



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, 2022

Mayor Tuck, City Council Members, and Citizens,

I am pleased to present the Manager's Recommended Budget totaling \$581,958,724. Of that total, \$268,115,065 (46%) goes to School Operations and \$313,843,659 (54%) to City Operations, including payments to outside agencies and debt payments for both the city and school capital projects. While the overall budget is increasing by 9.7%, the City's portion is increasing just 6.8% – under the rate of inflation.

My team and I are very pleased that this budget includes a proposed 6-cent reduction in the tax rate for property (from \$1.24 per \$100 to \$1.18) and ending the local portion of sales tax on groceries. Between the automobile tax reduction Council already approved for June 5, 2022, and what is in the Manager's Recommended Budget, the tax relief will total \$24.6 million. The budget also includes:

- No increases in fees for stormwater, wastewater or trash collection;
- Meaningful wage increases ranging from 5% to 7% to attract and retain talented staff;
- Additional measures to support Police and Fire/EMS;
- Targeted staffing increases;
- Support for new efforts targeted at youth;
- Funding that will improve the City's economy, infrastructure and quality of life; and
- Full funding of the Hampton City Schools budget, including 5% raises and \$2.1 million in step increases for experienced teachers.

This is the first budget since I have been City Manager, where we have seen strong revenue growth. I am pleased that our momentum and progress will enable us to both make significant investments in our workforce and community and provide meaningful tax relief. Our strong revenue growth is a tribute to the economic development and housing strategies we have implemented and the resulting momentum we have built. We are seeing signs of growth in nearly every part of our City and in every sector of development. As but a few examples of our success, we can point to:

- Home values have increased 16% and are, on the whole, finally at or above where they were before the Great Recession;
- Expansions at Langley Air Force Base are bringing new airmen to our city;
- New high-end apartment complexes have opened, and others are under construction;
- Youth sports tournaments have returned, increasing activity at the Boo Williams Sportsplex and Hampton Roads Convention Center, bringing athletes and their families to our venues and hotels;
- New restaurants and businesses are opening, and festivals and events are returning. Families are having reunions and other celebrations;
- Two new neighborhood centers – the Mary W. Jackson center in Olde Hampton and the Fox Hill center – are or will soon open; and,
- We have two new centers of national and even international renown: The Huntington Ingalls Center of Excellence for Unmanned Systems opened this year, and the Virginia Tech seafood and aquaculture center has expanded into a new building. Virginia Tech is also occupying space downtown dedicated to climate research. Hampton University, already known for cancer research and treatment, is working on methodologies to reduce health disparities as well as atmospheric



research. These Centers join Hampton University, NASA Langley, and the National Institute of Aerospace to cement Hampton as a place where innovation is a way of life.

Despite this strong performance, there were still several challenges we had to address in the development of this budget. For instance, while coronavirus itself appears to be receding, pandemic-induced disruptions in global supply chains, the war in Ukraine, and various other factors are causing inflation at a level we have not experienced in 40 years.

Another challenge we face is a shrinking labor force. In the Hampton Roads region, the workforce is 44,000 people fewer than it was before the pandemic, roughly equivalent to the combined population of Isle of Wight County and the City of Franklin. The combination of a smaller workforce and a growing economy is causing competition for workers, driving wages higher, and creating challenges in filling some jobs. Some public and private employers are offering higher pay to get workers in the door, but if they don't also increase wages for existing workers, it compresses the gap between inexperienced and experienced employees, which can make it hard to retain employees.

There is also increased talk of a recession. Larry Summers, a former Director of the National Economic Council, predicted the current inflation spike over a year ago and is now talking about a possible recession within the next two years. The bond market and consumer confidence surveys have also behaved in ways that typically indicate a recession is likely in the next year or two. Mortgage rates have also increased rapidly since the end of 2021 – from 3.11% to 5% for a 30-year loan. Higher mortgage rates typically slow housing sales, which slows the increase in home prices. The Federal Reserve has also indicated that it will increase interest rates more aggressively to combat inflation.

We are also finalizing our budget recommendation at a time when the General Assembly has not completed its work. Many issues that could impact our budget remain unresolved. As an example, Governor Youngkin's proposal to eliminate the grocery sales tax would reduce the City's budget by \$3.3 million. We do not yet know whether or not the General Assembly will make up the loss of revenue for localities. Thus, we have had to plan for a worst-case scenario in the release of our budget. We remain hopeful that the State budget adoption will occur before the final votes on ours.

We entered our budget development with an absolute goal to lower our real estate tax rate as much as practical while addressing the needs outlined above. We are also fulfilling a commitment to our residents: When we had to raise the real estate tax rate in FY 2014 because of real estate valuation declines, we made a commitment to lower the rate when values ultimately increased once more.

Just as we have done for the last thirteen years, we offered residents the chance to weigh in on how we would balance these opportunities and challenges. This Manager's Recommended Budget represents our best collective thinking on how to provide meaningful tax rate reduction while investing in our workforce and infrastructure to continue the momentum we have built. This proposed budget reflects what we believe to be a proper balance between tax relief and responsible investment in our workforce, service delivery, and infrastructure while acknowledging the uncertainties discussed above. This will allow our community to continue to prosper with an improved quality of life for our residents now and in the future.

