

12TH SPECIAL SESSION, WORK SESSION AND BUDGET RETREAT – December 15, 2009

Mayor R. E. Bruchey, II called this 12th Special Session, Work Session and Budget Retreat of the Mayor and City Council to order at 4:03 p.m., Tuesday, December 15, 2009, in the Council Chamber, 2nd Floor, at City Hall. Present with the Mayor were Councilmembers W. M. Breichner, M. E. Brubaker, F. Easton, A. C. Haywood and L. C. Metzner; City Administrator Bruce Zimmerman, City Attorney John Urner, and Donna Spickler, City Clerk.

12th Special Session – December 15, 2009

On a motion duly made by Councilmember M. E. Brubaker and seconded by Councilmember L. C. Metzner, the Mayor and City Council unanimously agreed to meet in Special Session.

Approval of a Resolution: City of Hagerstown Water Quality Bond, Series 2009B (Salem Avenue Collection System Rehab) \$ 651,500.00

Action: On a motion duly made by Councilmember M. E. Brubaker and seconded by Councilmember L. C. Metzner, the Mayor and City Council unanimously agreed by voice vote to approve a resolution supplementing and amending Resolution R-09-56 which was approved on November 24, 2009 and became effective on December 4, 2009, authorizing the City of Hagerstown to issue and sell, upon its full faith and credit, a general obligation bond to the Maryland Water Quality Administration in the aggregate principal amount of \$ 651,500.

The purpose of this resolution is to supplement and amend the original resolution to provide for a different loan amortization schedule for the bond. The new corrected amortization schedule replaces one originally provided by MDE that began the loan principal repayments a year early and ended a year before they should have.

Proceeds from the sale of the bond are to be used for the public purpose of financing the cost of the Salem Avenue Collection System Rehab Project and other related improvements and costs of issuance for the bonds. Staff is hereby directed to take all necessary actions to proceed with the sale of the bond as directed by this resolution.

The special session was then closed.

Work Session – December 15, 2009

Preliminary Agenda Review

Public Hearing

A public hearing will be held to receive testimony regarding a request for a Conversion District overlay of property at 261 Frederick Street, Hagerstown, Maryland.

Consent Agenda

A. Water Department:

1. Treatment Chemicals – Sodium Hypo Chlorite – Univar USA, Inc. (Middletown, PA) \$ 23,140.00
2. Treatment Chemicals – Potassium Permanganate – Brenntag Northeast (Reading, PA) \$ 150,000.00
3. Treatment Chemicals – Fluoride – Univar USA, Inc. (Middletown, PA) \$ 20,636.00
4. Treatment Chemicals – Powered Activated Carbon – Univar USA, Inc. (Middletown, PA) \$ 31,904.00
5. Treatment Chemicals – DelPac – Delta Chemical (Baltimore, MD) \$ 268,800.00
6. Treatment Chemicals – Hydrated Lime – Carmeuse Lime, Inc. (Pittsburg, PA) \$ 22,210.00
7. Treatment Chemicals – Liquid Chlorine – Univar USA, Inc. (Middletown, PA) \$ 29,520.00
8. Treatment Chemicals – Liquid Alum – Delta Chemical (Baltimore, MD) \$ 16,380.00
9. Water Inventory – Pipe – HD Supply Waterworks, LTD (Martinsburg, WV) \$ 46,794.00

B. Police Department: Canopy Restoration, Contract 09-09-HPD-23 Canopy

Chief Arthur Smith, Hagerstown Police Department, and Rodney Tissue, City Engineer, addressed the questions raised during the last discussion of the canopy. An appraiser indicated the canopy was of significant value to the building. The building is significant as the last notable building in Hagerstown from Western Maryland Railway. The architectural consultant estimated the cost to remove the canopy, rather than repair it, to be \$ 211,500.00.

Councilmember Metzner and Councilmember Brubaker expressed support for replacing the canopy.

