

WORK SESSION – January 12, 2010

Mayor R. E. Bruchey, II called this Work Session and Executive Session of the Mayor and City Council to order at 4:02 p.m., Tuesday, January 12, 2010, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers W. M. Breichner, M. E. Brubaker, F. Easton, A. C. Haywood, L. C. Metzner; City Administrator Bruce Zimmerman, and D. K. Spickler, City Clerk.

University System of Maryland – Hagerstown (USMH) – Status and Information Report

Dr. David Warner, USMH Executive Director, reported since opening in 2005, USMH has grown 43 percent in its academic program offerings and enrollment has increased 24.3 percent.

USMH has been and remains committed to seeking outside revenue to support its operation. Non-state revenues generated through rental fees, testing site services, and other activities netted approximately \$ 54,435 in fiscal 2009. The non-state revenue is budgeted for \$ 75,000 in fiscal 2010. In addition to increasing non-state sources of support for operations, USMH also continues to place a priority on increased support of financial aid for its students. USMH has raised more than \$ 250,000 through community fund-raising efforts. The Community Foundation of Washington County has added an additional \$ 212,500 to those funds through a matching campaign, for a total of \$ 470,000 as of September, 2009. Beginning in fiscal 2012, these funds will be available to increase access to area students and support workforce-related scholarships.

The two Memorandums of Understanding with USMH have expired and need to be renewed. One is for the Western Maryland Police Academy and the other is for the maintenance of University Plaza. It was noted that the academy will end on June 30, 2010. The MOU renewal will reflect an ending date of June 30, 2010.

Dr. Warner made a request for \$ 5,000.00 to assist with the operating budget for USMH. The City of Hagerstown has provided this amount yearly for the scholarship program. He would like to discuss this further with the Mayor and City Council when USMH board members are available.

Councilmember Haywood asked what would make downtown more student friendly. Dr. Warner indicated issues are resolved as they come up. Parking used to be a concern but there is a good plan in place now. He has found the City to be more than helpful and responsive.

Dr. Warner stated he and Dr. Guy Alteri (Hagerstown Community College) meet regularly and discuss enrollment trends in specific programs. When they see a need to add a four year program, it is discussed with state officials.

Bruce Zimmerman, City Administrator, stated the MOU's mentioned by Dr. Warner will be provided to the Mayor and Council for approval at the January 26, 2010 meeting.

Partners in Economic Progress (PEP) Program and Comprehensive Redevelopment Plan for 22 North Mulberry Street

Deborah Everhart, Director of Economic Development, PEP Committee Members and John Laughlin were present to discuss an economic redevelopment project proposed on North Mulberry Street for inclusion in the PEP zone.

John Laughlin, owner of Action Holdings, LLC, located at 22 N. Mulberry Street and formerly known as Action Products has submitted an application to the City of Hagerstown requesting inclusion into the PEP zone in order to utilize the incentives in place to spark private sector investment that contributes toward revitalization of the downtown. The eligibility criteria for the PEP Incentive Program states that on rare occasions projects may be approved outside the PEP zone, however such projects must involve quality renovation work and quality tenants which will have the sustained impact on the community that the City is seeking.

Staff has met on several occasions with Mr. Laughlin to discuss his preliminary plans for the project. As the first major building viewed from the Dual Highway into the downtown area, staff believes that this project can be the cornerstone of a new "City Gateway" that can be accessed from Cannon Avenue, North Mulberry Street, East Franklin and Washington Streets.

In addition, Mr. Laughlin has requested approval for use of the Upper Story Redevelopment Loan program which does not require formal approval by the Mayor and City Council.

Mr. Laughlin indicated he expects the building to be transformed into "creative lofts" where artists, musicians, dancers and similar artisans can live, work, display and sell their work product. He envisions welders and dance studios working side by side with performance artists and sculptors, with all such tenants taking full advantage of Hagerstown's Arts & Entertainment District. He expects rent to be less than \$ 8.00/sq. ft.

Mr. Laughlin stated the PEP program shows that Hagerstown is committed to promoting development.

It was the general consensus to waive the PEP boundary to include this property. Formal action will be included on the January 26, 2010 agenda.

Legislation Requested by the Washington County Restaurant & Beverage Association

Deborah Everhart, Director of Economic Development, and Robert Everhart, Washington County Board of License Commissioners, were present to discuss pending legislation by the Washington County Restaurant and Beverage Association. Charles

Mades and William Dunham (Board of License Commissioners members) were also present.

