

EXECUTIVE SESSION – February 7, 2017

Councilmember D. F. Munson made a motion to meet in closed session to discuss the appointment, employment, removal, resignation or performance evaluation of appointees, employees, or officials over whom it has jurisdiction, #1 (Section 3-305(b)), on Tuesday, February 7, 2017 at 3:04 p.m. in Room 407, 4th floor, City Hall, Hagerstown, Maryland. Councilmember L. C. Metzner seconded the motion.

Motion carried 3-2 with Councilmember K. B. Aleshire and Councilmember P. D. Corderman voting No.

The following people were in attendance: Mayor R. E. Bruchey, II, Councilmember K. B. Aleshire, Councilmember P. D. Corderman, Councilmember E. Keller, Councilmember L. C. Metzner, Councilmember D. F. Munson, City Administrator Valerie Means, Blaine Mowen, Chief Code Official, and D. K. Spickler, City Clerk.

The meeting was held to discuss potential members for the recently created Permits, Inspection and Code Compliance Review Committee. No formal action was taken at the meeting. On a motion duly made, seconded, and passed, the Executive Session was adjourned at 3:40 p.m.

WORK SESSION – February 7, 2017

Mayor R. E. Bruchey, II called this Work Session and Executive Session of the Mayor and City Council to order at 4:01 p.m., Tuesday, February 7, 2017, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, P. D. Corderman, E. Keller, L. C. Metzner, and D. F. Munson, City Administrator Valerie Means, and City Clerk D. K. Spickler.

FY 18 Employee and Retiree Healthcare

Karen Paulson, Director of Human Resources, and Rebecca Royal, Senior Employee Benefits Consultant with CBIZ Benefits and Insurance Services, were present to provide an update of the City of Hagerstown's benefit plans. The purpose of the discussion is to inform the Mayor and City Council of the status of the benefit plans, review year to date performance, and discuss the FY18 health care program. No formal action is required of mayor and Council at this time.

CBIZ is the City's benefits consultant and has worked with the City since 2007. Ms. Royal meets regularly with the City's healthcare committee to review plan performance, identify trends, project future performance, monitor legal compliance, and discuss any pertinent issues involving the plans.

The City's health insurance plans are self-insured, meaning the City pays claims as they are incurred. The very nature of a self-insured program means there can be significant year to year fluctuations in expenses. CBIZ works with City staff to develop expense projections for the current and upcoming year. Factors considered are claims history, national trends, and legislative impact such as the Affordable Care Act (ACA). The budgeted health plan costs for the year are placed in the City's Healthcare Fund. Balances in the fund carry over year to year in order to withstand the variable fluctuations in healthcare claims expense and provide long term smoothing. Claims expenses are paid from the Healthcare Fund weekly.

The City currently offers two health insurance plan options for eligible employees and their dependents. Both plans were offered to employees beginning 07/01/2009.

1. The "Plus Plan" is a high-deductible plan with an accompanying Health Savings Account.
2. The "Level Plan" provides 90% coverage after a deductible is met and office visits are subject to co-pays. A majority of employees are enrolled in the Level Plan.

The City also offers 80/20 Plan coverage for retirees and their dependent(s) who are pre-Medicare eligible, and two coverage options for Medicare eligible retirees and their spouses.

Healthcare coverage, both during an employee's active working years and in retirement, is a major component of an individual's overall compensation package. The total healthcare claims cost for the last fiscal year was \$ 6,013,875. Major changes to the plans were made effective this past fiscal year and as a result, the plan is running well to date.

The City's health plan premium rates and design (coverage levels, co-pay levels, deductibles, etc.) are currently determined by existing language in all four union contracts. In order to make changes to rates or plan design, three of the five employee groups must approve the change before the recommendations can be considered by the Mayor and City Council.

The healthcare committee reviews the plan performance and discusses matters that could have an impact to the plan or to the healthcare fund. Their work on the committee is appreciated.