Councilmember Haywood had specific questions about the items listed in the estimate. She questioned how the architect was chosen. Mr. Tissue indicated the architect designed the job and the construction work was competitively bid.

Councilmember Easton expressed concern about discussing a \$ 300,000.00 expenditure while facing a revenue decrease of nearly \$ 6 million. He asked how many times this project was discussed. Chief Smith indicated this is the first time the canopy has been discussed since the building was renovated. Alfred Martin, Finance Director, stated the project was included in the budget several years ago but was removed when the cost estimate increased due to lead paint removal.

Councilmember Haywood expressed her concern that the removal cost estimate was not competitively bid. Mr. Zimmerman indicated it is normal that requests for additional information would not be competitively bid. Councilmember Haywood stated she thinks a contractor could have provided better information. She is in favor of removing the canopy, rather than renovating it.

It was the general consensus to remove this item from the consent agenda and add it to new business for the December 22, 2009 meeting.

C. Engineering:

1. Contract for Abatement of Snow and Ice on Sidewalks – Serv-Tech Lawn Service (Hagerstown, MD)
\$ 28.00/hour Labor
\$ 2.00/hour Equipment
\$ 1.25/lb. Chemicals
\$ 20.00 Service Call (if job completed upon arrival)
2. 2009/2010 Pavement Preservation Program

This item was removed from the agenda for further review of the list.

Approval of an Annexation Resolution: Doub Property

The Mayor and City Council reviewed the revised annexation agreement as discussed at the December 1, 2009 Mayor and Council work session. John Urner, City Attorney has reviewed the agreement. Mr. Zimmerman stated the updated agreement reflects the changes discussed during the December 8, 2009 work session.

Councilmember Haywood asked how the property receives sewer service if it is not annexed. Michael Spiker, Director of Utilities, indicated a request for allocation from the discretionary reserve would need to be submitted to the City. Allocations are approved by the Mayor and City Council.

Councilmember Haywood asked if the conditions in the agreement transfer to new property owners. Mr. Urner indicated the City's rules are implanted on this property and conditions would transfer.

Approval of the resolution will be included on the agenda for December 22, 2009.

Introduction of an Ordinance: Phase II of Comprehensive Rezoning

Staff presented proposed revisions to the Findings of Fact and rezoning map for Area 2 to reflect the Mayor and City Council's discussion on December 8, 2009 regarding the Evergreen parcel. Staff has also included proposed revisions to the other two parcels of land in Area 2 to reflect input from the billboard property owner at the public hearing and to more logically address the zoning of the forest conservation easement land adjoining Evergreen to the east along Eastern Boulevard. These changes are as follows:

- 1 Evergreen – as decided by the Mayor and City Council, rezone from AT (Agricultural Transition) to POM (Professional Office Mixed Use).
- 2 Billboard Parcel along Hamilton Run – as requested by the property owner for its zoning to match any lower intensity commercial zoning classification which Evergreen may receive, rezone from C1 (Commercial Local) to POM (Professional Office Mixed Use).
- 3 Forest Conservation Land East of Hamilton Run along Eastern Boulevard – since this piece is part of the lot proposed for rezoning to R3 on the east side of Hamilton Run and it's forest conservation easement is associated with the adjoining Cortland development, rezone from AT (Agricultural Transition) to R3 (Residential).

Introduction of an Ordinance: Sale of 140 S. Potomac Street

The contract of sale for 140 S. Potomac Street was presented to the Mayor and Council for their review. The purchase price for the property is \$ 73,000.00.

Introduction of an Ordinance: Quit Claim for Portion of Alley 1-7A, near Woodpoint Grill

Jim Bender, Assistant City Engineer, was present to discuss a request to Quit Claim a portion of Alley 1-7A, located adjacent to the Woodpoint Bar and Grill on Salem Avenue. The alley is an unimproved right-of-way running north and south. The three property owners adjacent to this portion of Alley 1-7A proposed that the City quit claim the right-of-way and convey portions of it to each property owner.

