“Community history. A vibrant boating community. Great waterway access. These are just some of the reasons we chose Hampton.”

- CHANDLER AND CHARLENE CLARK, SIGNATURE CANVASMakers
Manager's Message and Council Priorities

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April 15, 2019

Mayor Tuck, City Council Members, and Citizens,

I am happy to transmit the Fiscal Year 2020 Manager’s Recommended Budget, totaling $487,881,672, a 3.55% increase from the FY 2019 budget. Of this amount, the City’s portion is $276,740,477, or 56.72% (which includes all city and school capital expenditures, CDA transfer payments for which the city acts as a collection agent, contributions to outside agencies, etc.) and the school’s portion is $211,141,195, or 43.28%.

This is the tenth budget I have prepared since becoming City Manager. While no budget is ever easy to prepare, since our needs/wants always exceed our revenues, this budget includes the best revenue growth the City has experienced since I have been City Manager. The strong growth has enabled us to meet many of our goals without increasing general taxes or significantly cutting into our already very efficient organization. The growth results from both an improved economy and the realization of several economic base enhancement projects undertaken several years ago.

This budget projects economic growth in a variety of areas, including real estate values (due to both new development and some increases in values), personal property, meals and sales taxes, business license taxes and lodging tax. Real estate property values showed an increase for the fifth straight year after several years of decline, and finally grew at close to an inflationary level of nearly 2%. While this is not fully back to what we would typically consider normal growth, it enabled us to develop a budget that offers investments in some of our top priorities and maintains service levels for citizens without any increase in general tax rates. Given increased recycling costs, lower revenue from steam plant production and a desire to advance flooding/stormwater/coastal resiliency projects, a modest increase in both the solid waste and stormwater fee was recommended following public discourse on the best pathways forward. An increased hotel fee is also recommended to advance our sports tourism goals.

As always, my staff and I were guided in this budget process by your input – City Council’s hard work on setting a blueprint for strategic investments, guidance from those who volunteer their time to serve on our many boards and commissions, and those residents who take the time to offer their views by attending meetings, responding to our input polling, sending emails, focusing on an issue at public comment, or speaking out on social media. This input is reflected both in the proposed operating and capital budgets.

This proposed FY20 budget invests in the key areas Council and community members highlighted in our annual I-Value input, such as public safety, education and coastal resiliency, while also taking care of both our school and city workforce. It is worth noting that – unlike other cities in our region – this budget fully aligns with our Hampton City Schools proposed budget.

Specifically, this budget includes:

- Increases to fight crime, including new positions for the Police Division, as well as additional funds for enhanced public-safety street lighting and surveillance systems;

- Recurring and one-time increases for our Hampton City Schools, which will facilitate 3% teacher and employee raises as well as pay scale adjustments and support their transformational College and Career Academy program;

- Investments in flood mitigation and prevention efforts;
• A 3% salary increase for our dedicated and hard-working employees, for both full-time and part-time employees that meet the criteria;

• An increase in the Law Enforcement Officer VRS Supplement (known as LEOs) for our police and fire sworn personnel, a retention effort we have long desired to implement but for which we did not previously have the funds;

• Pay scale adjustments for our equipment operators who keep our city clean; and

• Signing bonuses for new fire and police recruits to facilitate recruitment in a more competitive local government and private marketplace.

While residents expressed a desire for increased funding in a wide variety of areas, and there are many community priorities that could benefit from increased investments, limited revenue growth meant we could not address them all. However, we are proud to submit to you a budget that maximizes every dollar and continues to invest in the future of our historic, innovative and vibrant city. Let me now share with you some of those details.

Educated and Engaged Citizens

Our schools are one of this City’s top priorities. Hampton has maintained our longstanding commitment to our schools through our agreed-upon local funding formula that gives the majority of our residential taxes to Hampton City Schools (HCS), and we continue to do so in the FY20 budget. Our support enables HCS to maintain its commitment to “Every child, every day, whatever it takes.” In 2018, HCS posted the highest accreditation rate in six years, with 93% of schools accredited without conditions. The Virginia Department of Education reported that 92.6% of Hampton’s 2018 graduates earned their diplomas in four years, surpassing the statewide average of 91.6%, and Hampton’s 2018 dropout rate was 1.57% – well below the state’s average of 5.5% and the second lowest in our region, which encompasses 15 school divisions. At the secondary level, HCS has expanded dual enrollment and industry certification programs. Dual enrollment credit hours increased 600% between the 2015-16 and 2017-18 school years. In addition, 759 students in the Class of 2018 earned 2,517 industry credentials across 66 different industry pathways, an increase of 424 industry credentials earned since 2016-17.

This year’s growth in residential taxes will increase recurring school funding by $1,745,262 for FY20. The recommended budget also includes an additional $350,000 in one-time funding above the funding formula to support the new investments needed for equipping the College and Career Academies.

Hampton is the first school system in Virginia to adopt a model program with the Ford Next Generation Foundation. While following a proven national model, Hampton’s College and Career Academy initiative is also focused on the needs of our business community. I believe this approach will enhance student achievement and meet the most pressing needs of local businesses, resulting in a highly skilled and ready workforce to fuel growth. I do not believe it is an overstatement to say this effort will be truly transformational for our schools and community.

