



## Manager's Message

*"Tribal Yoga Studio brings healing and health to the community."*

**Amber Favaregh**  
OWNER, TRIBAL YOGA





# 1. Manager's Message

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April 15, 2023

Mayor Tuck, City Council Members, and Citizens,

This is my fourteenth budget as City Manager, and each year has brought a new challenge that must be faced. From my first years during the Great Recession to the unprecedented impact of COVID-19, the City of Hampton has continued to move forward using our resources to the best of our ability under the guidance of our community, our Council, and our skilled City staff.

Strong revenue growth continues this year, making this the second budget in a row in which the tough choices were not about cutting services but rather how much to reinvest in them while also providing meaningful tax relief for citizens. Our COVID recovery has continued, and our tourism and economic development efforts have enhanced local revenues. The promises made to our workforce and our community that we would reinvest in them as the economy improved are realized with this recommended budget.

The total proposed budget for FY24 is \$611,451,337, a 4.5% increase from last year. Based on our school funding formula, Hampton City Schools will receive \$91,804,718, bringing our total funding above the State requirement to \$38,304,718.

## **Tax Rate and Fees**

One of our most important goals in any budget year is to avoid any tax increases unless absolutely necessary. Again this year, my proposed budget includes a real estate tax rate reduction – this time of 2 cents, reducing our tax rate from \$1.18 to \$1.16 per \$100 of valuation. This is lower than our Tax Rate Stabilization Guideline, which policy would have us remaining at \$1.18. That is primarily because we made a larger reduction in the rate than suggested by the Guideline last year. Together with last year's decrease, Hampton's tax rate has been reduced from \$1.24 to \$1.16, making it lower than many comparable cities, including Newport News, Norfolk, and Portsmouth. This is especially noteworthy as Hampton does not have some of the large revenue-producing entities those localities do, such as commercial properties in Newport News and Norfolk or the casino revenue in Portsmouth.

City Council has already passed a 93% Personal Property Tax assessment ratio, meaning we will base the tax bills on 93% of the current car values rather than full value. This assessment ratio adjustment was passed to offset the impact of the still-elevated used car market on tax bills, for a total personal property tax relief of \$2.4 million for residents. The estimated revenue based on that ratio has been factored into this proposed budget. This is a calendar year tax, so the first bill with the new ratio will go out to citizens in June.

This budget does include two proposed rate changes to user fees. The \$1 per residential unit (or the equivalent of that size) per month stormwater fee increase will enhance our stormwater



infrastructure maintenance programs throughout the City, going toward items such as public ditch maintenance and water quality testing. This year's scheduled increase will be dedicated to enhanced ditch maintenance, allowing our Public Works teams to clear the ditches multiple times a year instead of the current once per year schedule. The proposed sewer user fee increase of 11 cents per 100 cubic feet of water will allow Public Works to better maintain our wastewater infrastructure, totaling over 475 miles of piping and 106 pumping stations. Both of these increases combined will cost the average resident an additional \$1.73 per month, and still leave our citizens paying less for these fees than all but one of our neighboring localities.

Unfunded mandates imposed by the State, and supplemental funding to State agencies necessary to ensure our citizens' needs are served, continue to pull funding away from City initiatives and require an additional tax burden to our citizens. The effect on our tax rate is significant. Consider this:

Sheriff (including the Regional Jail)	\$10,330,350	
Treasurer	\$1,132,259	
Clerk of Courts	\$870,468	
Commissioner of the Revenue	\$730,707	
Commonwealth's Attorney	\$3,347,858	
Line of Duty Act	\$820,000	
TOTAL	\$17,231,642	... 12 cents
Schools (above the State requirement)	\$38,304,718	... 26 cents
FY23 Coverage of Property Tax for Disabled Veterans	\$5,229,439	... 3 cents

If these State agencies and initiatives were fully funded by the State, the tax rate could be 75 cents, rather than \$1.16. These numbers do not include other mandates and impacts on the City's tax base, like the reform of the communications taxes which has seen an increasing loss of revenue each year, resulting in an estimated loss of \$4 million in FY24 alone.

**Employees**

Our workforce is the heart of our City. Time and again, citizens have rated City employees highly in our Citizen Satisfaction Survey. Our City consistently does more with less employees per capita than our neighboring localities. Employee compensation and increasing our staffing levels have been among our top priorities as a Leadership Team and community, with both consistently ranking highly in our I-Value budget input sessions. I am pleased to be able to propose a pay increase of at least 5% for full-time employees who have been with us for at least a year. I am also proposing we increase our minimum wage for all employees to \$15 per hour. We announced our intention to do so last year, and I am pleased we will be able to follow through on such a goal. This increase will put us two-and-a-half years ahead of the State mandate, making us more competitive in today's job market.

