

WORK SESSION – May 29, 2018

Mayor R. E. Bruchey, II called this Work Session and 43rd Special Session of the Mayor and City Council to order at 5:00 p.m., Tuesday, May 29, 2018 in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, A. Heffernan, E. Keller, L. C. Metzner, and S. McIntire, City Administrator Valerie Means, and City Clerk D. K. Spickler.

FY 2018/19 Tax Rate and FY 2018/19 Budget Discussion Regarding Economic Incentives

The Mayor and City Council scheduled this Work Session to discuss incentives for economic development that would affect the tax rate.

Valerie Means, City Administrator, and Jennifer Peterson, Accounting and Budget Manager, were present.

Ms. Means reiterated that the tax rate and budget have to be passed by May 30, 2018 in order to become effective July 1, 2018. If they are not passed, the City will receive no taxes for the fiscal year. Michelle Hepburn, Director of Finance, was unable to attend the meeting. She created a table showing the effect of different tax rates on the total revenue. A copy of the table is included in the meeting packet.

An ordinance was introduced on May 15, 2018 to establish the City's tax rates at \$0.972 per \$ 100 of assessed value of all properties, except those designated as Apartments, which will be \$ 0.992 per \$ 100 of assessed value.

The Mayor and City Council have considered setting the tax rate at a level that would provide an additional \$ 1,000,000 for economic incentives. If the tax rate is increased by \$0.09 for apartments and \$0.06 for other properties, the additional revenue would be approximately \$ 1,000,000. This is above the tax rate in the ordinance that was introduced.

A table showing the impact of the annual increase of the tax bill for various home values was presented. The increase in tax dollars for a home valued at \$ 150,000 would be \$ 90.00 per year, rather than \$ 45.00 with the original proposed rate.

Councilmember McIntire asked if a utility tax could be implemented as a means for additional revenue, rather than increasing the tax rates to these levels. Ms. Means noted this could not be implemented before the FY 2018/19 Fiscal year but it could certainly be discussed prior to the next fiscal year.

Councilmember Metzner indicated the Council realizes they need to address the need for funding for economic development with a dedicated fund specifically for funding for

incentive programs, which was previously provided from the Economic Redevelopment budget. He doesn't think many residents realize what will be happening downtown very soon with the Urban Improvement Project (UIP). Buildings will be demolished and others will be expanded. There is great potential for success for downtown with the UIP. There is also the potential to lose businesses without incentives.

Councilmember Heffernan stated the Mayor and City Council have been deliberating over the past two months about the tax rate and agreed to a \$0.03 cent and \$ 0.05 cent increase. He doesn't support a \$0.06 and \$0.09 increase without discussing it further in public session. Last week, the Council decided that the economic development incentive programs need to be funded. They agreed to take this dramatic step for downtown. He may have supported the \$0.06 and \$ 0.09 increase two months ago but not at the last minute.

Councilmember Metzner stated the discussion was prompted by the realization that a major potential downtown developer may leave Hagerstown.

Councilmember Keller asked last year that the Council show urgency in their budget discussions. Here it is the last day, and the Mayor and City Council still don't have established goals or priorities. As a body, they need to develop strategic goals. It's not good for the elected body or staff to not have set goals.

Councilmember Heffernan agreed. Budget discussions should continue after June 1, 2018.

Councilmember McIntire stated developers are interested in incentives. It is not the Cultural Trail or the Maryland Theatre that attract developers, it's the incentives. This will help attract the developers who don't want to do business in Hagerstown.

Councilmember Aleshire suggested talking about the actual amount taxpayers will be paying with the proposed rates, rather than just stating the rates. He finds it disingenuous that Delegate Corderman urged the City to provide funding for the Maryland Theatre project but not change anything else. His tax bill would increase by \$ 40.00 per year if the proposed \$0.03 and \$ 0.05 rate increase is approved. The \$ 800,000 generated by that tax rate would cover wages and benefits. Citizens urge the Mayor and City Council to clean up downtown and adequately fund public safety. The best way to lift this ship is all at once. He thinks improvements need to be made in all parts of development in the city. The incentive programs ran out of money. He supports a \$0.06 and \$0.09 increase, with the additional revenue earmarked for economic development. This would provide \$ 750,000 for up to 3 projects, and \$ 100,000 for up to 4 grants for any existing private business or new business that wants to expand or locate in the City limits. A portion of the funding could be used to boost the homeownership program, with a goal of 10 new home owners in a year. Another portion could be provided to assist landlords with repairs. If this type of program is in place, there will be a visible difference in Hagerstown.

Mayor Bruchey noted any additional savings in other areas could be used toward a demolition fund. Ms. Means noted there is funding set aside in the Community Development Block Grant budget for demolition.

Councilmember Aleshire noted a realistic measure of funding is needed to bring the big buildings back to downtown. He used the example of the Patterson building renovation and being used as student housing for USMH.

Councilmember Metzner pointed out two buildings – the Grand and the Professional Arts building – have been renovated.

Councilmember Aleshire noted the Grand Piano building now has 21 tenants and the space is full.

Councilmember Keller stated using these buildings as examples of what incentives can do would make a great sales pitch.

Councilmember McIntire stated she thinks taxpayers would want their tax dollars to go toward having a vibrant downtown.

Councilmember Aleshire stated there is a limited window of opportunity for the City to capitalize on the tails of the UIP.