This increase in annual operating budget brings the city to a historic funding level for our city schools. In FY20, the City’s operating budget contribution is $75,572,304 (including the $350,000 in one-time funding). That is nearly $40 million above – in fact, well over double – the required local contribution as determined by the state. While all localities in Virginia go beyond the state required amounts, Hampton’s contribution at this level is a
reflection of our strong commitment to our schools.

Strong schools are not only essential for the students who attend them, but they also contribute to the City’s economic growth as businesses and families base their investment decisions, at least in part, on school quality. As already noted, we believe that the Career Academy initiative will position our schools and the City for an even brighter future.

These advancements would not be possible without our excellent teachers who prepare our youth for the future. We have worked closely with the school administration and expect that they will be able to provide 3% raises to their teachers and other staff. We also expect the school system will be able to address teacher pay scales, which will help retain our excellent teaching staff in their mid to later career.

Additionally, as with the FY19 budget, this budget boosts our capital contributions to our school division. In addition to the usual $5.3 million set aside for school maintenance and upgrades and the $1 million for the one-to-one technology initiative, it provides an additional $1 million in capital funding to allow the schools to accelerate their maintenance and improvement schedule. Over the five-year period of the Capital Improvement Plan, this will result in $27.4 million worth of investments in the physical school buildings and another $5 million for technology.

**Safe and Clean Community**

Even during the recessionary years, Hampton has maintained a strong commitment to public safety. Public safety is the only segment of the budget that has grown at a rate higher than inflation over the past 10 years, and those increases have necessitated cuts in other areas.

I am pleased to note that those efforts are making a difference. According to recently released police statistics, both violent crimes and serious property crimes decreased for the second year in a row in 2018. Violent crimes are down 21% compared with 2016, and are at their second-lowest level since 2003. Property crimes have fallen 17% over the two years, and are at their lowest level since 2003. Additionally, residents reported feeling safer in both their neighborhoods and the City overall in a 2018 random survey conducted by an outside entity. That said, we will not be happy until we see crime levels drop even further.

This budget thus proposes additional investments to continue to our increased focus on crime reduction and safety. We have been adding police officers to the streets in patrol positions and we continue to use community-policing strategies to partner with our residents to prevent and solve crimes. In FY17, the City received a COPS grant from the federal government that partially funded the costs of five new officers. In addition to picking up the City’s share of these new officers in FY18, the City also funded the addition of seven new officers – for a total of 12 new officers on the streets that year. The FY20 budget continues to pick up an increased share of the costs of those officers as the grant funds decrease over time. Adding officers also requires some one-time costs to equip them with vehicles and other gear. In addition, the FY20 budget adds three permanent full-time Patrol Officer positions to support the City's continued crime prevention efforts, bringing the total number of new officers on our manning to 15 over the last several years.

Patrol officers on the street are an important and visible part of the fight against crime; however, there are many less-visible but equally critical actions the division is taking. To ensure a conviction – as anyone who watches TV crime dramas knows – it takes more than police officers to help solve crime and build cases for successful prosecution. Hampton, along with Newport News, has joined the National Ballistics Information Network
(NBIN). This effort traces bullets and guns used in crimes both within and across city lines. After adding three new Crime Analyst Positions to support Hampton’s Real-Time Information Center last year, this year we are adding two Forensic Techs as recommended by an external Police Executive Research Forum (PERF) review. The addition of these Techs will help us support the NBIN system, digital evidence (cell phone, computer, etc.) analysis and crime scene response. The NBIN project approved by Council has been very successful in linking incidents, prompting the need in this area.

To further enhance the Real Time Information Center, the capital budget also includes $150,000 for more cameras across the City. This funding is included in each year of the Capital Improvement Plan. Our long-term goal is to partner with businesses to share video resources across the City to create a safer environment for all and we are pleased that many businesses are already exploring this option. We have also partnered with RING to utilize the “NEIGHBORS” social media application. “NEIGHBORS” is solely focused upon crime and safety. It is a multi-media (video, photo, text, etc.) sharing site that does not require a RING camera product to utilize. NEIGHBORS also has a law enforcement portal that allows for easy integration in Hampton’s Real Time Information Center (RTIC). RING initially provided 15 doorbell cameras and also provided an additional free RING camera to the Hampton Police Division (HPD) for every 30 registrations onto the NEIGHBORS application. These cameras in turn will be distributed to citizens to expand our virtual neighborhood watch program.

Attracting and training new public safety employees is important to ensure that we continue to have top-quality officers, as well as dispatchers and support staff. Our Public Safety Career Academy at Bethel High School provides a pipeline of future applicants, benefiting both the City and the student with employment immediately upon graduation. For the training of those new recruits, the new police academy funded in the FY19 budget will open in FY20. This will allow us to train more recruits in a given fiscal year, thereby getting more officers on the street more quickly. A $2,000 signing bonus will be offered to new police and fire recruits to make employment with the City even more attractive. We are in a highly competitive job market, so it is critical that we do what we can to capture the best and brightest talent available.

