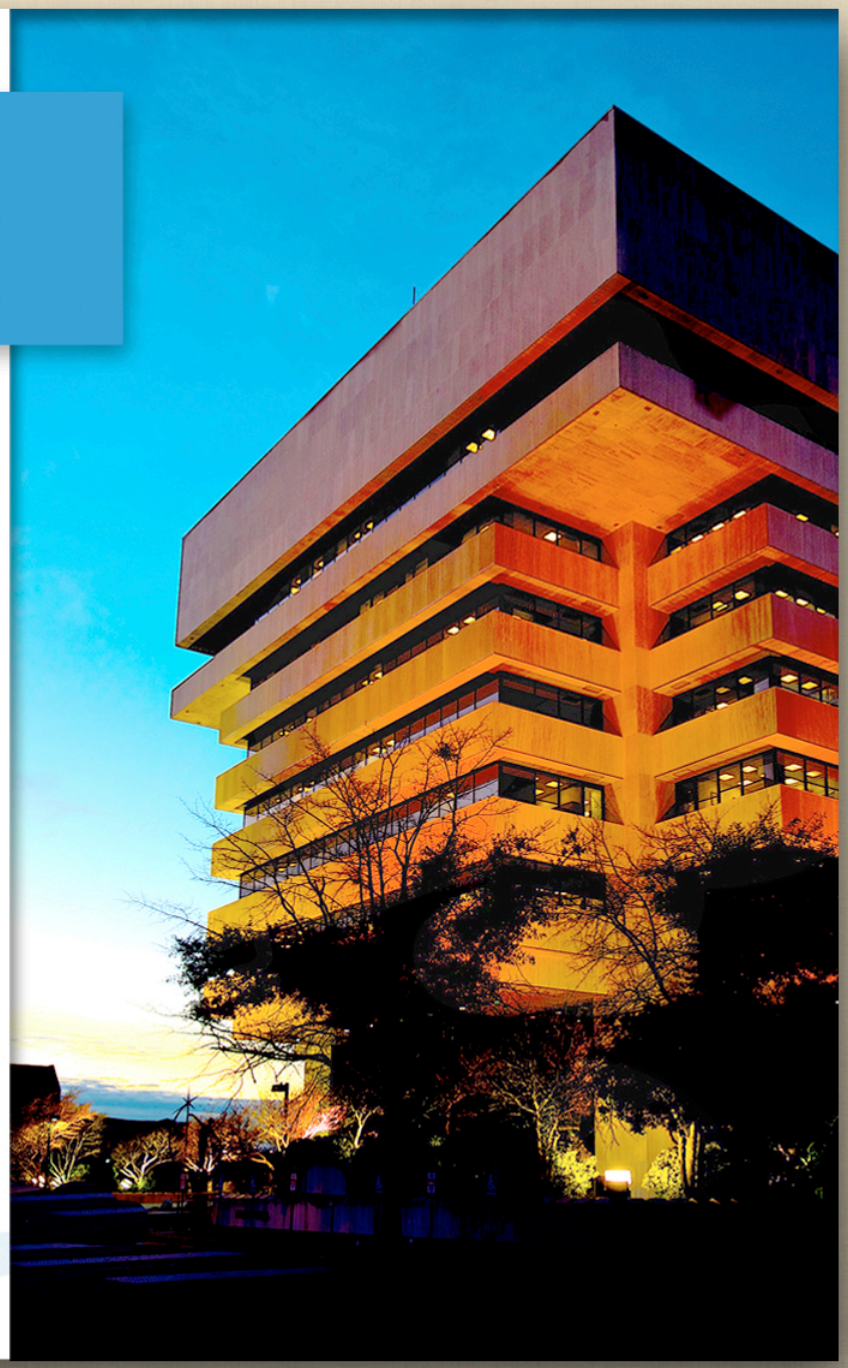
HAMPTON VA

I VALUE

Citizen input on operating budget

March 6, 2017



Review

- Discussed general budget issues
  - Feb. 21, Kecoughtan High School
- Online chat about budget
  - Feb. 28
- Discussed, polled on capital projects
  - Feb. 28, Hampton High School