The Washington County Restaurant and Beverage Association is submitting legislation to the Maryland General Assembly requesting that Class P (Pouring license) or restaurant license be included in Section 9-222(b)(iii)(4.)(2) which states that an alcoholic beverage license renewed or transferred for the same premises, may not be issued within an election district if the number of alcoholic beverages licenses exceeds the population ratio quota (currently 1 per 1,000 individuals residing in any election district). Additionally, they will be requesting that the ratio be increased to 1 license per 2,500 individuals.

Under the current law, the Board may issue a Class P license without regard as to the number of licenses issued in an election district. If the Restaurant and Beverage Association is successful in adding Class P licenses as proposed, it will mean very few new restaurants in the City of Hagerstown would be granted an alcoholic beverage license, restricting economic development. The Board of License Commissioners for Washington County does not support this request and is requesting that the Mayor and Council support their position by writing a letter to the Honorable Leroy Myers, Chairman, Washington County Delegation.

It was the general consensus of the Mayor and City Council to submit a letter expressing their opposition to this legislation and supporting the Board of License Commissioner's position.

Budget Discussion and FY 10/11 Budget Plan

Bruce Zimmerman, City Administrator, Alfred Martin, Finance Director, and Ray Foltz, Assistant Finance Director, were present to continue discussions about the budget shortfalls.

As discussed in December, major uncertainties continue to surround the City's budget. The City presently has \$ 3.2 million in state revenues remaining in the projections for next year. This revenue could decrease as the State addresses its budget gap. The assessment data released following the December 15, 2009 budget session indicates projections have been too optimistic in FY 11/12 assumptions, but does not provide a definitive indication of the impact of the December, 2010 reassessment on Hagerstown. Both of these uncertainties create the possibility that the financial projections and budget plans will need to be altered.

There are major decisions facing the City over the next several fiscal years regarding property taxes, services, and layoffs. The nature of these issues requires that the Mayor and Council and staff look beyond the numbers and consider the community, especially the goals for Hagerstown and plans for future operations. For this reason, decisions on these major issues require more time and thought than the next few weeks or months provide.

The proposed plan includes some difficult choices, but provides the opportunity for the Mayor and Council to use a rational budget process for FY 10/11. This Plan provides needed time for Mayor and Council to consider property tax rate increases, service cuts, and layoffs. Staff does not believe these major issues can be avoided given the projected size of the shortfall, but the budget process can be structured to address such issues in a rational manner, with a strong focus on the community and goals and plans for Hagerstown.

Absent direction to the contrary, the City Administrator and department heads will prepare the FY 10/11 Proposed Budget utilizing the plan outlined in the December 15, 2009 Mayor and Council work session.

It is staff's recommendation that a property tax rate increase not be considered until the results of the December 2010 triennial reassessments are known and the expenditure reductions outlined in the FY 10/11 Budget Plan have been put in place. This will allow staff and the Mayor and Council to consider the potential tax rate increase with more complete information than is now available, and after the first steps have been taken to reduce expenditures. This will also avoid the likelihood of multiple large property tax rate increases occurring in both July 2010 and 2011. The FY 10/11 Budget Plan developed by the City's Department Heads makes a July 1, 2010 tax rate increase unnecessary.

Department Heads are best able to evaluate and adjust expenditures at the line item level due to their knowledge of department operations and budgets. The FY 10/11 Budget will reflect line item budget evaluation in addition to that already reflected in the Proposed Plan.

The FY 10/11 Budget Plan includes numerous wage and benefit reductions that will involve Hagerstown's collective bargaining contracts. In fact, the major thrust of the plan is a restructuring of the wage and benefit expenditures prior to the organizational, staffing, and service restructuring that will follow in FY 11/12 and future years. The expenditure adjustments in the FY 10/11 Plan significantly impact wages and benefits for all full time City employees. This includes union and non-union, management, administrative, and operations personnel.

The advantage of the FY 10/11 Plan is that employment, retirement programs, and health insurance are preserved for all full-time employees. In this light, the City is more fortunate than many organizations. In summary, there is a need to quickly resolve the labor contract issues as outlined in the Plan, or turn the Mayor and Council's attention to property tax rate increases, personnel layoffs, and major service reductions. Unions have been cooperative in assisting the City in addressing budget issues in recent years.