I am also pleased that this budget includes funds to partner with Johns Hopkins University’s Bloomberg School of Public Health to study the causes of crime in our community. With the assistance of Hopkins researchers, we will conduct “social autopsies” to examine the root causes of violence in our community. Researchers will help identify the best practices that can address the lessons we learn from the study. This effort will be partially funded with a grant from Hopkins along with a local match.

Addressing crime also means supporting criminal prosecution and enhancing criminal prosecution has been a Council priority. Additional operating funds requested by the Commonwealth’s Attorney are included in the FY20 budget, building on the investments in six new prosecutors and paralegals made over the last couple of years. The Capital Budget also includes funding for needed renovations to the Commonwealth’s Attorney’s Office to support the increased staffing.

The FY20 recommended budget also includes funding to begin a new Behavioral Health Care docket at the General District Court. This program will offer our citizens suffering from mental health issues, who commit crimes due to their underlying mental illness, an alternative to jail and a means to address their underlying challenge. This program has the benefit of reducing jail operating costs and criminal recidivism.

In continuing the City’s comprehensive approach to fighting crime and improving safety, we have added another $100,000 in FY20 to support additional public safety streetlights. This is the fourth year we have been able to add
funding for more streetlights to continue a neighborhood commitment to improve safety. Based on resident feedback in our I-Value budget dialogues, we started funding additional street lights in FY17 at $100,000 per year, so this year gives us $400,000 annually more than when we began this effort four years ago.

Also funded in this budget is a series of other public safety needs via the capital budget including, but not limited to: Computer-aided dispatch (CAD) and record systems improvements; the radio equipment lease; and blight abatement. Firefighter personal protective equipment is also funded, both in terms of the acquisition of replacement gear ($125K per year) and a second set of turnout gear (one-time $380K) as requested by our officers and Chief. The second set of turnout gear will enable our firefighters to respond to multiple incidents in the City with properly cleaned gear.

Family Resilience and Economic Empowerment

FY20 will bring expanded workforce development opportunities for both our Temporary Assistance for Needy Families (TANF) and the general population. The City of Hampton Department of Human Services received the Employment for TANF Participants grant, in the amount of $230,849.60, to assist current and former participants of Temporary Assistance for Needy Families (TANF) and other residents living in poverty. These funds led to the creation of the TANF Assessment and Planning Team. This team brings together a wide range of community partners to provide wrap-around services that are customer-centered, outcomes-focused and community-based. Individualized career-focused plans will enable participants to transition away from their dependence on public assistance programs and become gainfully employed.

Earlier this year, we opened the WorkOne Center at Y. H. Thomas. This is a center where residents can drop in for similar, less intensive services including, but not limited to, skill assessments, work readiness and job search and placement assistance. This budget expands on that effort by adding an additional full-time resource to the Economic Development department for this work.

We have also continued our prevention and early-intervention partnership (known as BASE) with our schools and the Hampton Juvenile and Domestic Relations Court. An additional worker will be funded to expand the number of schools we can jointly assist.

Last, but not least, I am pleased to note that Hampton is one of only four localities chosen for a pilot program to reduce the rate of court-ordered evictions. While Hampton was inaccurately portrayed as one of the localities with the highest eviction rates in the country (a review of the data proved otherwise), we nevertheless recognize that reducing evictions will increase stability for our lower-income families. The State is still developing details of the pilot program, but Hampton is proud to be chosen as one of the pilot communities as it aligns with this critical strategic objective of family resilience and economic empowerment.

Economic Growth

During the recessionary years, many capital investments were postponed. As such, the five-year Capital Improvement Plan became must-fund items, dominated by maintenance needs, roads projects, and mandated stormwater and wastewater improvements to help the Chesapeake Bay recovery. With the private sector holding off on investments and expansion, it was the right time to delay some of our Master Plan strategies to enhance growth.
Over the past two years, Council has created and refined a set of priorities for available bond capacity. About 80 percent of the new spending will go toward those projects designed for investments that will create new ongoing revenues for the city. The other 20 percent will go toward projects designed to enhance the quality of life for our residents.

In some cases, the economic development and quality of life goals can be simultaneously met by continuing to invest in youth sports and the related sports tourism industry. Hampton has demonstrated that youth sports can be a boost to the local economy. The Boo Williams Sportsplex, increasing tournaments at the Hampton Roads Convention Center and events like the Crawlin’ Crab bring out participants to help buoy our businesses and attract new ones. In FY20, funding is programmed to expand parking and replace the roof at the highly successful Boo Williams Sportsplex. Funds have also been added to purchase additional courts and fields for use inside the Coliseum and Convention Center so that Boo Williams can bring more teams to town for larger events and to allow for even more indoor sports (such as soccer, volleyball, field hockey, etc.) events in those facilities. In addition, funds have been set aside for the replacement of the former Old Hampton Community Center pool this year. We have long studied whether to merely replace the former 25-yard facility or to partner with others to build a larger facility that could meet both local community needs and provide another sports tourism venue. Local high school teams have been among those seeking a larger facility since they are reliant on outside facilities for their practices and meets, and they have no diving facilities that meet their competition needs. This budget combines $15.8 million in funds for a replacement pool with a $9.15 million contribution from the hotel industry (in the form of an increased $1 per night hotel fee) to build that combination facility. A splash and slide park is also budgeted for FY23 in the capital improvement plan. This splash and slide park will add another venue for our youth and families to have fun in our community and will complement the new pool complex. It is worth noting that these prices reflect the current construction realities as recently vetted in the private sector. These combined funds will enable us to build a facility that will serve the local need for fitness and water recreation; our local high school teams and youth swim leagues; and, attract additional visitors to Hampton. Additionally, with this increased pool space, we will finally be able to realize a goal of ensuring all Hampton young people learn water safety and get their first swim lessons for free.