Recommended plan changes for FY18 are as follows:

1. Level and Plus Medical Plans – There are no recommended changes to the Level or Plus Medical Plans or employee premiums.
2. Creation of a Third Plan – Acknowledging the value of expanded personal choice, a third healthcare plan is being recommended. This plan is designed to be cost neutral to the City. A third option provides employees more choices in healthcare to best suit their personal needs. The design of the plan fits in between the rich

benefit and higher premium of the Level plan and the low premium but high deductible of the Plus plan.

3. Retiree Under 65 Plan – A recommendation is being made to increase the preventive health benefit for this plan from a \$ 200 maximum coverage for preventive services to unlimited. To remain cost neutral to the City, the retiree premiums will increase to offset the increase in benefit.
4. Medicare Eligible Retiree Plans – Recommending the contribution made monthly to the Health Reimbursement Account Plan change from \$ 400 to \$ 350. The HRA update will require a contract change with all four union groups as the dollar amount is defined in the current labor agreements. The union groups are aware of the requirement.

The Committee believes these changes are reasonable, appropriate, and necessary to secure the long term viability of a competitive healthcare program for employees and retirees.

The City's health care insurance also includes a stop loss threshold of \$ 225,000 per person annually.

Mayor Bruchey inquired why the change to the monthly contribution for the Medicare Eligible Retiree Plans is being recommended. Ms. Paulson stated the other groups agreed to and experienced reductions in coverage last year. With this recommendation, all the groups will have made changes.

Memorial Park Circle of Achievement Recommendations – Class of 2017

Stephen Bockmiller, Development Review Planner/Zoning Administrator, was present to discuss the Circle of Achievement honorees for 2017.

The City dedicated Memorial Park in 2015. One component of this park is the Circle of Achievement – an outdoor hall of accomplishment of Hagerstown residents. High standards were adopted by the Mayor and Council and an initial database of 45 potential honorees was compiled by the Memorial Park Circle of Achievement Inductee Review Committee. In 2015, in order to create an initial critical mass of honorees, the Mayor and Council adopted an initial class of 12 inductees. The park dedication and first induction ceremony was held on May 16, 2015. Descendants of 10 of the 12 honorees were present and they came from literally all over the country to participate. Two new honorees were inducted in 2016.

The database of potential honorees can be updated at any time by the Committee when persons meeting the established criteria are identified. Suggestions from all parties are welcome. Six potential nominees were identified over the 12 months and the Memorial Park Circle of Achievement Inductee Review Committee confirmed their eligibility by adding them to the database when it met on December 27, 2016.

The City Engineer advises that there is money in the budget for two plaques. After reviewing the potential candidates available on the current database of persons qualified

for consideration, the Committee recommends that the Mayor and Council consider selecting from the following persons for inclusion in the class of 2017:

1. Peter Buys (1881 – 1964) – Buys was the director of the Hagerstown Municipal Band for nearly four decades (1920-1959), and a composer of march music. He was a protégé of John Philip Sousa and an arranger for the Sousa Band. Buys is considered one of the giants in the march genre of music.
2. Clara Jenness Hamilton (1837 – 1919) – Hamilton was the developer of the tract of land which has since become the Oak Hill Historic District. An early proponent of the Garden City movement, the principals that form of landscape design heavily impacted the ultimate design of the Oak Hill development. Oak Hill is one of the earliest examples of the use of these principles in urban design in the United States. Hamilton was a rare example of a female land developer during the period around the turn of the 20th Century and her work has forever impacted the character of the northern quarter of the city.
3. Ammon H. Kreider (1886 – 1929), and Lewis Reisner (1903 – 1949) – In 1923, Kreider and Reisner started an aircraft company in Hagerstown, which was bought by Fairchild in 1929. This was the beginning of what would become an impressive association the city has had with the aircraft industry. Kreider’s accidental death days after the sale of the company to Fairchild and the Great Depression required Fairchild to consolidate operations. Their headquarters was moved to Hagerstown in 1931. Fairchild was the dominant employer in Hagerstown during World War II and was a major supplier of aircraft for the war effort. Aircraft continued to be produced in Hagerstown until the 1980s.
4. Elias Marken Recher (1828 – 1887) – Recher was the dean of the photography industry in Washington County in the early years of that technology. He established the first long-operating photography studio in Hagerstown around 1860. Most Hagerstown photographers of the late 1800s studied under Recher before establishing their own businesses. In the 1870s and 1880s, he expanded the industry (and promoted tourism) in this region by creating stereo views of Antietam Battlefield, Pen Mar Park, the Western Maryland Railway and other regional landmarks. He mass-marketed those products through local retail sale and distribution outside of the local region. Many of his works survive in museums, private collections, libraries and local-area family photo albums to this day.
5. James Dixon Roman (1809 – 1867) – Roman represented Western Maryland in the U. S. House of Representatives during the same period that Abraham Lincoln served in that body (1847-49). Roman served as the President of the Hagerstown Bank (the largest bank in Washington County) from 1851 to 1867. Most importantly, he developed and arranged implementation of the successful strategy that met Confederate ransom demands and saved Hagerstown from destruction in 1864.