These last few years have been very unusual, to say the least. The pandemic caused us to be very conservative in projecting revenues and controlling expenses, which has resulted in some savings. Those savings, coupled with federal relief through the CARES Act and the American Rescue Plan Act (ARPA), have created opportunities to make significant investments outside the budget process. In order to provide the full picture of investments, I am highlighting key initiatives funded by those sources as well.



Tax Rates and Fees

Specifically, the FY23 Recommended Budget includes the following key tax relief initiatives:

- Real Estate Tax Rate Reduction: This budget includes a tax rate reduction of 6 cents (the largest proposed by any Hampton Roads locality as of the delivery of this budget) from \$1.24 to \$1.18 per \$100 of valuation.
- Personal Property Tax Relief: This budget incorporates a reduced assessment (from 100% to 75% of value) for the calendar year 2022 to offset the unusual used car market impacts on tax bills, so the impact will span parts of FY22 and FY23.
- Grocery Sales Tax Local Option: This budget assumes the local 1 cent sales tax will no longer be applied to grocery sales. That will save families \$3.3 million over the year, but it will reduce the City's budget by that amount unless the State makes up the lost revenue. If the State reimburses localities for this change, we will be able to lower the real estate tax rate even further and/or make other investments.

Together, with actions taken earlier this year, the Recommended Budget includes more than \$24.6 million of tax relief for residents and property owners. That \$24.6 million tax relief package exceeds the total growth of the City's operating budget, meaning that we have chosen to put greater weight into tax relief than new spending.

As you know, real estate tax is our largest revenue source and is growing 16% this year, including both increased value of existing properties and new development. Given this strong growth, our tax rate stabilization policy recommends that we decrease the tax rate to \$1.19. That policy suggests our revenues grow by the rate of inflation or the rate of resident income growth. Given the lag in reporting on resident income growth, the analysis typically relies on income growth from the prior year, whereas the inflation data is more current. While inflation is running high, I suspect that resident income growth is lagging inflation. Therefore, I am recommending decreasing the tax rate further to \$1.18. This proposed 6-cent decrease is the largest rate cut proposed in the region at this time.

One of the big questions around the increases in home values is whether they are sustainable or temporary, as they were before the Great Recession. While no one has a crystal ball, most experts believe the increase in home assessments reflects genuine, sustainable value. In fact, the increases are continuing into this calendar year, based on sales through the first quarter. However, it is important to note that this year is the first year that the property values in the City exceeded the peaks reached before the Great Recession, so this growth in values is long overdue. That said, future mortgage-rate increases may slow that growth.

There has also been a spike in the value of used cars of up to 40% for some models, again caused by supply and demand. Simply put, due to a shortage of microchips and manufacturing disruptions, fewer new cars have been built during the pandemic. However, as production resumes and more new cars hit the market, prices for used cars are expected to come back down. The City Council was able to handle this tax issue differently because, unlike real estate values, state law allows the City to adjust the assessment ratio for vehicles. Therefore, Council and Commissioner of Revenue decreased the assessment ratio for cars and trucks by 25%, from 100% to 75%, on March 9, 2022. This action is in effect for both the June 5, 2022 and December 5, 2022 tax bills. (This covers the second half of Fiscal Year 2022 and the first half of Fiscal Year 2023 since the car tax is assessed on a calendar year basis.) This action provides our residents \$13.2 million in tax relief over this period. While industry experts expect the car and truck market to revert back to normal in the next 12 to 18 months, we will continue to monitor this issue and may come back to Council next year with additional adjustments if necessary.



This budget also reflects the elimination of the local 1% Grocery Sales Tax. While the General Assembly has not completed the state budget, eliminating the Grocery Tax is one of Governor Youngkin's top priorities. Eliminating this tax would cost the City \$3.3 million and is equivalent to 2.5 cents on our real estate tax rate. If the tax is eliminated, it is not clear whether the State would replace the money that cities would lose from the tax; therefore, we are preparing for the worst-case scenario and eliminated those funds entirely in the recommended budget. While I am always reluctant when the State eliminates a local revenue, I do recognize that eliminating this tax seems to have support in the General Assembly and that doing so will benefit everyone in our community, particularly those with lower incomes. With inflation hitting food prices hard, our residents would benefit from this relief. If the State reimburses localities for this change, we will be able to lower the real estate tax rate even further and/or make other needed investments.

Additionally, this recommended budget continues to cover the processing fee for online tax payments at the cost of \$400,000. Prior to the pandemic, the City passed on the bank processing fee charged for online credit card and debit card transactions to our residents. We were able to use CARES Act funds to cover this fee during the pandemic, and this has become such a popular way for residents to pay their taxes that we decided to cover the fee permanently.

I am not recommending any tax or fee rate increases this year. We had projected that we would need increases in the stormwater fee, but we have been able to use money from the American Rescue Plan Act and grant funds from the Virginia Community Flood Preparedness Fund to continue to move our Resilient Hampton and flood prevention projects forward without having to increase the fee this year. We have also been able to defer fee increases for sewer and trash collection this year as well.

