldest housing stock in Hampton Roads. There was a need for new housing which drew people to the area.

Mayor Price recalled discussion about incentives for renovating housing. He suggested that the program be revisited. Ms. Kingston replied that they would look into the matter.

Councilwoman Cherry agreed with the Mayor that a school would be incorporated in the development plans for Carlton Farms and Endview. She advised that schools brought people to the community. It would be beneficial to have nice homes as well as schools in the area, even though it was not in the original plan.

City Manager Bourey stated another major component was to ensure that the workforce was technologically adaptive. He mentioned a workforce development program that Thomas Nelson Community College (TNCC) was working on.

Ms. Kingston replied that the TNCC program was called the Advanced Integrated Manufacturing (AIM) Center. She advised that Community College Systems had been trying to obtain State support to develop a place in which that the private sector could train a skilled workforce. The City had a strong manufacturing base with Canon, Continental, and the Shipyard. They were also working with the School System to reinforce STEM education to have a workforce ready to venture into manufacturing jobs.

Councilwoman Cherry inquired whether Canon, Continental, and the Shipyard were examples of companies that the AIM would be looking to partner with. Ms. Kingston replied yes.

Councilwoman Cherry inquired how TNCC would recruit AIM participants. Ms. Kingston replied AIM participants would include college, and high school students, as well as those already in the workforce. City Manager Bourey advised that it would not include today's TNCC students; it would be people that would be engaged by the system, such as employees who already had some initial technical training, but needed a high level certification specification to be able advance further in their companies. Ms. Kingston pointed out that opportunities must be created to expand the labor pool of qualified workers.

Vice Mayor Coleman agreed that workforce development was important for the community in order to maintain and attract business to the area. He was hopeful that staff was impressing upon TNCC that the City would like to be the host location for the AIM Center.

Councilwoman Woodbury pointed out that TNCC was putting emphasis on the Williamsburg Campus. Ms. Kingston replied that TNCC had done some programs on the Williamsburg Campus. The location decision for the AIM Center would follow once they received funding for the program.

City Manager Bourey felt that TNCC would rather locate in an urban area, which was the nature of the program. The Williamsburg campus was too remote and there was not much industry. It made sense to be located closer to Canon, Continental, and the Shipyard.

Mayor Price, as a former board member of TNCC, advised that the City was the largest contributor to TNCC and offered the largest student enrollment. He stated it was unacceptable that TNCC did not have an educational facility in the City. There had been ongoing conversations about building a facility in the community, but nothing ever materialized.

City Manager Bourey stated that neighborhood revitalization was an important part of the FY 2017 – FY 2021 Financial Forecast. He introduced Ms. Cynthia Rohlf, Assistant City Manager, to offer insight on community initiatives that were envisioned and ongoing. He indicated that staff was working on a grant that could be beneficial for the City.

Assistant City Manager Rohlf stated the City was working to pursue a U.S. Department of Housing and Urban Development (HUD) Grant under the Choice Neighborhood Initiative (CNI). She advised that there were several types of grants under the CNI:

- Planning Grant – provided up to \$2 million to implement a neighborhood revitalization plan.
  - \$500,000 Grant to sponsor planning activities, such as meetings with neighborhood residents to garner information on what they desired for their neighborhood
  - \$1.5 million Implementation Grant to be used to implement the plan
  - \$30 million Larger Implementation Program Grant to carry out the plans by the City

Assistant City Manager Rohlf explained that the CNI materialized from HOPE VI. Advocates of CNI felt the HOPE VI plan did not focus on neighborhood programs; it only focused on Public Housing complexes within neighborhoods. The CNI Larger Implementation Program Grant focused on matters that improved services, housing, neighborhood enhancement and quality of life issues for people. The grant application focused on the Southeast Community, from the waterfront to 39<sup>th</sup> Street, between Jefferson and Marshall Avenues. One requirement of the grant was that there had to be an eligible public housing project complex within the neighborhood (two to three were identified). The particular housing development they were focusing on was Ridley Place. The grant was called the Marshall/Ridley Application. A huge portion of the Grant focused on planning efforts. Nothing could be predetermined and had to include citizen input. The City had to say they would like to plan what the community wanted, as related to workforce development and transportation. Staff was working

to meet a tight time-frame as the application was due in early February 2016. Another key to obtaining the grant was that the City had to develop a partnership and demonstrate that the plans would be implemented even if the City did not receive the grant. City departments were working to locate a \$500,000 funding match and resources to obtain the grant. The private sector had to donate a \$300,000 funding match. The co-applicant would be the Newport News Redevelopment and Housing Authority (NNRHA). The grant process was very competitive. Larger cities that had more capacity tended to be the most successful in winning the grants, but there had been smaller local successes. Staff was working very hard to come up with the best application. An announcement would be made by HUD in June 2016.

Councilwoman Scott inquired whether workforce/mid-level housing would be a part of the plan. Assistant City Manager Rohlf replied that was a possibility. She advised that staff would guide the conversation, but the residents from the neighborhood had to state what they desired.

Councilwoman Cherry hoped that whatever was decided would include making the neighborhood less dense and included a Community Center. Assistant City Manager Rohlf replied that staff would do what it could in regard to density, but HUD only wanted to hear plans about what the citizens wanted.

Councilwoman Scott inquired whether this was a better model than HOPE VI. Assistant City Manager Rohlf replied it was a different model that was more inclusive and focused on the entire neighborhood, not just a public housing complex. It was a choice neighborhood grant; a plan for a neighborhood where one wanted to live by choice.

