

8TH SPECIAL SESSION AND WORK SESSION – March 5, 2013

8TH SPECIAL SESSION – March 5, 2013

Mayor D. S. Gysberts called this 8th Special Session and Work Session of the Mayor and City Council to order at 4:04 p.m., Tuesday, March 5, 2013, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, M. E. Brubaker, L. C. Metzner, D. F. Munson and P. M. Nigh; City Administrator Bruce Zimmerman, and City Clerk D. K. Spickler.

On a motion duly made by Councilmember D. F. Munson and seconded by Councilmember M. E. Brubaker, the Mayor and City Council unanimously agreed by voice vote to meet in Special Session at 4:04 p.m.

Approval of an Amendment to the Fairgrounds Cell Tower – Shentel Lease Agreement

Scott Nicewarner, Director of Customer Services and Information Technology, stated Shentel has requested this amendment because they need to replace equipment and are not able to do this within the currently leased area. Shentel will construct the fence and will provide flags and light bulbs. The amendment does not increase the City's maintenance responsibilities at the site.

On a motion duly made by Councilmember M. E. Brubaker and seconded by Councilmember D. F. Munson, the Mayor and City Council unanimously agreed to remove this item from the table.

The following motion (from February 26, 2013) was then voted on:

Councilmember K. B. Aleshire made a motion to approve a lease amendment with Shenandoah Personal Communications Company (Shentel) at the Fairgrounds Cell Tower to accommodate additional and upgraded equipment and to upgrade the facility. Under this amendment, the estimated completion date is April 15, 2013. There is no change in the monthly fees to Shentel. Councilmember D. F. Munson seconded the motion.

Motion carried unanimously.

On a motion duly made, seconded and passed, the Special Session was closed at 4:10 p.m.

WORK SESSION – March 5, 2013

Recognition of Women's History Month

Mayor Gysberts read a proclamation recognizing March as Women's History Month.

Donna Smith, President of the Women's Club and Granis Dixon, President of the Hagerstown Business and Professional Women's Club, were present to accept the proclamation.

Offer of Greenfield Park in Collegiate Acres

Jim Bender, Assistant City Engineer, discussed the residential community known as Collegiate Acres. This community was established in 2004 and is a mix of single-family detached homes, two story townhomes, and one-story townhomes. At that time, the City required that an open space be provided for the benefit of the community. This open space is adjacent to Terps Boulevard, the main collector road through the development that connects Salem Avenue extended (MD Rt. 58) to Maugansville Road.

The development is currently 70% complete and Beazer Homes Corporation (Beazer) is working toward completing all of the homes by 2014. Representatives from Beazer contacted City staff regarding the possibility of deeding 2.09 acres of open space to the City, and the City accepting it for maintenance. Staff is confident that Beazer can build the park to the City's standards. Staff are seeking direction as to whether the City will accept this open space as a park. If the Mayor and City Council desire to do so, the park will be called "Greenfield Park" and would be deeded to the City. Staff has estimated that the City's annual operating and maintenance costs for the park would be approximately \$ 20,000. This includes mowing, trash collection on a daily basis, remulching the play areas and landscape areas, landscape care, and snow removal from the paths. Funding for the maintenance would be developed from the additional tax revenue the City will receive when this development is complete.

Councilmember Metzner supports the City's acceptance of this open space as a City park, as long as the park is built to the City's standards.

Councilmember Brubaker stated defining this as a City park should be made clear in an agreement with the Home Owner's Association. Joan Filichardi, HOA Manager for Beazer Homes, stated the homeowners are aware the park must be kept open to the public. Beazer is agreeing to provide dedicated parking for the park.

Councilmember Aleshire stated the information mentions athletic fields. He hopes a field of this size would not be offered for use to a large group, especially since there are only 8 dedicated parking spaces. Tournaments could mean a large number of vehicles. He would prefer the base be rubber, rather than mulch.

Councilmember Aleshire wondered if HOA fees would be reduced when the City accepts this park. Ms. Filichardi indicated there would still be fees for landscaping, insurance and taxes for the open space that homeowners would be providing funds for. The HOA would maintain the stormwater pond and the parking area. This area is intended to be a more family oriented, accessible area. The number of dedicated parking spaces can be reviewed.

Councilmember Munson thinks all parks should be public parks.

Councilmember Aleshire asked if there will be utilities to this park that the City would be responsible for. Mr. Bender indicated there would not be restroom facilities so utility requirements would be minimal. The utility needs would be treated the same as they are in other parks. Councilmember Nigh wondered if restrooms would be required, since this will be a City park.

Mr. Zimmerman indicated an ordinance would be required for the agreement to transfer the property, when the construction is complete.

Ms. Filichardi stated Beazer is seeking a resolution indicating the Mayor and Council's intent to accept the park when it is completed.

Workers' Compensation Brokerage Services

Kevin DeHaven, Safety and Liability Insurance Coordinator, was present to request approval to issue a request for proposal (RFP) for Workers' Compensation Broker Services. Keller-Stonebraker has served as the City's broker for workers' compensation since 1996.

