

NORFOLK, VIRGINIA

MEETING OF COUNCIL

TUESDAY, MAY 3, 2022

Mayor Kenneth Cooper Alexander, called the meeting to order at 4:00 p.m., with the following members present: Mrs. Courtney R. Doyle, Mrs. Mamie B. Johnson, Ms. Danica J. Royster, and Mr. Tommy R. Smigiel Jr., and Vice Mayor Martin A. Thomas Jr. Mrs. Andria McClellan and Mr. Paul R. Riddick were present electronically.

RESOLUTION

A Resolution approving the participation through electronic communications by Councilwoman Andria McClellan and Councilman Paul Riddick in the Norfolk City Council.

ACTION: Adopted [Unanimous]
AYES: Doyle, Johnson, Royster, Smigiel Jr., Thomas Jr., Alexander
AWAY: McClellan and Riddick

AGENDA

Budget Worksession #3

Presenter: Dr. Larry H. Filer II, City Manager

Dr. Filer noted he has received feedback from one-on-one meetings with Council members. Changes have been incorporated into the budget. A full reconciliation document will be provided to Council on Friday.

Dr. Filer stated that given the complexity of some recent forecasts, he wanted to comment on the increasing rhetoric about the possibility of a recession. He stated that staff has been monitoring this and particularly with respect to Federal Reserve Policy and what might be done in terms of raising interest rates.

Dr. Filer reviewed the following:

**Economic Outlook (presented at retreat)
Five-year Forecast Scenarios (in millions)**

General Fund Operating Budget Forecast

Scenario: *Baseline*

Description	FY2023	FY2024	FY2025	FY2026	FY2027
On-going Revenue	\$739.5	\$755.1	\$799.8	\$816.7	\$834.8
On-going Expenditures	\$750.8	\$774.2	\$809.2	\$826.4	\$841.2
Structural Surplus/(Deficit)	(\$11.3)	(\$19.1)	(\$9.4)	(\$9.7)	(\$6.4)
Cumulative Surplus/(Deficit)	(\$11.3)	(\$30.4)	(\$39.8)	(\$49.5)	(\$55.9)

Dr. Filer noted the city is on a good path. Tough decisions were made over the last two years, but we are emerging in a leaner and more efficient manner that will pay dividends going forward. In addition, we have some economic development projects coming online in 2024 and 2025 that will help the city's revenue forecast.

Five Year Forecast

- Moderate revenue growth after this FY 2023 revenue spike
- Recurring structural deficits; begins to shrink in FY 2026, manageable by FY 2027
 - Council's Financial Policies commit to structural balance as a fiscal goal
- Forecast indicates a combo of ARPA Continuity of Services funds & budget savings sufficient to close the cumulative five-year gap with:
 - No reduction to services
 - No tax rate increases
- Will continue to monitor results and refine forecast

Dr. Filer presented a graph showing Par Value Yield Curves. The 2019 line shows a flat Yield Curve, which is where you typically start seeing people wondering about recessions and recession risks. He noted that some forecasters thought we were headed to a slow-down or a little bit of a recession even before the pandemic.

The 2020 and 2021 lines returned to a more normal Yield Curve. The April 8, 2022, Yield Curve line shows little margin between the two-, five-, and ten-year curve lines. Forecasters use Yield Curves in their forecasts, but does it mean a recession is inevitable? Not necessarily.

Recession Probability and Magnitude

- There is an increasing risk of recession
 - Far more agreement by forecasters that a slowdown is inevitable
 - Yield Curve is showing signs of recession
- Less consensus around the depth of recession
 - Deutsche Bank is projecting a severe recession
 - UBS and Goldman Sachs are projecting a "slow down"

The Budget Impacts of a Recession

- We have a unique set of circumstances
 - Strong Labor Market
 - Strong Demand Fundamentals
- Not proposing a downward revision to the FY23-FY27 revenue estimates at this point.
 - We are projecting 3% annual assessment growth as well as a moderation of car values in future years.
 - We could see an improvement to the FY23 cost estimate if inflation subsides
 - Current earnings growth is unsustainable.

