

77TH SPECIAL SESSION, WORK SESSION AND EXECUTIVE SESSION – May 6, 2008

WORK SESSION – May 6, 2008

Mayor R. E. Bruchey, II called this 77th Special Session, Work Session and Executive Session of the Mayor and City Council to order at 4:05 p.m., Tuesday, May 6, 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 William Nairn and D. K. Spickler, City Clerk.

HIP Awards

Donna Messina, Director of Human Resources, announced the winners of the HIP awards for the months of February and April 2008.

Krista Shanholtz, Public Works, was recognized for her efforts to assist a passenger in a vehicle during a snow storm.

Allen Billman, Sr., Light Department was recognized for receiving a State award for his quality of work.

Both Ms. Shanholtz and Mr. Billman received a City of Hagerstown paperweight and a check.

Statement Regarding the MELP Building Issue

Mayor Bruchey announced, due to the owner's inability to properly secure the building, the numerous instances of trespassers on the property, and as a result of the safety concerns at the site, Staff was directed to placard and appropriately secure the property.

Budget Discussion

Alfred Martin, Director of Finance, presented a Mayor and Council budget modification sheet for the General Fund to reflect items that have been reviewed with the Mayor and Council and that have been quantified to date. The modification sheet reflects the following items:

1. The impact of the reduction in the growth in the City's real estate assessable base below the earlier projections provided by the State Department of Assessments and Taxation in their Constant Yield Tax Rate letter of 02/14/2008. In a subsequent letter, the City has been advised that the growth rate in existing property assessments will only be 6% rather

than the 7.2% indicated in mid-February. This will result in a tax revenue reduction of approximately \$ 240,000.

2. Offsetting this impact is the positive news about the multi year award of the federal SAFER grant to assist with the hiring of nine additional fire fighters. The grant is for a total of \$ 948,825 over five years.
3. Energy and petroleum related costs have been reviewed again. There is not enough in the fuel oil accounts and the CIP Annual Street Resurfacing account is being severely impacted by a 25% increase in asphalt cost over last year.
4. The County has advised the City it will start to disburse a share of the hotel motel tax with other municipalities in the County. It is expected the City will receive about \$ 220,000 of revenue annually.
5. The potential loss of the Water Fund dividend transfer to the General Fund of \$ 250,000 that was included in the original proposed budget. Given the increasing operating costs faced by the Water Fund and the challenges of providing interim working capital for the various major capital projects now underway, the Water Fund's cash reserves have diminished to a level that a dividend payment can not be counted on. This would be especially true if the Mayor and Council would decide to defer a water rate increase for a second straight year.

The adjusted General Fund surplus for 2008/09 is now \$ 2,174, after considering these additional modifications.

Michael Spiker, Director of Utilities, offered two separate scenarios for a proposed Water Rate Increase, a 3.5% increase for customers utilizing both Inside and Outside City Rates and a 0% increase for customers utilizing both Inside and Outside City Rates. These increases are scheduled to become effective July 1, 2008.

With a 3.5% water rate increase, the overall quarterly increase seen by the Inside City, Joint Service Area, and Outside City rate will be \$ 4.04, \$ 7.68 and \$ 8.54 respectively. Overall, the proposed rate increases will generate an additional \$ 537,773.00 in wastewater revenue and \$ 259,752.00 in water revenue for Fiscal Year 08/09.

In order to achieve a 0% increase in Water Rates, the \$ 259,752 proposed increase in revenue will be reduced by the elimination of the \$ 250,000 Water Dividend, a \$ 5,000 reduction in Engineering Fees and a \$ 5,000 reduction in Engineering Services. These reductions will not allow for an increase in cash reserves, which would assist in the lessening of a greater rate increase in the out years of the budget. The overall quarterly increase seen by the Inside City, Joint Service Area, and Outside City rate will be \$ 3.28, \$ 7.00 and \$ 6.14 respectively, generating an additional \$ 537,773.00 in wastewater revenue for Fiscal Year 08/09.

