

WORK SESSION AND EXECUTIVE SESSION – APRIL 1, 2008

WORK SESSION – April 1, 2008

Mayor R. E. Bruchey, II called this Work Session and Executive Session of the Mayor and City Council to order at 4:04 p.m., Tuesday, April 1, 2008, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers M. E. Brubaker, K. S. Cromer, L. C. Metzner, P. M. Nigh and A. Parson-McBean; City Administrator Bruce Zimmerman, City Attorney John Urner, City Attorney Mark Boyer and D. K. Spickler, City Clerk.

September 11<sup>th</sup> Memoriam at City Park

In remembrance of the tragic events of September 11, 2001, the City granted permission in 2002 to the Washington County Citizen Corps Committee to utilize a small section of an unused bank in City Park along the west side of the north parking lot. To date, the City has planted shrubs, trees and installed plaques at this site, expanding each year.

Throughout the past year, Junior Mason, Parks Superintendent, met with the Citizen Corps Committee to discuss long-range plans for this new memoriam, keeping in mind not to infringe on the existing or future growth of the north parking lot. As a result, a plan has been devised to install four flagpoles, a brick walkway, and a memorial tree for the fallen officer in Smithsburg. Other additions are being discussed, with the area being limited to the memorial bank, primarily around the existing stone retaining wall.

Costs for the material will continue to be funded by various donations solicited by the Citizen Corps Committee, and labor will be performed by in-house employees at no cost to the Committee.

It was the general consensus of the Mayor and Council to continue the project and to approve the costs for labor to maintain the memoriam.

Discussion of Towing Vehicles from Privately Owned Lots

Chief Arthur Smith, Hagerstown Police Department, and City Attorney Mark Boyer discussed towing from private lots. Based on the recent experience where persons who may be unfamiliar with private parking lots in the downtown area have had their vehicles towed and impounded by private tow companies, it has become advisable to develop regulations governing the towing of vehicles from private lots within the corporate limits of Hagerstown. Mr. Boyer recommended developing reasonable towing regulations rather than a licensing process.

These regulations are intended to establish maximum towing and storage fees and further to put in place certain requirements to insure that citizens whose vehicles have been towed are able to have those cars returned to them under reasonable circumstances.

The City has for some time had towing regulations covering those companies who tow for the Hagerstown Police Department and these have worked reasonable well over the years. The time has come to insure that visitors to the City enjoy similar guidelines when property owners have caused their cars to be impounded for parking on private lots without permission.

State law permits jurisdictions to govern towing fees and permits municipalities to set fees. The following items will be included in the regulations:

1. Prohibitions against spotters - people employed by a tow company to look for illegally parked vehicles
2. Payment from the towing company to the parking lot owner will be prohibited.
3. Signage standards
4. Notification to the Hagerstown Police Department when a vehicle is towed
5. Maximum towing fees
6. Setting a time frame in which a vehicle may be recovered
7. Area for storing the vehicle must be within the City limits

These regulations will not establish method of payment for vehicles towed by the City for multiple violations.

Violations of the regulations will be considered a misdemeanor and will carry a maximum fine of \$ 1,000.00.

An ordinance for introduction will be included on the agenda for April 22, 2008.

Mr. Boyer left the meeting.

#### Discussion of Land Use Plan Recommendations in the Comprehensive Plan

Kathleen Maher, Planning Director, and Stuart Bass, Comprehensive Planner, were present to discuss the Land Use recommendations in the draft Comprehensive Plan. She stated staff and the Planning Commission are seeking direction from the Mayor and City Council. The goal is to have a decision made on the Doub Farm land use recommendation prior to the annexation hearing on April 22, 2008. In order to keep the Comprehensive Plan project moving forward, they would also like to reach a consensus on the other land use issues which have arisen during the public review process.

A question had been raised about the percentage of the business employment land use designation during last week's meeting. Ms. Maher indicated prior to the addition of Hopewell Valley to the growth area, 11% of the land was business employment.