Presentations, Q&As: hampton.gov/ivalue

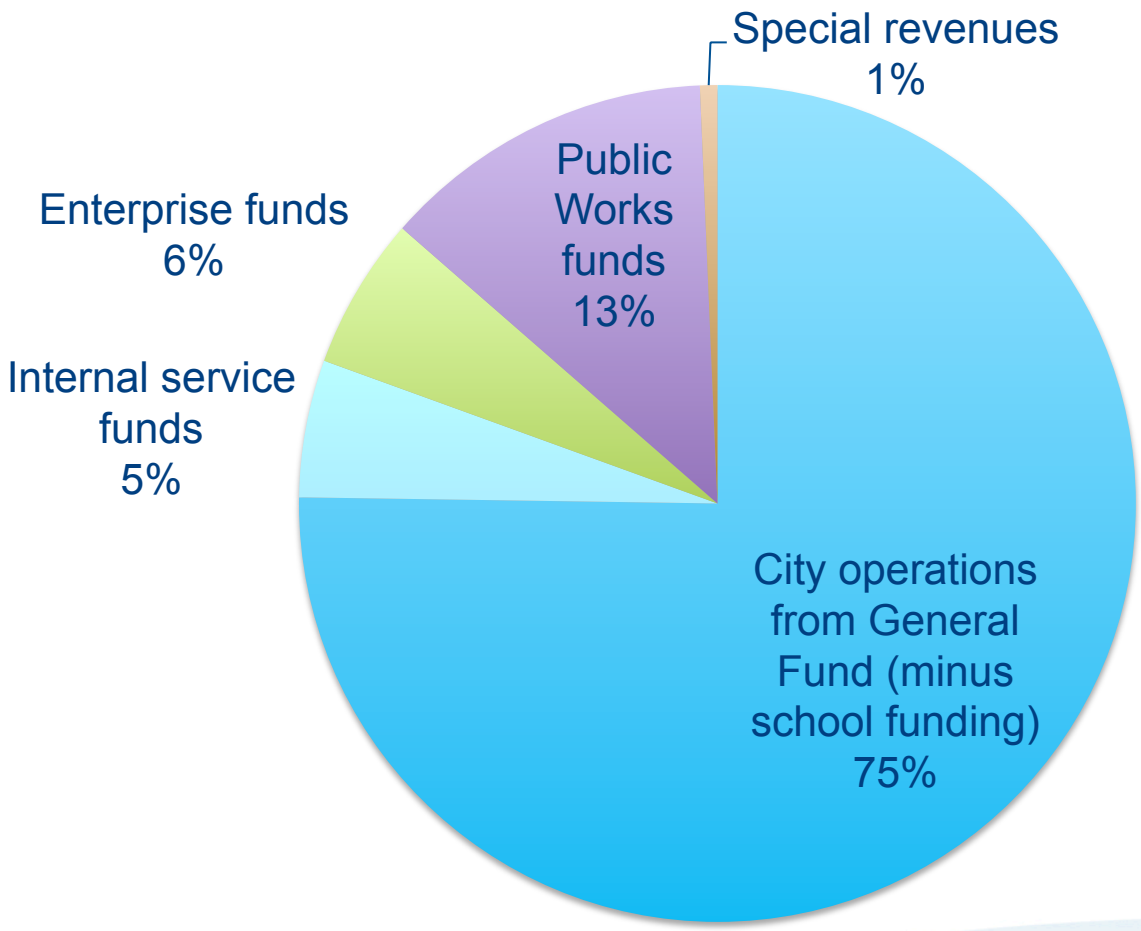
Agenda

- Where money comes from
- General tax dollars vs. user fees
- Polling on preferences
- Questions
- Next steps

Funds

- General:
  - Most city services are funded
- Special:
  - Internal services (allocated to dept via fees)
  - Enterprise (business-type)
  - Public Works funds (fees cover costs)
  - Special Revenue (legally restricted)

