



MANAGER’S BUDGET MESSAGE

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MANAGER'S MESSAGE

Mayor Ward and City Council Members,

I am pleased to present the FY 2010 Manager's Recommended Budget totaling \$435,272,185, a 1.94% decrease from the adopted FY 2009 budget. Of this grand total, the City Operations budget is \$226,559,147 (0.63% decrease) and the School System portion of this budget is \$208,713,038 (3.32% decrease).

It goes without saying that this budget was exceptionally difficult to manage. The national, state and regional economies are all suffering from what economists now call a recession. The recession and the accompanying loss of consumer confidence have greatly impacted our revenues, particularly in the area of personal property taxes (our 2nd largest local revenue source). Business license receipts, sales and lodging taxes have also diminished over the last year. Further, our investment earnings are down as are some revenues from the State. State cuts would have been worse were it not for a last minute infusion of federal stimulus funds that enabled the Commonwealth to rework its budget and spare localities deeper cuts. Still, altogether, the recurring revenue for the City was down \$5.245 million over last year. The Schools were hit with a like amount (a net \$6 million less revenue) from the State due to declining enrollment and the State budget cuts.

At the same time, we had several projects coming to fruition that demanded operating budget increases. This budget funds a full year of operation for the fishing pier, Teen Center and an enhanced litter maintenance crew. All of these projects have been in the works for some time and warranted appropriate funding to begin full operations.

These economic factors challenged us in new ways. The City has long taken an approach of keeping cost of operations low. Most of our city operations have among the lowest number of employees per capita. Thus, cutting departmental budgets meant cutting service delivery in some fashion.

I am pleased that I am able to deliver a budget which I believe makes required cuts in the least damaging manner. This is not to say that the cuts are pain-free. On the contrary, all of the 45 permanent full-time positions that are recommended for elimination were warranted and would have been funded were the City's economic position different. All of the operating budget cuts will be felt by departments as they struggle to carry on business as usual. And, indeed, there will be occasions when citizens may see a slight impact on service delivery. However, I believe we have protected the core services of the City to include police, fire, emergency management, infrastructure management, garbage collection and the like. Further, in



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the areas where we did cut, we were able to “keep a pilot light” on so that the service continues in some fashion and can benefit from reinvestment when the economy recovers. The strategies we undertook to achieve this bottom line result were as follows, in priority order:

- **Minor fee increases in after-school programs and Emergency Management Service (EMS) charges:** The after-school program is self-supporting and, even after the slight increase, we will continue to offer extremely affordable, quality programming for our students. The EMS fee changes are aimed at recouping the maximum amount of insurance revenue and will not impact Hampton residents due to our policy of waiving co-payments and writing off amounts for non-insured Hampton residents. Together, these fee changes generate \$396,000.
- **Use of fund balance for one-time purchases/capital projects:** Due to past responsible financial planning, we were blessed to have close to \$12 million in excess fund balance over our already conservative 10% of budget requirement. This budget recommendation uses \$5.6 million, or less than half of that excess balance, to cover one-time expenses in the budget. The bulk of the money will go to the capital budget for preplanned CIP projects. Other funds will be used for a new state requirement to use electronic

poll books for elections and to fulfill commitments made to the Food Bank, AAU Junior Olympics and 2010 Celebration committee. I am also proposing that Council approve \$150,000 for an efficiency study similar to those performed by James City and York Counties so that we will gain external insight into our operations in order to possibly attain budget savings in future years.