Mr. Spiker recommended an increase of 6% in the Inside City wastewater rate and the associated fixed quarterly service charge. For those customers under the Outside City and Joint Service Area rates, he proposed a 7.3% increase in the base rate and associated

fixed quarterly service charge. Additionally, the Low Pressure Grinder Fees will increase 6%. These increases are scheduled to become effective July 1, 2008. He does not recommend a further reduction in wastewater rates due to a \$ 732,000 projected increase in fixed charges and at present, a negative cash balance. Earlier budget projections warranted an approximate 12% increase, which was reduced to its present proposed increase through the reduction of \$ 926,000 in overall expenditures.

In order to comply with State law and the City Charter requirements to adopt a budget by the end of May, staff has advertised the public hearings on the budget, tax rate and sewer rate increases on May 6, 2008. It is planned to have a Special Session on May 13, 2008 to introduce ordinances to adopt the budget, set the tax rate and increase water and sewer rates, at whatever levels the Mayor and Council may decide. Staff would then hope the ordinances could be adopted at the Regular Meeting on May 20, 2008.

Councilmember Brubaker stated it appears that the general fund would be funding the water increase if the dividend is not paid. The loss will come from the general fund rate payers.

Mr. Martin indicated the dividend is not from tax dollars. Mr. Spiker stated there is a policy requiring that a certain threshold has to be met before a dividend can be paid. At this point, a dividend would not be declared.

Councilmember Metzner stated the policy could be changed in order to declare the dividend. However, if the policy is changed to improve the general fund, the utilities may be impacted negatively.

Councilmember Metzner stated the Council can't count on the dividend from year to year. In order to declare the dividend, a water rate increase would have to be implemented.

Councilmember Brubaker suggested declaring a dividend mid-year, if possible. He is not suggesting abandoning the policy.

The last water increase was implemented in October, 2006. Mr. Martin pointed out costs continue to increase.

It was the consensus of the Mayor and Council to implement a 3.5% water rate increase and not pay a dividend to the general fund. Councilmember Metzner suggested an increase somewhere between 0% and 3.5%. Mr. Spiker indicated an increase less than 3.5% would not be suggested.

Councilmember Brubaker asked the Council to consider reducing the tax rate by one cent.

Larry Bayer, Manager of Community Development, stated two questions were raised concerning funding in the CDBG program. Both questions were about why funding for

public services had been reduced. He indicated CDBG funding has been reduced; therefore, some programs had to be denied funding.

Mr. Zimmerman stated some funding to Community Action Council, REACH and Big Brothers was eliminated under the public services section in order to meet the cap from the CDBG program. A total of 19 requests for funding were received.

The decision of which requests to fund is made by the Mayor and Council. No new programs have been recommended for funding this year.

Councilmember Metzner stated the projects proposed for funding provide basic needs for citizens. If these projects are not funded through CDBG, money would have to be added to the General Fund to cover the needs.

Councilmember Parson-McBean stated the Council should review all 19 applications. Councilmember Cromer stated she would approve programs that assist children and senior citizens.

Mr. Bayer suggested developing a public services policy for the Mayor and Council to review.

Councilmember Brubaker may have other budget questions or comments after the public hearings.

Executive Session – May 6, 2008

Councilmember A. Parson-McBean made a motion to meet in closed session at 5:00 p.m. to consider the acquisition of real property for a public purpose and matters directly related thereto, #3. Councilmember P. M. Nigh seconded the motion.

Discussion: Councilmember Metzner stated he does not believe it is appropriate to meet in executive session to discuss a response to a public request from the library.

William Nairn, City Attorney, stated if the cost of property acquisitions was discussed the City would be at a disadvantage because the limits of the funding would be made public.

Councilmember Metzner stated he believes a discussion of a consolidated amount for all properties would not be inappropriate. They would not discuss how much they would pay for individual properties. He understands this discussion would be to determine what response to give to the library's request.

Councilmember Cromer stated she doesn't think the Council should ever meet in executive session.