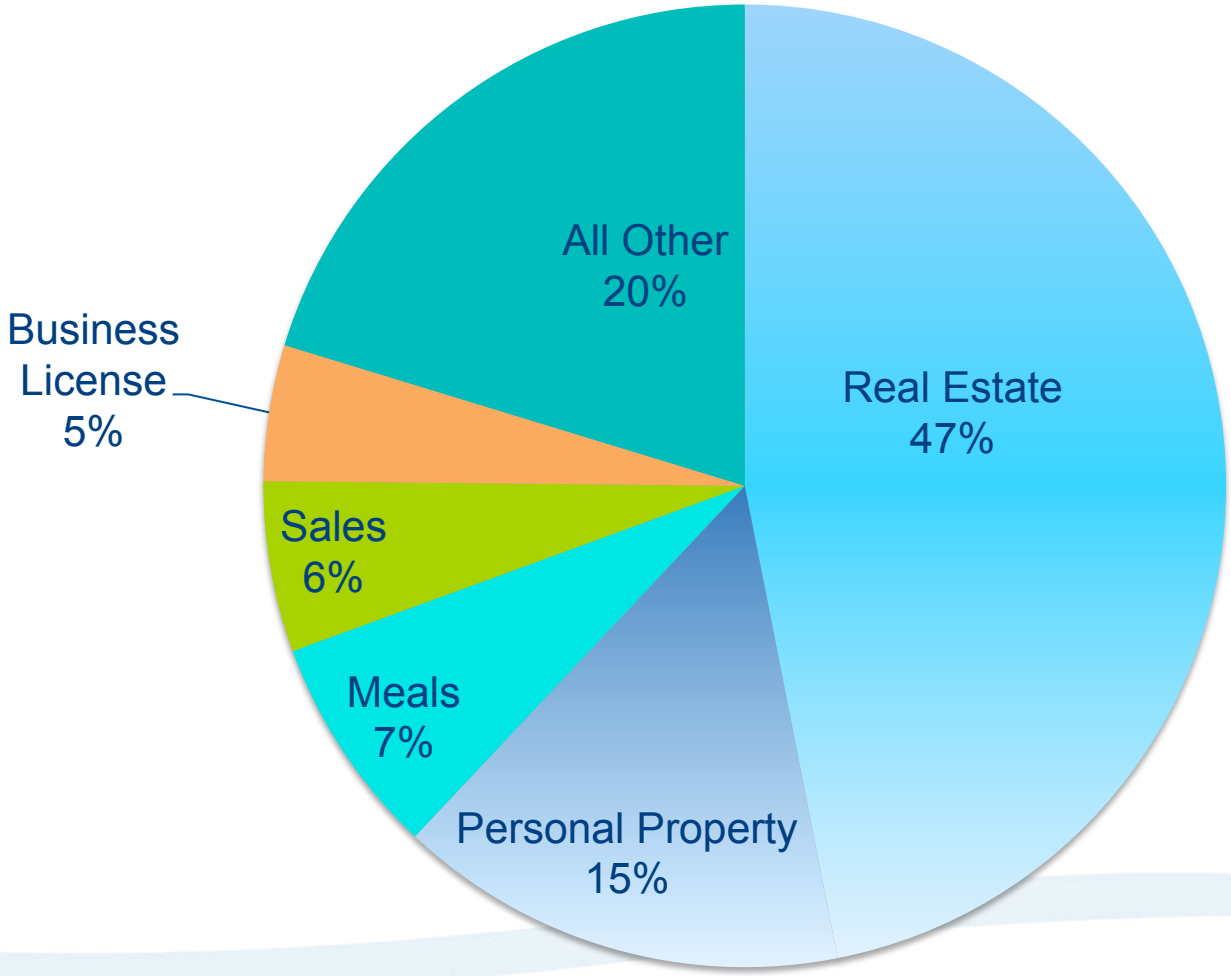
Where money comes from



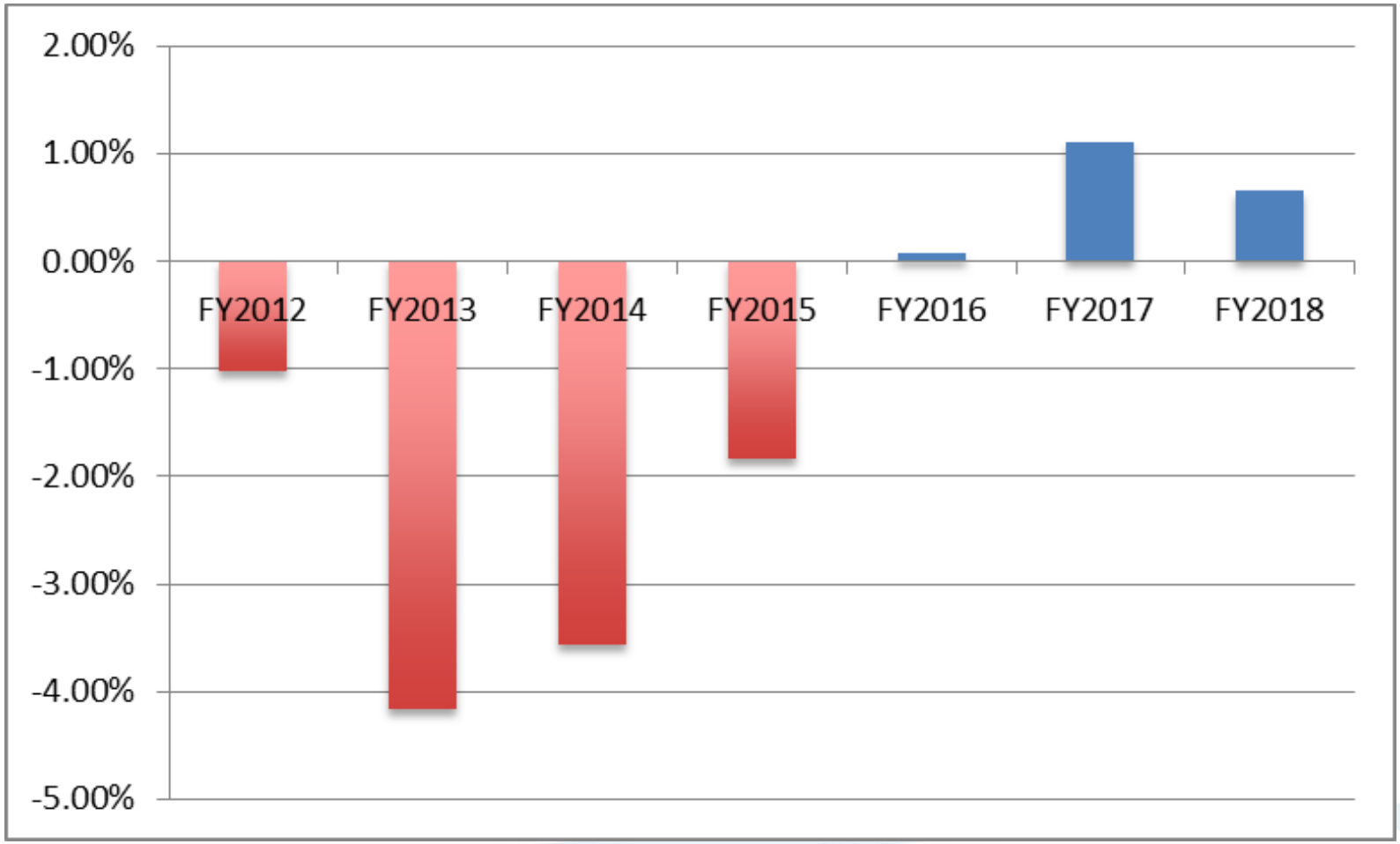
Limited choices

City's portion of general fund	$262 M
State, federal funds with restrictions	$48 M
User fees, licenses	$16 M
Rest of city operations, including mandated services	$198 M

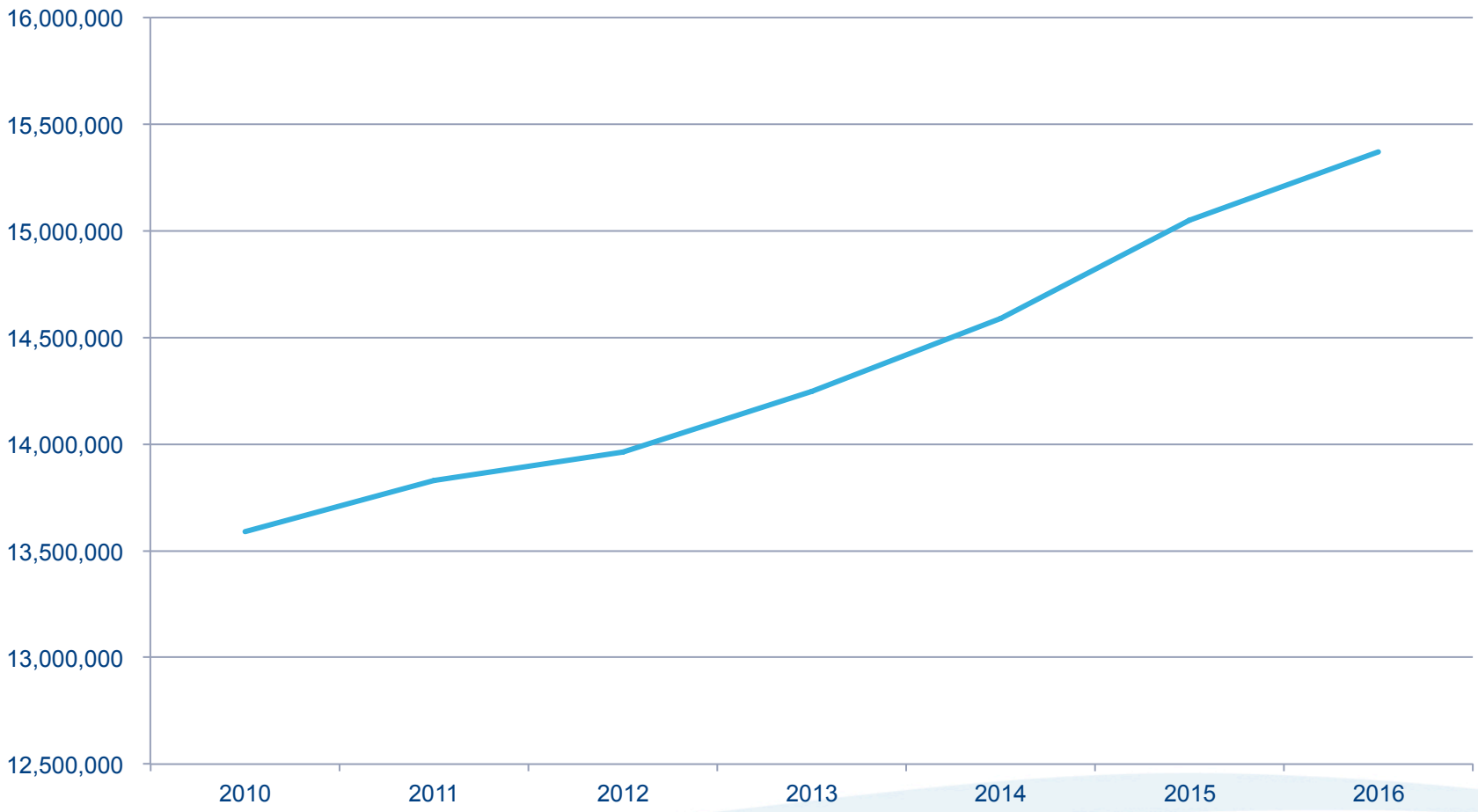
85% of the budget is locally generated



Value of taxable property



Sales & meals taxes = bright spot



FY18 city budget drivers

- Compensation
  - Wages - Fell behind during recession
  - Health insurance
- Police
  - Additional Patrol Officers
- Schools shift to academies
- Revenue not keeping pace with inflation

“I Value” priorities for FY18 budget

I Value input through the years

- FY11: Needs vs. wants
- FY12 Broad service levels: Maintain, reduce, eliminate
- FY13: Tolerance for specific cuts
- FY14: Increase revenues/Invest in city and schools or make dramatic cuts/disinvest

87% said no further cuts, so rate was increased.