- **Use of School Construction Debt Reserve Fund:** Our debt service increases this year by \$1,021,061. This increase is the result of past borrowing for our new schools. Several years ago, Council created this debt reserve fund for the explicit purpose of using it to stabilize debt service increases as they occur. Therefore, the use of these funds is prudent and in accordance with wise prior financial planning.
- **Reduce outside contract/agency spending:** This budget continues Council’s past policy decision to back away from funding charitable organizations that do not directly relate to government agencies. Last year, a 25% cut was passed onto these agencies. This year another 25%, as agreed upon previously, is passed on for a total reduction of 50% over the FY 2008 funding level. In 2011, another 25% cut will be scheduled and in FY 2012, we will complete the phase-out of funding for these groups. Outside agencies which have a direct governmental connection (they provide services the



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City would otherwise have to provide and/or minimize our caseloads) have been level-funded. We have also discontinued the practice of sponsoring tables at charitable fundraising events and reduced funding to Bay Days, the Stadium Authority, the Virginia Air & Space special events & cooperative advertising programs and completely eliminated funding for the Hampton Roads Military and Federal Facilities Alliance. In the case of the latter reduction, we believe the City's commitment to funding a full-time military and federal facilities liaison is more critical and produces a bigger return for us. Together, these changes generated \$431,270 of savings.

- **Organization-wide changes:** We achieved \$1,587,071 of savings by adopting some organization-wide changes such as making reductions for attrition and related benefit savings; reductions in transfers to other funds and indirect costs; reductions in non-departmental funds; and, the use of new VDOT urban maintenance funds to cover the costs of an enhanced litter maintenance program. Also included in these reductions is the elimination of the televised taping of the Holly Days Parade, which was deemed a nicety and not a necessity.
- **Reallocation of funding for capital projects from general fund to bond funds:** We have shifted \$1,830,116 of capital projects from general funds to bond funding. We are able to do this

due to our decision to delay the closure and demolition of the Old Hampton Community Center, which did not seem prudent in this economic environment. It is important to note that while we had some bond funds on hand for the project we still needed to borrow several million more to complete the project. Delaying that additional borrowing saves us on debt service in FY 2010 and beyond. The bond funds that we had on hand to do this project will be reallocated to other priority projects.

- **Employee Pay & Benefit Changes:** Regrettably, we will need to diminish some employee benefits. I am proposing the suspension of the longevity pay program as well as the tuition assistance program. Our employees work very hard and deserve the pay and benefit package they earn. However, the economic conditions dictate a suspension of these programs. Further, we will make minor changes in health insurance co-pays to avoid a premium increase for both the employees and the City. These changes, coupled with worker's compensation savings derived from contracting out the service, will generate a combined savings of \$868,023. As an aside, there will be no general wage or merit pay increases this year.
- **Departmental/Service Mergers:** I am proposing the merger of the Coalition for Youth and the Teen Center



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operations. This move generates some minor savings (\$85,807) and avoids still other cost. However, it is driven more out of desire to ensure the proper direction/leadership of the Teen Center from its inception. While a multi-disciplinary team has successfully guided the project from concept to reality, it is critical that a single department take leadership responsibility for the operation and I can think of no better leadership than that which Cindy Carlson and the Coalition for Youth can provide.

- **Changing the Way We Do Business:** A total of \$849,361 in savings has been generated by a review of current operations. We will be contracting out some services which were previously done by permanent full-time staff (ex. real estate services), eliminating an existing contract for a wonderful but less critical service (ex. historian contract); redirecting some services to other funds/funding sources (ex. parenting classes to Social Services; charging the Benefits Manager salary to the health insurance fund; transferring appropriate positions to the Solid Waste and Stormwater funds) and changing the way we handle our fleet operations. Further, we will begin the process of civilianizing our 911 service. While this particular change will not save funds in the short-term, the timing is right due to our recent decision to modernize our radio system.

- **Reducing the number of administrative overhead and management positions:** A priority area for reducing the permanent full-time workforce was in administrative overhead and management positions. These types of jobs were targeted not because of a lack of importance but rather out of a desire to protect front-line employees and service delivery as much as possible. A total of 16 permanent full-time positions have been proposed for elimination in this category for a savings, excluding benefits, of \$930,336.
- **Reducing the number of administrative support positions:** A total of 14 additional permanent full-time jobs are eliminated in this category for a savings, exclusive of benefits, of \$537,138. I reiterate that these positions, as well as those notated above, are being eliminated out of economic necessity and not because of a lack of importance to the organization. The elimination of these jobs will produce a greater workload for the remainder of the workforce. However, given our budgetary picture, these jobs were deemed to be of a lower priority than the ones which remain.
- **Elimination of or holding open additional vacant positions:** After reviewing management and administrative support positions, it was still necessary to reduce some additional positions in order to balance the budget. Our priority then became looking at vacant



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positions. Our desire here was to avoid layoffs and impacts to service delivery as much as possible. A total of \$518,971, exclusive of benefits, was saved through these changes.