Additionally, to battle the compression that inevitably occurred during the Great Recession and the subsequent leaner years, we are proposing a new step plan for all our sworn public safety (Police, Fire, and Sheriff) officers. This plan was developed as a result of the compensation study funded last year. The plan will provide 2.5% steps for each year of service, providing for a clear, reliable



method of achieving raises with their continued service with the City. We will implement the plan in total this year, giving all employees a 5% pay increase and then placing them on the tenure appropriate step (in a few cases, employees may need to be placed on a higher step to ensure that they do not lose pay). The compensation study for our general workforce should be concluded over the next fiscal year, allowing us to implement a pay strategy for the rest of our employees in FY25. But compensation isn't everything – our employees need to know they have the support of an adequate workforce beside them. Where one person is doing the work of multiple jobs, it is important to reduce that workload and re-establish a healthy work/life balance. We are proposing that we add positions in many understaffed departments, such as Human Services, Community Development, the Treasurer's Office, and Parks, Recreation & Leisure Services, to help make citizen interactions with the City more efficient, while increasing employee morale.

As health insurance premiums continue to rise, the budget proposes that the City cover 80% of the cost increase, for a total of \$1,143,538. This will help to ensure that our employees benefit from the proposed pay increase. While we have covered the full cost of insurance premium increases over the last several years, we forecasted that we could not, and should not, do that in perpetuity. We felt greater weight must be given to providing a substantial pay increase for all employees, which also has long-term benefits to employee retirements, and bringing all our employees to at least a \$15 minimum wage. Additionally, the costs to implement the new step plan for public safety employees this year and a new pay system for civilians next year are significant, and must take priority.

Together, these proposed salary and benefit investments total over \$12.6 million in FY24. As the backbone of our service delivery system, our hard-working employees are certainly deserving of these raises.

### **Educated Citizenry**

Our partnerships with formal and informal education providers allow us to keep, develop, and attract talented citizens to continually improve our City. Strong schools are essential for the students who attend them, but also for the economic growth of our City.

While we are saddened by the news of our superintendent's retirement at the end of this school year, Hampton City Schools is a stronger organization due to his leadership. The innovative Ford Next Generation Foundation College and Career Academy Model has thrived under his guidance, and Hampton City Schools has served as an industry leader in this area. We are grateful for the years he has dedicated to Hampton, and trust that the future superintendent will fill the hole he leaves behind.

The recommended budget for schools is \$272,701,006, an increase of \$4,585,941 or 1.7%. This increase in annual operating budget brings the City's funding for our schools to \$91,804,718, an increase of \$6,320,734 or 7.4%. Additionally, this budget anticipates increased capital funding from the Literary Fund through low-interest loans from the State. This funding will provide renovations at 10 schools, and is expected to increase their service life by 25 years. The Capital Improvement Plan also anticipates the construction of a new Bethel High Science and Math Wing (like the one currently under construction at Kecoughtan High School) in FY28.



The School approved budget also provides a 5% increase in pay for all positions as well as some key step plan adjustments. I am proud that the Superintendent, his team, and the School Board partner so well with the City Council, my team, and me so that we can provide meaningful and similar salary adjustments to both our staff.

## **Safe and Clean Community**

Providing a community that citizens are proud to call home – a city where they feel safe and have an enhanced quality of life – is a top priority. Over the years, public safety has been the only segment of the budget that has grown at a rate higher than inflation, demonstrating the strong focus our citizens have had on supporting public safety. We are again making several investments in public safety this year.

Our civil process deputies are faced with potentially dangerous situations when serving warrants and executing their duties in the community. We have proposed an investment in body cameras for our civil process deputies to meet the agency, City, and public need relative to the safety of our deputies, as well as transparency and accountability. Also necessary for protection of our public safety officers, inmates, and the community, is the proposed upgrade to security cameras in our correction facilities and courts, and to the jail information system.

Our park rangers provide a critical public safety need in our community, so we are proposing two additional positions to allow for enhanced oversight and increased security at our parks. These positions will reduce the need to utilize School Resource Officers for security during the summer months, allowing those officers to be deployed to other priority police assignments.

To build upon the initiative started in FY23, I am also proposing three new Code Inspector positions, to increase the frequency of inspections and to provide staff flexibility to conduct strategic targeted enforcement. Additionally, we propose an increase in overhead tree right-of-way maintenance and additional capital funding to refresh all of our non-reflective pavement markings, to keep our roadways safe and looking clean.

Reducing violence and the impact of violence on our youth and young adult population remain two of our top priorities. Through the dedication and hard work of our City employees, the City has secured significant funding from both the State and Federal governments. Our Commonwealth's Attorney was awarded over \$230,000 in grants for Operation Ceasefire, a diversion program intended to give youth who have started a life of criminality the opportunity to choose a different path. Efforts spearheaded by our Office of Youth and Young Adult Opportunities have resulted in \$4.6 million in Federal funds earmarked by Congressman Scott to continue the work we have already begun. Stopping violence before it can even begin and reaching those impacted by the violence we are unable to prevent are of paramount importance. Obtaining these grants shows that not only do we believe our efforts are making a difference, but so do those outside our community. As described in greater detail below, we are also increasing funding to the Hampton-Newport News Community Services Board to assist in violence reduction efforts.





