

**WILLIAMSBURG CITY COUNCIL
WORK SESSION
APRIL 5, 2010**

The Williamsburg City Council held a work session on Monday, April 5, 2010, at 4:00 p.m. in the City Council Chambers of the Stryker Building, 412 N. Boundary Street, Williamsburg, Virginia.

CALL TO ORDER

Mayor Jeanne Zeidler called the meeting to order.

ATTENDANCE

Present in addition to Ms. Zeidler were Vice-Mayor Clyde Haulman, Council members Ms. Judith Knudson and Messrs. Paul Freiling and Robert Braxton. Also present were City Manager Jack Tuttle, City Attorney Joe Phillips and Council Clerk Donna Scott.

Staff Attending: Assistant City Manager Jodi Miller, Economic Development Director Michele DeWitt, Planning Director Reed Nester, Finance Director Phil Serra, Parks & Recreation Director Lori Rierson and Deputy City Attorney Christina Shelton.

ITEMS FOR CITY COUNCIL MEETING OF APRIL 8, 2010

Public Comment

Mayor Zeidler invited public comment on items on the agenda for Thursday's Council meeting.

Lois Hornsby, 311 Indian Springs Road, thanked Council for all they have accomplished and for support of the school system. She added a special thank you for Mayor Zeidler.

Mayor Zeidler thanked Ms. Hornsby for her comments and all of her work over many years for our community, particularly for the schools.

Council Preview

Mayor Zeidler confirmed that Council members have all the information they need regarding items on the agenda for the regular Council meeting on Thursday.

BACKGROUND PRESENTATIONS/DISCUSSIONS

Update on Williamsburg/James City County FY 2011 Proposed School Budget

Mayor Zeidler acknowledged Williamsburg/James City County School Board Chair, James Nickols and noted the presence of former School Board chairs, currently Board members Elise Emanuel and John Alewynse. In addition, she noted the presence of another former chair of the School Board, Denise Koch, and thanked School Board representatives for their attendance.

Mr. Nickols noted that Ruth Larson, Vice-Chair of the School Board was not able to attend today's meeting due to family illness. He stated that preparation of the School Budget has been a roller coaster ride with the ups and downs of funding to be received. He said they have developed a tentative timeline to do some strategic planning recognizing that next year there will also be a shortfall. Mr. Nickols introduced Scott Burckbuchler, CFO &

Assistant Superintendent of Schools who gave a brief review of the current year's budget reductions noting that some of the information is a recap of what the Council received at the recent meeting of Williamsburg City Council, James City County Board of Supervisors and School Board members.

Mr. Burckbuchler said there were significant reductions taken within this current fiscal year which amounted to \$2.3 million and included the elimination of 32 positions. He said he is happy to report the school system is very competitive with surrounding communities in regard to administrative costs. Assisted by \$2.5 million in Federal stimulus funds, the current year's budget did not reduce the overall number of FTE (Full-Time Equivalent) teacher positions or other building-based instructional positions. Unfortunately the Federal stimulus funds will no longer be available.

A high level review of the School board budget proposal shows a 24% reduction in Central Office non-personnel costs. Administrative and support positions represent a 8% reduction, base budget reductions of 11% (personnel savings due to retirement and other attrition factors), and VRS reductions of 56%. Mr. Burckbuchler noted that the VRS reductions negated some of the other reductions that were originally proposed. If the VRS rates go up in the next couple of years, this will need to be dealt with. Instructional faculty reductions represented only 1%.

The proposed budget includes a .1% increase from the City of Williamsburg which is the same appropriation for the current year; the School Board is not asking for additional funds. Overall, the reduction from the current year is \$4.4 million; the largest percentages of reduction came from the administrative and technology areas. Mr. Burckbuchler noted that the proposed budget accomplishes a number of important matters in these difficult economic times:

- Although some reductions occur, the target pupil-teacher ratio in Grades K thru 5 is 22:1
- Although some reductions occur, the target pupil-teacher ratio in Grades 6 thru 8 is 23:1
- Although some reductions occur, the target pupil-teacher ratio in Grades 9 thru 12 is at a most reasonable 25:1
- Preserves co-curricular and athletic opportunities important to students

He noted that the School Board protected the instructional program in terms of making sure the pupil-teacher ratios occurred.