The following are the areas of conflict on the Land Use Map and with the Medium Range Growth Area (MRGA) boundaries: Staff has attempted to explain how the decisions were achieved with the Draft Plan's recommendations:

1. Doub Farm – Originally staff recommended a mixture of General Commercial and Medium Density Residential because such uses seemed logical at the interchange of I-70 and US 40, are consistent with other interchanges on I-70 and I-81, and because the property is annexable into the City. The Planning Commission considered staff's suggestion and later the Doub Farm representative's arguments for such land uses and decided to change the land use designation to Business Employment and Medium Density Residential. The Commission felt that there was enough retail in Hagerstown already, and that more retail could result in the abandonment of existing retail centers, and that a higher paying job center at this location would be more beneficial to the community. Residential was proposed for the rear half of the site as a buffer to the adjoining residential uses and because the County Land Use Plan shows residential. In discussions over why General Commercial would not be appropriate on Doub but is appropriate south of I-70, the Planning Commission observed that the south side of I-70 was "too far along" to change, having zoning in place and commercial development already started with the AutoMall.

Councilmember Metzner stated he is inclined to defer a land use designation determination for the Doub property to the County. There are two similar projects being discussed for this area. He thinks either project is viable for the area.

Councilmember Brubaker stated the land south of I-70 has been commercial for some time. The property across the road is not contiguous to the City. It doesn't seem feasible to have two similar shopping centers in this area.

Councilmember Metzner pointed out if the City annexed the Doub property and proposed a zoning change, which was not expressly approved by the County, the change could not occur for five years.

Councilmember Brubaker pointed out there have been good results with the new shopping area at the Center at Hagerstown. Councilmember Parson-McBean asked how the shopping center will help spur the economy.

The owners of the Faison property (on the south side of I-70) have indicated commercial development on that land should be no surprise to nearby residents, since they have been living with commercial development.

Councilmember Metzner asked for input from residents in the area of the proposed development. Both projects will require government assistance to complete.

Councilmember Cromer asked if the project for the Doub property is being presented to the Mayor and Council. Ms. Maher indicated it will be, during the Public Hearing on April 22, 2008.

2. Oliver Farm – Originally staff had included the entirety of the Oliver Farm in the MRGA due to discussions which City staff had been having over a potential annexation. The Planning Commission decided to remove from the MRGA that portion of the tract area which is not currently within the Urban Growth Area (UGA), because the Commission felt that any expansions of the UGA boundary should be decided by the elected bodies at the City and the County, taking into account the impact on limited wastewater resources.

Councilmember Brubaker expressed concern that the potential commercial development on the east side of Hagerstown will have a negative impact on the downtown revitalization. Councilmember Parson-McBean stated she doesn't know if the impact from this development would affect downtown. Councilmember Nigh is concerned the impact on downtown will be detrimental.

Councilmember Parson-McBean stated she has a different outlook on the revitalization of downtown and what should be within the core of the City. Revitalization stems from a different type of economic development than that on the fringe of the City. She stated the Mayor and Council have to discuss how they perceive economic development in the downtown area.

It was the general consensus of the Mayor and City Council to accept the recommendation of the Planning Commission for the Oliver Property and to discuss the Doub property further.

3. Harrison Lands – The draft Plan recommends changing the industrially zoned land north of Edgewood and the commercially zoned land south of Edgewood to Business Employment as a means of encouraging higher paying job centers and curtailing the location of manufacturing operations and additional high intensity retail operations in this area. The Harrison family has indicated that they want the existing zoning to remain in place. The draft Plan is recommending that the R3 zoned land on Hebb Road be changed to General Commercial on the east side of R. Paul Smith Blvd. and Medium Density Residential on the Funkstown side of R. Paul Smith Blvd. The Harrison family wants the high density residential zoning to remain on the Funkstown side of R. Paul Smith Blvd. due to site constraints and infrastructure costs.

It was the general consensus of the Mayor and City Council to accept the Planning Commission's recommendation for this property.

4. Supreme Block Property – The draft Plan recommends Business Employment and some Open Space, although there is no plan to create an Open Space zoning district. The Commission had

discussed the potential of a portion of this property as a boat launch park along the Antietam Creek, which is the reason for the Open Space recommendation. The change from Industrial to Business Employment was recommended by the Commission because this is a small site for modern industrial operations and has constrained road access now. The owner has indicated they would rather have General Commercial on the entire site. Staff would suggest that this site would pose significant challenges for a high intensity retail operation. Business Employment would allow for offices, limited retail and service uses, and some light industrial activities.