## **Family Resilience and Economic Empowerment**

Helping those who are most vulnerable in our community and assisting them with learning to stand on their own while receiving the care and services they need immediately, has long been a priority for the City. With this budget, we are proposing new positions in our Human Services Department and additional funding to our community partners.

With the proposed additional Case Manager and Family Service Specialist positions in Human Services, staff will be able to handle the rising caseload for Adult Services, which has more than doubled over the last three years, and focus on specialized programs for assisting families in crisis. Even after adjusting for population size, our Human Services Department has 44 fewer workers than Newport News. While we don't believe we need to have the same staffing levels as Newport News, these positions will address the greatest needs of the department.

We could not do the necessary work without assistance from our community partners. Accordingly, we are also making adjustments to several outside agencies such as Transitions, the Foodbank, the Center for Child and Family Services and the Peninsula Agency on Aging. Additionally, we are investing \$500,000 in new recurring funding for the Hampton-Newport News Community Services Board which will be bringing on a Crisis Intervention Center, expanding their work with our Police Division and providing comprehensive trauma counseling services in support of our gun violence reduction efforts.

This year, we will move our Human Services staff to a new location. This upgraded space will enhance our employees' work environment and ensure that we are providing services to those who are most vulnerable in a comfortable and modern facility.

## **Economic Growth**

Growing our economic base helps to ease the tax burden for our citizens, and as such it was a primary focus for many years. Many of the decisions we made during leaner years have resulted in some of the big projects coming online today. This fiscal year, we will see several large developments finalize construction and be added to the City's tax rolls. The WVS development located on the former Goodyear site is nearing completion. This project will introduce new retail and apartments Downtown, bringing us closer to our goal of maximizing the housing to support a flourishing retail business along our waterfront. Even without its doors fully open, 50% of the space has been occupied. The Watermark at Northampton located on Big Bethel will provide an additional 75 townhomes to our housing stock. Trilogy, a major redevelopment of the former Lincoln Park & Towers site, has also been announced and will begin construction in the new fiscal year. These homes and apartments are essential to serve the incoming Flight Training Unit that is currently being relocated from Florida to Langley Air Force Base this year.

We also saw the opening of our first Raising Cane's and Freddy's Custard and Steakhouse in the Coliseum Central area. These fast-growing national food chains have only recently made their way to our part of the east coast, and they chose new locations in Hampton. We are looking forward to the future, with all the new developments we expect to have shovels in the ground this upcoming year, and the companies looking to revitalize some of our empty retail spaces, like the OneLife Fitness Center and the Riverside Behavioral Health Emergency Department, both in Coliseum Central. These achievements are yet another sign of the strength of our growing economy.



## Living with Water

As a thriving waterfront community, no small amount of importance can be given to adapting our practices to ensure we continue to have a thriving, resilient City in the future. The threat of flooding is something we desire to mitigate for our citizens as much as possible.

This year, we are proposing two additional positions in our Community Development Department related to resiliency. These added positions will assist in the efforts begun by our Resilient Hampton Team, which oversees multiple large capital projects, grants, resilient planning efforts, and local citizen grant programs.

Two major projects will receive the majority of their funding in this year's capital budget, as the construction phases begin. The Little Back River Road Reconstruction will widen Little Back River Road from Riverchase Drive to Clemwood Parkway, providing an extra travel lane, sidewalks, and a pedestrian/bike lane. This project will also include drainage improvements to help mitigate persistent flooding. The North Armistead Avenue Road Raising Project will elevate the road by as much as 5.25 feet, bringing it above sea level and preventing this essential roadway from flooding out during major storm events. Both of these projects will directly impact our citizens and further our goal to be a resilient City.

We have included \$3 million in capital funding for dredging our public waterways throughout the City. Dredging improves water quality, helps foster healthier aquatic ecosystems, reduces flood risks, and makes our waterways more navigable. This has been a long-standing request from citizens, and I am pleased we are able to move forward with funding at this time. We have also included capital funding for bulkhead repairs to our Downtown marina area, which will provide the necessary improvements for the continued safety and enjoyment of our waterfront.

## Placemaking

Our citizens feel a strong connection to our City's history and our City's future, and this is never more evident than in their open support of our shared public spaces. Citizens are the reason for the success of our Neighborhood Centers, and citizens are the most frequent visitors to our many City parks and beaches. The City believes in providing the best amenities possible to enhance our citizens' quality of life.