Councilmember Metzner stated Hagerstown has been named one of the 31 cities “Not to Miss” by National Geographic. He anticipates Hagerstown’s popularity will only increase when the Maryland Theatre is fully booked and the UIP is complete.

Councilmember Heffernan stated he completely developing a budget for downtown and that is an excellent direction to set for the FY 2019/20 budget. In addition to increasing revenue, the City needs to look at reduced expenses by cutting or consolidating services. He feels it is wrong to implement this tax rate without having multiple public discussions. He would support securing bond funding for an economic development incentive. Ms. Means pointed out bond financing can only be used for capital improvements, not for a program like this one.

Councilmember Aleshire pointed out there is a joint meeting scheduled with the Washington County Commissioners on June 5, 2018. Topics for discussion include the tax differential and funding for fire service. He does not think the City of Hagerstown receives appropriate amounts for either of these items. This is unfair to City residents. Changes to these could result in an additional \$ 900,000 for the City, which would eliminate the need for additional tax revenue.

It was the general consensus to move forward with a \$0.06 (overall) and \$0.09 (apartments) tax rate increase. Ms. Means noted a recess will be needed to allow staff time to create the motions to match the stated consensus.

Councilmember McIntire thinks this is the appropriate time to increase the tax rate. She respects Councilmember Heffernan's opinion. She would like to have a discussion about a utility tax.

Mayor Bruchey pointed out government entities should also pay their fair share.

Ms. Means stated the Mayor and City Council can continue discussing and amending the budget after it is approved. This can not be done with the tax rate.

Mayor Bruchey stated Councilmember Keller's recommendation to develop goals is good. The City has a strategic plan and a downtown plan. He believes the Mayor and City Council can develop goals from these plans.

Ms. Means reminded the Mayor and the City Council that the Comprehensive Plan and her list of 18 ideas for projects would be helpful as well.

A break was taken at 5:41 p.m.

43rd Special Session – May 29, 2018

On a motion duly made by Councilmember L. C. Metzner and seconded by Councilmember E. Keller, the Mayor and City Council unanimously agreed by voice vote to meet in Special Session at 6:04 p.m.

Amendment of an Ordinance: Tax Rates Beginning July 1, 2018

Action: Councilmember K. B. Aleshire made a motion to amend the ordinance as introduced on May 15, 2018 to establish the City's tax rates for the fiscal year July 1, 2018 through June 30, 2019 as follows: on the basis of \$ 1.002 per \$ 100 of assessed value of all real property except properties designated as Apartments which will be \$ 1.032 per \$ 100 of assessed value and \$ 2.505 per \$ 100 of assessed value of all business personal property within the City of Hagerstown. These rates reflect an increase of \$0.061 per \$ 100 for real property except Apartments increase of \$ 0.091 and \$ 0.152 per \$ 100 for business personal property over the current year. Councilmember S. McIntire seconded the motion.

Discussion: Councilmember Heffernan stated an economic development incentive fund should be funded by other means at this time. Tax rate increases could be discussed further for next year. It is not fair to taxpayers without some form of notice and public input opportunities.

Motion carried 4-1 with Councilmember A. Heffernan voting No.

Approval of an Ordinance: Tax Rates Beginning July 1, 2018

Action: Councilmember S. McIntire made a motion to approve an ordinance introduced on May 15, 2018 and amended on May 29, 2018 to establish the City's tax rates for the fiscal year July 1, 2018 through June 30, 2019. Councilmember L. C. Metzner seconded the motion.

Motion carried 4-1 with Councilmember A. Heffernan voting No.

Amendment of an Ordinance: Budget FY 2018/19

Action: Councilmember K. B. Aleshire made a motion to amend the ordinance as introduced on May 15, 2018 to adopt the City's budget for fiscal year July 1, 2018 through June 30, 2019 as follows: in the total amount of \$ 141,985,310. Councilmember L. C. Metzner seconded the motion.

Discussion: Councilmember Heffernan verified that the total budget amount has been amended to include the \$ 0.06 cent and \$ 0.09 cent tax rate increase. Ms. Means indicated that is correct. The new rate will provide approximately \$ 800,000 to start an economic development incentive program.

Motion carried 4-1 with Councilmember A. Heffernan voting No.

Approval of an Ordinance: Budget FY 2018/19

Action: Councilmember L. C. Metzner made a motion to approve an ordinance as introduced on May 15, 2018 and amended on May 29, 2018 to adopt the City's budget for fiscal year July 1, 2018 through June 30, 2019. Councilmember S. McIntire seconded the motion.

Discussion: Councilmember Heffernan agrees with what the Mayor and City Council are trying to do by funding an economic development incentive program but increasing the tax rate without exhausting all other possibilities of revenue and savings is not appropriate. This feels like taking money from the taxpayers.

Councilmember McIntire thinks taxpayers will appreciate that their money is going toward economic development.

CITY ADMINISTRATOR'S COMMENTS

Valerie Means, City Administrator, had no additional comments.

Councilmember S. McIntire had no additional comments.

Councilmember L. C. Metzner had no additional comments.

Councilmember A. Heffernan had no additional comments.

Councilmember K. B. Aleshire had no additional comments.

Councilmember E. Keller had no additional comments.

Mayor R. E. Bruchey, II had no additional comments.

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 6:12 p.m.

Respectfully submitted,

Original signed by D. K. Spickler

Donna K. Spickler
City Clerk

Approved: June 26, 2018