Capital funding is also planned for Downtown. We are setting aside $850,000 for some renovation of the historic circuit courthouse to enable it to be used by City departments currently housed in the Macy Carmel Center, which is slated for redevelopment. The renovation also will help preserve this important historic structure downtown.

Longer term, the Capital Improvement Plan provides additional funding for Council’s Strategic Initiatives. These investments include another $10 million for downtown (including $5.5 million in FY20), for projects stretching from the waterfront to the interstate, including supporting the continued viability and future growth of the Virginia Tech Aquaculture Research and Extension Center downtown and the redevelopment of the largely abandoned industrial area adjacent to I-64 known as the Bright’s Creek Area.

Because housing and home values are a key to stabilizing and improving our neighborhoods, the capital plan continues funding for the Housing Improvement Grants along with the Housing Improvement Fund, Housing Redevelopment Fund and Infill Development Council Strategic Initiatives.

In total, the five-year capital plan includes $56 million in public investments designed to spur private investment, tax growth and job growth. In FY19, when the I-Value Campaign polled citizens on all areas, attracting new businesses was mentioned by our residents as one of their top areas for city investment. Reducing blight, which helps spur investment as well as supporting a safe and clean city, was also in the top six areas of spending priorities for residents, and that is an important focus of our Economic Growth investments.
Living with Water

In FY20, more than $13.7 million is earmarked from capital funds for water projects. A significant portion of those projects remain as mandated improvements to our capacity to store water and filter it before it runs into waterways that feed the Chesapeake Bay. Approximately $1.2 million is planned over the next five years for watershed studies and improvements based on those study results. Almost $3 million is projected over the planned five-year period for neighborhood stormwater improvements. These improvements are funded through the Stormwater Fee as part of the ongoing incremental plan to reduce pollution in the bay.

This budget proposes that we take a bigger and bolder step that will meet two important criteria: reducing pollution in the bay and reducing the effects of flooding on Hampton residents. Flooding has emerged as a key issue for our city, and residents’ comments in surveys and outreach continued to show concern. For that reason, we asked residents whether they would support an increase in the Stormwater Fee of $1 per month to escalate projects that will meet these important goals. Though the results were mixed, a majority of residents who participated in the I-Value polling this year supported the increase. We plan to create a larger sum of money for bigger projects by obtaining bonds that will be repaid over time with that fee. We believe that this will create approximately $12 million, an amount that will allow us to move forward on multiple projects recommended through the Resilient Hampton Initiative.

Last year, City Council adopted Resilient Hampton, the first step toward a unified way to look at how we live with water in an era of sinking land and rising waters. As much as possible, we look to get the biggest bang for the taxpayers’ buck by funding projects that accomplish multiple objectives through a process called the “Dutch Dialogs”: reducing damage from flooding, enhancing water quality, boosting the economy, and increasing quality of life through public access to the water. Some examples of planned projects to slow, store, and redirect water to adapt to future conditions include:

- **Watercourse retrofits** – A number of waterways and ditches cross the city and feed into Newmarket Creek. Retrofitting these could go a long way to slowing and storing water in the upper watershed before it causes flooding downstream. A recommended specific pilot area is the construction of stormwater management facilities at Forrest Elementary School and the former Mallory Elementary School, while retrofitting the existing channel all the way to Newmarket Creek with a safer, more natural system that is more attractive and connects residents to this new blue/green asset. Throughout the city, there are many similar existing waterways or ditches where the successes and lessons learned from this project could be replicated.

- **Parcel grant program** – A grant program based in the Newmarket Creek watershed is contemplated to incentivize property owners and tenants to play a role in making lot-scale improvements that contribute to Resilient Hampton’s larger goal of reducing impervious surfaces and slowing, storing, and redirecting water. Improvements may include reducing existing impervious surfaces or transitioning to permeable paving, planting canopy trees, and installing rain gardens and rain barrels. This program can be modeled similar to the Curb Appeal program.

- **Green infrastructure** – There are opportunities to incorporate green infrastructure (natural or nature-based solutions) practices into public spaces. City streets and parking lots comprise a large amount of publicly owned land so, this is a great place to start. Strategies include the reduction of impervious surfaces by shifting or eliminating lanes while using pervious surfaces and innovative, green stormwater storage and infiltration practices to treat runoff. Introduction of green infrastructure practices would add
co-benefits of environmental improvements as well as aesthetic and quality of life improvements in the neighborhoods where they are used.

These are just some of the projects that have been contemplated as part of our Resilient Hampton Initiative. These and other projects will be analyzed and prioritized with the ones that have the greatest benefit to our community being pursued first.