In order to maintain the exclusivity of the honor and not exhaust the pool of candidates too quickly, the Committee recommended in 2016 that the Mayor and Council adopt two new honorees each year. The elected officials concurred with that recommendation at that time. Only two spaces remain on the front of the granite panels.

If the Mayor and Council decide to honor three or more candidates this year, all of this year's plaques would be added to the west side of the granite panels.

The Committee's recommendations are non-binding on the Mayor and Council. The elected body can select any person meeting the adopted criteria, as confirmed by the Committee and included in the database.

It was the general consensus to honor Peter Buys and Ammon H. Kreider and Lewis Reisner (as a pair) as the inductees for the Class of 2017. Two plaques will be placed in the Circle of Achievement. A ceremony will be held on May 20, 2017.

Formal approval of the honorees will be included on the February 28, 2017 Regular Session agenda.

Fairgrounds Park: Washington Capitals Proposal for Outdoor Hockey Rink

Rodney Tissue, City Engineer, was present to discuss a proposal made to the City of Hagerstown by the Washington Capitals. Staff was recently contacted by Peter Robinson who is the senior manager in Community Relations for the Washington Capitals, the professional ice hockey team based in Washington, D. C. Mr. Robinson contacted the City through Pete Lowe, a board member of the Hagerstown Ice Amateur Athletic Association (HIAAA) that manages the ice rink for the City. In a meeting on January 24, 2017, Mr. Robinson indicated that the Capitals wish to grow their fan base in this area and have received a grant from the National Hockey League to invest in street hockey in this community.

They offer the following:

1. Refurbish the outdoor in-line skate rink at Fairgrounds Park that was built in 2001
2. Provide street hockey equipment to schools in Hagerstown and eventually develop a program

The Capitals have completed this work in other communities, most recently in Northern Virginia. For this rink, they would likely replace the fencing, repair the dasher boards, install a sports court on the existing concrete, and install a scoreboard.

The Capitals would also provide street hockey equipment to local schools and it is anticipated that by doing this, they could develop a program that uses the rink. Mr. Robinson indicated street hockey is now included in several Physical Education classes in schools in the other communities where the Capitals have completed similar projects.

This rink is currently part of a User Agreement with the Police Athletic League (PAL). The PAL was instrumental in getting the rink built and continues to use it. Nick Varner, the president of PAL, supports the project as long as PAL has the ability to use the rink for their programs.

Even though the rink will be updated for street hockey, it will be available for the community to use.

It was the general consensus of the Mayor and City Council to accept the offer from the Capitals. An agreement between the City of Hagerstown Parks Division and the Board of Education will be drafted for review.

FY 2017/18 Working Budget Status Review

Michelle Hepburn, Director of Finance, provided an overview and status of the City's FY 2017/18 budget progress. To date, Departments have completed initial operating and capital budget requests.

Throughout February and March, staff will work to balance the budget and prepare the budget book for Mayor and City Council review.

The City faces a challenging budget scenario for next year which is reflected in the budget assumptions used for this status update. Some of this was anticipated a year ago as staff looked beyond the current year's budget. As of February 2, 2017, the General Fund FY2017/18 deficit is approximately \$ 2.4 M. Staff recently began the FY18 budget balancing process; and this process will continue over the next 3 weeks. The process will continue until the proposed budget is balanced.