Mr. Burckbuchler concluded his presentation saying that these accomplishments are possible because of the City's and County's strong commitment to fund public education. The Schools are very fortunate to have a strong partnership with both the governing bodies and ask for continued support in allocating the funds articulated in the budget proposal, which is approximately level funding from this year's adjusted appropriations.

Mayor Zeidler thanked Mr. Burckbuchler for the presentation as well as for the good conversation a couple of weeks ago at the meeting of the School Board, James City County Board of Supervisors and Williamsburg City Council. She said the presentation today was

consistent with that conversation, adding that she is happy the schools didn't take as great a hit as feared. Of concern is what so much of the cut in VRS contributions will mean in future years. Mr. Burckbuchler confirmed that the City's funding for schools is based on a formula, and for the first time in a while the City had more students in the schools than James City County. Regarding administrative costs, Mayor Zeidler asked which school divisions were looked at for determining W/JCC administrative costs are lower than surrounding communities, and were apples really being compared to apples. Mr. Burckbuchler said there are a series of comparisons in administrative and insurance costs; there is a lot of comparison with York County and how our costs factor into York's administrative costs. It can be looked at on a per-pupil basis or a dollar amount, and when you look at administration as defined by the state, in terms of human resources, finance, superintendents, communications, School Board and the like, we factor pretty favorably with our neighbors. He added that is not to say that theirs is higher and ours is lower, but that we are very competitive when you look at the numbers.

Mr. Haulman thanked Mr. Burckbuchler for his sharp pencil and the efforts he has made on behalf of the school system. Mr. Burckbuchler noted the efforts of all the cost center managers which includes the school principals, department heads, the superintendent, and most importantly, the School Board for their overall leadership with the budget. In response to Mr. Haulman's question of how many positions have been cut from central administration over the last two years and how has this impacted the tight space and the ability to operate where they currently are located, Mr. Burckbuchler said easily 20 positions have been cut and with those cuts comes the need for less space. However, the space problem has not totally been relieved; because of the school division's instructional focus there are still storage issues which can be observed while walking through the halls at Central Office.

Ms. Knudson asked how the projected per-pupil spending of \$9,851 compares with our surrounding jurisdictions, and Mr. Burckbuchler answered that, compared to York County, it is higher by a factor of about \$2,000. In part, this is due to the longevity of our staff in terms of where they are on the salary schedule, as well as some of our instructional programs, looking at the number of instructional positions per 1000 students, we are higher than some of our surrounding communities. He added that it is really in the instructional area that we tend to be higher than our neighbors.

Mr. Braxton noted the change in the budget from that which was previously stated for the *Academy for Life and Learning (ALL)*, and Mr. Burckbuchler explained that the School Board made the adjustment to the budget before they approved it. Two of the positions eliminated were *ALL* guidance and the reasoning for that was because of the number of students for whom those services would be provided and the fact that there is a behavioral specialist within that area. Also, because of the change in location of the program, *ALL* security funds were eliminated. Any other reductions were in the form of actual personnel costs of those currently within that program; VRS reductions or unemployment benefit costs. In response to Mr. Braxton, Mr. Burckbuchler confirmed that the reductions in this Cost Center line item reflect elimination of one employee and security personnel, VRS reductions and the elimination of guidance personnel. He clarified that students would still receive the services of guidance personnel via the behavioral specialist and guidance personnel located in the secondary schools.

Mr. Freiling stated that as they expressed at the joint meeting a couple of weeks ago, they are very pleased with what has been accomplished on the budget, but the concern remains about what will happen in future years. Unless the VRS system changes, that money will have to be returned to the budget and we will have to make up for lost time. He said he is not at all critical of anything the schools are doing; he and his family are thrilled with the exceptional experience that his children have received in the school system. However, there are fiscal realities that will have to be faced and at some point we need to start to look at what we can do differently. Mr. Freiling said he would like to encourage him to start thinking along those lines.