**Placemaking**

Last year, we piloted a “Re-connect” program at the Phoebus Community Center. Current community center membership fees are $15 per year for young people, but this program provides an easy alternative to earn membership through participating in two hours per year of enrichment programs or positive activities in our community. This earned membership program is one way we can provide opportunities for more of our youth to enjoy our community centers while achieving additional community engagement and ownership. Some examples of the activities that qualify youth for membership include:

- Complete an hour orientation about the Center, its current offerings and policies as well as other opportunities the City has for youth;
- Participate in an hour focus group to tell us about the programs you would like to see offered in the Center;
- Bring three new friends age 18 and under to join the center (they can earn membership too!);
- Help decorate the Center by donating personal artwork to hang on our walls – the artwork must be free of profanity, vulgarity and be appropriate for all ages; and
- Help spruce up the center – donate an hour of your time to helping staff clean up in or outside of the center.

The above list includes just some examples of activities that will enable youth to earn their membership. Additional opportunities have been developed by Parks, Recreation and Leisure Services staff. The program was successful, growing youth participation in North Phoebus and we are planning to continue and expand it to other centers in FY20.

Countless residents and visitors enjoy the City’s parks and other public recreational facilities each year. Therefore, one of the key Council Strategic Initiatives is to provide enhanced maintenance funding for these great community assets. There is $1 million in Enhanced Parks Maintenance programmed for FY20 with an additional $5 million in funding added to the five-year Capital Improvement Plan. This $6 million is dedicated for actual capital improvements in the current and future years based on the parks master plan and improvements to the Buckroe Beach Boardwalk. The parks master plan and Buckroe Boardwalk improvement plan are in accordance with the guidance we received from Council during earlier Strategic Initiatives conversations. These funds are all in addition to the $13.2 million planned for Parks Recreation and Leisure Services Maintenance over the five-year CIP.

Buckroe Beach is one of the city’s best-loved and utilized parks during the summer season. Watercraft rentals and food trucks have been added amenities in recent years, which have increased the popularity of the beach. In FY20, Village Events will continue to operate the Buckroe Beach Farmers Market from May 4 through November 16, which will include two specialty markets (fitness and pet markets). The market will be held rain or
shine and include vendors with items such as produce, meat, and fresh salsa. Historically, Buckroe, and its neighbor Bayshore, drew residents and visitors to the area, and created a vital business economy that enhanced the beach experience. As we work to bring additional amenities back to the beach, we also recognize the importance of balancing the needs of the residents in the area with the visitors and have been working on short- and long-term plans to address the parking challenges that occur each summer.

The five-year Capital Improvement Plan will continue to honor our commitment to improvements along King Street and Cunningham Drive. Because placemaking and livability begin in the areas closest to home – our neighborhoods – we are planning on funds for neighborhood improvements, neighborhood pools and parks placemaking in FY20 and beyond.

Good Government

In FY19, maintaining our roads and bridges was another top priority for our residents. The amount we spend annually for street resurfacing is determined by the Virginia Department of Transportation’s (“VDOT”) formula. We project it will total $35.5 million over the next five years. In addition, the five-year capital plan includes $600,000 in FY20 and a total of $9 million to reconstruct Little Back River Road. Our Public Works’ engineers continue to project road needs for the future and work to secure as much state funding as possible. We have been very successful obtaining VDOT funding for many of our road extensions and improvements.

The increased economic activity in the City necessitates that we have sufficient staff to move projects forward. The FY20 budget contains an increase of one permanent full-time Assistant City Attorney position to assist with economic development activities and one permanent full-time Paralegal position to assist with tax sales. The addition of these positions will help fully staff the City Attorney’s Office and increase the efficiency of legal services.

To fund increased training for our workforce, especially around high performance organization principles, we have also added a Training and Organizational Development position. To fund this critical need, we converted a vacant Assistant City Manager position and replaced it with this position and a Management and Systems Analyst position to support the remaining two Assistant City Managers.

Employees

As noted above, employee compensation was one of our top priorities for the FY20 budget. I am pleased to report that the recommended budget honors this commitment with a 3% general wage increase for full-time and eligible part-time employees. To ensure that our employees realize the full impact of this raise, we have covered the increased cost of both the employer and employee share of the health insurance premiums.

The budget once again funds a mid-year citizen satisfaction bonus of up to $250 for eligible full-time employees and $125 for eligible part-time employees. The actual bonus is based upon the percentage of residents who express satisfaction with the way employees perform their jobs, as reflected in the Citizen Satisfaction Survey. This bonus will be funded out of end-of-the-year departmental savings, as was done in the previous three years. Doing so is appropriate, since it is our employees who generate these savings. Tying the bonus to citizen satisfaction provides a critical link between employees and the customers they serve.

The quarterly bonus personal days that began several years ago as a non-monetary incentive for employees when raises were not consistently provided also remains in this budget. Although we have returned to consistent raises,
the workforce treasures this personal day benefit. Since our employees continued to work under stressful conditions, with manning that is lower than other cities, it is appropriate that we continue to reward them with this benefit.

This budget also funds some targeted compensation enhancements for attraction and retention of employees in job areas where we have had increased competition. Specifically, we have added signing bonuses of up to $2,000 for sworn police and fire positions. (Employees who do not complete the academy and/or leave within the first three years will be responsible for repayment of the bonus.)

