

Mayor R. E. Bruchey, II called this Work Session of the Mayor and City Council to order at 4:04 p.m., Tuesday, April 9, 2019 in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, A. Heffernan, E. Keller, S. McIntire, and L. C. Metzner, Interim City Administrator Michael Spiker, and City Clerk D. K. Spickler.

Proclamations

Mayor Bruchey read a proclamation naming April 8-12, 2019 as Boys & Girls Club Week. Addie Nardi, Executive Director, accepted the proclamation.

Mayor Bruchey read a proclamation naming April, 2019 as Genocide Awareness and Prevention Month. Frederick Farah, National Honor Society President at St. Maria Goretti High School, accepted the proclamation.

City Park Lighting Enhancements

Rodney Tissue, City Engineer, was present to discuss enhancements to the City Park holiday light display. For many years, the City has provided a display at City Park. This display is primarily on the west bank of the lower lake near the Fine Arts Museum with additional displays on the lake and behind the Hager House. In 2015, staff proposed a drive through concept where lights would be provided throughout the park. Staff still feel that idea has merit, plus there is now an offer from a local citizen who has provided the Greenberry Hills neighborhood a light show at his property. The City may also wish to consider a year-round display.

The overall plan has three parts and they are described below. Theoretically they could all be done or individually, depending on the Council's direction.

Part A: Dynamic Holiday Lights on the Lake – Staff was recently contacted by Les Spade, a resident of Greenberry Hills. Mr. Spade is moving and will no longer create the display and is offering to sell the controller equipment to the City and assist staff with an annual display. This concept takes advantage of reflection of lights on the lake and is virtually vandal proof out on the lake. This will likely be a significant visitor attraction. Mr. Spade will design, manage the installation, and direct the removal of a display. The Dynamic display consists of five “trees” on rafts. Lights would automatically turn on at dusk. Dynamic display would continue to about 9:00 p.m. when the lights would become fading white lights until about 11:00 p.m. For the dynamic display, the lights are coordinated with music that is only accessible by turning a car or portable radio to a specific station. The City would choose the music. The cost for the purchase and set up of this display is \$ 22,000 in November, 2019, \$ 13,000 in November, 2020, and \$ 3,000 for subsequent years. Funding for this option is included in the proposed FY20 budget.

Part B: Drive-thru Display of Holiday Silhouettes – If Part A is implemented, it will free up some of the silhouettes for relocation to areas throughout the park. Parks staff will install the silhouettes and request Public Works staff to do the wiring. There are currently about 25 silhouettes. Themes for the silhouettes could be developed at each location. This concept provides for the park visitors to drive or walk through City Park and enjoy the various displays as they will not be limited to just one location. Staff identified about 10 locations throughout the park. At least six of these have electrical capacity and would be utilized in 2019. The other four locations will need electrical service and the estimated cost is \$ 4,000.00 per location. A portion of the \$ 63,000.00 Program Open Space request could be used to fund the installation.

Part C: Uplights in Trees – Another proposal from the Historic City Park Neighborhoods First group is “up lights” into the trees along the lower lake. This would be a year-round display. The lights would be LED and colors could be changed. The balance of the \$ 63,000.00 Program Open Space request would be utilized to fund the infrastructure installation for the lights, assuming the City is successful in acquiring these funds.

It was the general consensus of the Mayor and City Council to move forward with the enhanced City Park lighting displays.

CFY20 Proposed Budget Review

Michelle Hepburn, Director of Finance, and Jennifer Peterson, Accounting and Budget Manager, were present to review the FY20 Proposed Budget.

The focus of the discussion is on the General Fund. The 2019 Constant Yield Tax Rate notice from the State Department of Assessments and Taxation (SDAT) indicates a July 1, 2019 constant yield tax rate of \$0.9968 per \$100. The constant yield tax rate is the calculated amount needed to maintain the current revenue levels in the next fiscal year and is based on estimates.

