

WORK SESSION AND EXECUTIVE SESSION – December 14, 2010

Mayor R. E. Bruchey, II called this Work Session and Executive Session of the Mayor and City Council to order at 4:03 p.m., Tuesday, December 14, 2010, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers W. M. Breichner, M. E. Brubaker, F. W. Easton, A. C. Haywood, L. C. Metzner; City Administrator Bruce Zimmerman, City Attorney John Urner and City Clerk D. K. Spickler.

WORK SESSION – December 14, 2010

Preliminary Agenda Review

Consent Agenda

A. Parks and Engineering: 2011/2012 Pavement Preservation Program

Rodney Tissue, City Engineer, stated the Council endorsed a draft 2011 street list in January, 2010. Now the City must finalize the list and establish a list of streets for pavement preservation in 2012. This would allow utilities to budget for and install main replacements as necessary. In addition, property owners who receive curb and sidewalk notices will have approximately 12 months to complete the required work prior to the 2012 pavement preservation work.

The estimated cost of the 2011 program is \$ 390,000. Approximately \$ 174,000 of funds will be carried over in FY 12. An additional \$ 216,000 is requested in the next budget. If those funds are not available due to the economic crisis, streets would be postponed to stay within budget and placed on the 2012 list.

B. Hagerstown Police Department:

1. CCTV Project Evaluation – Mariel E. Alper (College Park, MD)
\$ 30,000.00
2. Toughbooks for Patrol Vehicles – Brekford (Hanover, MD) \$ 47,609.00

Some of the old computers are earmarked for use by other city employees.

Introduction of an Ordinance: Accepting Offer of Sale and Authorizing the Purchase of 60 West Washington Street

John Lestitian, Department of Community and Economic Development Director, presented an ordinance accepting an offer of sale and authorizing the purchase of 60 West Washington Street, formerly a CVS drugstore. The purchase price is \$ 220,000, plus related closing costs. The funding sources identified for the purchase include: \$ 50,000 Maryland Community Legacy Grant, \$ 75,000 from the Downtown Revitalization Fund and the balance from the CIP Fund Balance.

The appraised value of the property is \$ 250,000. Preliminary plans for the building are to use the space as a business incubator.

Introduction of an Ordinance: Authorizing the Execution of an Agreement and Deed for a City Water Line to Serve the Long Meadow Shopping Center

The City is in the process of installing a new waterline service to the Long Meadow Shopping Center (owned by FB Hagerstown, LLC) and involves crossing the land of Advertising, Inc on the east side of Maryland Route 60. An agreement to complete this work was presented for the Mayor and City Council's consideration.

It was the general consensus of the Mayor and Council to move forward with the agreement.

Approval of a Resolution: 2011 Sewer Capacity Allocation Program (SCAP)

This resolution creates the 2011 Sewer Capacity Allocation Program. Minor changes to process have been made from the 2010 SCAP and these changes have been approved by the Maryland Department of the Environment.

Approval of a Resolution: Lease Agreement for 28 W. Church Street, Hagerstown, Maryland

Michael Spiker, Director of Utilities, reported that Donald Munson would like to enter into a lease agreement for 28 West Church Street for the period from January 1, 2011 to December 31, 2011.

Approval of a Resolution: Approval of a User Agreement for the Hagerstown BMX at Fairgrounds Park

Approval of a Resolution: Approval of a User Agreement for the Hagerstown Area Police Athletic League (PAL) at Fairgrounds Park

Rodney Tissue, City Engineer, stated both Hagerstown BMX and Hagerstown PAL wish to renew their long term user agreements for portions of Fairgrounds Park.

Junior Mason, Parks Superintendent, reported these agreements are renewals and the terms will remain the same. Rodney Tissue, City Engineer, indicated PAL is requesting additional space. If approved, they will be required to pay for the heat in the larger area.

It was the general consensus to renew the leases, with the changes discussed.