I Value input through the years

- FY15: Polling on strategies to grow revenue, philosophy of tax bill equalization
  - 73% backed moving tax rate up to compensate for decrease in values, but rate wasn't changed
- FY16: Fee increases for solid waste, stormwater
- FY17: Town hall-style forums
- FY18: Proposed increases for police, fee increases, future strategy

Demographics

What is your age?

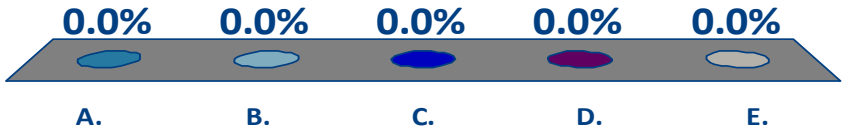
A. 19 & Under

B. 20 – 34

C. 35 – 49

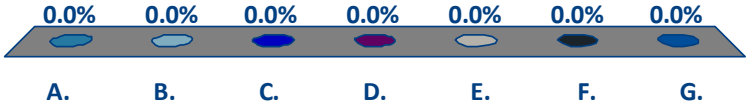
D. 50 – 64

E. 65 & Over



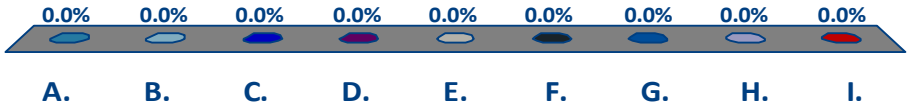
What is your race?

A. White or European American
B. Black or African American
C. Hispanic or Latino
D. Asian
E. Native Hawaiian/Other Pacific Islander
F. Two or more races
G. Another race not listed



What is your zip code?

A. 23605
B. 23651
C. 23661
D. 23663
E. 23664
F. 23666
G. 23665
H. 23669
I. Outside of Hampton



Police increases

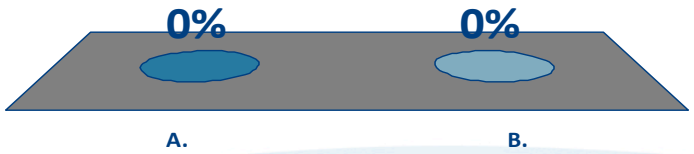
- Crime has been increasing in Hampton – as it has in the region and much of the nation. The Police Chief is working on many fronts to combat that trend but has asked for technology upgrades and more personnel so they can continue in the proven community-policing model.

Police Increases: Polling

Do you support the addition of 5 officers who will hit the streets in FY18? A federal grant is paying their salaries but the city pays for equipment and training at a cost of $320,000?

A. Yes

B. No

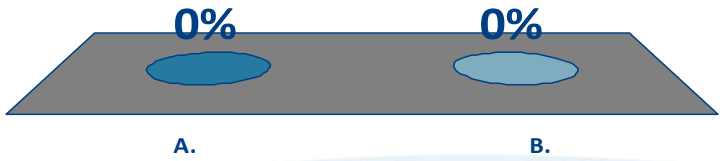


Police Increases: Polling

Do you support adding 7 more officers during the fiscal year at a cost of $425,000?

A. Yes

B. No

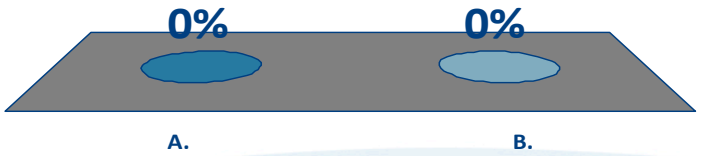


Police Increases: Polling

Do you support ongoing the technology equipment upgrades (cell phones and other) for police officers that we began this year at $200,000?

A. Yes

B. No



Recreational vehicles

- Hampton effectively eliminated taxes on recreational vehicles and campers in FY10. Some of this was in reaction to a continuation of the elimination of the boat tax.
- Now that the city has added a boat fee, some residents have called for the restoration of the tax on motor homes, recreational vehicles and campers.

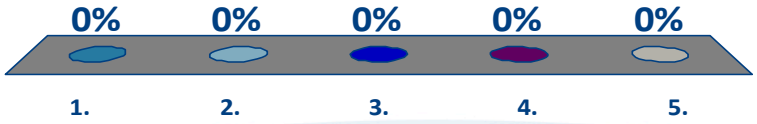
Recreational vehicles

Locality	Tax rate per $100 value
Newport News	$1.00
Norfolk	$1.50
Poquoson	$1.50
Portsmouth	$1.50
Suffolk	$1.50
Virginia Beach	$1.50
Chesapeake	$1.58
Williamsburg	$3.50
James City County	$4.00
York County	$4.00

Recreational Vehicles (RV): Polling

What are your views on an RV tax?

1. Do not tax RVs
2. Tax RVs at $1 per $100 of value (rate previous to 2010)
3. Tax RVs at $1.50 per $100 of value
4. Tax RVs at $2 per $100 of value
5. Tax RVs at the personal property (car) tax rate (currently $4.50 per $100 of value)



EMS fees: History

- Service Fees for Emergency Ambulance Transport Program (SFEATP) was approved by City Council on July 1, 2002, and was originally designed as a subscription program.
- SFEATP was modified by City Council in May 2005, based on “residency,” and automatically identified City residents utilizing ZIP codes.

EMS fees: Current process

- After being transported, a claim is sent to the insurance provider of all patients.
- **Non-residents** receive a bill for co-pays and deductibles.
- **City residents** do not receive a bill for co-pays and deductibles; however, they may receive a letter asking for additional insurance.
- Uninsured residents receive a bill, along with a copy of the uninsured resident billing waiver.

