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3 **MEETING MINUTES**

4 **AT A MEETING OF THE HAMPTON FINANCE COMMITTEE OF THE CITY OF HAMPTON, VIRGINIA HELD IN**
5 **THE COMMUNITY DEVELOPMENT CONFERENCE ROOM, FIFTH FLOOR, CITY HALL, 22 LINCOLN STREET,**
6 **ON TUESDAY, MARCH 25, 2021 AT 3:30PM**

7 **Call to Order/Roll Call**
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9 The meeting was called to order at 3:35 p.m. by the Honorable Christine Snead. Committee
10 members present at roll call were The Honorable Christine Snead, Mary B. Bunting, Linda D. Curtis,
11 William Andrews, and Rahzheena Steward. Staff members present were Karl Daughtrey, Libby Griebel,
12 and Annette Oakley. The Honorable Eleanor Brown joined the meeting at 3:50 p.m. and Brian DeProfio
13 joined the meeting at 4:15 p.m.
14

15 **1. Approval of May 5, 2020 Meeting Minutes**

16 Chair Snead stated the minutes have been distributed for review and called for a motion to
17 approve the minutes. A motion was made by Linda D. Curtis, and seconded by William Andrews. A vote
18 was taken and the motion passed.
19

20 Ayes: Andrews, Bunting, Curtis, Snead, Steward

21 Nays: None

22 Absent: Brown, DeProfio
23

24 Chair Snead explained the role of the Finance Committee, stating each year the committee looks
25 at the various financial situations in the City; mainly reviewing the budget and tax policy guideline. The
26 City Manager gives a preview of the revenue side of the budget. The Committee decides whether to
27 recommend to the City Council an increase or decrease in the real estate taxes, based on the guideline.
28 City Manager Bunting mentioned the financial guideline is further complicated this year due to the
29 pandemic and the American Rescue Plan Act, which has a specific provision that if localities and States
30 take the federal relief, that funding cannot be used directly or indirectly to off-set a reduction in net tax
31 revenue. She mentioned there is some consternation regarding the provision right now; it is not clear
32 who it applies to, and what does 'directly/indirectly' mean. She stated, according to the National
33 Association of Counties, Hampton is scheduled to get over \$26 million, so we are trying to get clarity
34 from the Congressional Delegation as soon as possible in order to consider a tax rate reduction. This
35 year is atypical, as assessments are growing, but at the same time commercial is dropping. Ms. Bunting
36 explained this prior to the presentations for members to get a better understanding and to allow for the
37 opportunity to ask questions.
38

39 Linda Curtis suggested we explain the policy for new members. Ms. Bunting gave a brief
40 background and explained the policy, which is a guideline created to balance the need of revenue
41 growth. Each year, we look at resident income growth and the cost of living for urban dwellers, using
42 the higher of the two to determine how much the revenue should naturally grow to take care of existing
43 expenses, such as salary increases. Anything in excess of this amount should either be used for tax relief
44 or dedicate it to a specific purpose; for example, in the past funds were dedicated to paying for the debt
45 of two new schools and adding Police officer positions. The policy looks at an annual, stand-alone year.
46 Ms. Bunting stated this is an unusual year, with the pandemic. She stated City Council asked the staff,
47 when meeting with the Finance Committee, to not only look at the application of the policy, but to also
48 determine if the policy needs to be updated.

49 **2. Presentation: Real Estate Assessment**

50 Chair Snead introduced Libby Griebel, Assessor of Real Estate, who gave a brief
51 presentation (copy on file) on the “Preliminary Land Book FY2022”, which was presented to City
52 Council in January. Housing sales have increased and the market has become more aggressive,
53 with multiple offers on houses. Ms. Griebel stated this is a difficult time for appraisers because
54 they cannot keep up with the values and because the market inventory is limited, so values are
55 being pushed up. This will probably continue until the interest rates move up. Overall, there
56 was an increase in sale price and foreclosures have dropped. Ms. Griebel stated in summary,
57 values for 2020 are on an upward trend that is predicted to continue. She asked committee
58 members to please let her know if they have any questions.