FY20 is the third and final year of the triennial assessment period which means that real estate market values will be reassessed in December 2019. In the prior two assessment periods, the City has faced drastic declines in the assessed values. The assessed values and resulting revenues are primary funding sources for most of the governmental services that are provided by the City. The majority of all revenue in the City’s General Fund is from total property revenue which includes personal property tax. In fact, total property tax revenues represent 69.6% of current revenue sources in the FY20 proposed budget or 67.5% of all revenue sources when including transfers and fund balance utilization.

The majority of property tax dollars will be spent to maintain existing city services at current levels; provide salary enhancements as approved in collective bargaining union contracts; cover increasing costs of employer paid benefits; invest in capital infrastructure improvements that have been deferred; and accommodate annual debt service

requirements. More than 50% of each tax dollar is spent on public safety. Other services include general government, highways and streets, waste collection and disposal, parks and recreation, community and economic development, and debt service.

Included in this proposed FY20 budget is \$ 275K from Highway User Revenue (HUR) for the first time since FY12. Prior to FY12, the City included all HUR funding directly into the General Fund before the significant cuts and reductions from the State. Since that time, all annual HUR received by the City has been 100% utilized within the CIP funds mainly for the Pavement Preservation Program project. With almost full restoration of historical HUR funding anticipated to happen in FY20, \$ 275K of the total \$ 1.7 million in HUR will be utilized directly in the General Fund to cover a portion of the annual debt service requirements for projects that had to be funded with GO bond issues when there was not sufficient HUR funding from the State.

Cable Franchise Fees typically provide \$ 360,000 to \$ 400,000 annually. Based on pending litigation with the Federal Communication Commission, the amount may be less. There has been a big decrease in revenue from Fines and Forfeitures.

The City has a Fund Balance/Retained Earnings policy and adheres to and remains with key guidelines of the policy. The City does not utilize fund balance reserves for recurring operating type of expenditures. However, the City may utilize General Fund balance reserves when balances exceed the policy limits for capital infrastructure needs.

As a result of a FY18 General Fund surplus, the FY20 Proposed budget does include the appropriation of General Fund reserves as a means to reduce General Fund direct transfers to CIP (pay-go) and to help balance the budget. The amount proposed is \$ 818K and is used to fund a multitude of needs across General Fund departments.

Even though the proposed budget does not include a transfer to the Economic Redevelopment Fund for the former Invest Hagerstown Program, \$ 250,000 remains reflected as Committed General Fund Balance to be utilized in the future when this project commitment moves forward.

Maryland municipalities have the authority to implement a stormwater utility fee. In 2018, the City completed Phase I of developing a cost rate model and addressing associated administrative issues related to a stormwater utility. The City is moving forward with Phase II beginning in April 2019 to further define a cost rate model for future presentations and discussions. At this time, the future budget projections do not include revenue from a stormwater utility fee or a separate stormwater fund. However, due to the requirements of the City's MS4 stormwater permit received from Maryland Department of the Environment (MDE), the CIP budget does include project expenditures over the next five years. The funding for these specific projects will be funded with grants, general fund supported debt, and a potential future stormwater revenue source. There are also current operating expenses reflected in the General Fund for service costs related to stormwater activity.

One of the Mayor and Council Goals and Priorities is Economic Development and being business friendly to support the community's needs. Economic Development encompasses a variety of departments, projects, programs, and services. To this end, the City has many types of incentive programs and initiatives it provides as a vital component to supporting business growth and helping to grow strong neighborhoods. Some of the incentives are strictly locally administered and funded while others are administered and funded by various parties.

Councilmember Aleshire noted that very few of the line items in the General Fund have flexibility. About 70% of the total revenue is utilized for personnel. Expenditure savings of \$ 1 million would equate to about \$ 50.00 less on the average taxpayer's bill.

Total proposed FY20 budget expenditures are \$ 47,206,731.