EMS fees: Current process

Transport Fees (2012-present)	
BLS:	$500.00
ALS I:	$600.00
ALS II:	$750.00
Mileage:	$11.00/transport mile
Assessment Fee:	$125.00

Current example: Hampton resident

Resident with Anthem BC/BS (deductible **<u>already</u>** met**)**

Transport:	$750
Disallowable (written off)	$0
Allowable (max amount allowed under plan):	$500

Breakdown of Allowable		$500
Insurance (80% of allowable):		$400
Customer (20% of allowable):	Not Billed	$0
Due to City:		$400

Current example: Hampton resident

Resident with High Deductible / Health Savings Plan

Transport:	$750
Disallowable (written off)	$250
Allowable (max amount allowed under plan):	$500

Breakdown of Allowable (with $2500-$5000 deductible):				$500
Insurance	0% until deductible met	$0	80% after deductible met	$400
Customer	100% until deductible met	$500	20% after deductible met	$100
Due to City	$500 (Not Billed)			$400

- Under the current process, if the patient is a Hampton resident, 100% of the customer's financial responsibility is written off.

Current example: Hampton resident

Traditional *vs.* High Deductible Plan

Breakdown of Allowable:				$500
	Traditional (NO deductible)		High Deductible (NOT met)	
Insurance	80% allowable	$400	0% until deductible met	$0
Customer	20% allowable	$100	100% until deductible met	$500
City Receives		$400		$0

- Under the current process, if the patient is a Hampton resident, and their deductible has not yet been met with previous medical services, the entire out-of-pocket expense would be written off.

Recent developments

- Increased numbers of companies and individuals selecting **high deductible** and/or health savings accounts.
- This trend **threatens long-term sustainability** of revenue to support fire & EMS services if the current write-off approach continues.

Recent developments

More immediately, and more importantly, automatic mutual aid **inconsistencies require a decision**

- Hampton recently began automatic aid with Newport News
- Ensures closest ambulance arrives on scene first
- When exploration of this process began, Hampton and NN had similar billing policies
- Since beginning automatic aid, we learned NN has changed, and now bills residents for deductibles and co-pays

Recent developments

- **Different billing approaches is highly problematic**

  Hampton needs to decide whether to:

  1. Conform to Newport News' practice, and the practice of several surrounding jurisdictions, of charging deductibles and co-pays to residents

     OR

  2. Cease automatic mutual aid due to incompatible billing practices

How does co-pay billing work?

- Insurance carrier billed for entire charge (**$750**)
- Insurance carrier identifies allowable charge (**$500**)
  - Often less than the entire amount billed due to industry wide negotiated discounts
- Difference between allowable and entire charge is written off (**$250**)
- If plan has deductible, insurance carrier identifies if it has been met with prior medical services, or if it has a remaining amount to be fulfilled prior to co-pay expenses.
- If deductible met, or if a no-deductible plan, insurance carrier identifies the co-pay for the customer (**20% of allowable** or **$100**), and pays the remainder (**80% of allowable** or **$400**).

How does co-pay billing work?

Fire's billing agent would then send an invoice to the customer for the co-pay, and applicable portion of remaining plan deductible if not yet met

- This is how the process works for **non-residents**
- Currently, **resident** co-pays and deductibles are written off
- Only **change** would be to now bill the resident for the co-pay and applicable remaining deductible for the service, just as they would incur for other similar medical services covered under their plan

Proposed example: Hampton resident

Resident with Anthem BC/BS (deductible already met)

Transport:	$750
Disallowable (written off)	$250
Allowable (max amount allowed under plan):	$500

Breakdown of Allowable		$500
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Proposed example: Hampton resident

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Due to City		$500		$500

- Under the proposed process, if the patient is a Hampton resident, and their deductible has not yet been met with previous medical services, the entire allowable expense would be out-of-pocket.

Proposed example: Hampton resident

Traditional *vs.* High Deductible Plan

Breakdown of Allowable:				$500
	Traditional (NO deductible)		High Deductible (NOT met)	
Insurance	80% allowable	$400	0% until deductible met	$0
Customer	20% allowable	$100	100% until deductible met	$500
City Receives		$500		$500

- Under the proposed process, **regardless of** residency, insurance type, deductible, or co-pay, the city would bill, and seek to collect, the entire allowable amount from all customers using the service.

Co-pay billing (Pros)

- Resolve incompatibility with NN and allow for automatic aid resulting in faster EMS response
- Offset potential downward revenue recovery due to evolving trend of high deductible plans
- More EMS revenue could speed up fire capital projects (such as station replacement) and add to fire staffing/compensation
- Because it is a user fee, additional revenue is derived only from users of the service – not a tax on all

Co-pay billing (Cons)

- Departure from original intention of program
- Co-pay amounts vary depending on type of insurance
  - High deductible plan users will pay more until deductibles are met
  - This is a choice the consumer has consciously chosen when making health insurance decisions
- Self pay clients would be responsible for entire amount, unless they qualify for a hardship waiver

Co-pay billing (Mitigation of cons)

- Policy allows for 100% write-off in the case of low income individuals
- Could consider write-off for those who have no insurance at all, although most likely already qualify for the hardship waiver

Summary

- Hardship waiver process still in effect for all customers
- Without this proposed change, the trend of customers choosing higher deductibles in lieu of higher premiums still may result in decreased revenue if these cases go to collections.
- Only those using the service would incur a fee
- No Code of Ordinance change required to implement

EMS Fees: Polling

Should Hampton continue mutual aid with Newport News, which ensures that the closest ambulance gets to someone, regardless of city lines, even if this forces a change in billing practice?

A. Yes

B. No

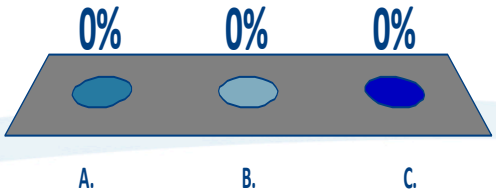
EMS Fees: Polling

How should we make up for EMS revenue that will be lost due to high-deductible plans?