Councilmember Brubaker doesn't think appraisal amounts should be discussed in open session.

Motion failed, 2-3 with Councilmember A. Parson-McBean and Councilmember P. M. Nigh voting Yes and Councilmember M. E. Brubaker, Councilmember K. S. Cromer and Councilmember L. C. Metzner voting No.

Mary Baykan, the Director of the Washington County Free Library, requested a commitment from the City of Hagerstown to make the property east of the library available for construction of the Library Expansion Project no later than January 1, 2010. The Library has requested a response by June 1, 2008.

The City has included \$ 1.5 million in the Capital Improvement Program for FY 09 and FY 10 to be used for acquisition and demolition.

A draft response letter was presented for the Mayor and Council's review. Councilmember Brubaker stated the City should be prepared to move forward. He suggested developing a memorandum of understanding (MOU) to address the details of the commitment.

Councilmember Metzner stated the letter indicates the City is not going to spend more than \$ 1.5 million and includes an understanding the City will not spend the money without a commitment from the other parties involved.

It was the general consensus to approve the draft response, with Councilmember Brubaker's edits submitted earlier.

The Work Session ended at 5:37 p.m.

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Mayor R. E. Bruchey, II called this 77th Special Session of the Mayor and City Council to order at 7:07 p.m., Tuesday, May 6, 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.

Public Hearings

Community Development Block Grant Annual Action Plan

The City of Hagerstown has prepared a Proposed Annual Action Plan (AAP) and will be applying for a FY 2008/09 CDBG Entitlement Grant from the U. S. Department of

Housing and Urban Development (HUD) in the amount of \$ 919,151. In addition to the CDBG grant, the City anticipates receiving \$ 294,540 in program income primarily from CDBG loan repayments, \$ 505,000 from sales of homeownership properties and \$ 500,000 from other home sales. The City also anticipates \$ 757,389 in unspent funds to be carried over from FY 07/08 for a total FY 08/09 budget of \$ 2,976,080. Expenditures include \$ 196,250 in public services, \$ 950,103 in public facilities, \$ 90,100 in acquisitions, \$ 1,293,300 in housing and \$ 443,727 in administrative expenses.

Larry Bayer, Manager of Community Development, stated the entitlement has decreased approximately \$ 240,000 from five years ago. Program income is decreasing due to the poor housing market. Three activities have been eliminated, four are slated for funding reductions and five will be maintained at the current level. No new programs are included in the project list. Impact projects include: Bester Place, Community Land Trust, South Locust Street Streetscape, Clarkson Avenue and Neighborhood Parks.

The following testimony was presented:

Sharon Disque, Executive Director of Hagerstown Homestore, thanked the Mayor and Council for their support. The Homestore has moved funding from one area for down payment assistance for home buyers. The State of Maryland matches the \$ 3,500.00 provided for down payment assistance. She asked that the Mayor and Council consider funding this program again.

Ron Lytle, Contemporary School for the Arts Gallery, 4 W. Franklin Street, Hagerstown, Maryland, asked what the criteria is for determining which organizations are funded through CDBG. Councilmember Metzner stated the determination is made by the Council. The two major activities funded are Neighborhoods 1st and providing food for people. Much of the program funding was reduced this year. Councilmember Parson-McBean indicated CDBG funding is heavily weighted by Federal guidelines.

Councilmember Metzner stated a program that does not provide food, shelter or medical assistance will probably not be funded through CDBG. The recommendation made to the Council was to fund programs that serve the elderly, provide food for children and provide healthcare.

Councilmember Parson-McBean stated it is difficult to decide which programs to fund and quality of life issues were considered.

Mr. Lytle expressed concern that his requests would not be funded through this program. He would like to have the opportunity to receive funding.

Dr. James Wolfson, Franklin County Learning Center, Chambersburg, Pennsylvania, is concerned that after school programs are being reduced. These programs have been shown to be valuable in the community.