City Manager Bourey announced that the Commonwealth Transportation Board recommended \$144 million in HB2 funding for the Hampton Roads region, including \$7.7 million for Atkinson Boulevard.

City Manager Bourey thanked City Council for their patience to discuss the FY 2017 – FY 2021 Five-Year Financial Forecast. He commended Ms. Cipriano and staff of the Department of Budget & Evaluation for an outstanding presentation, as well as efforts made by all the City departments and staff.

Councilwoman Woodbury inquired whether there was a separate budget for the One City Marathon, and requested a copy. City Manager Bourey replied that \$100,000 was in the budget for the 2016 One City Marathon. He advised that fundraising was happening through private sponsorships. Approximately \$300,000 would be raised through private sponsorships and registration fees. That was what would drive the cost and pay for expenses.

Councilwoman Woodbury recalled that the City spent approximately \$200,000 on the 2015 Inaugural One City Marathon. City Manager Bourey replied that it was not quite \$200,000. He stated there was City In-kind support that was not part of the total cost. They were working to curtail the 2016 One City Marathon expenses as much as possible. The closing event at the Victory Landing Park would be less expensive.

Councilwoman Woodbury inquired how the City could contribute to charities when no profit was realized from the Marathon. City Manager Bourey explained that partnerships with the public and private sector were required in order to gain public interest in a Marathon. The \$100,000 City contribution would be used to cover the closing event at Victory Landing Park. What was left over and unspent was provided to the charities, which were mostly raised from the private sector.

Councilwoman Woodbury did not understand how funding could be contributed to the Charities if the City did not realize a profit from the Marathon. City Manager Bourey replied that the City was using its funds to pay for the closing event at Victory Landing Park.

Councilwoman Woodbury reiterated that she would like to acquire the information from the budget. City Manager Bourey replied that he would provide the information to Councilwoman Woodbury.

Councilman Bateman inquired whether the sponsorship funding was noted in the budget or whether it was just the City's portion. City Manager Bourey replied the City's budget only reflected the \$100,000. He stated the Marathon budget would include funding for the entire Marathon.

Councilman Bateman advised that two separate budgets was the reason the issue became confusing as it was not as transparent as some of the populous would like to see. There were all sorts of murkiness about the very thing as noted by Councilwoman Woodbury. He stated he would like to see the entire Marathon budget because there was sentiment that City funding was being used to give to charities, which he did not believe to be the case. Another matter missing was that some of the charities that received funding were required to have their staff serve and sell food and other items in order to receive funding. City Manager Bourey replied that the charitable organizations were required to volunteer for the event in order to receive a donation.

Councilwoman Scott inquired whether the Court buildings were included in the City's maintenance budget. She received a complaint about gas fumes in the courthouse that caused the occupants to suffer from headaches. City Manager Bourey replied that a response was provided to the complainant. It was an issue created by the contractor on site and was rectified. He asked the City Clerk to provide a copy of the response to members of City Council. Ms. Cipriano replied that Court buildings were part of the overall City maintenance budget.

City Manager Bourey advised that there were issues with City buildings that needed to be addressed going forward.

Councilwoman Scott inquired whether the City operated a homeless shelter on Main Street. She noticed that people were loitering outside of the building. Assistant City Manager Rohlf replied that the building was owned by the City and was used for storage. She stated that discussion had been held at the Community Maintenance Meeting in regards to the building due to its condition and loitering. The building was uninhabitable for humans.

City Manager Bourey pointed out that the City was moving forward with a Day Service Center for the homeless. He introduced Mr. Alan Archer, Assistant City Manager, who had been researching an appropriate site for the Center, to explain the nature of the Center.

Assistant City Manager Archer recalled that the concept discussed for the Day Service Center was that it would be a place where agencies could locate to provide services to homeless individuals at no cost. The Center would be open year-round, and would provide a refuge for the homeless. The Center would also be a place where one could connect with various services to help them become self-sufficient.

Councilwoman Woodbury inquired whether there were any plans to move forward with a permanent shelter. Assistant City Manager Archer replied that there were no plans in place to move forward with a permanent shelter. He recalled prior discussion with City Council which offered a number of opportunities to put forward the best effort to address homelessness. Staff looked at supportive housing, a day service center, and other models. He recalled offering information about a housing model in the City of Virginia Beach that focused on residential housing and a day service center. It was the desire of City Council, at that time, to focus efforts and attention around a day service center as opposed to the residential component, which was the strategy pursued by staff.

Councilwoman Woodbury inquired whether City Council had voted on the matter. Assistant City Manager Archer replied yes. Mayor Price recalled there was no consensus among City Council to move forward with a permanent shelter.

Councilwoman Woodbury noted that the City of Norfolk had a homeless program that offered a residential component to end homelessness. She voiced concern that the City had invested in a new Animal Shelter, but had done nothing for the homeless.

City Manager Bourey advised that staff was operating on the direction they received from City Council. Staff was open to the desires of City Council.

Councilman Woodbury inquired whether the City ever had an audit done on the homeless shelter program offered by LINK. For the past two years, the City provided funding to LINK. City Manager Bourey replied that an audit of the LINK program was in progress. He reminded about a presentation he made to City Council several months ago regarding the LINK funding shortage. At that time, he asked City Council to authorize funding for the shortage, should LINK not receive funding from other sources. At the same time, an audit of LINK was requested. The review of the program was ongoing.

THERE BEING NO FURTHER BUSINESS  
ON MOTION, COUNCIL ADJOURNED AT 2:40 P.M.

  
Jennifer D. Walker, MMC  
Chief Deputy City Clerk

McKinley L. Price  
Mayor  
Presiding Officer

A true copy, teste:

City Clerk