Councilmember Metzner stated this property would be good for park access to the Antietam Creek. He doesn't know if this idea would be feasible. Ms. Maher indicated there is no plan at this point to create an open space zoning district.

Mayor Bruchey stated Council members have expressed good ideas and thoughts for the development of Hagerstown. Councilmember Brubaker mentioned this is a plan for the next 20 years. Councilmember Nigh has expressed the need to get people downtown. Councilmember Parson-McBean has stated that Hagerstown has to be balanced.

Councilmember Parson-McBean stated she believes proposed office space will be more damaging to downtown than commercial development.

It was the general consensus to accept the Planning Commission's recommendation for the Supreme Block property.

5. Bowman Property along Sharpsburg Pike – The property owner is requesting that this area be included within the MRGA boundary to allow additional commercial development in the area of Prime Outlets. The Planning Commission made the deliberate decision to draw the MRGA line at I-70, because there was the strong belief that I-70 should be the Plan's recommended annexation limits. It is the City's policy not to provide water and wastewater service unless properties annex. Increases to the MRGA should be very carefully considered due to the plan's attempts to draw a service territory for water and wastewater that staff feels confident can be served given the growth projections for the next 20 years. The Plan already states that if important economic development projects are identified, the Mayor and City Council may consider extension of water and wastewater services beyond the MRGA. It is unlikely; however, that retail would be considered an important economic development project.

The Mayor and City Council agreed to accept the Planning Commission's recommendation.

6. Pitzer Farm north of Oak Ridge Drive – The County Land Use Plan recommends low density residential for this property. The draft Plan recommends Business Employment, because the Commission felt this property might make a good location for a new business park. The Urban Growth Area Committee visited the site as a part of the UGA tour on January 24, 2008 and their consensus was that residential makes more sense for this property.

It was the general consensus to accept the Planning Commission's recommendation for a Business Employment designation for the Pitzer Farm.

7. Hopewell Valley North – The County Land Use Plan shows Industrial Restricted for the land north of US 40. The City's draft Plan recommends Business Employment with a more intensive industrial slant for the property. The County Economic Development Commission has indicated to the County Planning Department that they feel a General Commercial classification would be appropriate along the road frontage. Staff would suggest that there is already a great deal of retail along Broadfording Road with more planned, which should be more than adequate to serve the area.
8. North of Volvo Powertrain – The County Land Use Plan shows Industrial Flex and the City's draft Plan recommends Business Employment. The County Economic Development Commission has indicated to the County Planning Department that they feel Industrial would be more appropriate. Staff would suggest that Business Employment with the more industrial slant could achieve the EDC's goals.
9. Hagerstown Community College – The draft Comp Plan identifies this property as institutional, although there is no plan to create a new zoning district for that classification. The County Economic Development Commission has indicated to the County Planning Department that they feel a new zoning district should be created that allows for the co-mingling of educational facilities and limited business activities. Staff would suggest waiting on such an item until the County takes the lead. This property is not likely to annex, so there is no rush to create a new land use category for it in the City Plan.

It was the general consensus to accept the Planning Commission's recommendations for Hopewell Valley North, North of Volvo Powertrain and Hagerstown Community College.

Ms. Maher stated a request was submitted by the Joachim family who own approximately 167 acres of land located at 11609 Kieffer Funk Road, Smithburg, Maryland to be included in the limits of the MRGA. The property is located adjacent to the existing Robinwood and Woodbridge subdivisions. During the latest draft of the 2007 Comprehensive Plan, the property has been removed from the limits of the MRGA.

It was the general consensus to not grant the request, based on the fact that the MRGA line is driven by the capacity of the water and wastewater systems.

Ms. Maher indicated staff's response to Commissioner Kristin Aleshire's comments on the Introduction and Growth Management and Land Use chapters of the Draft Plan is included in the memo for this meeting. The remaining eight pages of comments have not been reviewed.

The Draft Comprehensive Plan will be discussed further during the April 15, 2008 Work Session.

A recess was then taken.

#### FY 2008/2009 Budget Presentation

Bruce Zimmerman, City Administrator, and Alfred Martin, Director of Finance, discussed the proposed FY 2008/2009 budget.