While I wish we could reduce taxes more, the City is experiencing the same inflationary increases in gas prices and car prices. Yet we are able to increase the City budget by less than the rate of inflation, as we have done since the Great Recession, which effectively cuts departmental budgets because it won't cover cost increases. All drivers are hit by rising gasoline prices, but while individuals can choose to carpool or use HRT, the City must keep its fleet of police cars, fire trucks, ambulances, trash vehicles and more on the roads.

Employees

Employee compensation continues to be one of our top priorities. I am pleased that our citizens understand the need to have competitive pay to attract and retain a talented workforce. Employee compensation ranked very high in our I-Value operating budget polling, with 48% favoring 6% raises. I also know that tally was influenced by staff members who live in Hampton and contributed input, but it was expressed by appreciative residents as well. As one respondent noted: *"Keep up the good work. Every City employee I have come into contact with has been very helpful & courteous."*

Hampton operates with a smaller employee-to-resident ratio than any of the cities around us. Employees here are more responsive and go out of their way to assist people. We foster that attitude and believe in what we do. That "Hampton Way" requires a commitment and belief in quality customer service. The hard work and innovation of our employees help us keep our taxes down and service at a high level, and we need to reward that performance.

We are proposing to look at wages in a variety of ways to compensate our hard-working employees: An across-the-board increase that includes consideration of wage compression; increases for targeted, hard-to-fill civilian positions; and adjustments to the public safety wage scales.

This budget proposes **pay increases of at least 5%** for full-time employees who have been with us for at least a year. We have worked closely to try to match increases in salaries for all of Hampton's public



employees – city and schools – and to also ensure that increases in other cities do not put Hampton at a disadvantage for hiring and retention.

Overall, this budget recommends **sworn public safety employees and 911 operators receive a 7% pay increase**. Sworn public safety positions and 911 operators are areas where we are experiencing higher-than-normal vacancy rates due to the tight labor market. We have always valued our brave officers and made significant investments in them, even when we could not invest in other areas of City government in the past. We are proposing to increase their pay 7% this year even as our City operating budget is growing less than that.

For our general workforce, pay increases will range from 5%-6% depending on the amount of base salary (6% for those making less than \$50,000; 5.5% for those making between \$50,000-\$100,000; and 5% for those making more than \$100,000). Additional targeted increases in scales and adjustments are also being proposed for some of our hard-to-fill positions.

I am also proposing to **increase the minimum wage we pay our employees to \$13 per hour**, another move popular with our residents. Said one survey respondent: *“If the city wants to be competitive they need to be ahead of the mandatory minimum wage.”* Residents in the survey favored moving to a higher wage next year, as do many others. Many retailers and restaurants are already above that rate. It is our goal to increase to \$15/hour in FY24.

Taken together, these compensation investments in our employees total \$8.5 million. Additionally, the City will cover the full cost of health insurance increases again this year, which allows our employees to fully benefit from the wage increases.

Hampton has also long been a locality that focused on merit pay increases to better reward outstanding performance. While merit pay increases were cut during the worst parts of the Great Recession and, ultimately replaced by General Wage Increases, we still wanted to reward our highest performers. Therefore, we funded a merit bonus program in FY22 and are continuing it in FY23. We will also continue to award city-wide bonuses based on Citizen Satisfaction ratings, which look at the performance of our employees overall. Those will continue to be funded by savings at the end of the year, recognizing that extra effort that our staff makes helps to generate the savings.

Targeting salaries only goes so far to boost hiring. In this tight labor market, there are simply not enough skilled workers to fill the available jobs. That shortage has been exacerbated by the number of people hired to work on the expansion of the Hampton Roads Bridge-Tunnel, especially commercial truck drivers and other skilled trades workers. One innovative solution is that we will train individuals ourselves when we can't find people with existing experience and certifications. We are proposing an additional \$100,000 in training funds targeted to trades positions.

I noted that many more staff members than usual contributed their input to our polling this year. One in particular summed up the budget challenge for this year from that unique perspective:

“As an employee of the City of Hampton and as a recent first-time homeowner in Hampton, I appreciate the efforts being made to help staff with their needs as well as trying to keep the tax rates down.”

I will now detail some of the proposals by each of the City's strategic priorities.

Educated and Engaged Citizens

Providing for the public education of Hampton's children is a core government responsibility. As one respondent in our survey noted: *“Education, police, and services such as trash collection should be the highest priorities.”* Many of our school students thrived in remote learning, but some students returned to in-person classes needing additional support. Our teachers and administrators have done a



phenomenal job of working to keep our young people learning at appropriate grade levels and thriving in school. We are truly proud of their dedication and perseverance over the past two years.

The increase in value of Hampton's homes will offer Hampton City Schools a budget boost – more than \$5.3 million in additional revenue. A long-time funding formula gives 61.83% of the residential real estate, personal property and utility taxes to the school division. Between that local increase and new state funding, teachers are expected to receive a base salary increase of 5%. In addition, there will be \$2.1 million in adjustments to teacher pay scales. Other staff will receive 5% raises as well, including bus drivers, security officers, finance officers, and administrative assistants. Schools will increase the minimum wage they pay employees to \$12 per hour.

The Schools will also pick up some of the cost increases for athletic field and school grounds maintenance, as well as half of the cost of the learn-to-swim program for second-grade students, which will take place at our new aquatics center that will open this summer. The City continues to cover the base costs of the athletic and school grounds maintenance and will cover the other half of the costs of the learn to swim program.