Carrol Lourie, REACH, Hagerstown, Maryland, expressed concern that REACH has been eliminated from the funding list this year. She asked the Mayor and Council to reconsider the list and at least partially fund the request from REACH. REACH is a subsistence program that provides a cold weather shelter. Without the shelter, they would not be able to provide the same level of support to the community. More than 350 people were assisted during the winter at the cold weather shelter.

Councilmember Metzner pointed out the City funds the CSAFE After-school programs and has for many years.

Mr. Bayer read a statement from Willy Conures. Mr. Conures feels that changes need to be made to the proposed annual action plan. He is interested in more funding for organizations in his community, such as the Contemporary School for the Arts Gallery and the Memorial Recreation Center (MRC). Neither of these organizations received funding. The northwest community is not being allotted enough funding.

Councilmember Parson-McBean stated Mr. Conures submitted his concerns by email. She responded to his email but asked that Mr. Bayer discuss the request from the MRC.

Mr. Bayer stated MRC had previously applied for \$ 25,000 to work on the swimming pool. By working with the contractor, the work was completed in the spring and the pool will be open this summer. The repairs had been completed; therefore, they did not apply for program funding. The Boys and Girls Club did not submit an application either.

Michael Stanford, Community Free Clinic, thanked the Mayor and Council for the funding provided in the past. The Clinic expects 15,000 patient visits this year. There is a waiting list of new patients. CDBG funding helps maintain this service to the community.

Councilmember Nigh asked if the County provides funding to the Clinic. Mr. Stanford indicated they do indirectly. She asked how many patients are city residents. Mr. Stanford stated the program does not allow that type of determination. He estimates more than 60% of the patients are from Hagerstown.

There was no further testimony presented. The record will remain open until May 30, 2008 for additional written comments.

The hearing was closed at 7:39 p.m.

Proposed Water and Sewer Rate Increases

A Public Hearing was held to discuss proposed increases in water and sewer user rates.

Under the proposed increase, water service user rates will increase 3.5% for all customers inside and outside the City of Hagerstown. Sewer rates for users of the City of

Hagerstown sewer system will increase by 6.0% for customers inside the City and 7.3% for both joint and full service sewer customers outside the City, in accordance with the City/County Flow Transfer Agreement. Low pressure system and industrial surcharge rates are also proposed to increase by 6.0%. The proposed increases would take effect on all bills rendered after July 1, 2008.

Mr. Martin stated staff is reviewing other alternatives as directed by the Mayor and Council.

Councilmember Nigh asked if the water tank is going to be painted. Nancy Hausrath, Water Operations Manager, stated the work was delayed this year but is scheduled to be completed during the next fiscal year.

The following testimony was presented:

John Whitton, Hagerstown, Maryland, asked why rates increase more for customers outside the City. He believes there should be parity between the County and the City.

Councilmember Cromer stated the customers outside the City do pay more for water and sewer but the people who live in Hagerstown pay both City and County taxes.

Mr. Martin stated Mr. Whitton lives in the Cearfoss area. The County approached the City about providing water service to the area because of failing wells. The City provided the water and the County constructed the water line. The residents were charged for the debt service. The customers are now City customers and they pay a fee based on the debt service pay down.

Nancy Allen, 924 Oak Hill Avenue, Hagerstown, Maryland, is opposed to any kind of rate increase for water, sewer or taxes. She is a realtor and she has experienced difficulty in selling homes within the City limits because of the tax rates. She suggested providing some type of incentive for properties in Hagerstown. One of the best amenities in Hagerstown is Fairgrounds Park.

Councilmember Metzner stated the City's water system is energy sensitive. As energy costs increases, so do operating costs. The Council is looking at ways to not increase water rates. The City has secured a Federal lobbyist to help find federal funding for the water and sewer system infrastructure.

Ms. Allen suggested looking at alternative energy sources. Councilmember Parson-McBean indicated this is being researched.

Debbie Singleton and Georgette Pauline, Hagerstown, Maryland, are also opposed to any increases in rates.