Approval of a Resolution: Lease Agreement for 280 Mill Street, Hager Park

Junior Mason, Superintendent of Parks, was present to discuss the rental of the residence at 280 Mill Street. Notice was provided to all City employees of the availability of the property. Interested employees submitted an application for consideration. A background investigation was completed for the one applicant and the results were favorable.

Staff recommends renting the property to Eric Hastings for the monthly rent of

\$ 600.00, effective February 1, 2010.

Approval of a Resolution: 2010 Sewer Capacity Allocation Program (SCAP)

Kathleen Maher, Planning Director, presented the 2010 Sewer Capacity Allocation Program to the Mayor and Council for their review. Since there is no change from the 2009 Sewer Capacity Allocation Program, approval was not required by the Maryland Department of the Environment.

Approval of Application for FY 2011 Program Open Space (POS) Projects

Junior Mason, Superintendent of Parks, reported notice was received from Jim Sterling, Washington County Director of Buildings, Grounds & Parks, that applications for POS funds are now being accepted.

Mr. Sterling informed staff that POS funding for FY 2010 was \$ 140,000 which made it very difficult to fund many projects. He expects to receive even less for FY 2011 and requests the City keep this in mind when submitting their request for POS funding.

The list of projects submitted for funding by Community Parks and Playgrounds (CP&P) was presented for the POS funding. Notice of CP&P award will not be received until at least April, 2010. Since this list was approved by Mayor and Council on August 25, 2009 and receiving CP&P funding for more than one project is highly unlikely, staff requests that the same list be used to apply for POS funding.

Councilmember Brubaker expressed his concern that Hagerstown, as the largest municipality in Washington County, receives a lower percentage of funding than other municipalities.

It was the general consensus to submit the complete list for POS funding.

This completed the preliminary agenda review.

A five minute recess was taken.

Budget Retreat – December 15, 2009

Bruce Zimmerman, City Administrator, presented a packet of information developed by City Department Heads to assist the Mayor and Council and staff with the preparation of the budget for the coming fiscal year and beyond. As a consequence of the economic recession and the cutbacks in State and County funding, Hagerstown faces the most challenging financial conditions that have been experienced in many years. Beginning in December, 2007, staff discussed the likely impact of the recession and State budget shortfall with the Mayor and Council. However, the size of the State and County reductions to Hagerstown and the depth of the recession have exceeded the levels discussed at that time.

Staff is now projecting a General Fund revenue shortfall of \$ 5,216,971 in FY 10/11 and \$ 5,845,696 in FY 11/12. For FY 10/11, staff projects a reduction of \$ 4,422,348 in State and County Shared Revenue for Hagerstown, along with \$ 603,348 in lower property tax revenue, and \$ 191,275 in reductions from other revenue sources. This represents a 12.2% decline in FY 10/11 General Fund revenue from the March, 2009 projections. In FY 11/12, staff is projecting a 13.0% shortfall, reflecting additional property tax revenue loss due to the Triennial Reassessment scheduled for December, 2010.

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

1. Goals: Three primary goals were utilized:
 - a. Avoid an increase in the City's property tax rate
 - b. Limit reductions in City services to the community.
 - c. Preserve employment for City employees.
2. Expenditure Reductions: To achieve these three goals, staff focused heavily on reductions in employee wages and benefits, capital outlay expenditures and support costs. The Budget Plan reflects significant expenditure reductions in these areas of the budget for the next two years.
3. Property Tax Rate and Layoffs: Using this focus on expenditure reductions, the Budget Plan avoids both a property tax rate increase and employee layoffs.
4. Sustainable Budget: The personal services and capital outlay expenditure reductions included in the Plan are reasonable measures to take in FY 10/11 and FY 11/12, given the severity of the financial situation and the importance of the goals.
5. Financial Stability: Like most local governments, Hagerstown presently is not in a stable financial situation. Residential and commercial development has slowed dramatically due to the recession, diminishing property tax revenue. Real estate values are experiencing downward pressure due to the recession.
6. Union Contract Negotiations: Because many of the expenditure reductions included in the plan focus on wages and benefits for all City employees, these adjustments will be the subject of collective bargaining negotiations with the unions.
7. The Future: There are significant short term and longer term unknowns that can seriously impact future budgets. For FY 10/11 there is the uncertainty over actions the 2010 General Assembly may take to address