Councilmember Aleshire asked if a balanced budget will include any recommendations for a tax rate increase or fee increases. Ms. Hepburn stated it is too early in the balancing process to know what recommendations will be made.

Mayor Bruchey stated it will be the Mayor and Council's duty to review the proposed budget that will be presented to them on March 31, 2017 and make adjustments as they see fit.

Ms. Hepburn noted the budget must be approved by the end of May so it is in effect as of July 1, 2017.

The City's anticipated FY2017/18 General Fund Revenue of approximately \$ 41.9 M reflects a \$0.5 M reduction compared to the FY 2016/17 budget. Overall, this difference reflects the inclusion of \$0.4 M of fund balance reserve usage plus \$0.1 M for Red Light program in Fines and Forfeitures in the current FY2016/17 budget. Currently, the preliminary FY2017/18 budget does not include any funding from these two sources.

At this time, there is no increase in property tax rates which is 91.3 cents per \$ 100 assessed value, and each penny on the tax rate represents approximately \$ 260 K in revenue. The preliminary estimates for property tax revenue include an overall increase of 2.9% compared to FY2016/17 budget amounts due to two primary factors:

1. The City has experienced assessable growth increase beyond original estimates from the State Department of Assessment and Taxation which is

reflective in estimated actual for FY2016/17 being higher than FY2016/17 budget amounts.

2. The City's triennial assessment indicates a slight increase in property values on average of 1.5% from current levels. The City has not yet received the Constant Yield Tax Rate memo.

There is \$0.4M in the current budget of Fund Balance Reserve. At this time, there is no amount of fund balance reserve utilized in FY2017/18 working budget.

All four of the City's collective bargaining contracts self-renewed without modifications on July 1, 2016 and are now set to expire in June 2017. The current Mayor and Council gave approval for union negotiations; and as a result these have already begun.

There is an overall salary enhancement for all employee groups (union, non-union, full-time, part-time, and seasonal staff) which represents approximately \$915K more than in FY2016/17 budget. The budgetary impact at this time is estimated due to the nature of good faith negotiating, but management believes this to be a fair pool of funds. It should be understood that this pool of funds does not represent any COLA or uniform increase to all groups but does allow for individual considerations with the four bargaining units as well as non-union personnel.

There are no positions included that have not been previously discussed and/or approved. There are 477 full time positions with 331 in the General Fund and 146 in other funds and operations. There is a total of 26 unfunded positions across the City with 14 in the General Fund and 12 in other funds and operations. There are also no reductions in staffing at this time.

Health insurance projections include an overall 3% increase over current year actual levels which represent approximately \$0.4M more than FY2016/17 budget for active employees and retirees. Dental insurance projects are anticipated to remain flat with current year amounts and total approximately \$ 139K in the General Fund for active employees and retirees. Police and Fire pension projections are 14% of salaries and wages which totals \$1.5M. The employer contribution of 14% is the same level as current FY2016/17 budget but reflects an additional \$131K. In FY2016/17, the employees' contribution rate is 7%. State of Maryland pension rates are estimated to increase from 8.53% to 8.56% of salaries and wages for the employer's contribution rate. With this increase of 0.35%, the total amount of funding included in the FY2017/18 preliminary budget is \$ 735K. The employee's contribution rates are established by the State of Maryland as well and remain at 7% of salaries and wages.

Transfers from the general fund (pay-go funding) are approximately \$1.3M. This request for \$ 1.3M includes funding a variety of items such as: vehicles for various departments representing \$ 250K, public safety radios, cameras, and equipment for Police and/or Fire in the amount of \$ 340K, matching funds for multiple grant projects across the Parks; and other infrastructure related projects.

The assumptions include new bond issues in Spring/Summer 2017 as discussed in prior Work Session meetings in January. The City's current bond ratings are AA rating from S&P and an Aa3 rating from Moody's. Additionally, there is a future 2018 bond issue for the General Fund in preliminary requests that total \$ 6.0M, which would have an estimated 20 years annual debt services of \$ 442K. It is anticipated that the impact for FY2017/18 would be limited to one interest payment based on the timing of the issue or approximately \$ 68K.