The Capital Improvement Plan for FY 2023 includes \$10.28 million worth of investments in the physical school buildings and technology. Like the City, the Schools are benefiting from a boost in pandemic relief federal funding from the CARES Act and ARPA. As a result, next year's school budget includes over \$29 million more in federal funds, most of it carried over relief funds the district got this year. The district plans to use the funds next year for programs to mitigate learning losses, cleaning supplies, and roof and HVAC upgrades to schools and buses to improve ventilation.

Safe and Clean Community

In Hampton, public safety has been and continues to be a top priority. Even during tight years, we have placed a strong focus on supporting public safety, and it has been the area that has seen the most growth in funding since the Great Recession.

In previous budgets, we have upgraded the starting pay for both police and fire employees in response to challenges in hiring qualified candidates. As previously noted, this year, we are targeting people across all ranks. Although Hampton is among the smaller cities in Hampton Roads, we aim to be competitive in hiring and compensating our Police and Fire/EMS staff. Although budgets in other localities are not finalized, we believe the planned 7% raises will put Hampton at or above the midpoint of the "Seven Cities" in public safety salaries.

We value all of our employees, and the public safety departments cannot function without the support of the rest of the city team – IT, benefits, payroll, human resources, fleet and many more. However, it is increasingly hard for localities nationwide to hire and retain police, fire, and 911 employees due to a shortage of qualified applicants. In order to be competitive in attracting and retaining staff, we recognize we must increase public safety staff pay by a larger percentage.

There are other factors that keep people committed to their jobs in addition to salary. This budget recommends adding two new EMS teams to help relieve the pressure on the current staff. An increase in EMS call volume has resulted in some units running from call to call, with little time to recover between, resulting in extra strain on our existing staff. These new teams will be 8-hour surge capacity units that will provide needed support during our peak periods. This budget provides \$600,000 in funding for that effort.

For Police, I am pleased to recommend an expansion to the take-home car program to cover all employees on the wait-list and/or who become eligible in 2022. Adding these new cars will be a benefit



for officers, but as importantly, it increases police visibility in neighborhoods, which deters crime. We have also included operating money for recurring costs of radios and cameras.

I should also note that \$800,000 in ARPA funds were allocated earlier this year to provide interventions for mentally ill individuals currently dealt with by police. This initiative will not only improve services to these individuals in crisis, but it will also help relieve the strain on our officers that they endure from these highly stressful situations.

After criminals are arrested, they must be successfully prosecuted. This budget provides \$173,000 for new positions in the Commonwealth's Attorney's office – a paralegal, an assistant commonwealth's attorney, and a part-time investigator. It also picks up the full annual cost other staff members added midway through FY22.

There is also the "Clean" part of Safe and Clean. The FY23 Budget Recommendation allocates a total of \$484,000 to increase our staffing in codes enforcement annually, which includes a capital investment of \$175,000 for vehicles and equipment that we were able to fund from savings. Our staff does a phenomenal job, but we don't have enough people to truly be proactive in ensuring compliance. We need increased staff to ensure that people live in safe and sanitary conditions, maintain their property to acceptable standards, and prevent the City from being cluttered with unusable vehicles, trash, and other nuisances that affect the quality of life in our neighborhoods.

The FY23 Capital Budget also includes \$11.3 million for a new 911 Center and \$414,000 for upgrades at the city jails, including x-ray screening and intercom communications. The new 911 Center will move the existing center from City Hall to higher ground in a hurricane-resistant building near Fire Station 11 and also house the City's Emergency Operations Center.

Family Resilience and Economic Empowerment

Developing programs for youth and young adults – particularly those most vulnerable to gangs and crime – has been a major investment area for us over the past few years. I am pleased to note that our own programs, as well as support for grassroots organizations' efforts – are reaching more people. We are continuing to grow the reach of our Youth and Young Adult Opportunities department. Over the past few years, we have tripled the size of that office from 2 people to 6. The staff now includes a combination of people who can work with youth and their families, including people from social work backgrounds and "credible messengers," who can speak to people from a position of having been down the wrong path and made poor choices, to coming to a better place in life. During FY22, the City received two grants – \$800,000 from the State and another for \$250,000 – and also dedicated \$2.4 million in ARPA funds to support programs to break the cycle of poverty and crime. Much of the grant funds are being directed toward partnerships with nonprofits to extend our efforts. An additional \$500,000 in ARPA funds were dedicated to providing services to help people transition from poverty. Also, \$1.5 million in ARPA HOME funds were set aside for a regional partnership to assist homeless families.

We also recommend expanding the Youth Summer Employment Program to provide more youth with positive work experiences. This was also identified as a top-rated investment by our community. At less than \$90,000, this is an investment that should more than pay for itself over time. These additional funds will add 25 slots to the program, which currently serves about 125 students.

The recommended budget is adding an additional Senior Family Support Specialist to support early intervention efforts with at-risk youths in our schools. This program has been successful in directing youth onto a positive path.