The City of Hagerstown has been insured with the Injured Worker Insurance Fund (IWIF) for the past fifteen years, which is currently the state's default carrier for workers' compensation. The City periodically issues workers' compensation insurance RFPs to exercise due diligence, and to spur competition in an effort to receive favorable insurance rates.

A RFP for broker services was utilized for the City's health insurance program in 2007. The agent/broker RFP utilized at that time provided an open competition among the applicants, and ultimately resulted in lower fees. Similar to the RFP issued in 2007, the City will establish a review committee to analyze each submittal packet. The agent/broker that best meets the RFP for services and costs will be selected by the review committee.

The goal is to increase the options and to stimulate competition. By allowing agents/brokers to compete against each other it creates an environment where one agent/broker no longer has the primary control over the marketing process and the manipulation of that marketing. The potential contract for broker services would be for a five year term.

It was the general consensus to issue an RFP for Workers' Compensation broker services.

John Lestitian, Director of Community and Economic Development, Sarah Johnson, Planning and Outreach Coordinator, and Jonathan Kerns, Community Development Manager, were present to review outreach efforts with the faith community.

For the last several months, staff have been engaged in outreach to the faith community. The initial purpose of these meetings was to seek advice on how to engage the larger faith community and develop ways to work together to become a more sustainable community. Based on these discussions, the emerging goal of the group is to develop a public/faith community/private partnership to address the concentration of poverty and level of educational attainment among residents in the core. The group is exploring the ideas of a center that would provide high quality services such as career, GED and life skills training to empower the current residents of the City.

The faith community is a vital anchor in the downtown. Not only do their buildings occupy much of the streetscape, they are one of the largest sources of visitors to the core and they also directly impact and influence the health of the community. To staff's knowledge, this effort is the first organized dialogue between the City and the faith community. These meetings are held around the concept of Sustainable Communities-Sustainable Churches, acknowledging that the City and the faith community have a shared interest in the health of the downtown and looking for possible points of collaboration.

To date, there have been healthy conversations on the issues that contribute to a concentration of poverty in the core and advice on how to engage the broader faith community in a conversation about contributing to sustainability of the community. Staff recognize and share concern over the concentration of subsistence services in the core and are together, with the faith community, seeking opportunities to focus on empowering the citizenry and stabilizing neighborhoods over the long term. One of the ways the group feels it may be able to garner broad community support and move towards sustainability is through the creation of a center focused on the educational attainment/work force readiness of current residents. This center would have a commitment to offering the highest quality services and environment possible.

Of the City's residents who are 25 years or older, 17% have not graduated from high school. This is a barrier not only to their employment but also to the community's sustainability. Inner-City youth need a place to go, to have structure, resources, and productive outlets for their creativity and energy as well as positive role models. Public behavior of uninvolved youth has an impact on the image of the core and subsequently on businesses. Women in the core neighborhoods need support and training in life skills and career training to develop healthy families, the foundation of a sustainable community. The population in the City's core has a direct impact on sustainability of the community and the City.

The group is focused on dreaming big and using the Bill Strickland Model for the Manchester Bidwell Corporation as an example of the type of facility which would make a significant impact on empowering City residents. Bill Strickland's original center, while not a faith based operation, was spawned through partnership and mentorship by a local community of faith. Staff see the faith community as large stakeholders in the City and a partnership with them as a foundational aspect of such a project. Strickland's center, located in Pittsburgh, Pennsylvania, and recently replicated in a few other major cities in the US, focuses on offering world class services in a work class environment to under privileged people. The presence of this center in a once blighted community has spurred hope, increased employment and appreciated property values in the surrounding area.

Staff are planning a field trip to visit the Manchester Bidwell center in Pittsburgh and have been in communication with their replication division. The group is planning steps toward expanding the conversation to private sector stakeholders as well as the broader faith community and working to develop interim steps to begin engaging in employment of residents through career, GED and life skills training while the conversation progresses.

Mr. Lestitian stated the Bill Strickland approach is more about teaching someone how to fish as opposed to just handing out the fish.

Councilmember Brubaker stated the focus of the initiative seems good. He wondered where funding would come from. There may be some funding from local foundations. Fundraising is also an option.

Councilmember Brubaker commended those involved in this outreach and discussion.

Councilmember Aleshire stated he and Mayor Gysberts are planning to meet with the group. It is integral to ensure the religious entities downtown remain partners with the City. The barriers for day care services have to be removed as much as possible.

The Mayor and City Council will be notified when the field trip is scheduled.

43/53 W. Washington Street

John Lestitian, Director of Community and Economic Development, and Andrew Sargent, Downtown Manager, were present to provide an update to the Mayor and City Council on efforts to support the acquisition of 43-53 W. Washington Street.

