

WORK SESSION – June 7, 2005

Mayor Richard F. Trump called this Work Session of the Mayor and City Council to order at 4:02 p.m., Tuesday, June 7, 2005 in the Council Chambers at the City Hall. Present was Mayor Trump, City Council Members K. B. Aleshire, K. S. Cromer, L. C. Metzner, P. M. Nigh and A. Parson-McBean, City Administrator Bruce Zimmerman, City Attorney John Urner and City Clerk D. K. Spickler.

Homeownership Month Proclamation

Mayor Trump presented a proclamation to Barbara Spielman, Hagerstown Home Store, declaring June 2005 as Homeownership Month.

Mayor's Report

Mayor Trump stated BluesFest was a great event. There was a great turnout and the crowd was very orderly. He asked everyone to thank Karen Giffin and Carl Disque for the great job they did in organizing the event. He attended the Holly Place fundraiser on Sunday and it was very nice. He also attended the AMVETS dinner on Saturday evening. He thanked Councilmember Nigh and Councilmember Cromer for their questions concerning the Director of Administrative Services position. A task force will be formed to study the employment structure of the City. Mayor Trump stated Councilmember Cromer will be a member of the task force. He stated James Bestpitch, AFSCME, will also be a member. The task force will report their finding to the Mayor and Council, but it may take several months. Mayor Trump thanked Councilmember Aleshire for working behind the scenes to resolve some issues with the Community Free Clinic. He stated a joint meeting was held with City, County and hospital representatives. He thanked the Council for the good job they are doing.

Staffing Request for Infiltration and Inflow (I/I) Work – Sewer Collection System

The Water and Sewer Department staff requests approval from the Mayor and Council for one additional Wastewater Service Technician and one seasonal employee position for the Wastewater Collection Division. David Shindle, Water and Sewer Department Manager, and George Fischer, Collection System Superintendent, were present to discuss this request.

The aggressive Infiltration and Inflow (I/I) Program has yielded discoveries of deficiencies in the collection system requiring the requested additional personnel. As the I/I program continues to find these deficiencies, the additional personnel will provide support for construction/rehab crews, pump station crews, TV crews, and flushing crews. The department will not have to pull personnel from other crews for assistance and/or roadside flagging.

The costs of the two positions would be \$ 39,098.85, which includes benefits for the

technician. Funding is available for the positions in the Operating and Maintenance budget for Wastewater Collection.

Councilmember Metzner stated he is sure all members will be in favor of approving this request. Mr. Shindle stated there has been a large amount of follow-up work with the amount of development that has been occurring.

Councilmember Nigh stated she was not in favor of the coordinator position originally, but she appreciates the good job Bijan Haghtalab has done. She asked if it would be more prudent to have another full time person rather than a seasonal worker. Mr. Shindle indicated it is getting more difficult to find people who are willing to get into this type of work and a seasonal employee would work out better.

Councilmember Metzner stated the number one priority is that no spills into the Antietam Creek occur. The Mayor and Council are committed to whatever is necessary to ensure there are no more spills.

It was the general consensus of the Mayor and City Council to add approval of these two positions to the June 21, 2005 agenda. The positions will be posted immediately.

National Historic Road Marker

Kathleen Maher, Planning Director, and Cindy Ptak, Maryland Department of Planning, were present to discuss a National Historic Road Marker. The Maryland Department of Planning and the Hagerstown/Washington County Convention and Visitors Bureau have requested permission to place an interpretive marker on the side wall of the Visitors Center on N. Potomac Street. The marker would tell the story of the National Historic Road as it passed through Hagerstown. The State would pay for the design, preparation, and installation of the sign.

The State does not plan to design a marker for Hagerstown until they have permission from the City to install one downtown. Ms. Ptak reported a significant grant was awarded to the Maryland Department of Planning for recognition of the National Historic Road. There will be no cost to the City.

It was the general consensus of the Mayor and City Council to grant permission for an interpretive marker on the side wall of the Visitors Center.

Water & Sewer Finances Overview and Cost of Service/Rate Study

Bruce Zimmerman, City Administrator, stated staff would be providing an overview of the City's Water and Sewer Funds' finances, budget for 2005/2006 and Capital Improvement Plans and financial projections for the next six fiscal years. Mr. Zimmerman stated staff is not looking

for any decision from the Mayor and City Council at this time.

Alfred Martin, Director of Finance, and Christopher Bordlemay, Assistant Water and Sewer Department Manager, provided the overview.