In an effort to conserve funds, there is approximately \$0.7 M in CIP project funding that will be carried over and/or deferred from the current fiscal year until FY2017/18.

The current FY2017/18 deficit does not include any reductions or changes to City services, including no changes to events, recreation, public safety, public works, or golf.

Staff will be working on the Golf Fund preliminary requests to keep the General Fund stipend level at \$0.2M.

At this time, there is a transfer of \$ 200K from the General Fund to Economic Redevelopment Fund in preliminary FY2017/18 budget to continue to fund on-going incentives such as Partners in Economic Progress (PEP), subsidized rental assistance, and sign and façade grants. This transfer from the General Fund is \$100K more than current funding included in the approved FY2016/17 budget.

Invest Hagerstown program initiative was funded with a combined total of \$1.5M GF Fund Balance reserve funding and encompassed several different incentives: First Third Grant Program, City Center Residency (Rental and Down Payment/Rehab), and City Wide Down Payment and Rehab. The total \$1.5M has not all been spent year-to-date but has been obligated. The grants are disbursed after project completion and approval by City staff.

Currently, staff continues to search for funding sources to continue with some of the incentives that were previously funded with one-time GF Fund Balance reserves. At this time, Economic Redevelopment Fund holds various properties that are for sale including: Massey Property Baltimore Street, 170 W. Washington Street, and 43-53 W. Washington Street (contract pending). During the current FY2016/17, the property at 278 S. Prospect Street was sold for \$75K. The sale of these assets could provide some funding for FY2017/18.

The State of Maryland recently conducted an audit of the State Income Tax revenue. The audit showed the State sent incorrect amounts of income tax revenue to many municipalities, including the City of Hagerstown. The City received approximately \$ 800,000 in error over a five year period. The State is requiring the City to repay the excess, beginning in 2020. The proposed FY18 budget will reflect the corrected figures. Mayor Bruchey mentioned a bill to forgive the amounts overpaid to municipalities was presented to the General Assembly last week.

Ms. Hepburn reported that as of February 2, 2017, there is an anticipated deficit of \$2.4 M. These figures are preliminary and subject to change. Staff recently began the FY18 budget balancing process, which will continue over the next 3 weeks.

The Electric Fund net position as of June 30, 2016 was \$ 18.2M, which includes \$6.7M in cash. The Electric Fund currently has 35.5 total positions. Six of those positions are unfunded and will continue to remain vacant through FY2017/18. The Hagerstown Light Department is currently operating under an addendum to the Power Services Agreement which ends May 31, 2017. City staff developed and submitted an RFP for the Wholesale Power Supply and negotiated an addendum to the existing Power Services Contract. The new agreement becomes effective on June 1, 2017 and ends on May 31, 2022. No rate increases to customers are included in the preliminary FY2017/18 budget data. The Electric Fund is anticipating that all capital improvement projects for FY2017/18 will be funded entirely from the Electric Fund. The total amount of CIP projects for FY2017/18 is \$ 550,000.

As of June 30, 2016, the Water Fund had \$85.9 million in net position which includes \$ 6.7M in unrestricted cash plus \$4.0M in restricted cash. The Water Department currently has 54.5 total positions. Four of those positions are unfunded and will continue to remain vacant through FY2017/18. In March 2014, the Mayor and Council adopted a five-year rate schedule to increase water service rates an average of 2% for services provided in the City and an average of 2% per year for services provided outside the City. The five-year rate schedule was based on a cost of service study and the current rate schedule began July 1, 2014 and ends June 30, 2019. The Water Fund is anticipating that its FY2017/18 capital improvement projects will be funded through several sources; Bond Financing \$1.22M, MDE Loans/Bonds \$3.05M, and the Water Fund \$1.062M for a grand total of \$5.337M in projects.