Ms. Hepburn noted that a number of items have come up since the proposed budget was prepared. Included in the list are the possibility of funding for a stadium and additional support to the Maryland Theatre. The Maryland Theatre was identified as a priority by the Mayor and City Council. Agency contributions will need to be reviewed if more funding is to be provided to the Maryland Theatre. Other funds may be available in economic development. Ms. Hepburn indicated she has identified a source for \$ 32,000 of the \$ 100,000 request.

Councilmember Metzner stated agencies are important. However, he is concerned that CRS has a reserve fund that they haven't used. If reducing the funding would be crippling to CRS he would not even consider it. He is concerned that the City would be using reserve funds to supplement operations of an organization that has a large reserve fund. He asked if other municipalities provide funding toward fire and rescue services. Councilmember Aleshire indicated some do, but at minimal levels.

Councilmember Metzner would not support reducing the allocation to the Hagerstown Municipal Band.

Councilmember Keller noted the library is also important.

Councilmember Heffernan asked where a contribution for the International Film Festival could be included. He suggested \$ 6,000.00. Ms. Hepburn would suggest including that contribution in the budget for events.

Councilmember Aleshire noted that events with public funding are different than the agency contributions since they provide services to citizens.

Councilmember McIntire thought the Discovery station funding was a sponsorship rather than under agency contributions. Ms. Hepburn stated the motion to approve the donation indicated it would be included in Agency Contributions for three years.

Councilmember Keller does not agree with reducing the contribution to CRS in this manner. A much larger conversation needs to be had about the difference in funding provided by the Washington County Commissioners to fire and rescue services in the County versus those within the City limits. She has submitted a request to the Commissioners for a review of this and the \$ 400,000 the City provides for the County-wide 911 Center. She suggested holding a joint meeting to discuss these important issues.

Councilmember Metzner pointed out that discussion has been requested for 30 years. CRS was in a crisis situation when the City started including them in the budget. He does not think reducing the funding at this time would change their operational status. It may spur a conversation with the Commissioners. He does not think it appropriate to take money from the City's reserve fund to provide funds for operations for CRS.

Mayor Bruchey stated he did not think the City would be expected to provide \$ 400,000 into perpetuity. He understood it would be for a limited period of time to help with the costs of City employees who were transitioned to the 911 Center when it opened.

Mayor Bruchey asked where the funding is for the Doleman Black Heritage Museum (DBHM) that the Mayor and City Council have discussed. The Mayor and City Council have discussed how to secure a building for them while protecting the City if they are unable to complete the project. The Mayor and City Council have been informed there are funds available to provide for the final funding for the purchase.

Ms. Hepburn stated staff recommend funding this from the Economic Development Incentives, as this appears to be a customized incentive. A loan agreement would include the requirement that the pay back of funds would go directly to the Economic Development Incentives line item.

Mr. Spiker reminded the group the Mayor and City Council has reviewed the \$ 210,000 for agency contributions included in the proposed budget. Of that amount, \$ 91,000 is scheduled to be provided to the Maryland Theatre. The request for the DBHM building is \$ 108,000. He noted that funding could be adjusted mid-year if necessary.

Ms. Hepburn noted the Maryland Theatre request is for unrestricted funds of \$ 100,000 over the next three years specifically for the expansion project. Some of the funding (\$ 50,000) could be from incentives.

Councilmember Aleshire would prefer a three year commitment to the Maryland Theatre. He suggested reducing funding for CRS, which will highlight the seriousness of the fire and rescue situation in Washington County. Hagerstown is one of only three Maryland municipalities that provide this level of funding for EMS services. Cumberland and Salisbury receive a significant return from their County governments. He has been clear in public discussions that a \$ 108,000 investment is a good risk to consider for the DBHM. If the City provides funding to purchase the building and the

project doesn't succeed, the City could take the building and at least make an improvement on a vacant building then dispose of it. He does not think DBHM can move forward without an established place. He suggested establishing a time frame for the DBHM to be open (such as 24 to 36 months) to give them time to seek other funding sources. If they don't deliver, the City could write off the loan.