The City operates all of its utilities, including its Water and Sewer Funds, as independent self supporting businesses. Each fund pays for all its own expenses including its portion of any shared central services costs. The utilities also pay a payment in lieu of taxes to the City's General Fund the same way any private business would for property taxes, based on the assessed values of the utility's real and business personal property. The City also pledges the full faith and credit of the City and its taxpayers to guaranty the repayment of its water and sewer system's bonded debt. These two factors are the primary reason that as the "shareholders" of the water and sewer systems, the City residents and taxpayers, are entitled to a rate of return on their investment for the risk they assume in owning and being responsible for the systems.

The Water and Sewer Financial Projection pages from Section 10 of the 2005/2006 City Budget show a quick financial overview of the Water and Sewer Funds. The projections provide a summary for each fund and they show the actual information for the last two fiscal years.

Unit sales of water and sewer have been relatively flat for the last five years in spite of increases in the number of customer accounts. We believe this is due to flow conservation by new water conserving fixtures and a decline in industrial use. However, Staff does not expect this flatness in unit sales growth will continue.

In order to pay for inflationary operating cost increases and to finance needed system improvements, water and sewer user service charges are reviewed and incrementally adjusted on an annual basis. The City adopts an updated six year CIP (Capital Improvement Plan) every year for each of its major funds including water and sewer.

The financial projection model shows a need for an overall 3.7% increase in both water and sewer rates for fiscal 2005/2006. Staff has projected the overall increase occurring on bills issued after October 1, 2005. Normally, an across the board rate increase is implemented. The consultant's study indicates that larger outside City rate differentials than the ones currently being used, could be supported.

The City's rates are lower than other municipal water and sewer rates in the region and around the State of Maryland. The City's water rates are almost 50% lower than the closest competitors in Annapolis and Salisbury.

Financial projects illustrate the need to maintain adequate working capital/cash reserves to ensure self-sufficiency. This ensures the City can pay the employees and the bills promptly. The City can deal with revenue and billing fluctuations and seasonality in water and sewer use.

Reserves also allow the City to prepare for unexpected repairs, problems or other system needs.

The Water and Sewer Cost of Service Study was then reviewed. The consultants, Ed Donahue and Dave Hyder from Municipal and Financial Services Group, were present to discuss the results and preliminary recommendations from the study.

Mr. Donahue stated the City runs a tight ship and there is not a lot of fat in the budget. He then discussed the study. The scope of work included: identifying and documenting the cost of service, identifying and documenting demand and usage, identifying and evaluating alternative rate designs and documenting and summarizing the project.

The following assumptions were used for the study: water and sewer systems must be self-supporting and the objective is to keep rates and fees low over time and growth pays its own way.

The difference between a utility basis and a cash basis is that in a cash basis, principal and interest on debt is included in the calculations and money is added to reserves. Cost elements used in a utility basis is a return on equity, depreciation of equipment, and allowance for working capital. The rationale for using a utility basis outside the City limits is that is pretty well established.

Mr. Donahue stated they frequently see a declining block rate (like the City uses) in industrial communities. Where there is a water shortage, a different rate scale is often used.

Mr. Donahue presented three water rate structure alternatives. They are listed below:

Alternative A: Declining Block Rate Structure

- Minimum bill (which includes 10,000 gallons)
- Three step declining block rate
- Different rates for outside city and booster zone customers

Alternative B: Flat Rate Structure

- Minimum bill based upon meter size (which includes no usage)
- Flat consumption rate
- Elimination of Separate Booster Zone Rates

Alternative C: Declining Rate Structure

- Minimum bill based upon meter size (which includes no usage)
- Two step declining rate structure
- Elimination of Separate Booster Zone Rates

Mr. Martin stated some of the City's largest customers are other towns like Smithsburg and Williamsport.

The following recommendations were made for water rates:

Inside-City Rates

- Maintain current average rate of \$ 1.45
- Adopt two-step declining block rate with minimum bill based on meter size
- Add inside-City only expense of dividend to General Fund

Outside-City Rates

- Adopt utility basis for determining revenue requirement
- Set average rate at \$ 3.25
- Adopt two-step declining block rate with minimum bill based on meter size
- Eliminate booster zone surcharges

Resulting rate differential inside/outside is 125% (this would allow a sizable dividend to the general fund without increasing inside city rates)

Increase benefit charge to \$ 4,000 per EDU

The following recommendations were made for sewer rates:

Inside-City Rates

- Increase current rate by 4% to \$ 3.55
- Maintain current rate design but base minimum bill on meter size

Outside-City Rates

- Adopt utility basis for determining revenue requirement
- Increase rate to \$ 6.40
- Maintain current rate design but base minimum bill on meter size

Resulting rate differential inside/outside is 80%

Increase benefit charge to \$ 5,600 per EDU

It is also suggested there is a need to increase fire line charges.