**Average Weekly Earnings Growth
(Year over year March 2021 to March 2022)**

Metropolitan Area	Wage Growth
Hampton Roads	11.9%
Staunton-Waynesboro	9.9%
Lynchburg	7.4%
Richmond	4.9%
Blacksburg-Christiansburg	4.2%
Northern VA	2.1%
Charlottesville	-0.1%
Winchester	-2.0%

Dr. Filer stated at this time he is not recommending that Council make any changes to the revenue and expenditure forecast going forward.

Dr. Filer reiterated that the initial proposed budget was for a 5% general wage increase across the board for all employees including public safety. They felt that the increase would help to offset the compression. Staff is examining something that is being done in other localities and the private sector where employees affected by the compression could receive bonuses. He added that we are the only locality with an \$18 an hour minimum wage. In addition, offerings for general employees include the DROP Program and family paid medical leave, etc.

Dr. Filer pointed out that Steps only exist in public safety, which is police, fire, and sheriff. In addition to the 5% general wage increase, they are proposing a Step increase for those who have six years of service. Staff is also examining the possibility of Step increases that would be given on a formulaic basis.

Mr. Patrick added that in the five-year expenditure forecast presented, a 2% general wage increase for all employees and a Step increase for public safety has been included as a baseline.

Dr. Filer reiterated that this budget fully funds all the employee positions we need to get us back to where we were before the pandemic, such as in the Department of Recreation and all our libraries. We are making progress through our job fairs in hiring new employees.

Council Comments and Requests

Councilman Riddick:

- Asked to address code enforcement in our more distressed neighborhoods.
- Asked for needed repairs to curbs, gutters, and sidewalks in our distressed neighborhoods.
- Asked to open swimming pools and recreation centers ASAP and offer free or low-cost programs for our youth.
- Noted the Norfolk Redevelopment and Housing Authority has done a great job renovating Grandy Village, but funding is needed to improve housing in Young Park and Calvert Park. In addition, trash and debris need to be removed, and fencing needs repairing.

Councilman Smigiel:

- Asked for long-term planning for COLAs for retirees in the NERS system.
- Stated he appreciates efforts made in hiring and pay increases for 9-1-1 operators and asked staff to look at moving them to the public safety pay scale.
- Asked for additional funding for the zoo so additional staff can be hired and hours can be extended
- Asked for needed repairs at major intersections, to include landscaping, mulching, guttering, curbing, sidewalks, fencing, cementing, etc.
- Asked for funding to hire additional code enforcement inspectors for residential and commercial properties.
- Asked to ensure that the \$13 million in grant funding goes to agencies and organizations that will ensure funds are used to impact our high-need populations throughout the entire city.
- Asked that priority installment for LED lighting be done in neighborhoods where homicides have occurred over the last five years.
- Asked to send a general notification to students' families about the NEL Summer Program rather than just to high-school counselors.
- Asked to publicize the \$700+ million being allocated for school construction.
- Asked to consider a small reduction in the real estate reassessment tax rate and to consider some type of a refund to our citizens who pay their personal property taxes.

Councilwoman Johnson:

- Asked to provide Senior Tax Relief information in public places that are accessible to senior citizens, such as branch libraries, etc., and to also include information on Renovate Norfolk, Eviction Mitigation, etc.
- Echoed colleagues about needed infrastructure repairs throughout the city.
- Echoed colleagues about funding for additional code inspectors.
- Regarding the \$13 million in grant funding, asked that we provide some assistance to organizations on how to prepare and apply for these grants and guide them through the process.
- Asked for additional funding for Vision Zero and asked how the data collected has been incorporated into this budget.