Councilmember Heffernan would support removing CRS from the agency contribution list this year. An Agency Contribution to CRS could be considered during next year's budget.

Mayor Bruchey is sure there can be \$ 6,000 included for the film festival. County support of this event is minimal.

Councilmember Metzner supports providing funding for the DBHM purchase of the building. He also agrees that CRS funding should be cut in half. He has not seen a request for funding for the film festival, however he would support providing \$ 6,000.

Councilmember Aleshire stated the elected body needs to be aware of how the hotel/motel tax revenue is being used; especially since the Blues Fest (which isn't being held) was heavily supported by the tax revenue.

Ms. Hepburn stated the City's amount of hotel/motel tax revenue is \$ 100,000. If the funds are not needed for a special project, it is utilized for events because it all has to be expended.

Mr. Spiker asked if there is consensus to provide funding of \$ 100,000 to the Maryland Theatre over the next three years and to provide \$ 108,000 to the DBHM in FY20. Motions could be prepared indicating the funding sources. A loan agreement with DBHM could be prepared at a later date.

Councilmember Keller still has questions about the DBHM and how the funding will be utilized.

Mayor Bruchey and Councilmember Aleshire had discussed the possibility of the City providing the funding to purchase the building to make sure it happens. A contractual agreement would be created later, which would cover what happens to the funding if the museum isn't established.

Councilmember Aleshire stated his thought is to include funding in the budget because there is no funding there now. Ms. Hepburn stated \$ 108,000 could be considered part of the funding for incentives, which would provide time for continued discussions and time to complete a contract and agreement. This funding would not be included in Agency Contributions.

Councilmember Aleshire noted the additional funding from all the tax rate adjustments is to be used for the incentive programs. His intent is the funding is not to be used for operating expenses.

Councilmember Aleshire stated there has to be an incentive for the DBHM group to get the museum open. He does not want the City to be dealing with another Alms House situation. He thinks the City should take ownership of the building if the museum does not happen.

It was the general consensus to include funding to DBHM to purchase the building and draft an agreement for paying back the funds.

Councilmember McIntire asked for a meeting with the County Commissioners before making a decision on funding to CRS.

Review of the proposed budget will continue at future Work Sessions.

CITY ADMINISTRATOR'S COMMENTS

Michael Spiker, Interim City Administrator, announced the next community yard sale will be held on April 20, 2019. Hours of operation for the City's 21 parks have been revised. He reminded everyone smoking is not permitted in the Parks, except in designated areas. A Parks Fitness Challenge will be May 1, 2019 to May 30, 2019.

MAYOR AND COUNCIL COMMENTS

Councilmember S. McIntire attended the Maryland Theatre topping event today, which was exciting. Most of the Mayor and City Council signed the top beam. A special thanks was given to the Permits and Code Administration Department and the Fire Marshal's office.

Councilmember L. C. Metzner noted many exciting things are happening downtown every day. He is looking forward to next year's International Film Festival.

Councilmember A. Heffernan agreed the future is bright for Hagerstown. He is also hearing positive comments about the interactions with City Permits and Code staff from developers. This is encouraging considering the negative comments from a few months ago.

Councilmember K. B. Aleshire thanked the Finance staff for putting together the budget and limiting the amount of hard work the Mayor and City Council had to do this year.

Councilmember E. Keller thanked Director David Hays, Washington County Emergency Operations, for donating a vehicle to the Hagerstown Police Department.

WORK SESSION
2019

APRIL 9,

MAYOR AND CITY COUNCIL

HAGERSTOWN, MARYLAND

Mayor R. E. Bruchey, II also heard positive comments during the film festival. Opening day for the Hagerstown Suns is April 11, 2019. He thanked Ms. Hepburn and Mr. Spiker for their leadership during this budget season.

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 5:44 p.m.

Respectfully submitted,

Original signed by D. K. Spickler

Donna K. Spickler
City Clerk

Approved: May 28, 2019