Approval of a Resolution: MOU with U.S. Immigration and Customs Enforcement (ICE)

Chief Arthur Smith presented a Memorandum of Understanding in which the Federal Law Enforcement Agency would deputize the Gang Officer to assist ICE with ongoing investigations. The agreement would not incur any financial obligations. It would make Hagerstown Police Department personnel eligible for overtime paid by ICE. The Sheriff's Office has deputized their gang officer so they may work jointly. The cases proposed are for violations of the U.S. Customs Statutes and a modification of this agreement would be required to work immigration cases.

This completed the preliminary agenda review.

Mr. Urner left the meeting at this time.

Community Coalition and Funding Request

The Mayor and City Council considered the request for funding support for the Washington County Coalition. For the two prior years, the City of Hagerstown has contributed \$ 5,000.00 annually.

It was the general consensus to contribute the same amount as in previous years.

Mayor Bruchey welcomed Spring Ward's government class.

Grant Policy

Michelle Burkner, Acting Director of Finance, and Bruce Zimmerman, City Administrator, presented a Grant Management Policy. The City currently does not have a formal policy that establishes grant application and management guidelines for department managers to follow. A draft of this policy was submitted to department managers for their review and input in October, 2010.

Implementation of a formal Grant Management Policy will ensure that grant applications requiring the approval of Mayor and Council prior to submission will be properly approved by the governing body. A Grant Management Policy will create an approval process that is not too restrictive for departments. It will establish guidelines requiring grants over a certain dollar amount to also have the approval of the City Administrator and/or the Mayor and Council. The policy will ensure that information and statements submitted on the grant application are reviewed by the Finance Department to mitigate the likelihood of errors. Errors can result in the submission of inaccurate statements on the grant application.

Additionally, as part of the City's annual financial audit, a review of grant applications submitted to federal agencies was performed by Smith, Elliott, Kearns & Company, LLC (SEK). In FY 2008 and FY 2009, SEK recommended that the City review its current

accounting and management procedures for grants and establish a formal written policy for department managers to follow.

Prior to submission, the Department Manager, the Director of Finance, the City Administrator and the Mayor and Council must approve all grant applications that meet any of the following conditions:

1. Any new grant funding for the addition of a new position. Additionally, approval from the Human Resource Director is required for position additions.
2. Any new grant in excess of \$ 50,000.
3. Any new or ongoing grant requiring City matching of funds of \$ 25,000 or more.
4. Any new or ongoing grant requiring either Mayor and Council approval of or understanding of the City's ongoing obligations to retain the grant.

Councilmember Haywood asked where the grant writer fits into the policy. Ms. Burkner indicated the grant writer would follow the policy guidelines. Councilmember Haywood thinks all grants should go through the grant writer, since this is a full time position.

Mr. Lestitian stated there are several staff members who write grants for their respective departments. This policy will ensure all grants are funneled through the finance department. Mayor Bruchey asked why the grants would not be funneled through the grant writer.

Mr. Zimmerman stated the Community and Economic Development grant writer would not necessarily review those of the Hagerstown Police Department because of the nature of the grant.

Councilmember Brubaker stated the grant writer should be developing contacts outside as well. Mr. Lestitian stated the grant writer has met with members of the Washington County Delegation. This may help fill the void of not having the services of the federal lobbyist.

Councilmember Haywood thinks the policy is necessary. She believes staff will be more aggressive in pursuing grants. She would also like to have more scheduled communication within the departments with the grant writer.

Mr. Lestitian stated individual departments would relay information about potential grants with each other. Councilmember Haywood asked why there is a grant writer position if each department has a grant writer. Mr. Lestitian stated the grant writer will seek grants for economic development, not for other departments. Mr. Zimmerman indicated there are not grant writers in individual departments. There are staff members in departments that write grants.

Councilmember Easton was under the impression the grant writer was hired to be the lead grant writer for every department, not just economic development.

Mr. Zimmerman stated there must have been a miscommunication for this position. The intent of the position is to seek and write grants for the Department of Community and Economic Development. The police department writes and receives the largest number of grants. Writing grants for all departments would take too much time away from the intended purpose of the position. If the grant writer can assist other departments, she certainly would.