Sworn police and fire employees will also be enrolled in a higher Law Enforcement Officers (LEOs) retirement supplement through the Virginia Retirement System (VRS) starting July 1, 2019. Hampton is one of the last communities to fund this higher supplement, and it has long been our goal to match what other localities have done. To help fund this new benefit, we have modified our holiday pay policies. Previously Hampton was the only locality to provide 2.5 times pay on holidays. Others provided the legally required time and a half pay. As we strive to be more competitive with other localities, we wanted and needed to match the LEOs benefit but felt it only fair to also match other compensation measures such as overtime and holiday pay.

The equipment operator job classifications will also benefit from a change in pay ranges to enhance our competitiveness in attracting and retaining quality staff in this field.

This budget includes funds for an attrition study to look at the factors contributing to higher than desired turnover rates across the city organization. While we believe much of the higher attrition rates are due to a retiring baby boomer workforce, a more robust economy and general employment trends to not stay with one company or organization for an entire career, we nevertheless should explore whether there is more we can do to remain an employer of choice. We will contract with an outside firm to make contact with those employees who departed the City to learn more about their reasons for departure and what, if anything, could have prevented their resignation. It is important that we understand the true reasons for turnover so we can better target and plan for future retention issues.

Altogether, Hampton’s compensation package will largely keep us competitive with our peer communities in the region. Investments in our workforce are reflective of a shared management and Council commitment to consistent, sustainable wage increases as a primary budget priority as we continue to recover from the recession.

Taxes and Fees

I am pleased that the budget does not include a recommendation for a general tax increase. Our goal is always to avoid general tax increases unless absolutely necessary.

The budget does recommend increases to certain fees as needed to support special revenue and enterprise funds such as stormwater and solid waste. The largest is a recommended increase to the Solid Waste User Fee. Several cost pressures forced that increase: an increase in the cost to handle recyclables due to a worldwide glut; a decrease in the price we can charge for the steam energy we create when we burn our household trash; and a need to adjust pay scales for our equipment operators to remain competitive in the market. This increase will also fund technology enhancements for our solid waste collection system that will not only improve the service our residents receive, but also enable our solid waste operators to efficiently report pot holes, dead animals, and other incidents they see on their routes so the City can respond more quickly to address them. In short, this technology investment will have wide ranging impacts on improving City responsiveness across multiple areas.
There were options that could have offset this increase by reducing services (less frequent bulk trash collection and/or stopping recycling), so we put this question to our residents in the I-Value polling. A plurality of respondents indicated they wanted to retain Hampton’s excellent service levels, which are the most comprehensive in the region. As a result, I am recommending an increase in the basic fee of $1.15 per week, from $6.10 per week to $7.25 per week. (This is the fee for those that recycle and have no more than two refuse containers). The non-recycler fee is increasing by the same $1.15 per week, from $11.85 per week to $13.00 per week. Other localities in the region have also requested solid waste increases. Even with the proposed increase, Hampton’s rate will remain competitive with other localities in the region, while offering superior service.

As I noted earlier, the budget recommends an increase of $1.00 per month for Stormwater User Fees for both commercial and residential customers. The commercial fee would increase from $7.83 per 2,429 sq. ft. of impervious area per month to $8.83 per 2,429 sq. ft. of impervious area per month. The residential fee would increase from $7.83 per month to $8.83 per month. The Stormwater User Fee was increased in order to improve water quality and escalate flood mitigation projects. The majority of residents who participated in the I-Value polling supported this increase.

The budget also recommends an increase to the Public Rights-of-Way Use Fee of $0.11, from $1.09/Per Line/Per Month to $1.20/Per Line/Per Month. This recommended increase is made to comply with the Code of Virginia. This rate is determined annually by the Virginia Department of Transportation per Code of Virginia Section 56-468.1.

**Operational Efficiency Measures**

Over the past several fiscal years, we have reorganized departments to streamline and create efficiencies. More than 125 positions were eliminated during the recession. A survey of staffing from the seven Hampton Roads cities shows that Hampton has the fewest employees per capita, meaning that Hampton is arguably the most efficient government in Hampton Roads. Still, we continue to work to identify opportunities to be more efficient, and this year was no different. We were able to reduce the General Fund transfer to the Convention Center by $114,000. We have also shifted a position funded by the Community Development Block Grant (CDBG), to a vacant Parks, Recreation and Leisure Services position to free up resources to add a position to support our WorkOne initiative. As noted previously, we are also funding enhanced organization training with the conversion of a vacant Assistant City Manager position.

While we continue to work to identify opportunities for savings each year, budget cuts implemented since the recession have made more reductions extremely challenging. Additional cuts in the future would likely result in service reductions and eliminations, or disinvestment in our infrastructure and economic development efforts. Through their participation in the “I-Value” budget input process, our citizens have indicated resistance to further service reductions, and that was reinforced this year. Fortunately, for the last few years we have experienced slow but steady growth. This year, due to the modest revenue growth, we were able to avoid further damaging cuts to departmental budgets.