The Wastewater Fund net position was at \$50.5 million as of June 30, 2016, which includes \$5.5M in unrestricted cash plus \$0.5M in restricted cash. The Wastewater Department currently has 48.2 total positions. Two of those positions are unfunded and will continue to remain vacant through FY 2017/18. In March 2014, the Mayor and Council adopted a five-year rate schedule that began July 1, 2014 and ends June 30, 2019. The remaining approved rate increases are as follows: FY2016/17 4% rate increase; and both FY2017/18 and FY 2018/19 2% rate increase. The Wastewater Fund is anticipating that the FY2017/18 capital improvement projects will be funded through several sources; Bond financing \$1.8M, Contributions by Others \$0.7M, and the Wastewater Fund \$1.7M for a grand total of \$ 4.2M in projects.

Councilmember Metzner asked if the proposed budget will include new positions mentioned during the recent public safety needs assessment discussion. Ms. Hepburn indicated there are no new positions included; however, there is some funding for cameras and equipment.

Mayor Bruchey asked what the current Fund Balance amount is. Ms. Hepburn stated the balance is \$9.1M, which is 2.5 months of operating costs. The Fund stands at 23.3%

of the budget. Best practices indicate a Fund Balance of 16.7% is preferable. Councilmember Aleshire stated he believes the months of operation costs number is as important as the percentage.

Councilmember Aleshire noted the utility funds are business driven funds. The General Fund is funded primarily by taxpayers. The largest percentage of the General Fund budget is wages and benefits. More will be spent on wages and benefits than is received in taxes. He would rather discuss this funding than amenities. Given the funding projections for this budget year, the Mayor and City Council will either have to invest in increasing the tax base or invest in public safety.

Councilmember Corderman wondered how negotiations are going. Ms. Means indicated an update will be provided soon.

Mayor Bruchey stated the General Fund is the most important item to discuss. He stated the deficit equals a 9 cent tax rate increase. He stated the group will have to discuss ways to eliminate the deficit.

Councilmember Keller wondered if it is time to impose a safety tax or fee. Councilmember Metzner indicated local governments are prohibited from imposing additional taxes. Ms. Means pointed out Maryland regulations are different for taxes/fees than surrounding states. She stated a balanced budget will be presented for the Mayor and City Council's review but she can't guarantee there won't be a tax rate increase recommended.

Councilmember Aleshire stated citizens need to know what any increase will be used for. For example, if a decision is made to fund a program to remove dilapidated buildings, taxpayers should be informed that their taxes will increase by a certain amount and the money will be used to purchase and remove these buildings.

Councilmember Metzner noted the adopted budget is available on the City's website after it is approved.

Mayor Bruchey suggested updates on the budget prior to March 31 would be helpful.

Councilmember Aleshire asked that a listing of amenities and the associated operating costs be created.

CITY ADMINISTRATOR'S COMMENTS

Valerie Means, City Administrator, had no additional comments.

MAYOR AND COUNCIL COMMENTS

Councilmember D. F. Munson showed photographs of City Park that were taken by Ralph Frantz.

Councilmember L. C. Metzner had no additional comments.

Councilmember P. D. Corderman recently rode with a police officer. It was a good experience. He wondered if the speed camera at the former Winter Street Elementary School is operational. It was reported that the camera has not been in operation since the school closed.

Councilmember K. B. Aleshire has created a report on the trash issues he encounters while he is walking. He would like to receive a monthly report from the Hagerstown Housing Authority, especially relating to bed bugs. He congratulated Dr. Boyd Michael on his appointment as Superintendent of Washington County Public Schools.

Councilmember E. Keller thanked Community Rescue Service (CRS) for talking with her last week. CRS responded to 17,000 calls last year. There have been negative comments about Hagerstown in national news stories during the last few days. She stated Hagerstown citizens have a lot to be proud of. She encouraged citizens to get involved in the community. She encouraged people who have complaints to contact the elected officials.

Mayor R. E. Bruchey, II visiting the fourth grade classes at Jonathan Hager Elementary School to talk about the "If I Were Mayor" contest being sponsored through the Maryland Municipal League. The students have great ideas and they are concerned about homeless people and safety.

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 5:57 p.m.

Respectfully submitted,

Original signed by D. K. Spickler

Donna K. Spickler
City Clerk

Approved: March 28, 2017