The current economic and budget conditions require staff to immediately begin the preparation of next year's budget. To meet the March 31st deadline, staff will use budget

assumptions and adjustments that were reviewed with the Mayor and Council on December 15, 2009.

The Mayor and Council will review the FY 10/11 Proposed Budget in April and May. Prior to the adoption of the final budget by May 31st, the Mayor and Council will have the opportunity to make modifications to the proposed budget.

Mr. Zimmerman indicated significant service reductions and tax increases are likely for FY 2011/2012. One of the goals is to respect employees as much as possible and this plan shows it. This budget plan will be applied to all operations. The Community comes first and service reductions and tax increases will impact the community.

Councilmember Metzner wants to let citizens know that, for this first time in history, there is going to be a large tax decrease because of the tax differential change. The citizens need to realize taxes may need to be increased next year, unless services are drastically reduced. Layoffs will most likely be discussed.

Councilmember Brubaker indicated furloughs and work stop days are not sustainable into the future. Service reduction discussions will have to be held. The Mayor and Council will have to seriously review the implications of service reductions. Councilmember Brubaker expressed concern that new fees (if not also implemented by Washington County) will put the City at a disadvantage for development.

Councilmember Haywood agrees with Staff, that this budget situation provides an opportunity to set priorities and sustainable goals for the City. She would like to focus on increasing the tax base. There is a need to promote a stronger quality of life. Homeownership goes along with a strong quality of life.

Councilmember Metzner pointed out that having better roads, well maintained parks, efficient snow removal, and adequate numbers of firefighters and police officers contribute to the quality of life.

Councilmember Brubaker thinks all Mayor and Council members want to increase the tax base and increase the quality of life. There are different ways to reach these goals. He believes service improvements can be achieved, but this won't solve the multi-million dollar deficit that is facing the City.

Ray Foltz, Assistant Finance Director, encouraged the Mayor and Council to look at long term creative steps to improve the assessable base.

Mr. Zimmerman stated this is an opportunity in terms of aligning resources with priorities. Some measure of progress should be developed to ensure the goals are being met.

Councilmember Easton agrees with Staff's recommendations. He thinks that services will be reduced, staff will be cut and taxes will be raised. These issues need to be

discussed continually, not only at budget time. The Mayor and Council need to determine their priorities for the next two to three years. He wondered if it would be better to discuss certain proposals now, rather than waiting until the budget is presented.

Councilmember Metzner and Councilmember Brubaker think it is better to wait until the complete proposed budget is presented for review.

It was the general consensus for staff to use the outline proposed on December 15, 2009 to develop a proposed budget.

CITY ADMINISTRATOR'S COMMENTS

Bruce Zimmerman, City Administrator, mentioned the State of the County will be held on February 2, 2010 and the State of the City will be held on March 2, 2010.

MAYOR AND COUNCIL COMMENTS

Councilmember M. E. Brubaker had no additional comments.

Councilmember W. M. Breichner had no additional comments.

Councilmember L. C. Metzner commended staff for creating a bicycle plan. He is concerned about how people get vehicles out of alleys when it snows.

Councilmember A. C. Haywood stated the Neighborhoods 1st groups are a valuable asset. The annual meeting of the Antietam Watershed Preservation Commission will be held on January 20, 2010. She has been asked to serve on the board of directors of this group.

Councilmember F. Easton attended a very nice celebration at the Maryland Theatre on January 11, 2010.

Mayor R. E. Bruchey, II expressed sympathy to the family of Oliver Campher (former City employee) who passed away on January 1, 2010. He visited Bester Elementary to discuss the "If I Were Mayor Contest".

EXECUTIVE SESSION – January 12, 2010

On a motion duly made by Councilmember L. C. Metzner and seconded by Councilmember A. C. Haywood, the Mayor and City Council unanimously agreed by voice vote to meet in closed session to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation or performance evaluation of appointees, employees, or officials over whom it has jurisdiction, #1 at 6:18 p.m. in the Council Chamber, 2nd Floor, City Hall, Hagerstown, Maryland. The following people were in attendance: Mayor R. E. Bruchey, II, Councilmember W. M. Breichner, Councilmember M. E. Brubaker, Councilmember F. Easton, Councilmember

A. C. Haywood, City Administrator Bruce Zimmerman, and Alfred Martin, Finance Director. The meeting was held to discuss retiree health insurance and who is eligible. No formal action was taken at the meeting. On a motion duly made, seconded and passed, the meeting was adjourned at 6:52 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: February 23, 2010