59
60 Ms. Griebel also shared that the Hampton Assessor’s Office received the Certificate of
61 Excellence in Assessment Administration (CEAA) from International Association of Assessing
62 Officers (IAAO), the first city in Virginia to receive this certification. Other localities have since
63 received the award as well.

64
65 **3. Overview of the FY22 Revenue Estimates:**

66 Chris Snead, introduced Karl Daughtrey, Director of Finance, who gave a brief overview,
67 “Preliminary Revenue Projections for FY22” (copy on file). Mr. Daughtrey stated prior to the pandemic,
68 revenues were very good; FY20 ending revenues exceeded about \$8 million. For the current FY21
69 projections are under budget at about \$6.5 million. This presentation was also presented to City Council
70 at their March 24th meeting. Mr. Daughtrey highlighted the following items: total general fund revenues
71 (recurring revenues and one-time revenues); general property taxes (real estate taxes and personal
72 property taxes).

73
74 Mr. Andrews inquired about personal property tax increase at 6.9%, if it’s the same as real
75 estate tax; where the majority goes to certain designated things and is not discretionary. Mr. Daughtrey
76 referred to the school funding formula, stating the schools get 61.83% of the residential personal
77 property tax; most of the increase is related to the residential tax base. The same formula applies. Ms.
78 Bunting explained when we gave the number to the schools, we backed out the equivalent of 3 cents,
79 the financial guideline will show the gap we refer to, which would either lower the tax rate 3 cents or we
80 have to dedicate it to something. Either way the schools would not get it. She stated when we gave the
81 schools a local funding number on which to finalize their budget, we already accounted for the fact that
82 they would not get the equivalent of 3 cents of the residential tax rate.

83
84 Mr. Daughtrey continued his presentation, reviewing the following items; other local taxes
85 (meal tax, sales and use tax, business license tax, communications sales tax, utilities taxes – electric and
86 gas, pari-mutuel license tax, admission tax, and lodging tax); license, permits and privileged fees; fines
87 and forfeitures; revenues from use of money and property; charges for services; miscellaneous revenue;
88 state/federal revenues; and transfers and fund balance. Mr. Daughtrey stated overall, in summary, the
89 City is projecting an increase in recurring revenues of \$6.7M; \$2.6M available for general purposes and
90 \$4.1M is committed for specific purposes.

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92 **4. Committee Member Items/Discussion:**

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94 Application of Tax Revenue Guidelines

95 Mr. Daughtrey then provided a package regarding the Tax Revenue Guidelines and gave some
96 background information on the original policy. He then talked about the current policy, which was

97 adopted and modified by City Council in May 2013. The policy is more flexible, but still looks at the
98 greater of the two factors; growth in residential income or CPI-U (Consumer Price Index for All Urban
99 Consumers). The policy also wants us to do an analysis and look at all revenues, not just rely on
100 increases in real estate revenues. He then discussed the various growth factors and growth in Hampton
101 for year-end 2019 and for 2020, so the greater of the two is 3.5%, which is the factor we use for FY22.
102

103 Councilwoman Brown inquired if the latest data correlate if using the same year in the
104 calculations? Mr. Daughtrey responded basically most years personal income would be greater.
105 Councilwoman Brown asked where it was off by one year, did it change the results? Mr. Daughtrey
106 responded he looked at an average for 5-6 years and it would have changed in two years.
107 Councilwoman Brown felt it would be more logical to use the same year. Mr. Daughtrey stated it would
108 be the committee's preference. Councilwoman Brown would like to look at this process. Mr. DeProfio
109 asked for clarification. Councilwoman Brown stated she felt it would be more logical and correlative to
110 use the same year-end data; she offered this for the committee's consideration. Chair Snead asked Mr.
111 Daughtrey if he can run the numbers for the committee's review, and he stated he would do so.
112

