

WORK SESSION – APRIL 8, 2008

Mayor R. E. Bruchey, II called this Work Session of the Mayor and City Council to order at 4:08 p.m., Tuesday, April 8, 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, and D. K. Spickler, City Clerk.

Upper-Floor Redevelopment Revolving Loan Fund Program

Deborah Everhart, Director of Economic Development, Kathleen Maher, Director of Planning, Larry Bayer, Manager of Community Development, Doug DeHaven, Assistant Fire Marshall, and Michael Heyser, Chief Code Official, were present to provide information regarding the Upper Floors Redevelopment Revolving Loan Fund Program.

On March 4, 2008, staff presented a proposal for a new incentive program that was first introduced to the Mayor and City Council on September 18, 2007. At that time, several questions were raised concerning the program. Those questions were addressed and reflected in a new draft, which was presented to the Mayor and Council.

The City has received notification from the State that \$ 100,000 has been granted in Community Legacy funding. The original request was \$ 250,000.

Staff would request that the \$ 100,000 grant be matched with \$ 125,000 included in the current year's General Fund for downtown revitalization, and, in addition, staff would recommend that \$ 125,000 be included in the FY 08/09 budget to bring the total funding to \$ 250,000.

The revised guidelines include:

1. Owner equity in the project must total at least 20% of the total project cost.
2. Developer must complete the construction project per the construction

schedule in the loan agreement or as approved by City staff. Failure to comply with this requirement shall cause the loan to become due.

3. A cap of \$ 100,000 or 50% of the total amount of the loan
4. Deferring payment for 10 years

Staff is requesting Mayor and Council approval of this new program and authorization to earmark City funds to set up the new revolving loan fund.

Ms. Maher indicated another funding source could be the Appalachian Regional Commission (ARC) grant program. The City will be requesting \$ 150,000 through this grant. Applications to the ARC program are due by April 30, 2008.

Ms. Everhart stated staff has identified as many safeguards as possible. Programs in other communities have been reviewed. Many of the programs use a TIFF to fund their

revolving loan funds or grants. Ms. Maher indicated a TIFF cannot be used in the State of Maryland to fund a revolving loan fund.

Councilmember Cromer asked if payments would be required throughout the life of the loan. Loans will be deferred for 10 years, with no payment required until the end of the loan. A property owner could apply for separate projects.

Councilmember Brubaker asked if installation of an elevator would be ranked higher than other projects. Ms. Everhart stated the guidelines list projects that could be considered.

Councilmember Brubaker asked that the guidelines be stricter in order to prevent someone from receiving a loan and paying on a prior loan.

Ms. Everhart stated this program will be added to the list of cutting edge projects available for downtown businesses.

Councilmember Parson-McBean asked that the program in Cleveland for downtown redevelopment be reviewed.

The applications will be ranked by the Hagerstown Redevelopment Authority. Criteria to consider would be current condition of the property and location of service and technology businesses. It is not the intent of the program to award loans for commercial uses.

An additional \$ 250,000 will be requested through the ARC program. It was the general consensus that the grant agreement for the funds from Community Legacy will indicate that \$ 125,000 is included in the current budget and \$ 125,000 has been proposed for the FY 08/09 budget.

FY 2008/2009 Budget Discussion

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

Councilmember Metzner stated he will have two minor proposed adjustments to the budget. He stated he thought the Mayor and Council would want to talk about reducing the tax rate since the Hagerstown Fire Department and the City of Hagerstown were awarded a large grant from the SAFER program.

Mr. Martin indicated the County tax assessor has notified the City that the previously reported increase in the tax base may be high, due to the number of appeals their office is receiving. It is expected the rate will be 6% instead of 7%. This would represent a \$ 250,000 to \$ 300,000 decrease in revenue.

Mayor Bruchey stated there may be an increase in the amount of the tax differential payment to the City, receipt of hotel/motel tax revenue and receiving the SAFER grant. He suggested using this funding toward reducing the increase in water and sewer rates.

Councilmember Brubaker stated they should discuss these revenues that aren't included in the budget and determine the best use of the unexpected revenue. He would like to be able to reduce the tax rate but the impact on future years must be considered.

Mr. Martin indicated if energy costs continue to increase, there will be additional uncertainties.

Councilmember Cromer agrees that the use of the unexpected revenue should be considered carefully. She stated she would like to lower the tax rates but it may not be possible. Reducing the increases for utilities would probably be more beneficial to residents and customers. She is compiling a file of possible funding cuts and will present the file at a later date.

The impact of not increasing utility rates or delaying projects could be a topic of discussion for a future work session.

Mr. Martin stated the general fund is balanced in the proposed budget. This budget is a revenue based budget that will allow the City to live within its means. There is no Cost of Living Adjustment (COLA) included in the projections for FY 09/10. A 9% growth is anticipated in wages. The largest increase in wages and benefits will be due to increasing costs for medical coverage. Health insurance has been pre-funded during the previous two years.

The Capital Improvements Program continues to be robust. The City is growing with its debt service. The City remains within its debt limits and benchmarks.

Councilmember Nigh asked for information regarding the number of bad debts written off. Mr. Martin will provide this.

Mr. Martin then discussed the Water Fund and Wastewater Fund. The capital for both these funds include growth related projects, which are paid for with benefit charges, and non-growth related projects, which are paid for with user charges.

More detailed discussions will be held during the coming Work Sessions.

CITY ADMINISTRATOR'S COMMENTS

Bruce Zimmerman, City Administrator, reminded the Mayor and Council the Employee Recognition Breakfast will be held on Friday, April 18, 2008. Employees who have reached milestones will be recognized.

MAYOR AND CITY COUNCIL COMMENTS

Councilmember K. S. Cromer had no additional comments.

Councilmember M. E. Brubaker had no additional comments.

Councilmember A. Parson-McBean thanked staff for holding the community information meeting at the Memorial Recreation Center last week regarding the Jonathan Street Project. Residents received good information and were able to ask questions about the project.

Councilmember P. M. Nigh thanked the Fire Department for being proactive and seeking grants. Since 2003, they have been awarded approximately \$ 3,000,000. She thanked other departments as well. She cautioned people attending events at the Maryland Theater to be aware of parking lot restrictions. Many vehicles have been towed.

Councilmember Parson-McBean stated she had heard about the SAFER grant at a National League of Cities function. She talked to a firefighter who indicated the grant had not been applied for. This was the catalyst for applying for the grant. Councilmember Cromer stated SAFER grants had previously been applied for.

Councilmember L. C. Metzner expressed concern that the topics discussed with the Washington County Delegation did not appear to be addressed during the session. He is also concerned there was no feedback from the Delegation regarding any of the issues. He suggested that the City only meet with Senator Munson and Delegate Donoghue in the future to discuss the needs of the City. He wants the Washington County Delegation to tell the City what they plan to do for the City.

Mayor Bruchey stated Staff is working with electric customers whose service has been terminated for non-payment. Fewer notices were sent out this year. He asked that customers who receive termination notices contact City staff to discuss payment arrangements. He stated the City wants to help customers.

He stated one positive outcome of this year's General Session is that the County Commissioners took the initiative to discuss the hotel/motel tax with the Mayor and Council.

There being no further business to come before the Mayor and City Council, on a motion duly, seconded and passed, the meeting was adjourned at 5:27 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

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MAYOR AND CITY COUNCIL

APRIL 8, 2008
HAGERSTOWN, MARYLAND

Approved: April 22, 2008