the State's projected \$ 1.5 billion shortfall. There is the potential that local governments' share of the State's income tax, police and fire protection funding, or the highway user revenue could all be impacted.

For FY 11/12, the City faces the yet to be determined impact of the new Triennial Reassessment of property tax revenue. It is possible the City will experience a decline in property tax assessments in Hagerstown. It is clear that this is not a one year budget problem.

8. Restructuring: There are three major components to restructuring that are included in the budget planning. The budget plan presented reflects a significant restructuring of the wage and benefit funding for all City employees. Staff is also beginning to work toward a restructuring of operations and organization. This should be done in coordination with the Mayor and Council's goals and service priorities to be included in the Strategic Plan currently under development. The operational and organizational restructuring will be part of the FY 11/12 Budget preparation. A third element of the restructuring is to evaluate and amend the budget policies to better guide the use of resources and budgeting of expenditures into the future.
9. General Fund Surplus: The current economic conditions call for the City to rely on the General Fund Surplus to strengthen finances. It is staff's recommendation that the City avoid using these funds in the FY 10/11 budget to offset the loss of annual revenue. Staff is recommending utilizing the General Fund Surplus as an identified reserve for the Mayor and Council to utilize as a funding source for community based projects or priorities that may arise in the months ahead.
10. Service Levels: The FY 10/11 Budget Plan does impact services, while it does not include large scale reductions in the Plan.
11. Strategic Planning: An analysis of the City's strengths, weaknesses, opportunities, and threats is currently underway as the initial step toward the establishment of a stronger strategic plan for operations and for Hagerstown. The coordination of this strategic planning with the budget becomes even more important as future City budgets are prepared.

The current financial conditions and loss of General Fund revenue have reached the level where the City will have to evaluate what is done as a local government and how it is done. Past funding levels of operations and programs are presently not sustainable. The Budget Plan includes some difficult choices for the City, which will become tougher in the future as the recession's impact is fully felt by Hagerstown.

Mr. Zimmerman stated employee meetings will be held Wednesday, Thursday and Friday to discuss the changes in the wages and benefits.

Councilmember Easton asked if there is a section in the Charter that mandates recognizing and negotiating with unions. Donna Frazier, Director of Human Resources, indicated all the contracts expire at the end of June. Written notice of the intent to negotiate the contracts is required by a specified time, otherwise the contracts roll over with the existing language.

Councilmember Easton understands the City is bound by the current contracts. He asked if there is a legal requirement to enter into a new contract. Ms. Frazier stated there is a process that must be followed if the Mayor and Council decide not to recognize the unions.

Councilmember Haywood and Councilmember Easton would like to discuss each item in the Plan, line by line. Councilmember Metzner suggested reviewing the Plan that was presented today and discusses the details at a later work session.

Mr. Zimmerman indicated Staff has to be fully engaged in the budget process by the second week in January. If the Mayor and Council allow staff to move forward with the items in the Plan (with the understanding there will be additional discussion) it would help expedite the budget preparation. The Mayor and City Council would be able to make changes throughout the process.

Mayor Bruchey indicated union negotiations need to begin by February. Prior to the negotiations, it will be necessary to have input from the Council on the items listed in the Plan. He recommended sending the notification letter so that the contracts do not roll over.