113 Mr. Daughtrey continued his review of the worksheet to determine the tax equalization rate,
114 stating based on the growth factor, it's added to the revenue budget, which is \$146M in real estate
115 revenues. Based on that assessment, it generates a tax equalization rate of \$1.27; three cents less than
116 2021. The committee tracks the cumulative equalization rate, so the policy suggests we reduce the tax
117 equalization rate by three cents. Chair Snead mentioned we should state that the tax rate is \$1.27, but
118 we are at \$1.24. Mr. Daughtrey stated even though we might have a cumulative rate that is less, the
119 annual look gives the ability to look at it.
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121 Councilwoman Brown suggested looking at a rolling average, for a period of time (three or five
122 years, for example), so the 'bump' we've had over the past few years, would be evened out. Mr.
123 Daughtrey stated we could possibly do the average of three years to see if it evens out. He then
124 reviewed the numbers and stated the average is 3.4, which brings it down a little, but this could cause
125 an additional four cents. Mr. Daughtrey stated the guideline was meant to look at an annual analysis.
126 Chair Snead mentioned as property values increase, it puts pressure to reduce the tax rate. Ms. Curtis
127 made a point, the formula suggested for years that we needed to raise the rate to make ends meet, but
128 we did not, as it wasn't a necessity, and we are now in a different situation. Councilwoman Brown
129 agreed and stated we haven't been able to staff positions and spend; it's a 'Catch 22'.
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131 Mr. Andrews stated good points have been made and inquired when we expect to have more
132 knowledge on the funds from the American Recovery Plan Act. Ms. Bunting stated we are not sure yet,
133 as the Treasury of Secretary stated they are working on it, but not sure when. The City of Hampton will
134 have to propose a flat rate, as the budget needs to be passed by May 15th; we have a lack of clarity. Mr.
135 Andrews stated given the uncertainties, he has a hard time supporting capping ourselves at something
136 lower right now. He stated with the proposed changes regarding the scope of the committee's work, he
137 suggested a fall meeting to discuss when City Council is not in budget meetings and can deal with it
138 separately. Chair Snead stated the work would be done after the fact. Ms. Bunting stated it is
139 reasonable to suggest a \$1.24 rate. Ms. Curtis stated theoretically, by the formula, we should be raising
140 the rate to \$1.27, but we are recommending to keep it at \$1.24. Mr. Andrews suggested two things;
141 leave the rate at \$1.24; and a team of 2-3 presenters (instead of one person) share the presentation
142 with City Council that based on the formula, the rate would be higher, but we are leaving it at \$1.24. It
143 was noted that the recommended budget will be released April 15, 2021 and the presentation will be
144 April 28, 2021.

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Ms. Steward mentioned, from a citizen’s perspective, she would want to know of plans the City has and what are the new initiatives, and what would the citizens get for the rate. Chair Snead stated schools initiative is the ‘selling’ point and should be part of the message. Mr. Andrews stated the school accreditation is a selling point and would be good to keep it. Chair Snead stated its time to look at this again. After further discussion, Mr. Andrews made a motion.

ACTION: Will Andrews made a motion to recommend that we continue the tax rate of \$1.24. Linda Curtis seconded. A roll call vote was taken which resulted as follows:

Ayes: Andrews, Brown, Bunting, Curtis, DeProfio, Snead, Steward
Nays: None

ACTION: After some discussion, Mr. Andrews amended the motion to maintain the tax rate, due to the loss in pandemic revenues. Ms. Curtis seconded. A roll call vote was taken, which resulted as follows:

Ayes: Andrews, Brown, Bunting, Curtis, DeProfio, Snead, Steward
Nays: None

Chair Snead stated we can convene in the fall to discuss further. In regards to the presentation to City Council, Mr. Andrews mentioned he cannot do anything before April 15th due to his workload. In the meantime, Mr. Daughtrey and staff can work on information for the presentation; he and Brian DeProfio can help draft the presentation and they will send to the sub-committee for review.

It was determined that the subcommittee to coordinate and present to City Council on April 28, 2021, is as follows; William Andrews, Linda Curtis and Rahzheena Steward.

5. New Business:

No new business was discussed.

6. Audience Granted to the Public:

No citizen comments were submitted.

7. Adjournment:

There being no further business, Chair Snead adjourned the meeting at 5:41 p.m.