A. Charge co-pays

B. Raise general property taxes

C. Cut other city services



Trash fee guiding principles

- Solid waste operations should be financially self supporting (user fee should support the operation)
- Solid waste fees should be kept as low as possible by continuing to operate in an efficient manner

Solid waste services

- 38,000 tons of refuse each year
- Special collection service for our disabled customers

Solid waste services

- 8,000 tons of recycling material each year
- Metal and Tire recycling
- Yard waste recycling/compos for leafy debris

Solid waste services

50,000 tons of Bulk Trash each year

15,000 tons of Yard waste

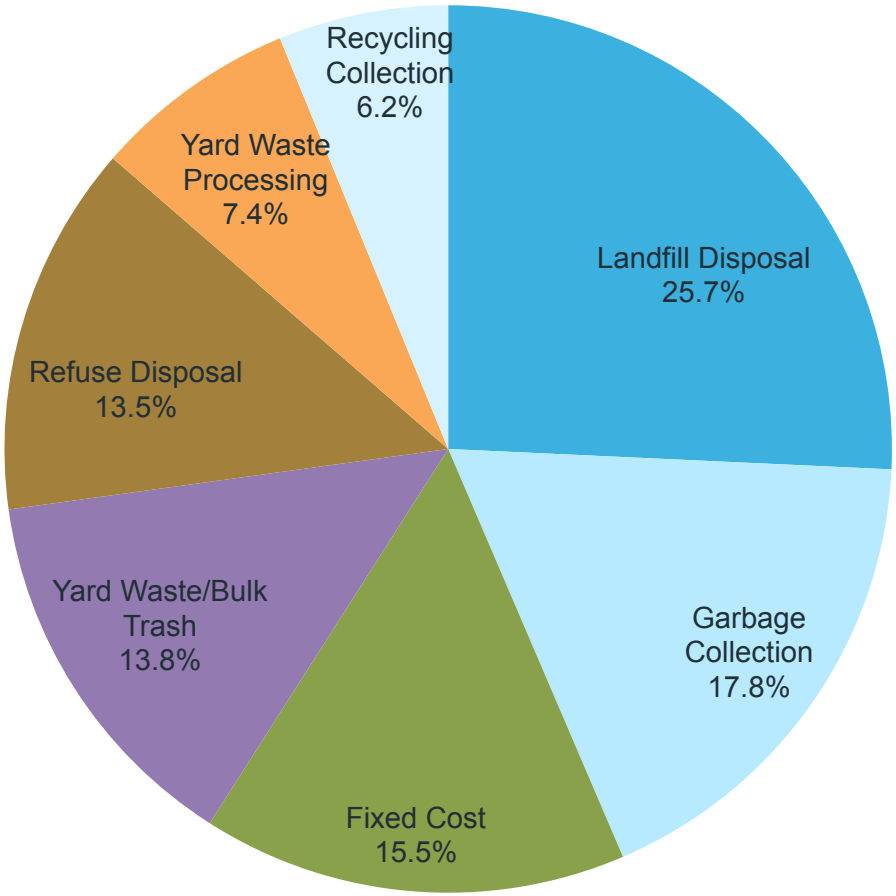
Bulk collections:

Safe and Clean

Storm Response

Snow Removal

Operations and maintenance budget

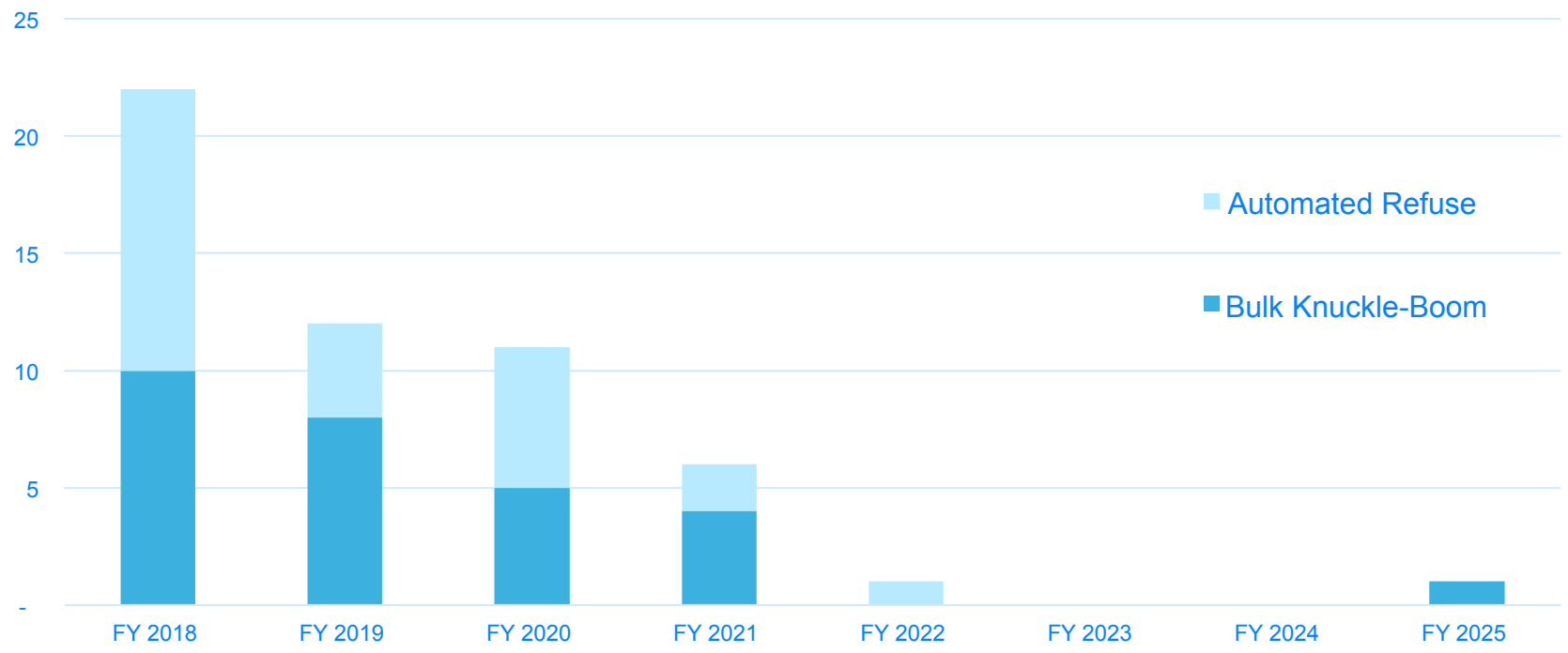


FY 2017 Total: $11.8 million

Financial status with current rates

($, millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Operating Costs[1]	**$12.2**	**$12.5**	**$12.9**	**$13.3**	**$13.7**	**$14.1**
Total Capital Costs[1,2]	**$1.5**	**$1.5**	**$1.6**	**$1.6**	**$1.7**	**$1.7**
Total Revenue Requirement	**$13.7**	**$14.1**	**$14.5**	**$14.9**	**$15.4**	**$15.8**
Less Non-User Fee Revenue[3]	$(1.4)	$(1.4)	$(1.4)	$(1.4)	$(1.4)	$(1.4)
Net Revenue Requirement	**$12.3**	**$12.7**	**$13.1**	**$13.5**	**$14.0**	**$14.4**
Net Revenue with Current Fees	**$12.1**	**$12.1**	**$12.1**	**$12.1**	**$12.1**	**$12.1**
Resulting Shortfall	**$(0.2)**	**$(0.6)**	**$(1.0)**	**$(1.5)**	**$(1.9)**	**$(2.4)**