Mr. Zimmerman stated the Mayor and City Council have already completed a large amount of the hard work on this budget because of some of the difficult decisions that were made previously.

There is no increase in the City's property tax rate. This budget maintains the City's current tax rate of 79.8 cents/\$100 of assessed value along with the existing 5% cap on assessments for owner occupied residences.

This budget includes funding for major capital infrastructure projects including:

1. Eastern Boulevard Widening
2. Jonathan Street Utility Replacement & Streetscape Project
3. New West End Water Storage Facilities
4. Edgewood Drive/Dual Highway Intersection Upgrade

The proposed budget includes two additional police officer positions. There are no other new positions proposed. This budget fully funds the 19 firefighters added during the past two years.

There is no proposed rate increase for City Light. This budget does include a rate increase of 3.5% for Water Operations and rate increases of 6.0% for in-city customers and 7.3% for outside city customers in Wastewater Operations.

The work of the Employee Health Committee and Human Resources Department has significantly lowered the projected cost increase for employee and retiree health insurance. This was a key to balancing the General Fund Budget. A 5% increase in premium costs is expected. This is significantly lower than what was anticipated.

There are a number of important issues surrounding the City Budget and plans for the future, which need to be considered as budget decisions are made.

Hagerstown is not immune from the financial concerns and impact of higher fuel and energy costs, the sharp drop in both residential construction and house sales, weakening retail sales and employment, and the home foreclosure crises that are generating concerns throughout the national economy. Staff expects to see more significant impact from these economic conditions in FY 09/10, especially if the construction of new housing remains at present levels.

The \$1.5 billion shortfall in Maryland's State Budget should also be considered in light of the General Fund's reliance on state revenue sharing and the use of State funding through Program Open Space, Community Legacy, and other programs to fund capital improvements. City General Fund revenue performance and the future plans for State supported park improvement and downtown revitalization projects are vulnerable to decisions made in Annapolis to balance the State's budget.

All four of the City's collective bargaining contracts and the associated provisions for the City's funding of wages and benefits are scheduled to open on July 1, 2009. This budget includes funding to meet all current commitments of the existing labor contracts. The Mayor and Council will need to carefully consider the wage and benefit expenditure commitments as they look beyond the next fiscal year.

The City's utility funds, especially water and wastewater are experiencing financial pressures as capital upgrades are completed, fund newly installed technology and operation systems, and experience the impacts of higher energy and chemical costs. As a result costs will need to be closely monitored, as will the related impact on rate adjustments.

The new Triennial Reassessment will begin on July 1, 2008. Based on information from the State Department of Assessments and Taxation, staff is projecting a 9.4% increase in the FY 2008/09 Assessable Base. This means the annual growth in the assessable base for the next three years will be stronger than what was experienced in the 1990's and first part of this decade, but will not be as robust as was seen in the most recent three years.

Hagerstown faces a competitive environment in which the City will need to compete for residential and business development through private sector investment in order to fund operations and meet the goal of making Hagerstown a premier city. The City needs to avoid the financial and development trends that negatively impacted the City in the recent past, leaving Hagerstown with a structurally weak budget, enabling virtually all of



the new residential and business development to occur outside of the corporate boundaries, and creating demands on operations and services which could not be met with existing resources.

The staff utilizes the following principles in managing revenues and expenditures and in preparing the annual budget:

1. Follow the direction of Mayor and Council in implementing budget priorities
2. Avoid a property tax rate increase to limit the impact of the budget on citizens
3. Manage city expenditures to avoid a year-end general fund deficit, thereby living within our resources
4. Promote growth and development in Hagerstown to strengthen City financial resources for the future benefit of the Community and City government
5. Obtain Federal and State Grants when available to lessen reliance on the property tax
6. Provide Mayor and Council comprehensive and usable information on the current condition of the City's budget and future issues impacting the budget
7. Manage the utilities as Enterprise Funds, with no General Fund Subsidy
8. Provide progressive, professional and ethical leadership in the management of the City's budget and finances

The proposed FY 08/09 Budget includes \$ 163,324,840 in expenditures for all of the City's funds, including \$ 40,244,625 in the General Fund and \$ 23,989,754 for the Capital Improvements Projects Fund. The total for the utility operations include \$ 34,560,374 for City Light, \$ 18,317,840 for Water, and \$ 28,967,335 for Wastewater. The Community Development Fund totals \$ 2,976,080. Our Parking Fund's proposed budget is \$ 1,050,226. These represent the major operating and capital funds, although some smaller Special Revenue Funds totaling \$ 2,168,012 in addition to Service and Trust Funds totaling \$ 9,309,050 are presented in the Budget.