Councilmember Metzner suggested reviewing the information presented and determine which items have support of the Council and which require further discussion. For example, if three Council members agree to end the contract with The Ferguson Group, mark it as accepted and move to the next item. A tax rate increase will be another item to be discussed.

Councilmember Haywood would like to see line by line detail of the projections. She stated energy savings and new ways of operating will make a big difference. She asked that an energy use audit be prepared. Ray Foltz, Assistant Finance Director, stated because of adjustments to the projections, the line by line detail Councilmember Haywood is asking for may not be available. For example, Mr. Zimmerman pointed out that a 25% decrease is projected for agency contributions. Details of exact dollar amounts for individual agencies is not available in the projected decrease. It is a general decrease, with details being stated later. He anticipates discussing the details in January.

Mr. Foltz stated staff needs overall direction from the elected officials in dealing with the union contracts and wages and benefits.

Councilmember Brubaker stated service reductions would have to be defined for future years. The proposed adjustments include furlough days and this will definitely impact services. The adjustments are a short term solution. The City may not be able to continue to provide the same level of service as it has for many years.

Mr. Foltz indicated the furlough days and vacancy savings represents the cost of 15 positions. The Mayor and Council and Staff have to determine how to reduce costs without losing positions in the future.

Mr. Zimmerman stated restructuring will be necessary. The organization will be entirely different. The impact of shortfalls on the revenue side will continue for many years. The strategic plan will guide the City's leaders for the restructuring. He anticipates a full restructuring plan will be in place by the summer of 2011. The City may not be able to maintain employment for everyone, especially with the uncertainty of the results of the triennial property assessment. The Mayor and Council will have to determine if some action is necessary to offset the decrease in the tax set off from the County. Little new growth revenue is anticipated.

Mayor Bruchey suggested reviewing the information presented and discuss it again on January 12, 2010. Mr. Zimmerman asked Mayor and Council members to send questions to him and he will gather the information for all members.

Councilmember Brubaker and Councilmember Metzner would like to compare what services other municipalities with similar tax rates provide to citizens.

The information presented during this meeting will be provided to employees during the meetings later this week. It will also be available on the City's website.

Councilmember Easton stated if departments are able to maintain levels of service with less, they should continue doing so. Mr. Zimmerman indicated this would not be maintainable for a long period of time. Staff developed the adjustment with the understanding from the September 29, 2009 meeting that preservation of employment was a priority for the Mayor and Council.

Councilmember Haywood sees this as an opportunity to reconsider the way the government functions and determine where waste is occurring. No detail is too small to consider. She is looking forward to quickly working on the budget crisis.

Mr. Zimmerman suggested phrasing the review as looking at ways to create savings, rather than eliminating waste. The City is not an organization that is full of waste. The City did not create this budget situation. It is a direct result of the economic crisis that is impacting the country.

The next step in the strategic planning process is to review the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis's. The strategic plan will guide the restructuring plan.

Councilmember Easton suggested looking at ways to partner with other agencies to provide services to citizens for less money.

The budget plan will be discussed during a work session on January 12, 2010.

City Administrator's Comments

Bruce Zimmerman, City Administrator, had no additional comments.

Mayor and Council Comments

Councilmember M. E. Brubaker asked for suggestions for productivity savings. He encouraged everyone to think outside the box.

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. Easton thinks there is more than one answer for dealing with the decrease in revenue. He wants to allow citizens time to review the information and provide feedback. He would be willing to wait longer for snow to be removed in order to save money, rather than waiting longer for a police officer to respond to a call. He encouraged citizens to contact him with suggestions.

Mayor R. E. Bruchey, II thanked Council members and staff for a productive meeting. He asked Council members to return their SWOT analysis.

There being no further business to come before the Mayor and City Council, on a motion duly made, seconded and passed, the meeting was adjourned at 6:35 p.m.

Respectfully submitted,

Donna K. Spickler, City Clerk

Approved: January 26, 2010