In response to Mayor Zeidler's question regarding the budget timeline, Mr. Nickols said the next budget process will begin in August when strategic planning for the next budget cycle and the reductions that will need to be faced will be discussed.

In response to Mayor Zeidler's question about the search for the next W/JCC School Division Superintendent, Mr. Nickols said there is a committee of two, Elise Emanuel and Denise Koch who are coordinating the effort. Ms. Emanuel said they have decided to use the services of the Virginia School Boards Association; the School Division receives these services at a discount rate as a benefit of their membership. The committee will have an open meeting with the Virginia School Boards Association representatives at noon on May 13, when they will begin to lay out the process. They invite input from members of the community and at the meeting on the 13th will establish a tentative timeline. Ms. Emanuel assured the Council that there will be adequate time for the community to offer input. They anticipate that they will have to secure the services of an Acting Superintendent through the next school year because of the short timeline involved for the search.

Mayor Zeidler stated that she appreciates Ms. Emanuel's responsiveness and realizes it's still early in the process. Ms. Emanuel confirmed that all that has been done to this point is securing the services of the Virginia School Boards Association and scheduling the first meeting.

Mayor Zeidler thanked Mr. Nickols, School Board members and Mr. Burckbuchler. She noted the City budget will be adopted at the May 13 City Council meeting.

Fiscal Year 2011 City of Williamsburg Budget Update

Finance Director Serra reviewed revisions to the FY2011 Budget, most of which were discussed at Council's March 23 Budget Work Session. The General Fund is the only one that currently has changes.

The initial proposed revenues in the General Fund were \$31,077,012, but with increases in funding the total revised revenues are \$31,184,035. The increased funding has come from Comp Board Reimbursement (Commissioner of Revenue and the Treasurer); the State Grantor's Tax; and 599 Funds restored by the General Assembly. On the expenditure side, there are increases in the City's contributions to High Speed Rail and to the Chamber & Tourism Alliance; a decrease in the Jail Contribution; and the addition of one Police Officer position. The residual of \$83,134 will go to the Operating Contingency bringing that fund to \$333,000 for FY2011. Total revised expenditures are \$31,184,035; the net effect is there is no transfer to or from the surplus. This results in a decrease of

2.8% operating budget from the current year. Mr. Serra said there are no changes to the Sales Tax Fund, Utility Fund or the Public Assistance Fund at this point.

Mayor Zeidler noted there will be a Public Hearing on the Budget at the Council meeting on Thursday, April 8.

Mr. Serra added that regarding real estate values compared to sales, there were quite a few transactions last month in the residential market averaging an assessments-to-sales ratio of about 98.8%. Overall, since last June he said we are right on target with the residential market, experiencing about 100% assessment to sales. On the Commercial side, there have been only six sales since July. Due to lack of sales, it's hard to get an accurate picture of what is happening in the commercial market. Mr. Serra concluded his comments by saying there is no recommendation for change to the \$9.75 million in real estate taxes. Assessments-to-sales ratio will continue to be tracked and reported to Council each month.

Request of Riverside Health Care Association to Amend Proffers for Quarterpath at Williamsburg

Planning Director Nester reviewed the request noting that amending the proffers only requires action by City Council. The Public Hearing requirement is waived, which is allowed by Section 15.2-2302 of the Code of Virginia, since the amendments do not affect conditions of use or density.

In April 2005 properties for Riverside's Quarterpath at Williamsburg development were rezoned. The developer is requesting amendments of the proffers for three parcels in the development because of "unforeseen and extraordinary economic circumstances."