The proposed budget represents an overall increase of 3.5%. The increase in the General Fund is 5.6%. Sources of revenue in the General Fund include property tax revenue, state and county shared taxes, service charges and licenses and permits. Wages and benefits represent 90% of the expenditure growth. This amount includes the additional firefighters and police officers.

One of the goals for any organization is to align its resources with its priorities. One of the best ways to identify the City's priorities, both for operations and the community is to evaluate the allocation of General Fund expenditures by function. Public Safety and Streets and Alleys are at the top of the allocation list.

This budget assumes a March 1, 2009 start to the Consolidated 911 Communication Center, resulting in operating cost savings of approximately \$ 100,000 for the last four months of FY 08/09. This project reflects a coordinated effort with Washington County Government which recently received \$ 2.3 million from the State Emergency Numbers Board to pay for equipment to be used at the new center.

The FY 08/09 Community Development Budget reflects the City's on-going efforts to construct eight owner-occupied workforce housing units in the 500 block of South Potomac Street. Bester Place is a community based project undertaken in partnership with the Community Action Council, with funding support from the Hagerstown Housing Authority, State of Maryland, and Federal Housing & Urban Development Programs.

Throughout the operating budgets, additional funding has been included to cover the higher cost of vehicle fuel and energy expenses. The 2008/09 proposed budget, Citywide, is \$ 640,000 higher than the 2007/08 budget for these costs.

Funding is included to support the Upper Floors Program recently discussed with the Mayor and Council. The Economic Redevelopment Fund includes \$ 100,000 in recently approved State of Maryland Community Legacy funds plus \$ 250,000 in funding from the current year's and next year's allocations for Community Based Initiatives. This will provide up to \$ 250,000 for this program, which is presently under consideration by the Mayor and Council.

In FY 06/07, the Mayor and Council decided to budget \$ 1.1 million to pre-fund health insurance costs incurred in subsequent years. This funding was made possible by higher than anticipated growth in property tax revenues at that time and was utilized to fund \$ 500,000 in health insurance costs in FY 07/08 and \$ 600,000 in FY 08/09. With the expiration of this pre-funded health insurance next year, the FY 09/10 budget will need to rely on funding for health insurance costs from revenue sources generated in that fiscal year.

General Fund support of community agencies has been increased in the proposed budget, reflecting support of Hagerstown's arts and culture along with institutions and programs which attract people to downtown. There is less funding for Public Services agency support in the Community Development Block Grant Fund. Federal Regulations limit public service funding with these funds to 15% of the sum of the 08 Grant plus 07 Program Income. Next years expenditures are projected at \$ 209,992, a reduction of \$ 66,923.

This budget includes a full 12 months of funding for the 19 firefighter positions added to the General Fund the past 2 years. Two additional Police Office Positions are proposed in this Budget to begin the three year phase in of six new positions to establish an additional patrol sector. There are no other increases in full-time positions included in this Budget.

The work of the Employee Health Care Committee and the Human Resources Department has generated approximately \$ 1 million in reduced expenditures for FY 08/09 compared to earlier projections for the coming year. The City's projected cost increase for health insurance is 5%, far lower than prior experience and last year's projections. The City's obligations for compliance with GASB 43 and 45 and the funding of the annual required contribution for retiree health insurance commitments are fully met in this proposed budget.

The proposed budget reflects the third and final year of the implementation of the Springsted based pay schedule upgrades approved by Mayor and Council in 2006 and fully funds all employee wage and benefit commitments.