- **Reduction of Operating Costs:** Finally, a total of \$779,623 was saved through a combined reduction of operating funds throughout the City. Savings strategies included reductions in travel, office and operating supplies and available hours for WAE (when actually employed, part-time) staff.
- **Total Benefit Savings from position eliminations:** In addition to the salary savings listed above, which reflect a total of 45 permanent full-time positions, \$624,797 in associated fringe benefit costs were saved.

Altogether, these fourteen budgetary strategies generated \$16,084,539. These strategies and funds have enabled us to give the community a balanced budget without a real estate or other major tax increase. Of the 45 permanent full-time positions eliminated, I am pleased to report that only 11 have incumbents in them which should make for a smooth transition for most of the employees and the organization.

A proposed Sewer User Fee surcharge of \$0.44 per hundred cubic feet (HCF) is the only major tax or fee impact to residents. Based on the average Hampton resident usage, this will equate to a \$47.52 annual impact to residents. This surcharge is

critical in that it will enable us to be responsive to regional consent order decrees to which the City is party.

In closing, as previously stated, this budget required cuts in the least damaging manner. My goal has been to develop a budget which gets us through the most challenging fiscal times our city, region, state and country have seen in some time without doing permanent damage to our ability to continue to provide excellent service delivery to our community. We have cut for efficiency without cutting into capabilities and I believe that is the best that can be done in this environment.

I want to publicly acknowledge and thank a wonderful group of department heads, assistant city managers and budget team for ensuring that this challenging budget accomplished these goals. I trust the City Council will be equally appreciative of everyone's efforts.

My team and I will be glad to address any questions or concerns of the Council and the community in the coming weeks.

Sincerely,

Jesse T. Wallace, Jr.
City Manager



City Council Amendments to the Manager's Recommended Budget Fiscal Year 2010

General Fund

Manager's Recommended FY 2010 Revenue Estimate	\$ 435,272,185
Amendments to FY 2010 Revenue Estimates:	
Reduce Revenues	
Personal Property Tax Current - RV'S & Handicapped Vehicles	(62,000)
Designated Fund Balance Debt Reserve	(356,731)
Appropriation from Fund Balance	(30,000)
Total Revenue Amendments	(448,731)
Total Council Approved Revenue Estimates	\$ 434,823,454

Manager's Recommended FY 2010 Expenditures	\$ 435,272,185
Amendments to FY 2010 Expenditures:	
Decrease Appropriations:	
Parks Division - Savings from Contracting out Litter Crew	(73,913)
Transfer to Other Funds - Debt Reserve Fund	(356,731)
Support Contractual - Hampton Roads Transit	(134,139)
Contingency	(239,255)
Increase Appropriations:	
Civic & Community Support - Hampton Cup Regatta	10,000
Coalition for Youth - Teen Center	42,807
Community and International Relations - Sister City	15,000
Hampton History Museum - (Museum 400th Anniversary)	60,000
Non-Departmental - Holly Days Parade	20,000
Organizational Support - VASC - Special Events	50,000
Organizational Support - Bay Days	87,500
Recreation Division. - OHCC Pool	20,000
Support - Grant - Hampton Roads Military & Federal Facilities Alliance (HRMFFA)	50,000
Total Expenditure Amendments	(448,731)
Total Council Approved Expenditures	\$ 434,823,454

Economic Development Fund

Increase Revenues:	
EDF - Fund Balance	\$ 50,000
Increase Appropriations:	
NASA Aeronautics Support Team (NAST)	\$ 50,000



FUNDING STRATEGIES USED TO BALANCE BUDGET FISCAL YEAR 2010

The following information provides a snapshot of the strategies the City used to balance the Fiscal Year 2010 Budget. Strategies that impact the revenue side of the Budget include two fee increases, the use of Fund Balance to fund one-time items in the budget and the use of the School debt reserve to fund increased debt service. The remaining strategies affects the expenditure side of the budget and results in reductions in most of the City departments' budgets along with some pay and benefit changes impacting City employees' benefits.