In this budget, we are proposing we fund a pilot program for public art – allowing for one medium sized or two small public art projects to enhance our public spaces. Additionally, we are proposing increasing funding to citywide and Downtown beautification efforts, to help develop a more vibrant community. We have also received additional funding from the Virginia Department of Transportation to support our efforts in the Old Buckroe Road pedestrian improvements, which should be completed this year. This project will help improve physical and social connections along a major corridor connecting Buckroe and Phoebus.

Our Parks Master Plan will be finalized this year, providing us with the community input necessary to develop new goals and projects to fund during the upcoming fiscal years. I look forward to having a plan to provide additional quality of life improvements to our citizens in the future. In the meantime, we have continued our multi-million-dollar capital investments in upgrading, renovating, and maintaining our current infrastructure.



## **Excellence in Government**

The City of Hampton strives to be a leader in innovative, collaborative, and effective governance, focusing on ways to improve engagement and trust between the community and the government, and provide the highest level of public service to our citizens.

To do so, we need to ensure we have highly qualified and motivated individuals working for the City. I am proposing additional positions in the City Treasurer's Office and Commissioner of the Revenue's Office to increase efficiencies related to our tax collections and reporting. We are also proposing additional positions in several internal departments – Information Technology, Human Resources and Fleet Services– to ensure our internal operations continue to improve and our more public-facing employees have the support they need behind the scenes to provide excellent public service. These departments were the ones most scaled back during the housing market crisis/recession in the 2010-2014 timeframe. These cuts were required then, but improvements to our revenue give us the opportunity to restore many of the positions to make sure we can meet the technology and human resource demands of our departments.

In our Public Works Department, we are proposing four additional positions – one in Operations, and three in Traffic Engineering. The new Assistant Operations Manager would support the Operations Manager in the day-to-day management of over 400 employees in eight divisions, allowing for improved operations and proactive work in preventing problems affecting our citizens. The three new Traffic Engineering positions will allow for the employees to provide preventative maintenance to the 185 signalized intersections and 64 flashing school signs, instead of merely reacting to problems as they arise. It will also move the City closer to reaching the Federal Highway Administration's benchmark of one technician for every 30-40 intersections.

On the capital side, we are proposing an increase in maintenance funds for public facilities, as well as many roadway improvements including, but not limited to, replacing reflective coatings and signs on the streets and upgrading our aging traffic signaling system. These investments will help to extend the life of our public buildings and infrastructure, creating better spaces for our employees and our citizens.

## **Public Input through I Value**

I am, as always, grateful that more than 1,000 residents took the time to participate in our I Value budget input this year, either attending a meeting, watching Facebook Live, or completing a survey. I am pleased to note that many of the new initiatives I am proposing in this budget were also high priorities with the residents who participated in I Value input this year. In particular, our residents were very supportive of our employees, strongly favoring wage increases, a higher minimum wage, and adding step increases for sworn public safety employees. Residents also recognized the need to increase staff in many areas, particularly in Human Services, Park Rangers, and Traffic Engineering. Increases in mental health programs by the Community Services Board and Riverside were also popular. Upgrades to wastewater infrastructure and increased cleaning of ditches that would be funded with user fee increases also drew support.

The most difficult choice that all of us make is how to pay for the new programs and initiatives we believe will benefit our community. In this year's polling, the largest group of people (35%) were



comfortable with maintaining the tax rate to make more funding available. Grouping results showed that half of the residents agreed with a rate that is \$1.16 or higher, which is the rate I have proposed. I believe the large number of people supportive of maintaining our rate speaks to the confidence that most Hampton residents have in City Council and staff: We have used – and will continue to use – their tax money wisely. When I was forced to recommend increasing the rate when housing values dropped, I also committed to recommend lowering the rate when values increased. Though most other jurisdictions' managers have not proposed tax rate reductions this year, we in Hampton are firmly committed to keeping your tax rates as low as possible while maintaining our outstanding services and quality of life.

### Closing Thoughts

Every year, I reaffirm my commitment to Council's vision of Hampton. The statement is as true today as it was when we developed it years ago: *We are Hampton, a vibrant waterfront community celebrating and embracing 400 years of history and innovation to create an even more dynamic future.* Every decision I make is made with those words in my mind, and I believe every part of this proposed budget will help strengthen our City for the future.

As always, I would like to thank the strong team of department heads, Assistant City Managers, and the budget team for putting together a balanced budget that seeks to meet as many community needs as feasible. I also thank the community for their continued participation and thoughtful insight during the budget development process – when we work together, there is nothing we cannot achieve.

My staff and I stand ready to work with each Council Member in the coming weeks to discuss the budget and its impact on our community and workforce. We look forward to the community's input on the FY24 Manager's Recommended Budget and the deliberations to follow.

Sincerely,

Mary B. Bunting  
City Manager