- Asked for funding to extend and enhance the shoreline of the Lafayette River through Villa Heights, Lindenwood, and Barraud Park.

Councilwoman McClellan:

- Asked to publicize how ARPA funds will be utilized because it is still unclear to citizens and transparency is critical.
- Asked for future Council retreats to be recorded and livestreamed for our citizens.
- Asked for an update on state funding for Phase One of the Army Corps project, anticipating that \$400 million will be coming from the federal government.
- Asked for additional funding for the resilience office, so it can be staffed adequately to manage new projects in terms of real estate planning, etc.
- Asked for funding for electric vehicle charging stations throughout the city.
- Asked for funding for a water truck because as many as 60% of the new trees that have been planted are dying.
- Asked to find a way to open our branch libraries on Saturdays.
- Asked for funding for more security for the parks and recreation facilities.
- Echoed colleagues on funding for Vision Zero and additional parks and recreation hours.

Vice Mayor Thomas:

- Supports additional code enforcement; \$18 per hour minimum wage and continuing to increase employee pay over future years; Vision Zero funding.
- Expressed concern that \$125 million needed for the Granby Street Safety Plan that goes along with bike lanes is not funded and asked to ensure it is in next year's budget.
- Added that community concerns include funding for Norfolk Fitness and Wellness Center and opening the indoor pool, funding for public safety and crime prevention, roving gangs of ATVs and dirt bikes that continue to break laws, drive recklessly, and block intersections.

Councilwoman Doyle:

- Echoed colleagues that we need to do a better job of publicizing senior tax relief to our citizens.
- Stressed the importance of opening the Park Place Recreation Center as soon as it can be staffed.
- Echoed colleagues on funding for Vision Zero.
- Supports the funding being allocated for Northside and Barraud Parks.
- Echoed Vice Mayor Thomas on funding for Norfolk Fitness and Wellness Center.
- Echoed colleagues on funding for LED lights throughout the city.
- Supports the \$18 minimum wage for general employees and the step increases for Public Safety.
- Supports funding for the business compliance unit.
- Asked for additional funding for the Planning Department.

Councilwoman Royster:

- Suggested information on tax relief for seniors be provided in at the Jordan Newby Food Hub, Sykes Senior Center, Prime Plus, etc. Non-profit organizations can also provide the information, too.
- Asked for the creation of a dashboard showing the LED light replacement schedule and completed work.
- Asked that the Business Compliance Unit work in conjunction with code enforcement and to include businesses maintaining landscaping, removing trash and debris, etc.
- Asked for clarity on the \$800,000 allocated for eviction mitigation support. Does that include another workshop? Can the information be available to the community?
- Asked to prioritize reorganizing the Renovate Norfolk Program.
- Asked to examine the backlog lists and prioritize resurfacing in those neighborhoods first.
- Asked if it is possible to host some type of non-profit boot camp in conjunction with the Hampton Roads Community Foundation to provide information to our citizens on what programs and funding are available through our private partners such as the United Way, etc.
- Asked for additional funding to support and expand Bank On.
- Asked if we can engage in partnership with some non-profit agencies and/or the faith-based community to open all recreation centers and provide after-school programming and summer programming. In the alternative, can we offer some type of voucher for youth to attend private entities such as the YMCA or the Kroc Center?

Mayor Alexander:

- Piggybacked on Councilman Smigiel and Councilwoman Johnson about the \$13 million funding for grants and asked the City Manager to identify staff to work with the non-traditional groups and agencies applying for the grants.
- Echoed colleagues as relates to wage increases, branch libraries, recreation centers, resiliency projects, infrastructure, economic development, community development, and NPS.
- Commented that a top priority is public safety. We want to ensure our officers have the tools, resources, and authority to fight and prevent crime. This includes technology, cameras, LED lighting, and the authority to make traffic stops and enforce codes. Increasing our police presence is going to require additional personnel and maybe running additional academies will attract more men and women to join our police department.