Mr. Donahue suggested reviewing the water/sewer rates annually, rather than every three years.

Councilmember Aleshire asked if it is the expectation to increase all these areas at once. Mr. Martin stated the consultants have said a differential for benefit charges would not be feasible.

Councilmember Metzner stated the City should adopt the benefit charges and other charges as soon as possible. He doesn't think this increase needs to be discussed with the County because it is an across the board increase. He stated the rates to customers should be reviewed in more detail.

Mr. Martin stated a public hearing would have to be held and an ordinance would have to be passed. A public hearing could be held on June 21, 2005, or possibly on July 5, 2005.

Mr. Zimmerman stated the wholesale customers are paying the benefit fees only once under the current structure. Mr. Shindle stated the Town of Smithsburg has asked about collecting the benefit charge and acting as a pass through for the City. At this point in time, municipalities are treated as regular customers, with a limited amount of allocation.

It was the general consensus of the Mayor and City Council to move forward with the benefit fees and discuss any other concerns at the work session on June 14, 2005.

Haven Road Annexation

Councilmember Aleshire reported he met with the design consultant and the attorney to discuss some of the issues in the annexation petition, as he was requested to do. He indicated some of those issues were re-forestation, Crestwood Drive access, the interest in the lot from Hagerstown Business College, open space, phasing in of the project and road connectivity.

The applicants were also present to discuss the petition. Those attending were: Ken Jordan, owner of property, Krista McGowan, Miles and Stockbridge attorneys and Mark Friis, a professional planner from Rodgers Consulting.

Councilmember Metzner indicated a decision must be made on June 21, 2005 in reference to this annexation. It cannot be tabled again. If the Mayor and Council deny the petition, the city will be providing water and sewer service and the property won't be in the City limits. He anticipated the property would be subject to the APFO. He asked Mr. Urner if the City has to subject Mr. Jordan to the APFO. Mr. Urner indicated they could be exempt. Councilmember Metzner suggested using language that would allow the City the ability to not subject the developer to the APFO.

Ms. McGowan stated they have a presentation prepared that will touch on the issues presented by Councilmember Aleshire. She stated they understand the Mayor and Council's desire for more open space and less density. They are proposing to keep the west side of the property in tact, as originally planned, with townhouses and 2 over 2 condominiums. This section of the property can accommodate 364 units. She stated they think they can accommodate the City's desires on the east side of the property, with single-family homes. They are proposing 12 single family homes, which will provide a nice entrance to the project and would be compatible with

the existing homes in the community. They are proposing to eliminate the townhomes that were planned on the east side. They have been working with Hagerstown Business College to provide parking. The total density will be reduced to 372 units. Ms. McGowan stated the owner is asking for an exemption from the APFO. He is also asking for additional sewer allocation. A traffic study will be completed to address the Crestwood Drive issue and to determine if access will be required from that route.

The applicant understands there are issues that will have to be addressed to the Planning Commission's satisfaction. A percentage of the re-forestation can be done on site, possibly in the area where the single family homes are proposed to be.

Mr. Friis stated they thought making the east side available for single family would open up the balance of the development. A 35 foot buffer has been established. The two over two condominiums are internalized in the center of the project.

Councilmember Cromer asked if the entrance road is the same one that is used for North Spring. The road is not the same, there is a right of way that will be used. Councilmember Cromer asked what the buffer will be. Mr. Friis stated the mature trees on the property preserved. She asked if the depth would be enough to reduce sound. She expressed concern about the amount of blasting that may be required during construction.

Ms. McGowan indicated the applicant is requesting that he be allowed to construct 60 units per year, rather than 25, since he has agreed to reduce the maximum density from 450 to 376. If this request is granted, it would be written into the petition for annexation.

Mr. Uerner stated the City may not be able to grant a higher number than 25 per year. Councilmember Metzner stated he is concerned the City may not be able to grant this or to exempt someone from the APFO. He asked if the school capacity could be increased at Fountaindale by discussing moving the magnet school to another location.