Our departments have been excellent stewards of public funds, consistently finding innovative ways to stretch funding to meet community needs. Hampton consistently offers comparable levels of service at lower costs when compared to other jurisdictions, which is a testament to the commitment, hard work, and innovation of our managers and staff. However, most departmental budgets have been stagnant or declining since the recession— even in the face of rising costs. The only increase in operating funds for most departments has been fixed costs requirements. Thus, all such cuts are painful and come with some consequence.
In short, I believe this budget continues us on the path of addressing some of our most pressing needs and provides some hope for continued growth in the future.

Looking Ahead

I am pleased that we have been able to recommend a budget that provides a raise for our employees, continues our strategic investments, and maintains our current service levels without a tax increase. This would not be possible without the economic investments this and past Councils have made. About half of the increase in overall property values — residential as well as commercial — was attributed to new construction. The momentum that we have been building through our Strategic Economic Growth Initiatives to date has been significant. We continue to see reinvestment in two of our largest properties in Coliseum Central as well. The Peninsula Town Center (PTC) opened Floor and Décor this year, and continues construction on Sky Zone, Element Hotel and new apartments. SkyZone, which is a trampoline park, will offer our community a new family entertainment option. At Riverpointe, formerly Riverdale, At Home, Conn’s and Starbucks opened this year and the revitalization of that shopping center is moving forward. The Hyatt Place has had a soft opening in March on the former Motel 6 site. The Hyatt Place and the Element Hotel at PTC are the result of our hotel strategy that we put in place a few years ago. Together, they will expand our quality hotel room offerings in the City and better position us to compete for events at our Convention Center as well as enable us to take advantage of the tourists coming to the Boo Williams Sportsplex and other Hampton attractions who are currently staying in other communities because we lack sufficient quality hotel rooms. Rosie’s Gaming Emporium has also begun construction at the Power Plant and will help revitalize that property.

Other business announcements, expansions and openings this year, include:

<table>
<thead>
<tr>
<th>BUSINESS NAME</th>
<th>INDUSTRY</th>
<th>New or Existing</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Bowls of Color</td>
<td>Service</td>
<td>New</td>
</tr>
<tr>
<td>Advanced Aircraft Company</td>
<td>Technology</td>
<td>Existing</td>
</tr>
<tr>
<td>America's Best Wings</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Ashley Stewart</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Aspen Dental</td>
<td>Healthcare</td>
<td>New</td>
</tr>
<tr>
<td>Atlantic Lift Systems</td>
<td>Material Handling</td>
<td>New</td>
</tr>
<tr>
<td>Avis/Budget Rental Cars</td>
<td>Service</td>
<td>New</td>
</tr>
<tr>
<td>Better Bodies 757</td>
<td>Service</td>
<td>Existing</td>
</tr>
<tr>
<td>Captain Jack's Port of Call</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>CBD Venue</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>CHKD Pediatric Facility</td>
<td>Medical</td>
<td>Existing</td>
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<tr>
<td>Conn's Home Plus</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Element Hotel</td>
<td>Hotel</td>
<td>New</td>
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<tr>
<td>Express Drone Parts</td>
<td>Technology</td>
<td>New</td>
</tr>
<tr>
<td>Floor &amp; Décor</td>
<td>Retail</td>
<td>New</td>
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<tr>
<td>Harris Teeter</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Hyatt Place</td>
<td>Hotel</td>
<td>New</td>
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<tr>
<td>J&amp;F Alliance</td>
<td>Technology</td>
<td>Existing</td>
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<tr>
<td>Jersey Mike's</td>
<td>Restaurant</td>
<td>New</td>
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<tr>
<td>John Khut Salon</td>
<td>Service</td>
<td>New</td>
</tr>
<tr>
<td>Kingmor Supply</td>
<td>Equipment Supply</td>
<td>New</td>
</tr>
<tr>
<td>BUSINESS NAME</td>
<td>INDUSTRY</td>
<td>New or Existing</td>
</tr>
<tr>
<td>-------------------------------------------</td>
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</tr>
<tr>
<td>Kroger (Coliseum Drive)</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Mekos Skate Park</td>
<td>Indoor Sports</td>
<td>New</td>
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<tr>
<td>Mezeh Mediterranean Grill</td>
<td>Restaurant</td>
<td>New</td>
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<tr>
<td>Mod Pizza</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Monroe Gates</td>
<td>Apartments</td>
<td>New</td>
</tr>
<tr>
<td>Pancopia</td>
<td>Technology</td>
<td>New</td>
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<tr>
<td>PolyPhysics</td>
<td>Technology</td>
<td>New</td>
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<tr>
<td>Pressure Works</td>
<td>Equipment Rental</td>
<td>Existing</td>
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<tr>
<td>Psionic</td>
<td>Technology</td>
<td>New</td>
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<tr>
<td>Pursuit Clothing</td>
<td>Retail</td>
<td>New</td>
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<tr>
<td>Rally’s</td>
<td>Restaurant</td>
<td>Existing</td>
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<tr>
<td>Rosie’s</td>
<td>Gaming</td>
<td>New</td>
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<tr>
<td>Seafood Kitchen Todds Lane</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Starbucks</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Studio Movie Grill</td>
<td>Theater/Restaurant/Bowling</td>
<td>New</td>
</tr>
<tr>
<td>Sweet Beans</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Tenico Corporation</td>
<td>Distribution</td>
<td>New</td>
</tr>
<tr>
<td>The Upperroom Experience</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>T-Mania</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Uncle Dave’s Kettle Korn</td>
<td>Retail</td>
<td>New</td>
</tr>
<tr>
<td>Wagner Macula &amp; Retina Center</td>
<td>Healthcare</td>
<td>Existing</td>
</tr>
<tr>
<td>Wing Stop</td>
<td>Restaurant</td>
<td>New</td>
</tr>
<tr>
<td>Xperience Robotics</td>
<td>Technology</td>
<td>New</td>
</tr>
</tbody>
</table>

Continued economic investments as reflected in our proposed capital budget and CIP should enable this trend of positive revenue growth to continue.