We have resumed programs in our WorkOne workforce development program that were impacted by the pandemic, such as training people to become bus drivers in partnership with Hampton Roads Transit. Additionally, the \$100,000 we funded for new staff skill training will be used to help new high school graduates and the unemployed gain the skills they need to fill City jobs. This program will be a win-win for the City and our residents seeking work.

We are also continuing to fund our local contribution to Hampton Roads Transit, which serves as an important lifeline for those who do not have their own means of transportation. HRT is also working to improve transit service on the Peninsula this year as part of implementing their Transit Strategic Plan. If they are able to hire the needed bus drivers to implement the planned enhanced services, HRT riders will see more frequent and expanded bus services in the City. HRT has already added 20 new shelters and 18 new solar lights at stops in Hampton recently, with many more planned over the next year.

Economic Growth

As I noted above, we are seeing signs of strong economic growth. Defense spending, which has long been a cornerstone of the region's and Hampton's economies, continues to improve after years of stagnation. New quality multi-family housing is available for an expected increase in personnel at Langley Air Force Base. In addition to the 750 new jobs for the F-22 Formal Training Unit that are coming, Langley is planning for an Intelligence Surveillance and Reconnaissance campus that will add an additional 2,000-3,000 more jobs in the coming years. We have worked hard to position Langley for growth, and those efforts are paying off. We have worked closely with the base and the State to fund land acquisitions in the "Clear Zone"/flight path area. This partnership has now expanded to include sea-level rise and ensuring access to the base during flooding events and includes making the Armistead Avenue corridor more resilient.

Our residents expressed a desire to continue to grow our tax base and attract a variety of employers. In past "I Value" polling, however, the steps necessary for that development have not generally ranked as high as immediate quality-of-life investments. When we spend money on Buckroe Beach improvements, we see and enjoy the results in a year or two. It can be difficult to see the connection between the groundwork necessary for economic development. The payoff for projects like the extension of Coliseum Drive or a pump station for Hampton Roads Center aren't immediately tangible; nevertheless, they are important. In addition to providing infrastructure, another thing the City has done over the years is acquire property for redevelopment. With the strong growth in our local and regional economies, these investments are also paying off.

The infrastructure and planning that we did years ago enabled us to successfully compete for the 20-acre Huntington Ingalls Center of Excellence for Unmanned Systems campus and bring its 250 high-paying jobs to the City. Huntington Ingalls projects that this campus will continue to grow and has an option on additional property to make that happen. Not only is the division itself expected to grow as new defense contracts are awarded, it creates synergy with NASA's research and the National Institute for Aerospace. The technologies that are developed at these three high-tech research facilities will create opportunities to foster startups and other businesses that may also fuel future growth in the City and provide high-paying jobs. It is fitting that Hampton continues to be a hub of research and innovation.

The growth at the Port of Virginia and Huntington Ingalls, along with the growth of e-commerce, has resulted in significant demand for warehouse and distribution space. Just this past year, we finalized a deal for 230,000 square feet of warehouse and distribution space on land the City bought 17 years ago in the Pembroke Avenue corridor. We are also working with a development group that wants to bring warehouse, distribution and light manufacturing to the former Virginia School site, a portion of



which the City purchased from the State over 15 years ago. This prospect is currently engaging the surrounding community on their vision for the property.

Amazon has also recently come to the City of Hampton with two major private-sector deals. The first of these was to purchase and renovate the old Super K-Mart building on Mercury Boulevard into a last-mile distribution center. They also recently closed on the purchase of the old Gateway Manufacturing building at 2000 Enterprise Parkway. Between these two locations, Amazon now owns over 500,000 square feet of space in the City and will employ hundreds of people.

The high-end Monroe Gates apartments in Phoebus, the Lumens apartment in the Hampton Roads Center North area, and the WVS development being built in downtown Hampton are three more examples of very successful projects built on City-owned land. When we control the land, we can work with developers to get a higher-quality product than what has typically been developed on privately held properties. The strong local and regional economy has also resulted in interest in several other properties owned by the City. While many of these opportunities are not final, I hope to be able to share more exciting announcements over the next year.

It is clear that to attract quality development, we have to have land, and it has to be “shovel ready.” As the oldest continuous city in the original 13 Colonies, Hampton has very little vacant land left. To develop largely means redevelopment – tearing something down and building something new, which is why we continue to fund strategic property acquisition in our capital budget. On the infrastructure side, we are also recommending that we fund the Hampton Roads Center North pump station through our wastewater fund to accommodate new development in this part of the City.

With all of the new development we are seeing, we need the inspectors, plans reviewers and permit techs to ensure these developments are safe and in compliance with local, state and federal regulations. The people qualified to do these jobs are in high demand, which is why some of our strategic pay scale adjustments are in these areas. We will also focus our new skills training program on these positions so we can develop our own talent to do these jobs. In addition to these steps we are taking to fill vacant positions, we are also proposing adding a new plans reviewer and a new zoning official to our Community Development Department so that we can keep our development momentum and help people who want to invest in our community get their projects done faster.

We are also focused on supporting new small businesses and are adding a position in Community Development to help inexperienced but innovative entrepreneurs navigate the world of zoning and permits. The City has been very successful in attracting people who want to start new restaurants and other small businesses. Often, however, these folks are not experienced in the various regulations they need to adhere to. We want to help these entrepreneurs pursue their dreams, and this position will do just that. We have already combined most of our permitting into one office. We generally have a staff “lead” for our larger developments to coordinate city processes. This would give us a similar person to shepherd new small businesses through the process.