Each year of the financial projections includes employee pay step increases, based on the City's existing pay schedule. A Cost of Living Adjustment (COLA) is not assumed for any employee group in the FY 09/10 projection. There are four primary reasons:

1. The FY 09/10 Budget does not have any pre-funded health insurance costs as did the prior two years.
2. The third year of the Springsted pay schedule adjustments in FY 08/09 completed the three year implementation of a new upgraded pay schedule.
3. The opening of the four collective bargaining contracts on July 1, 2009 will require future Mayor and Council decisions on employee wages.
4. The present uncertainties over the economy's impact on finances requires consideration of the City's operating costs.

However, a COLA is included in each of the following fiscal years. If in Spring, 2009, the Mayor and Council choose to provide an employee COLA in FY 09/10, staff will identify resources that would be available to fund a July 1, 2009 COLA. The City is dependent on growth and development to fund wage and benefit increases if the City is to avoid tax rate increases and operational reductions.

The City has received initial estimates of the tax differential. The amount will be confirmed but it is anticipated it will be approximately 17% higher than last year. No hotel/motel tax revenue is included in the proposed budget.

A Public Hearing on the Proposed FY 2008/2009 Budget is tentatively scheduled for Tuesday, May 13, 2008. Adoption of the budget is tentatively scheduled for May 20, 2008.

The proposed budget will be available at the City's website by the end of the week for those who wish to review it.

#### CITY ADMINISTRATOR'S COMMENTS

*Bruce Zimmerman, City Administrator*, stated information is included in the weekly report regarding the increase in foreclosures in Hagerstown. Of 110 foreclosures in 2007, 50 were on property within the City limits.

#### MAYOR AND CITY COUNCIL COMMENTS

*Councilmember L. E. Metzner* thanked firefighters for their efforts to control a fire at one of his neighbor's homes on March 30, 2008. There were over 25 firefighters on the scene. The bus trip for World War II veterans will be held on April 10, 2008. He thanked Karen Giffin, Director of Community Affairs, the Community Affairs Department, Conservit, Inc., McDonald's, and Callas Contractors for making this event possible.

*Councilmember P. M. Nigh* stated 17% of the City's tax roll is exempt property. She would be interested in the amount of exempt property in the County. There are approximately 1,800 electric customers who have some form of arrears on their bills. Terminations of service will begin this week. She asked customers to contact the Customer Service department to make payment arrangements on the outstanding amounts.

Councilmember Parson-McBean asked how this number compares to last year. Michael Spiker, Director of Utilities, will retrieve that information. The amount of arrearages, at \$ 800,000, is fairly steady from year to year. Councilmember Parson-McBean stated funding from the State of Maryland for energy assistance has been depleted. She is interested in facts that can be used to ask for additional funding.

Councilmember Nigh is very concerned about customers who have no other resources for income.

*Councilmember A. Parson-McBean* reported a meeting will be held on Thursday, April 4, 2008 at the Memorial Recreation Center to discuss the Jonathan Street construction project. Time will be provided for residents to ask questions and express their concerns. She stated the project will cause some inconveniences but the end result will be worth the difficulties.

*Councilmember M. E. Brubaker* thanked Councilmember Metzner for his vision for the Veteran's trip.

*Councilmember K. S. Cromer* thanked staff for the information on downtown properties. Citizens on Patrol needs funding. She asked that Karen Giffin, Director of Community Affairs, be allowed to work on fundraising for Citizens on Patrol. It was the general consensus to permit this.

*Mayor R. E. Bruchey, II* reminded everyone an Arbor Day celebration will be held on Wednesday, April 2, 2008 at Fairgrounds Park at 10:00 a.m. He thanked the Planning Department Staff and the Planning Commission for their diligent work on the draft

Comprehensive Plan. He is looking forward to adopting the Plan, which will provide direction for land use during the next 20 years.

EXECUTIVE SESSION – April 1, 2008

On a motion duly made by Councilmember K. S. Cromer and seconded by Councilmember A. Parson-McBean, the Mayor and City Council unanimously agreed by voice vote to meet in closed session at 6:51 p.m. to consider the acquisition of real property for a public purpose and matters directly related thereto, #3 and to consult with counsel to obtain legal advice, #7. No formal action was taken at the session. The meeting was held in the Council Chambers, 2<sup>nd</sup> floor at the City Hall. The meeting was adjourned at 8:03 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: April 22, 2008