1. Fee Increases		\$ 396,000
EMS Revenues from Rate Increase	186,000	
After-school program fee increase	210,000	
2. Use of Fund Balance for One-time Purchases/Projects		5,624,965
Capital Budget	4,487,500	
One-time Operating Expenditures		
Efficiency Study	150,000	
Electronic Poll Books	245,913	
Food Bank Capital Contribution	200,000	
AAU Junior Olympics	35,000	
Truck for Litter Crew	30,000	
2010 Celebration	476,552	
3. Use of School Construction Debt Reserve		1,021,061
4. Reduce Outside Contracts/Agencies		431,270 *
Continuation of Policy Regarding Outside Agencies	144,510	
Discontinue Table Sponsorships	35,000	
Eliminate funding to Hampton Roads Military and Federal Facilities Alliar	50,000	
Reduce Bay Days In-kind Costs	45,000	
Reduce General Fund contribution to Bay Days	25,000	
Reduce funding to Thomas Nelson Community College for Site Work	41,898	
Reduce funding to Virginia Air & Space Center for Co-op Advertising	14,000	
Reduce funding to Virginia Air & Space Center for Special Events	50,000	
Reduce funding to Stadium Authority	25,862	
5. Organizational Wide		1,587,071 *
Apply VDOT Funding for enhanced Litter Control	496,622	
Anticipated salary savings from vacant positions (Attrition)	600,000	
Benefits related to Attrition	200,000	
Non-Departmental Probation Office temporary building lease	61,780	
Non-Departmental Reengineering	25,000	
Reduce Bass Pro Transfer	21,724	
Reduce General Fund contribution to EXCEL fund	111,945	
Reduce Indirect Costs to Hampton Redevelopment & Housing Authority	50,000	
Eliminate televised taping of Holly Days Parade	20,000	



FUNDING STRATEGIES USED TO BALANCE BUDGET FISCAL YEAR 2010

6. Reallocation of funding for Capital Projects from General Funds to Bond Funds **1,830,116**

7. Employee Pay/Benefits Changes **868,023**

Discontinue Longevity	91,400
Discontinue Tuition Assistance	60,000
Health Insurance Co-pay Changes - no increase in premiums	576,823
Holiday Pay Changes	14,000
Worker's Compensation Savings from contracting service	125,800

8. Departmental Mergers - (1 PFT position eliminated) **85,807 ***

Coalition for Youth and the Teen Center	85,807
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9. Change the Way We Do Business - (1 PFT position eliminated) **849,361 ***

Review of Fleet Operations	566,568
Civilianize Emergency 911 Leadership	N/A
City Attorney - Contract out Real Estate Services	34,330
History Museum - Eliminate Historian Contract	120,000
Health Insurance Fund to pay for Benefits Mgr. position	54,559
Redirect Healthy Families Parenting Classes to Social Services	N/A
Recreation - Reduce number of "Happenings" published	3,500
Public Works Admin. - Transfer of WAE positions to Solid Waste Fund	36,451
Public Works Eng. - Transfer Staff Technician position to Stormwater Fun	33,953

10. Reduction in Administrative Overhead/Management Positions - (16 PFT'S) **930,336**

11. Reduction in Administrative Support Positions - (14 PFT'S) **537,138**

12. Elimination or Holding Open Additional Vacant Positions - (13 PFT'S) **518,971**

13. Reduction in Operating Costs (Includes funding for WAE positions, reductions in travel, office supplies, operating supplies, etc.) **779,623 ***

14. Total Benefit Savings from position eliminations **624,797**

Total Funding Strategies **\$ 16,084,539**

Departmental Merger and Reductions Include:

45.0 Permanent Full-time Positions Eliminated: 11 Filled and 34 Vacant

* These totals were amended by Council for the final FY10 Council Approved Budget



IMPACT ON DEPARTMENTS FROM STRATEGIES USED TO BALANCE THE BUDGET (by Business Teams)

Departments:	Position Savings*	Operating Expenses/ Capital Outlay Savings	Total Savings	Position Eliminations & Transfers
Art, Culture and Recreation				
Citizens Unity Commission	\$ 47,954	\$ 0	\$ 47,954	1.0
Hampton History Museum	0	116,700	116,700	0.0
Hampton Public Library	225,339	2,750	228,089	3.0
Parks & Recreation ~ Recreation Division	223,892	68,619	292,511	3.0
Total for Arts, Culture and Recreation	497,185	188,069	685,254	7.0
Economic Vitality				
Assessor of Real Estate	\$ 65,259	\$ 46,164	\$ 111,423	1.0
Conventions and Visitors Bureau	0	129,670	129,670	0.0
Economic Development	183,275	7,514	190,789	3.0
Total Economic Vitality	248,534	183,348	431,882	4.0
Infrastructure				
Parks & Recreation ~ Parks Division	\$ 179,078	\$ 73,913	\$ 252,991	2.0
Public Works ~ Administration	36,451	8,166	44,617	0.0
Public Works ~ Engineering ⁽¹⁾	161,189	5,500	166,689	2.0
Public Works ~ Facilities	14,000	0	14,000	0.0
Total Infrastructure	390,718	87,579	478,297	4.0

⁽¹⁾ One PFT position will be transferred to the Solid Waste Fund.



IMPACT ON DEPARTMENTS FROM STRATEGIES USED TO BALANCE THE BUDGET (by Business Teams)

Departments:	Position Savings*	Operating Expenses/ Capital Outlay Savings	Total Savings	Position Eliminations & Transfers
Neighborhood & Housing				
Codes Compliance	\$ 222,174	\$ 0	\$ 222,174	5.0
Planning Dept. ~ Neighborhood Division	10,000	54,586	64,586	0.0
Planning Dept. ~ Planning Division	90,679	0	90,679	2.0
Total Neighborhood & Housing	322,853	54,586	377,439	7.0
Public Safety				
Police ~ Animal Control	\$ 21,000	\$0	\$ 21,000	0.0
Police ~ E-911	49,100	0	49,100	0.0
Police Division	123,227	0	123,227	2.0
Total Public Safety	193,327	0	193,327	2.0
Quality Government				
311 Call Center	\$ 56,562	\$ 4,840	\$ 61,402	1.0
Budget & Management Analysis	26,912	4,000	30,912	0.0
City Attorney	51,056	0	51,056	0.0
Community & International Relations	16,000	60,041	76,041	0.0
Consolidated Procurement	35,618	1,241	36,859	1.0
Finance ⁽²⁾	113,143	0	113,143	2.0
Human Resources	76,128	2,898	79,026	1.0
Information Technology	213,324	60,364	273,688	3.0
Total Quality Government	532,181	128,544	660,725	8.0

⁽²⁾ One PFT position will be transferred to the Health Benefits Fund.



IMPACT ON DEPARTMENTS FROM STRATEGIES USED TO BALANCE THE BUDGET (by Business Teams)

Departments:	Position Savings*	Operating Expenses/ Capital Outlay Savings	Total Savings	Position Eliminations & Transfers
Youth and Families				
Coalition for Youth and Teen Center	\$ 38,868	\$ 11,986	\$ 50,854	1.0
Court Service Unit	0	50,000	50,000	0.0
Humans Services ~ Healthy Families Partnership	446,771	0	446,771	8.0
Human Services ~ Social Services	189,118	0	189,118	4.0
Total Youth and Families	674,757	61,986	736,743	13.0
Grand Total Savings	\$2,859,555	\$704,112	\$3,563,667	45.0

* Cost of position includes benefits