We continue to see demand at our unique local restaurants in Downtown and Phoebus. While this is a great thing, it also brings some challenges around parking and trash disposal. One of the property owners in Phoebus has offered to donate property to the City so that it can be paved and used for public parking to serve the businesses on the west side of Mellen Street. We are working on starting this project in FY22 and have designated \$260,000 in budget savings to do it. In FY23, we have also included \$63,000 to construct a dumpster enclosure on this improved parking lot so the businesses have a designated place to dispose of their trash.

Another key sector of the Hampton economy is tourism. Tourism generates income through visitor spending on shopping, dining, and staying in our hotels. We are poised this year to open the Aquaplex.



This state-of-the-art aquatic center will provide more recreational opportunities for our community with a 50-meter pool, a 25-yard pool and outdoor splash park. This facility will serve two purposes: as a community fitness/wellness and learn-to-swim facility and as a generator of youth sports travel. Most importantly, it will allow us to offer water safety/first learn-to-swim classes to all of our 2nd grade students. This budget adds funds to cover the learn-to-swim program in partnership with our School System, but other than that, no additional new funding was required. The operation of the Aquaplex is funded with a reallocation of existing funds and fees charged at the facility. The Center will be managed by Eastern Sports Management, a firm with extensive aquatics facility experience, and they are confident that the facility can be largely self-supporting.

The Aquaplex also expands Hampton's position as a prime destination for sports travel, particularly with youth, and builds on our success with the Boo Williams Sportsplex. The Sportsplex brings thousands of basketball players of all ages in the local area, plus national travel teams and college scouts to Hampton. The Sportsplex has been so successful that we have purchased court flooring that allows the Hampton Roads Convention Center to serve as an overflow venue for the Sportsplex, accommodating additional basketball, volleyball and cheer competitions. Our excellent BMX track at Gosnold's Hope Park also serves both local residents as well as visitors and has been a long-standing pillar of our sports tourism industry.

Through our ARPA prioritization process earlier this year, the Council also designated funding for several initiatives that will support our tourism industry. These investments include improved lighting at Langley Speedway to attract junior league NASCAR races and improvements to the War Memorial Stadium locker rooms to enhance its competitiveness. The Council also dedicated funding for a new scoreboard and ice floor at the Coliseum to facilitate more sporting and entertainment events. This is on top of the FY22 Capital budget that funded various other needed renovations, including updating the dressing rooms. Additionally, the Coliseum was awarded a federal Shuttered Venues Grant, which has helped replenish funds lost during the pandemic and also funded a portable outdoor stage for events on the Coliseum campus. Council also dedicated ARPA funds to upgrade the lighting system and make other renovations to the Convention Center to position it to continue to be competitive in the future.

Another major initiative Council funded with ARPA funds was the implementation of various infrastructure improvements in Downtown that will transform the waterfront into an area where residents and visitors alike will be able to enjoy new entertainment and restaurant venues. While many of these improvements can easily be categorized under placemaking, they will bring new excitement to Downtown and make it an even more attractive place to live, work, play and invest.

Finally, I would be remiss if I didn't mention the exciting new investment the Pack Brothers will be making in the Fort Monroe Marina. This \$65 million investment will include a new 500-seat restaurant, 250-person conference center, 90-room boutique hotel, 300-slip remodeled marina, 15,000-square-foot outdoor deck overlooking the harbor, and a 1,600-square-foot concrete super dock that will protect the marina and host small cruise ships visiting the Fort. This will be the first major new private investment in Fort Monroe since it was closed by BRAC, and will set the tone for the exciting future at the Fort as it works to attract additional investors to reuse historic buildings and make new investments in this incredibly beautiful and historically important part of our City.

Living with Water

Hampton is held up as a model locality in taking proactive and innovative measures to increase our flood resiliency. Our city staff has applied for – and received – a number of grants, including more than \$9 million from the State to deal with sea-level rise and extreme weather. Those grants help reduce the



amount that will need to come from our local community to move these important projects forward. The bulk of those funds will go to three multi-year projects:

- Lake Hampton and North Armistead Avenue
- The Big Bethel Blueway (Albany Drive at Big Bethel Road)
- Billy Woods Canal Project

These major projects are in the design phase, with construction to start in FY23. The first two aim to reduce flooding from Newmarket Creek, which winds throughout much of the city. The Armistead project will eliminate chronic flooding on a major thoroughfare and evacuation route, improving transportation reliability to Joint Base Langley-Eustis and key economic centers. The Big Bethel Blueway will transform an existing drainage canal into an innovative stormwater storage facility and public green space. It is projected to reduce flooding by adding 8.7 acre-feet of stormwater storage capacity in the canal and improve community connectivity by creating a 6,000 linear foot publicly accessible walking and biking path. The Billy Woods Canal project will reduce flooding in the surrounding area and provide new and improved access for the public to enjoy.