Mr. Lestitian stated the grant policy provides checks and balances involving the finance department. Staff wants to make sure employees' skills are used as effectively as possible.

Mr. Zimmerman stated the policy is to make sure finance, human resources, the City Administrator and the Mayor and Council are aware of the grants that are written.

Councilmember Haywood understands the guidelines. She stated the most valuable resource is time. She suggested passing all grants through the professional that was hired.

Councilmember Metzner thinks the process is correct. Based on past history, the policy is to make sure senior staff and the Mayor and Council are aware of the grants.

Councilmember Haywood would like to know what training employees have had for writing grants. Mr. Zimmerman will provide information to the Mayor and Council of who is handling grants within departments.

It was the general consensus of the Mayor and Council to schedule approval of the grant policy for the December 21, 2010 meeting.

Municipal Stadium Seating Modifications

Rodney Tissue, City Engineer, stated the new owners of the Hagerstown Suns are actively making improvements in the clubhouse and locker rooms. The Suns will attend a Mayor and Council workshop in January to discuss fireworks and follow-up on issues from their earlier discussion with Council. Bill Farley, General Manager of the Suns, was present to answer any questions.

One time sensitive issue that must be addressed quickly is that the Suns wish to undertake modifying seats in the stadium. The lease states that the City, as Lessor, is responsible for the seating and modifying the seating is something that requires City approval.

The Suns propose the following:

1. Removal of all bleacher seats from the grandstand
2. Install these former grandstand bleachers in the foul line bleacher areas. The grandstand bleachers have a molded seat (but no back) and are preferable to the foul line bleacher seats.

3. Where the grandstand bleachers are removed, install full seats with backs. The Suns acquired these used seats from a renovation project at a nearby performing arts venue.

The Suns will bear the entire cost of this upgrade. Staff recommends approving the changes provided the Suns' contractor obtains the appropriate building permits and inspections.

Councilmember Metzner commended the owners for recycling. It was the general consensus to approve the changes as stated.

FY 11/12 Preliminary Budget Plan

Bruce Zimmerman, City Administrator, provided an overview of the preliminary budget for FY 11/12. Alfred Martin, Budget Officer, Michelle Burker, Acting Finance Director, and Donna Frazier, Human Resources Director, were also present.

As a result of the recession's impact on Hagerstown's budget over the past two years, staff faced a General Fund shortfall of \$ 4,070,661 in preparing the FY 11/12 Preliminary Budget. The primary cause of this shortfall was the impact of the 2010 Triennial Re-assessment of Real Estate and the loss of property tax revenue resulting from the State's lower property value assessments. Despite these revenue constraints, staff has developed a sound preliminary budget plan for next year that sustains core city services and avoids an increase in the City's property tax rate. Expenditure reductions represent 69% of the budget adjustments included in the preliminary plan. Revenue increases represent 31%. The FY 11/12 Preliminary Plan continues reliance on expenditure reductions and avoidance of a property tax rate increase as priorities in the management of the City's resources. The projected General Fund revenue of \$ 36,590,784 for next year is \$ 8,295,380 less than the \$ 44,886,624 projection that was prepared in March, 2009. This reflects the loss of State and County revenue experienced in the current year and the reduced property tax revenue faced next year. In response, staff efforts have focused heavily on reduced funding for staff positions in FY 11/12. The Preliminary Plan eliminated funding for approximately 40 staff positions in the FY 11/12 General Fund Budget.

The impact of the recession on both operations and employees has been significant. However, it has not resulted in the elimination of core City services, the closure of City facilities, or failures in the infrastructure. Services and operations remain viable and continue to serve Hagerstown well. This is due in large part to the guidance of the Mayor and Council and the hard work of City employees.

In preparing the Preliminary Budget Plan, staff focused on a number of important issues that are summarized as follows:

1. A commitment to Hagerstown's future: Staff recognized that as a city government the future of Hagerstown is the first priority. For that reason,

staff was committed to avoiding a property tax rate increase in the coming year and sustaining core services and operations.