Councilmember Aleshire stated he now feels it would be better to attempt to move forward with the petition that was presented to the Mayor and City Council on May 24, 2005.

Mr. Uerner indicated if the property is not annexed, development would still be subject to the APFO with the County.

Councilmember Metzner stated he expects this project is probably three years out and he believes Fountaindale will be at a lower capacity level by then. If the City does not annex this property, it will be developed under the county guidelines. He stated if the City does agree to annex the property, the discussions can continue. He recommended adding a statement that indicated this project may or may not be subject to the APFO.

Councilmember Nigh stated she is concerned about the blasting because there has been damage to homes in other areas.

Mr. Jordan indicated all the exemptions are at the Mayor and City Council's discretion so they could make changes. Councilmember Metzner stated the City is limited by the consent order with the Maryland Department of the Environment. He would not want to make an agreement with Mr. Jordan and find out later the agreement was invalid.

Mr. Jordan stated they don't want this project killed and they are willing to do something else if they have assurances they would be allowed to develop at a faster pace.

Mr. Jordan and Ms. McGowan were asked to submit a revised petition for annexation for further consideration at the June 14, 2005 meeting.

Mayor Trump announced a Flag Day ceremony will be held on Tuesday, June 14, 2005 at 11:00 a.m. at the City Hall.

City Administrator's Comments

Bruce Zimmerman, City Administrator, thanked all the employees who helped with the BluesFest, especially Karen Giffin, Public Information Manager, Jim Bender, Assistant City Engineer and Erick Deike, Public Works Manager.

Mayor and Council Comments

Councilmember A. Parson-McBean also thanked the people who helped with the BluesFest. She commended the recipients of the Martin Luther King scholarships.

Councilmember K. B. Aleshire asked that staff provide follow up information to him in reference to an individual that was trying to locate a business on Baltimore Street. The Planning Commission minutes reflect the County has requested a fee from the developers where traffic will be emptying onto McDade Road. He expressed his concern that allowing a cul-de-sac in the development would allow more homes in an already congested area. The number of new units anticipated, including commercial and residential, is starting to put into perspective the constraints on the water and sewer system. He asked that something be done about the problems at the Barracuda Lounge. There is an excessive amount of fighting occurring there. Councilmember Cromer mentioned that Barracuda's pays police officers to be at the establishment. Mr. Zimmerman stated the issues have been discussed with the management at the Clarion and Barracudas.

Councilmember Aleshire mentioned that electric costs are going to rise significantly. He stated the utility costs for the hospital will be 35 to 50% higher at the new location.

Councilmember L. C. Metzner also thanked everyone who helped make the BluesFest a huge success.

Councilmember K. S. Cromer asked that the Director of Administrative Services not be filled until the task force mentioned by Mayor Trump makes their report. Mayor Trump stated the position will not be filled until the task force's report is presented to the Council. Mayor Trump indicated he would suggest possible members of the task force to the Council for their information, so that everyone is involved in the process.

She stated BluesFest is a wonderful event. She thanked everyone involved who made it possible. BluesFest brings a sense of community to Hagerstown, through good music, good people, and good food. She was pleased with a police report that indicated there were no significant problems during this event. She stated she believes the City needs to have more events like this. She would welcome e-mails from people with suggestions about future events.

She stated she met with Jim Hamill, Washington County Hospital. They are anxious to begin the relocation project. Mr. Hamill indicated he would be very interested in sitting down with this body as well as the County to discuss the project.

Councilmember Cromer apologized to staff and citizens who have e-mailed her and received no response. Her e-mail was just activated. She addressed the person who has contacted her about the veteran's memorial. She stated she doesn't have anything to do with that and they should contact the veteran's council.

Councilmember P. M. Nigh stated she believes there is a misconception about the needs of Holly Place because they received State funding. They still need funding. She stated the meetings of the Mayor and City Council should not be dictated by a clock. She suggested having the clock removed from the Council Chamber if people were "watching the clock."

She stated BluesFest was another huge, successful event. She asked what happened to the Hagerfest event that was held many years ago. She expressed her concern about hobos along the

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railroad tracks. There have been people hit by passing trains. She announced volunteers are needed for Citizens on Patrol.

There being no further business to come before the Mayor and City Council, on a motion duly made by Councilmember L. C. Metzner and seconded by Councilmember K. B. Aleshire, the meeting was adjourned at 7:00 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: June 21, 2005