The City Council also dedicated \$25.7 million in ARPA funds for a variety of Living with Water projects earlier this year. While these projects, as well as the grant-funded projects listed above, are not in the FY23 Budget, they are significant investments that allow us to aggressively move our resiliency efforts forward while relieving the burden of doing so from our local taxpayers. This money will be spent on:

- Conducting major maintenance to our stormwater system to increase its capacity and reduce flooding (\$6 million);
- Making a major \$6.4 million investment to improve neighborhood drainage;
- Widening Buckroe Beach (\$7 million);
- Making improvements to the Coliseum Lake weir (\$3.3 million); and
- Dredging the Hampton and Back Rivers (\$3 million).

Our miles and miles of waterways are some of the things that most define Hampton, and keeping them navigable is a top Council and community priority. Therefore, in addition to the \$3 million dedicated ARPA funds, the FY23 Capital Budget also includes an additional \$750,000, and the FY24 Plan includes another \$3.7 million for dredging (including \$700,000 dedicated for the Salt Ponds inlet). In total, we are committing \$7.45 million to dredging over these two years.

We are also recommending a new position to manage federally funded home elevation projects. This FEMA program funds the elevation of homes that have suffered repetitive losses due to flooding. Our Emergency Management staff has successfully obtained funding for our residents for several years. However, the program is complex to administer, prompting many other cities to decline to participate. We want to make this benefit available to our residents, and this new position will help us make this program sustainable and successful.

Most of our Living with Water projects are funded with the stormwater fee and are found in the Capital Budget. The stormwater fee is required by law to be used only for improvements to our capacity to store water and filter it before it runs into waterways that feed the Chesapeake Bay. Because of the success of staff securing grants and the strategic use of our ARPA funds, I am happy to announce that we do not have to implement an increase in the stormwater fee that we had projected for FY23. I would also note that we are able to advance other Resiliency projects in Downtown, such as Honor Park, Lincoln Street Landing Park and Mill Point Park Natural Shoreline projects, with the local money freed up by the grants we have secured. Future years of the CIP will also further extend our Resilient Hampton efforts to Phoebus and Buckroe.



Placemaking

This is, in many ways, the category that is nearest and dearest to residents' hearts. These are the things that define Hampton as special, the places we use for recreation, art, community gatherings, and appreciation of our history.

We will soon be opening two new neighborhood centers, the construction of which was funded in prior fiscal years. One is in our Olde Hampton neighborhood (named for "Hidden Figure" Mary W. Jackson), and the other will be in Fox Hill (which has been partially open while construction continues on its gymnasium expansion). This budget includes additional funding to operate these centers, largely building costs like electricity. Unlike full community centers, our neighborhood centers rely on residents and local non-profits for their programming. Y.H. Thomas, our largest and longest-running neighborhood center, has worked with the newer neighborhoods to share best practices, and I am pleased to say that both of those neighborhoods have developed boards and recruited volunteers. Any staff needs will be filled by shifting existing personnel.

Throughout the years of "I Value" input, our residents have routinely advocated for more activities for our youth. In the past, we have added programs, like summer basketball tournaments. More recently, Council allocated \$356,883 in ARPA funds to support adding a mini-golf course to Buckroe. We are also dedicating anticipated FY22 budget savings to enhance our community centers as safe and fun places for our young people, with \$195,000 to provide additional video gaming capabilities and other recreational opportunities. The FY23 Budget includes additional operating funds to support these new recreational offerings as well as additional funding for special events and parks maintenance.

Other major improvements we are able to advance from FY22 savings and the FY23 Capital Budget include:

- Expansion of the Bluebird Gap Farm Barn (\$1.5 million)
- \$2.9 million in improvements to Darling Stadium by replacing the field with artificial turf (\$1.5 million in the FY23 Capital Budget) and renovating the track (\$1.4 million from savings). These improvements will not only provide improved facilities for our local athletes but also position Darling Stadium to attract additional sports tourism.

Good Government

From a resident: *"I hope we continue to grow and improve our city - all areas. We have so much potential here and we need to take care of it. Promote it! Improve it! Thank you for the opportunity to provide input."*

We are continuing to put funding toward updating many of our facilities. During the recession years, we maintained our facilities at a base level. Below are some of the major capital projects we are pursuing this year by using savings from the current year and from bond contingency:

- Repairs at our fleet facility (\$885,000)
- Demolition at our Pembroke Complex (\$845,000)
- Increased maintenance of City parking lots (\$490,000)
- Replacement of damaged guardrails throughout the city (\$400,000). With 77,000 feet of damaged guard rail, this is both an aesthetic and safety upgrade.

The Pembroke Complex is adjacent to the YMCA on LaSalle Avenue and houses our Social Services offices. This converted school building would need a new roof, new windows, new HVAC and other improvements to remain usable. Instead, this budget includes funding to move the Social Services Offices to leased space and demolish the existing building to free this property up for redevelopment.



This budget also makes a substantial investment in improving the maintenance of our facilities. We are adding \$600,000 in recurring funding to our capital budget that will be dedicated to improving our buildings (replacing roofs, HVAC systems and other improvements) each year. We are also adding nine facility maintenance staff (two electricians, two junior plumbers, two senior HVAC mechanics, two custodians and a project manager) dedicated to maintaining our buildings.