Mr. Nester reviewed the proffers that were accepted for the three rezonings in 2005, the current status of the proffers and the proposed changes. The proposed changes are as follows:

- No Tax Exemption. It is proposed to establish a waiver from the proffered taxability for the Healthcare Development Area for a period of time ending ten years from the date of issuance of a certificate of occupancy for the hospital, except for the City of Williamsburg real estate taxes.
- Major Roadways. It is proposed that prior to construction of the entirety of Battery Boulevard, improvements may be constructed in the ED Economic Development Zoning District that would generate traffic "of an equivalent amount of average daily traffic as the aggregate of improvements comprising a 40 bed hospital facility, 200,000 square feet of medical office, 250,000 square feet of additional non-residential floor area and 175 condominium/townhouse units would generate...." Thus, until the projected traffic count of improvements exceeds this standard, only the portion of Battery Boulevard needed to serve such improvements need be constructed. Once the designated threshold is met, the remainder of Battery Boulevard must be built all the way to Quarterpath Road before further construction can take place in the ED District. Residential construction on Lot 2 would not be allowed until all of Redoubt Road and all of Battery Boulevard is completed or bonded.

- Escrow to Assure Battery Boulevard Construction. In order to assure construction of all of Battery Boulevard in the City, it is required that 80% of net Cash Flow from sale or ground leasing of property in the ED District, except for the hospital and adjacent medical office(s) containing not more than 200,000 square feet, be placed in escrow. The maximum amount to be placed in escrow is \$5,500,000.00. The escrow will terminate upon the first of (i) the date when all CDA bonds issued to finance the entirety of Battery Boulevard have been paid in full or (ii) the completion of the entirety of Battery Boulevard in the City.

Mr. Nester said he would be happy to respond to any questions Council might have and noted the presence of Riverside representatives, Paul Gerhardt, Molly Trant, Bill Downey and Tracy Dowling who are available to answer Council questions.

Mayor Zeidler asked if the previously mentioned “Healthcare Development Area” is the hospital, or the hospital and other facilities. Mr. Nester answered that the Healthcare Development Area, which is being proposed to be moved closer to Route 60 than the original plan, includes the hospital as well as some medical offices.

Mayor Zeidler asked hospital representatives to explain why they are asking for the changes. William B. Downey, Riverside Healthcare Association Chief Operating Officer, responded that there are a couple of reasons. One is that they would like to get started on the project as quickly as possible, so moving it forward allows them to do it with less infrastructure costs. He said it is a very difficult economic situation; in the last 35 years, and some would say even the last 75 years, we have not faced such a difficult economic time. Initially the project with proffers was planned as a total development, but that is not going to happen. They believe they will start the hospital this year with infrastructure going in this fall and the hospital breaking ground early next year.

Mr. Downey said they did not foresee having to come back to Council after the project was proposed with housing starts and prices flat to down. They have worked very hard with the City; it's been difficult getting to this point, but they believe it's fair for both sides. On the earlier proffers, they have already spent about \$6 million, and have made a significant commitment to the project already. He said they will still pay more in taxes the first year the hospital is open than was paid by the previous hospital because they are committed to the property taxes; the carrying costs for the other taxes are very expensive and allowing deferment of them for ten years would help the hospital get up and running.

Mayor Zeidler thanked Mr. Downey for the explanation and noted Council has always looked at the project as building for 50 years, for the future, and understandably this economy has slowed the project down. Moving the site of the health care center closer to Route 60 means there will be less road to build, as well as some other infrastructure making it more possible to begin.

Mr. Haulman said the explanation was helpful and added that it is very Important to have a second hospital in the City; competition is important. In response to Mr. Haulman's question about the anticipated build-out for the hospital, Mr. Downey responded that they are ready to go with requests for proposals to architects. They still have some design

work, but the biggest impact is there is a lot of infrastructure work to be done. Completion date for construction is anticipated for the end of 2012, early 2013. Mr. Haulman asked if the time difference has been computed for an emergency vehicle coming down Rt. 199 from Henry Street versus going on Battery Boulevard. Mr. Tuttle responded that there would not be a significant difference, but the more direct route would be to go up Rt. 60.

Ms. Knudson stated that she has no problem with the roads, but does have a little problem with taxes. She said that having had some experience other places where corporations are given tax exemptions and as soon as it comes time for them to start paying taxes, they leave. She added that she doesn't expect the hospital to leave, but can envision in 8 or 9 years someone coming and saying that because they haven't paid the tax for those years, they see no reason why they should start paying it. She said it worries her a lot and she thinks we should go on record saying this is a ten year, short term agreement and we're willing to do it in order to help the hospital through this period, but in ten years we expect payment of the taxes as defined in the proffers.