2. **Respect for City Employees:** As an employer, staff also recognized the responsibilities to employees. For that reason, the plan has avoided reductions in the pension and health insurance programs in the coming year. The base pay for employees has not been reduced. The 10 unpaid Work Stop/Furlough days for FY 11/12 have been eliminated. This restores 3.8% in net pay for employees in the coming year.
3. **Focus on Expenditure Reductions:** Staff has continued to focus on expenditure reductions as the response to the loss of revenue. Because wage and benefit expenditures represent approximately 70% of the total General Fund, this means employees are impacted. Last year, using a phased expenditure reduction approach was discussed, in which wages and benefits would be restructured in the current year and then focus on position eliminations and restructuring of operations in the coming year. Staff is continuing to follow this phased approach to reducing personnel expenditures. There are no cost of living adjustments (COLA's) or pay step increases included in the FY 11/12 preliminary plan.

The FY 11/12 preliminary plan includes \$ 2.1 million in position expenditure savings. This reflects the elimination of funding for approximately 40 General Fund positions next year. Approximately 30 of these positions are vacant and 10 are occupied. Much of this is made possible through the efforts of department heads to restructure their operations and work with fewer personnel. Three positions are also being created in the coming year as part of this restructuring and staff's efforts to operate in a different manner than in the past.

Plans are to complete the elimination in January, using the same three month severance package and three months health insurance. This is a difficult step to take but one that is necessary to bring expenditures closer to revenue. Mr. Zimmerman stated staff cannot rule out the possibility there will be additional elimination of occupied positions in the future.

4. **Sustainable Budget and Operations:** The preliminary plan moves the City toward a more sustainable budget and level of operations. The reduction in personnel costs and restructuring operations brings expenditures more in line with available revenue. The City is not as dependent on property tax rate increases to maintain operating levels as was previously the case. However, there are still components of the FY 11/12 plan that raise sustainability concerns. The General Fund capital expenditures to support infrastructure projects and both vehicle and equipment purchases remain below the necessary level. The lack of a COLA and step increase for employees in FY 11/12 is not sustainable. There is not the desired level of

funding in place for community based projects that are needed to enhance neighborhoods, support revitalization of the downtown, and strengthen the services to residents. The tightened condition of the City's finances reduces the ability to adequately deal with unusual events or weather conditions that frequently require additional resources from municipal governments. In the future, funding for capital expenditures and employee wages will need to be restored.

5. Financial stability: The City needs to recognize that similar to most municipal and state governments, Hagerstown is presently not in a stable financial situation. Economists forecast that high unemployment and decreased property values will persist for many years. The State along with many other governments is also beginning to evaluate the financial condition of its pension program. No one knows when more normal levels of economic development and residential construction will return. Both are critical to the future health of the city's revenue. Very importantly, it needs to be recognized that the City serves a community with a low per capita median income relative to other areas of Washington County and towns in the region. The City's property tax rate is one of the highest in the State of Maryland and the City needs to respect the fact that many residents are on limited incomes and are struggling with employment, housing and other costs of living.

Mr. Zimmerman stated staff was not able to develop a plan for next year that avoided increasing fees for services. The budget plan includes \$ 1.2 million in new revenue.

The preliminary budget started out with a \$ 4.5 million deficit. The deficit was reduced by lowering expenditures and increasing revenues. Staff is taking steps to lower expenditures and also taking steps to strengthen revenue streams. This reflects the City takes into consideration the community it serves.

6. Union Contract Negotiations: The Preliminary Budget Plan includes a number of expenditure reductions involving personnel costs that impact all employees and therefore involve issues that are the subject of collective bargaining contracts with labor unions.
7. Financial and Budget Policies: As the City moves forward, a third phase will likely involve restructuring and upgrading the financial and budget policies. With the ongoing changes that are occurring in the financial condition of cities, it will be important to evaluate and update the policies. This will allow the City to better support the changes implemented in the management and use of resources and face the economic realities of the future.