Projected equipment replacement



Number of Vehicles Exceeding 8 Year Useful Life
(53 Total : 28 Bulk Vehicles & 25 Automated Refuse)

Equipment replacement scenarios

	Current	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Weekly Fee (All Scenarios)							
Scenario A: 4 Vehicles	$5.88	$5.90	$5.90	$6.15	$6.15	$6.65	$6.65
Scenario B: 6 Vehicles	$5.88	$6.10	$6.10	$6.45	$6.45	$6.95	$6.95
Scenario C: 8 Vehicles	$5.88	$6.30	$6.30	$6.75	$6.75	$7.20	$7.20
Recommended (Scenario B: 6 Vehicles)							
Weekly Fee	$5.88	$6.10	$6.10	$6.45	$6.45	$6.95	$6.95
Ending Cash Balance ($, millions)	$2.8	$3.1	$2.9	$3.0	$2.7	$3.0	$2.9

FY18 proposed rates to maintain service

	Current	FY 2018	Change
Weekly Fee	$5.88	$6.10	$0.22
Bimonthly Bill	$50.96	$52.87	$1.91
Yearly cost	$305.76	$317.20	$11.44

Looking forward
6-year projection period

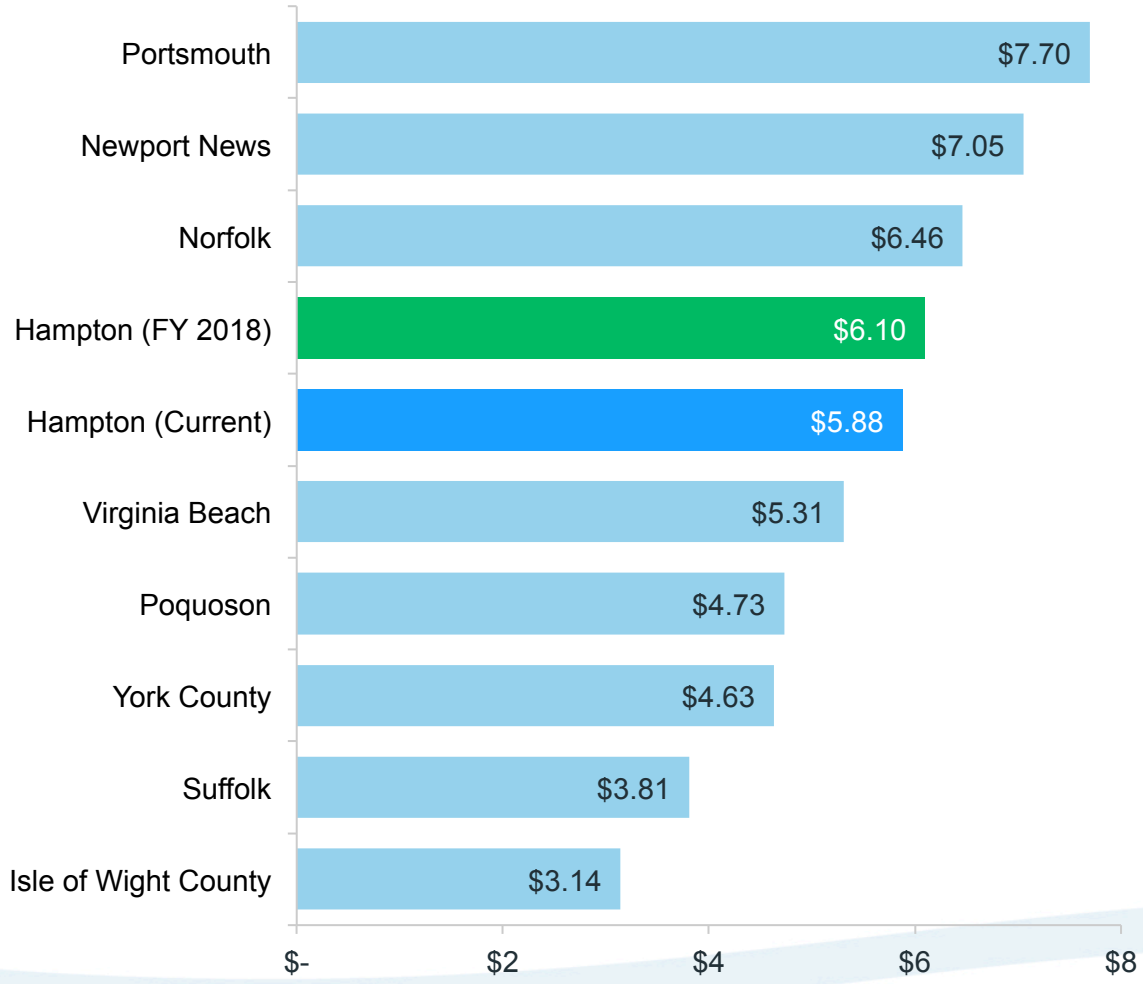
Recommended:

	Current	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Weekly Fee	$5.88	$6.10	$6.10	$6.45	$6.45	$6.95	$6.95
Bimonthly Bill	$50.96	$52.87	$52.87	$55.90	$55.90	$60.23	$60.23
Weekly Increase	-	*$0.22*	-	*$0.35*	-	*$0.50*	-

Compared with Prior Fee Presentation (Feb 2015):