That said, we need to remain mindful that our City’s revenue growth operates in a larger regional, state and national context. Changes to any of these – such as a national recession or another prolonged federal government shutdown – can and will interrupt our recovery. Thus, we must maintain our fiscal conservatism as represented by extremely strong bond/credit ratings (AA+/Aa1) from Moody’s, Standard & Poor and Fitch.

One of the biggest challenges we have had is the sluggish recovery of the Hampton Roads region from the Great Recession. Even though this region is a wonderful place to live, work and play, Hampton Roads has been consistently ranked as having one of the slowest recoveries in the Country. One reason for the slow recovery is that the Hampton Roads’ economy is still heavily reliant on the military. While the region has worked to diversify, what happens at the federal level affects spending, jobs and home sales in Hampton Roads. While the federal budget challenges continue to create uncertainty around federal spending, it is an encouraging sign that Congress has continued to boost spending for the military. With the investments in new infrastructure moving forward at the regional level, i.e. widening of the Hampton Roads Bridge Tunnel and I-64, along with continued investments and growth at the Port of Virginia and the announcement of the Secretary of the Air Force signing a basing decision memo designating Joint Base Langley-Eustis Air Force Base as the only candidate and
Manager’s Message

reasonable alternative for the F-22 Formal Training Unit, I am hopeful that the region – and Hampton along with it – is poised to start experiencing stronger growth.

If the region’s economy continues to pick up speed, Hampton will benefit greatly. Much of the new development we are seeing is the result of investments the City has made to grow our economy and tax base in recent years. The recently announced 800 additional jobs that are slated to come to Langley is the result of our efforts to BRAC-proof the base and position it for growth. I am hopeful that those efforts will continue to yield results. It can be difficult to see the need to build public infrastructure, such as roads and sewer pump stations, before any private investment, but it is imperative. When businesses are looking to relocate or expand, they want sites that are ready and are unwilling to wait. Hampton is home to one of six shovel-ready mega-sites in the region. Our location in the heart of the region is also key. We are at the intersection of two interstate highways and on the mouth of one of the world’s greatest natural harbors. We are home to such national assets as NASA Langley, Langley Air Force Base and Hampton University. All of these things position us for success, but only if we are ready for it. The recommended budget continues to make the necessary investments by moving City Council’s Strategic Priorities forward. I believe our momentum will continue to build as the economy improves and businesses and families continue to Choose Hampton.

Closing Thoughts

Without a doubt, the recession and slow recovery has made for many tough budget years. We are not yet back to the days with predictable solid revenue growth, and uncertainty at the federal and state level continue to leave us with questions. However, I am pleased to see many signs that the Hampton economy is growing across a variety of indicators, and I look forward to continued economic activity. I believe that many of the measures proposed in this budget will lay the foundations to foster growth in our tax base. While it is easy to count growth in tax dollars, many of the gains are in equally important but harder to measure areas: our quality of life and the future of our families.

I firmly believe that our residents, businesses, staff and elected officials have clearly demonstrated that, working together, we can overcome our challenges and chart a bright future for the City of Hampton. We are Hampton, a vibrant waterfront community celebrating and embracing 400 years of history and innovation to create an even more dynamic future.

I would like to publicly acknowledge and thank the wonderful group of department heads, assistant city managers, and our budget team for meeting the challenges posed by this year’s budget. I would also like to thank our residents for their continued participation and input into our budget development process – it is invaluable as we develop the budget.

We look forward to working with each Council Member in the coming weeks to better understand the budget and its impact on our community and workforce. As always, we stand ready to assist you and the community in your deliberations.

Sincerely,

[Signature]

Mary B. Bunting
City Manager
Manager's Recommended FY 2020 Revenue Estimates $487,881,672

Amendments

Increase Revenues:
- General Property Revenues (Real Property Taxes - Current) $185,298
- Appropriation from Committed Fund Balance $100,000

Total Amendments $285,298

Total Amended FY 2020 Revenue Estimates $488,166,970

Manager's Recommended FY 2020 Expenditure Estimates $487,881,672

Amendments

Increase Expenditures:

Operating Departments
- Contingency Reserves: City Council Priorities $100,000
- Office of Youth and Young Adult Opportunities: Grassroots Grants $16,000
- Retirement and Employee Benefits $99,607

Contributions to Outside Agencies:
- Downtown Hampton Child Development Center $44,691
- Marching Elites $25,000

Total Amendments $285,298

Total Amended FY 2020 Expenditure Estimates $488,166,970
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