Other staff being added to support our Good Government Priority include: a Human Resources Specialist to support keeping our positions filled, a Grant Writer to take advantage of the new grant opportunities, a Senior Accountant to assist with grant accounting and compliance, and an Information Technology Security Administrator to protect our IT systems from cyber threats. As part of the projects that we funded through our ARPA prioritization process, we also invested \$110,000 in IT infrastructure security earlier this year.

I am also recommending that we implement some technology upgrades (\$100,000). This would be a pilot program in Community Development that would use new technology to increase efficiency and improve service delivery by leveraging automation and machine learning. I would have liked to do more in this area, but it is my hope that selecting one pilot project will set us on a path to expand similar technologies in future years. Over the last few years, we have also been funding the replacement of our antiquated human resources, payroll, accounting and budgeting systems. We have included \$600,000 in our capital budget to complete these efforts. Once the new system is in place, it will increase the efficiency of our internal service functions and significantly reduce the risks associated with our current systems. These initiatives are in addition to improvements we have made using CARES Act and other funding sources to upgrade the Treasurer's and Commissioner of Revenue's tax collection systems and our 311 system.

Repaving more roads is always a top concern of residents, and this year is no different. Each year we receive State funding to support our road maintenance program. This year we will dedicate the entire increase in funding to road repaving.

Finally, the budget implements phase one of the reinvestment in our Equipment Replacement Fund with \$500,000 in recurring funds above and beyond our normal funding level to address the increased cost of replacing police cars, fire trucks, ambulances and other City vehicles.

Looking Ahead

This has been a year of both growth and hesitation. Every time the community spread of Covid declined, a new wave popped up. While we still need to be cautious, I am hopeful that the worst is behind us. Even while new challenges such as inflation, global conflict, and a shrinking labor market emerge and threaten another recession, we must take advantage of the opportunities we have to move Hampton forward. The investments we have been able to make over the last year and in this FY23 budget will position us for the future.

Through all of the challenges of the last decade of recession, financial market collapse, sequestration, economic stagnation and global pandemic, our community has proven its resilience. We have remained strong and pulled through. With the investments we have been able to make in our public safety departments, schools, our flood resiliency efforts, and economic development and placemaking initiatives, we will continue to see an exciting transformation of our city.

The City Council, the Economic Development Authority, and the Redevelopment and Housing Authority have taken long-term views on the best ways for our city to grow. It takes many years to see the fruit of those plans, but we are seeing them now. The first building in WVS' planned downtown development is a major change to our downtown landscape on a tract of land acquired many years ago that



formerly held a Goodyear tire store. After that is completed, the development group has plans to move to other downtown sites. Hampton is in an excellent position and is experiencing strong interest from developers who want to invest in our community. With development-ready sites in Kecoughtan, Downtown, Buckroe, Coliseum Central and Hampton Roads Center, Hampton is open for business.

I grew up in Hampton, as did many of our residents. I have worked for this city for over 30 years, and there are many on our city team who have worked here even longer. As a city that is over 400 years old, we have gone through continuous transformation and reinvention that continues to this day. We have never been stagnant. Since the day we arrived from the sea, we have always reached for the stars. In years past, we have been part of developing a new nation, expanding freedom and equality for all people, and sending man to the moon and back. We are not only a community steeped in history, but also one whose innovative spirit charts new and exciting paths.

Places change as people change. When I look at Hampton today, I see a city that remembers its past but also examines it to tell more inclusive stories. I see a Downtown with more and taller buildings that remains home to seafood businesses that have been here for generations. I see a Peninsula Town Center that attracts people to its entertainment venues and restaurants, as well as retail stores. I also see smaller boutiques thrive because they offer personal service or a unique niche. I see people gathering at coffee shops and breweries. Covid pushed us outside, and some City initiatives that sprang up in response are now part of our lives – outdoor dining on Queens Way and bump-outs along Mellen Street, for example. The space race and Apollo missions are being replaced by unmanned systems and Mars exploration. Hampton has been named a top affordable beach community, and people are moving here for our quality of life. Our school system is fully accredited and nationally recognized for preparing our students for the careers of today and tomorrow.

While we always want to remember our past and learn from it, we also look to the future and its exciting possibilities.

We are Hampton, a vibrant waterfront community celebrating and embracing 400 years of history and innovation to create an even more dynamic future.

Closing Thoughts

This is an exciting time for our city. As City Manager, I have never been in the position of being able to recommend a tax-rate decrease, especially while still furthering investments into the City's top goals.

I took the time to read all 300-some comments in the I Value input, as well as the online feedback. All comments are welcome, however critical, because it is crucial that we understand what our residents think. I am impressed and humbled by the number of people who thanked our entire team:

- *I think our city staff, leaders and Council are doing a great job. People should be pleased that their assessed values are increasing.*
- *I moved here two years ago and enjoy the downtown festivals and shows at American Theatre very much.*
- *I appreciate the effort that you are doing to improve our city.*
- *Thank you for soliciting Hampton citizen input for the FY23 budget. I appreciate not only the opportunity to participate but also your effort in keeping us involved*
- *City employees and those in leadership positions are doing a great job – hooah!*

That appreciation is for the City Council, for my staff, for our city team, and for our partners and community leaders. 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,

Mary B. Bunting
City Manager