Mr. Zimmerman stated he is convinced the City has the ability to effectively and successfully work through the ongoing impact of the recession while continuing to serve and support the community and operate a solid municipal government. This will not happen without some ongoing impact for employees as the City works within constrained revenue and changes the way it operates. Similar to many other governments and the private sector, in the future the City will have trimmed down expenditure levels, streamlined operations and new organizational structures. This can lead to a more sustainable situation, both for the City government and the community.

Key questions for the future will be:

1. Will property values in 2013 show reasonable growth beyond the 2010 triennial?
2. Will the State of Maryland remove constraints on the revenue raising ability of state municipalities?
3. Will development activity return to levels which can strengthen the City's revenue base?

Staff requests that the Mayor and Council authorize them to utilize this Plan as the basis for finalizing the Proposed Budget. Similar to prior years, the Proposed Budget will be submitted to the Mayor and Council no later than March 31, 2011. This will provide the Mayor and Council the months of April and May to review and finalize the adopted budget. The City Charter calls for the staff to prepare a balanced proposed budget and requires the Mayor and Council to adopt the annual budget by June 1, 2011.

Councilmember Breichner asked if utility rates increase in next year's budget. Mr. Zimmerman indicated the increase in the next budget is part of a previously approved annual increase. The stormwater fee is new and is based on the square footage of the impervious surface of a property, including tax exempt properties. An in-depth study will be needed to determine the possible amount of the revenue.

Legislation implementing a state wide stormwater management fee was not approved during last year's session. It will most likely be brought back for consideration during the upcoming session.

Mr. Zimmerman pointed out the budget plan includes an unspecified \$ 250,000 in program service expenditure reductions, sick leave payout phase down, CIP vehicle replacement, identified contract issues and position savings lowered to \$ 1.6 million in the FY 12/13 budget. It is hoped to be able to restore funding for some of the vacant positions in the near future.

Mr. Martin indicated he believes even though residential property assessments will go down, business and personal property taxes will remain steady. He pointed out there has not been a decrease in the tax base during his 32 years with local government.

Councilmember Brubaker stated this speaks volumes for what the City faces in the coming years. He thanked Mr. Zimmerman and all City staff for working cooperatively on this budget. The tax base will remain at the new level for three years.

Mr. Zimmerman acknowledged that within three months, this administration was faced with major hurdles with the budget. He appreciates the support of the Mayor and City Council. The unions have also been working with management staff in dealing with the budget. Staff has been looking at retaining bond proceeds for other projects and will be asking the Mayor and Council in what areas they wish to consider using the funding. Vehicles will soon need to be replaced. Replacement of many vehicles has been extended and they are now at the end of their useful life.

It was the general consensus of the Mayor and City Council to use the budget plan presented in preparing the FY 11/12 budget.

CITY ADMINISTRATOR'S COMMENTS

Bruce Zimmerman, City Administrator, reminded everyone that today is the last yard waste pickup until spring.

MAYOR AND COUNCIL COMMENTS

Councilmember M. E. Brubaker had no additional comments.

Councilmember W. M. Breichner had no additional comments.

Councilmember L. C. Metzner had no additional comments.

Councilmember A. C. Haywood had no additional comments.

Councilmember F. W. Easton had no additional comments.

Mayor R. E. Bruchey, II reminded everyone the University of Maryland is celebrating its five year anniversary on December 17, 2010.

EXECUTIVE SESSION – December 14, 2010

On a motion duly made by Councilmember A. C. Haywood and seconded by Councilmember W. M. Breichner, the Mayor and City Council unanimously agreed by voice vote to meet in closed session to consider a matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State, #4, at 5:37 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. W. Easton, Councilmember A. C. Haywood, Councilmember L. C. Metzner, City Administrator Bruce Zimmerman, Deborah Everhart, Economic Development Director, John Lestitian,

Department of Community and Economic Development Director, Larry Bayer, Community Development Director and Donna K. Spickler, City Clerk. The meeting was held to discuss proposals for the sale of a City owned property. No formal action was taken at the meeting. On a motion duly made, seconded and passed, the meeting was adjourned at 6:06 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: January 25, 2011