Mr. Martin stated a customer using 13,000 gallons of water would see an increase of \$ 4.00 per quarter (inside city customer), or \$ 8.54 per quarter (outside customer) or

\$ 7.68 per quarter (outside joint service area).

There was no further testimony presented. The hearing was closed at 8:03 p.m.

FY 2008/2009 Proposed Real Property Tax Rate

A Public Hearing was held on the proposed real property tax rate increase. The City of Hagerstown is considering not reducing its real property tax rate enough to fully offset increasing assessments. The City of Hagerstown proposes to adopt a real property tax rate of \$0.798 per \$100 of assessment. This tax rate is 7.2% higher than the constant yield tax rate and will generate \$ 1,263,257 in additional property tax revenues. The Constant Yield Tax Rate is \$0.745 per \$100 of assessment.

Mr. Martin stated a notice has been received from the State Tax Office recommending the 7.2% number they certified earlier should be reduced to 6%. This would mean a reduction in revenue of \$ 240,000.

For owner occupied homes, there is a 5% cap on the assessment increase.

The following testimony was presented:

Brian Federline, 1104 Oak Hill Avenue, Hagerstown, Maryland, expressed concerned that assessments are increasing as the housing market goes down. He stated the City should annex property if more money is needed.

Councilmember Metzner indicated State law does not permit the City to annex developed property, unless the owner requests annexation. The City can only annex property that is contiguous to the City and undeveloped. He stated many home owners are appealing the State assessment amounts.

Mayor Bruchey agreed that taxes are high. Councilmember Cromer stated the budget does not include excessive spending. Councilmember Metzner stated he didn't think residents would want to reduce the quality of life services and activities. Mayor Bruchey stated these services are amenities unique to the City.

Mayor Bruchey suggested residents attend the County Commissioner's budget hearing and let them know they don't want taxes raised.

There was no further testimony presented.

The public hearing was closed at 8:24 p.m.

FY 2008/2009 Proposed Budget

A Public Hearing was held to discuss the proposed budget for the fiscal year 2008-2009. The total of the proposed budget is \$ 163,324,840.

Alfred Martin, Finance Director, stated money in the general fund budget is received from property tax revenues, State Highway User Revenues, State Income Taxes, Licenses and Permits, Refuse Collection Fees and other revenues. Expenditures include wages and benefits, economic incentives, debt service, capital expenditures, maintenance and repairs and material/supplies/utilities.

There was no testimony presented.

The hearing was closed at 8:28 p.m. The record will be kept open for additional comments.

It was the general consensus of the Mayor and Council to schedule a special meeting to adopt the budget on Tuesday, May 27, 2008 at 7:00 p.m.

City Administrator's Comments

Bruce Zimmerman, City Administrator, had no additional comments.

Mayor and Council Comments

Councilmember P. M. Nigh stated retired police officer Craig Bakner has had a serious operation. She expressed her wishes for a full recovery. She asked people to report graffiti.

Councilmember K. S. Cromer expressed her condolences to the family of N. Linn Hendershot, former Councilmember, who passed away last week.

Councilmember L. C. Metzner also expressed wishes for a full recovery for Mr. Bakner. He stated Linn Hendershot cherished life more than anyone he knew. He expressed sympathy to his family.

Councilmember A. Parson-McBean stated Senator Ben Cardin's point of view is that Hagerstown is in good standing for federal funding. She thanked everyone who participated in the public hearings during this meeting. Capital for a Day will be held in Hagerstown on Thursday, May 8, 2008.

Councilmember M. E. Brubaker expressed sympathy at the passing of Linn Hendershot.

Mayor R. E. Bruchey, II expressed condolences to Linn Hendershot's family. The funeral service was very moving and many people shared memories of Mr. Hendershot.

Mayor Bruchey hopes to show the Governor how fantastic Hagerstown is. He is still supporting a 0% increase in water rates.

There being no further business to come before the Mayor and Council, on a motion duly made, seconded and passed, the meeting was adjourned at 8:34 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: June 17, 2008