Mr. Braxton thanked Mr. Downey noting Riverside is going to be a good addition to this area. He asked if there is anything to stop the construction and hookups of the water tower. Mr. Tuttle responded that there is nothing legally stopping it, but there is a lot of work to do. There is a long water line that Riverside will build, and the tower needs to be constructed; it will take time, but he sees no legal impediments.

Mr. Nester confirmed Mr. Freiling's understanding that the ten-year exemption would be on BPOL and personal property tax, but not on City of Williamsburg real estate taxes related to the hospital; taxes would still be paid on the land and the physical structure of the building. Mr. Nester also confirmed that the former Williamsburg Community Hospital did not pay that tax. Mr. Freiling pointed out, and Mr. Nester confirmed, that whatever tax we would get in this situation would be considerably more, even with the ten-year exemption.

Asking for confirmation, Mr. Freiling said the initial construction is shorter from Rt. 60 to the new hospital site, but before anything beyond the medical campus could be constructed in the Ed District or the pertinent part of Lot 1, they would have to complete Battery Boulevard all the way through to the Quarterpath intersection. Mr. Nester clarified that there is a traffic threshold in the proffers, and to build beyond that traffic generation threshold, the entire road would need to be built. He added that they could build up to that threshold and not complete the road. Mr. Tuttle added that the 40 bed hospital facility, 200,000 square feet of medical office, 250,000 square feet of additional non-residential floor area and 175 condominium townhouse units can be constructed without completing the road. However, the roads have to be built to service any development itself and 80% of any proceeds from property sales or leases will be held in escrow until such time that the road is completed and/or the bonds are paid off.

In response to Mr. Freiling's question, Mr. Tuttle confirmed that Council action would be taken at the Council meeting on Thursday, and there will not be another presentation or a Public Hearing at that time unless Council requests there be one. Mr. Nester noted that with any proffers, they must be accepted or rejected, but they cannot be approved with

conditions. City Attorney Phillips noted that he and Paul Gerhardt have met and discussed

three very minor non-substantive modifications that will be made, but they don't change the substance.

CITY COUNCIL COMMUNICATIONS -- None

SCHEDULE OF MEETINGS: APRIL 2010

Mayor Zeidler noted the City Calendar for the month of April which Council members received in their meeting packets.

OPEN FORUM

Mayor Zeidler opened the Open Forum portion of the meeting inviting comments on any topic.

There being no comment the Open Forum was closed.

CLOSED SESSION

At 5:00 p.m. Mr. Haulman moved that City Council go into Closed Session pursuant to Section 2.2-3711 of the Code of Virginia for the purpose of discussing one personnel matter per subparagraph 1, concerning appointments. The motion was seconded by Mr. Freiling and carried by roll call vote of 5-0.

Recorded Vote on the Motion:

Aye: Braxton, Haulman, Zeidler, Knudson, Freiling

No: None

The Mayor called for a five-minute recess prior to going into Closed Session.

OPEN SESSION

Council again met in Open Session for certification of the closed meeting.

CERTIFICATION OF CLOSED MEETING

Date: April 5, 2010

Mr. Haulman moved to approve the certification of a closed session pursuant to Section 2.2-3712 of the Code of Virginia. The motion carried by roll call vote of 5-0.

WHEREAS, the City Council of the City of Williamsburg has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Committee that such meeting was conducted in conformity with Virginia Law.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Williamsburg hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public

business matters as were identified in the motion convening the closed session were heard, discussed or considered by the City of Williamsburg.

Recorded Vote on the Motion:

Aye: Braxton, Haulman, Zeidler, Knudson, Freiling

No: None

Absent During Vote: None

Absent During Meeting: None

The City Council meeting of April 5, 2010 was adjourned by unanimous roll call vote at 5:10 p.m.

Approved: May 13, 2010

Jeanne Zeidler
Mayor

Donna F. Scott
City Council Clerk