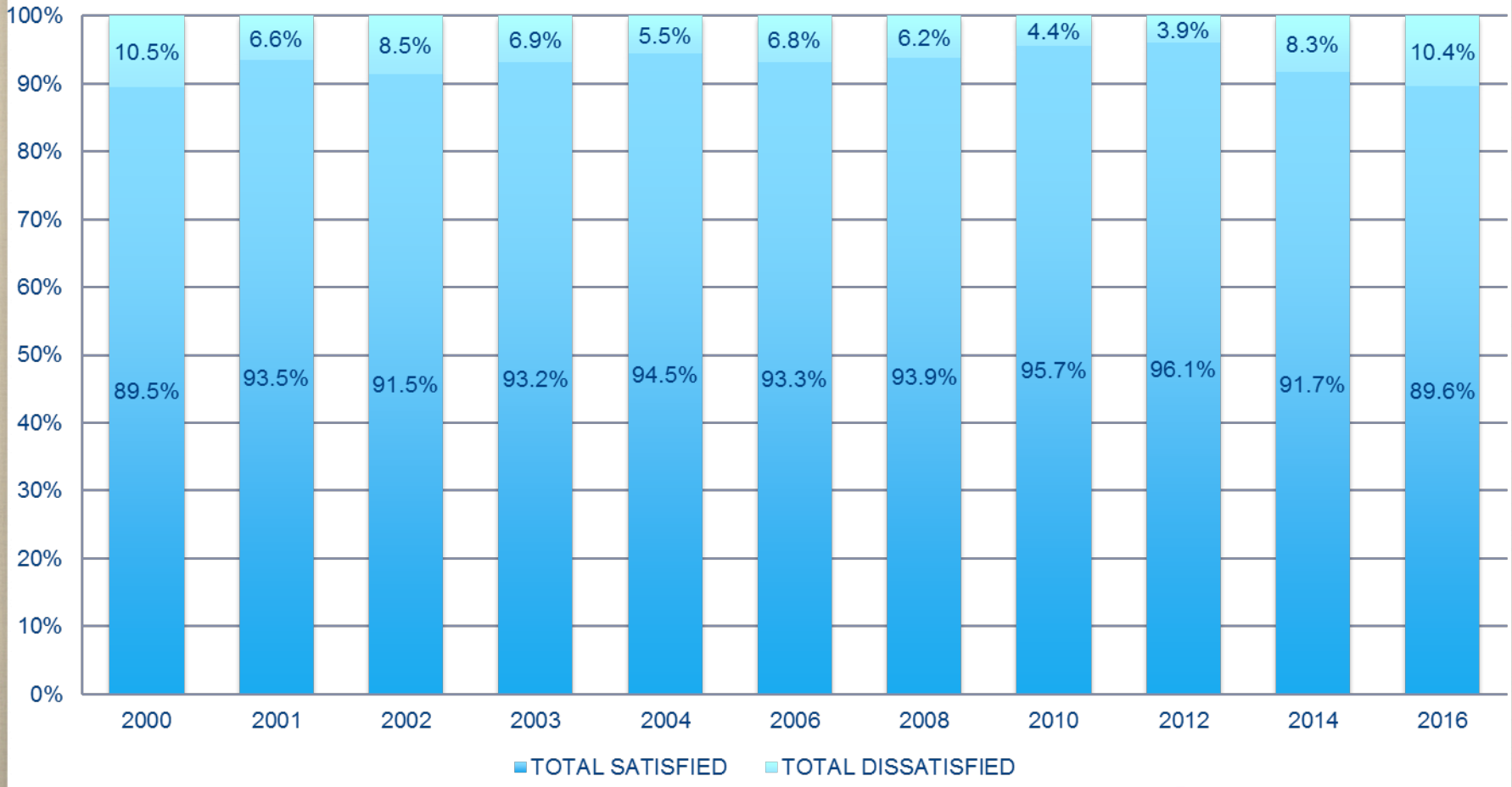
	FY 2017	FY 2018	FY 2019	FY 2020			
Weekly Fee	$5.88	$6.13	$6.13	$6.38			
Bimonthly Bill	$50.96	$53.12	$53.12	$55.29			
Weekly Increase	-	*$0.25*	-	*$0.25*			

Regional solidwaste comparison



Portsmouth	No curbside recycling
Newport News	Bulk collection biweekly
Norfolk	10 bulk collections per year
Hampton (FY 2018)	**Includes all services**
Hampton (Current)	**Includes all services**
Virginia Beach	No tire collections made
Poquoson	Also uses general fund tax dollars; charge for bulk/tire collection
York County	4 bulk collections/year; no yard waste collected
Suffolk	12 bulk collections/year; also uses general fund tax dollars
Isle of Wight County	Minimal services

Satisfaction with trash & recycling



Recommendations

- Adopt the recommended solid waste rate of $6.10/week for FY 2018

  (Investment in equipment)

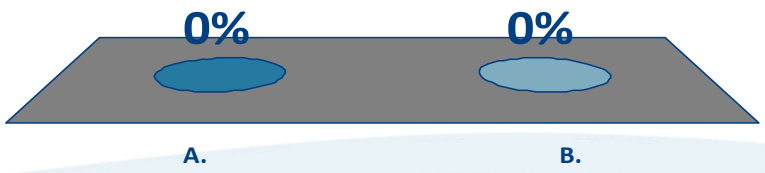
- Review solid waste rates on an annual basis and approve necessary rate adjustments

Trash Fees: Polling

Do you want to keep the current services at the higher rate?

A. Yes

B. No, reduce the frequency of bulk and yard waste pickups



Philosophy for the future

- After several years of declining revenue due to national housing trends and a recession -- and after years of city cuts -- residents said in polling that they did not want more service cuts but wanted to invest in future programs.

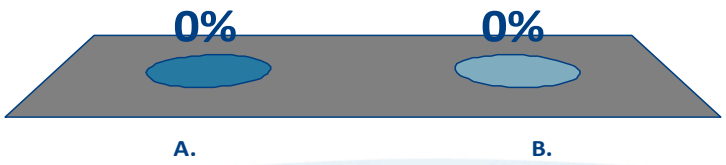
- If property values continue to grow at a slow 1%, rather than beating inflation, the city will soon be at a crossroads again of looking at cuts to popular and valuable services or revenue increases. These will be hard choices for residents.

Philosophy for the Future: Polling

Which of the following best describes your philosophy as we approach this choice?

A. Maintain existing services, even if that means that taxes and/or user fees have to be increased.

B. Keep the tax rate the same, even if it means cutting services.

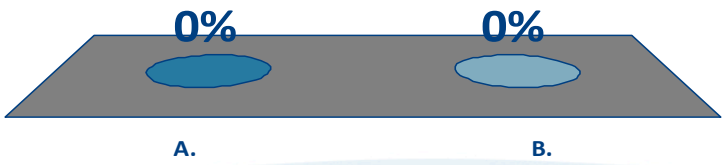


Philosophy for the Future: Polling

If services have to be reduced, which is your preference?

A. Consolidate services into fewer high-quality locations, closing some lesser-used facilities

B. Keep geographically dispersed facilities open but reduce hours and programming at each location.



Other ideas?

- Write them on notecards

Key Upcoming Dates

- Online polling on capital and operating expenses begins **Tuesday, March 7**

Key Upcoming Dates

- **April 15**: Manager recommends budget to Council
  - Copies on-line & in libraries
- **April 26**: Budget Briefing/ Public Hearing
- **May 3**: Public Hearing & 1st Reading
- **May 10**: 2nd Reading & Adopt the budget