The property has been owned by Hagerstown Table Corporation for 17 years. Over the years, portions of the property have deteriorated to such an extent so as to constitute a concern for public health and safety. The structure is likely to continue to deteriorate unless corrected and the continued deterioration will contribute to the deterioration of the area surrounding the structure. Staff have had very productive conversations with the owner and now have a signed letter of intent to purchase the property. Additionally, staff

have commenced with a preliminary environmental review of the property according to HUD guidelines. Since West Washington Street is located in the Community Development Block Grant's targeted investment area, funding for this acquisition is proposed to be from both CDBG and Community Legacy Funds. Community Legacy funds have already been awarded by the State of Maryland for this project.

The highlights of the Letter of Intent with Hagerstown Table Corporation are as follows:

1. Property: 43-53 W. Washington Street
2. Purchase Price: \$ 320,000 (from CDBG and Community Legacy funds)
3. Deposit: \$ 1,000 execution of a Purchase Agreement

Staff have also been in contact with Allie and Nathan Buchman who own the established downtown retail destination, Potomac Bead Company. Potomac Bead Company leases commercial space from the current owner in the 53 West Washington Street portion of the property. The Buchmans have expressed a strong desire to stay located at this address and to eventually renovate a portion of the building to expand their business and to personally occupy the fourth floor. The Buchmans also have a first right of refusal on the entire span of 43-53 W. Washington Street for \$ 337,000, although they are only interested in 53 West Washington Street. Staff and the Buchmans have negotiated a mutually supportive scenario, subject to Mayor and Council approval including that they rescind their current right of first refusal, the City subdivides property (if acquired) and the Buchmans are offered a three year first right of refusal on 53 West Washington Street.

Staff will come back to the Mayor and Council with a redevelopment plan using funding currently in the proposed CDBG budget for FY 2014 to fund selected demolition of unsafe building sections and otherwise remove existing slum and blight, preparing the building for sale. This plan will include mitigating long standing barriers to redevelopment and reuse.

Additionally, staff have been approached by a local business person who has expressed an interest in acquiring the 43-47 West Washington Street portion from the City after subdivision and building prep. The proposed concept plan is for the building to be renovated with a restaurant on the first floor and an owner residence upstairs.

If the City acquires the property, redevelopment construction could start by early fall.

Councilmember Aleshire thinks it would be beneficial to use the open alley as a gateway to the rear of the property with an open courtyard. His thought for a third parking deck is on the Columbia Bank property. A nice courtyard and newly renovated building would create an attractive line of site from the deck.

Mayor Gysberts stated Kathleen Maher, Planning Director, had proposed a market walk through this area.

The City received approval of \$ 100,000 in Community Legacy funds to renovate the building. If demolition is planned, the Maryland Historical Trust would have to be contacted. There is a possibility the funding would be withdrawn if it is found to be historical.

Mayor Gysberts pointed out this is a good example of the City taking the leadership role in discussing blighted properties and making efforts to get the properties back into the hands of people who care.

It was the general consensus to approve the letter of intent and proceed with actions to acquire the property.

W. Washington Street Redevelopment Project

Mayor Gysberts then discussed an overall downtown plan. During the State of the City, a presentation was made to encourage the Board of Education (BOE) to move the Central Offices downtown. With options for a new parking deck and renovated buildings, the area of Washington Street, Potomac Street, Antietam Street and Summit Avenue is a prime location for projects. The area proposed for the Central Offices is 40,000 sq. ft. in size, which is more than adequate for an employer with 400 people.

Councilmember Brubaker stated there is a lot of potential for this area. However, the Mayor and Council have to balance what they can do with what is affordable. A new parking deck could be \$ 8 million or more. The BOE would be a paying client, but at a reduced rate. Time is very short to respond with firm numbers for a BOE project. The BOE will have to be involved with decision making on sites, etc. He supports projects that have a good return on investment.

Mayor Gysberts stated the potential for the BOE Central Offices relocating to downtown presents a good starting point for a downtown revitalization plan.

Councilmember Munson pointed out a logical place to start is with renovating buildings. He expects that renovation will move from the core area as work continues.

Councilmember Brubaker stated a parking deck would have to be a consideration for development in this area.

A goal for any planned project in this area would be to increase the existence of public/private partnerships.

Councilmember Metzner stated there is a plan to redevelop with a project (such as the BOE offices).

Councilmember Aleshire stated the assets and liabilities that exist in the urban core need to be clearly identified. Redevelopment can't be done in a piece meal way.

Downtown Plan Discussion and Consideration of Sora Proposal

Mayor Gysberts then discussed the proposal from Sora. He stated, that up to about \$ 750,000, the cost is rather high. He suggested having staff put to together a request for proposals for the analysis they would not be able to complete. All stakeholders have to be provided an opportunity for input. He knows where the blight in Hagerstown is and what properties the irresponsible owners have. He thinks a reasonable budget amount for an analysis would be under \$ 200,000.00.

Dane Bauer, DMW Associates, clarified information regarding a proposal that was submitted. The proposal is not from the Sora team. Bruce Poole and he put the team together. Mr. Poole has a passion for the City of Hagerstown and wants to help move the City forward. Both Mr. Poole and Mr. Bauer are connected with the public/private partnership being offered for consideration. They envision the Mayor and Council signing an agreement, at no cost, indicating Mr. Poole and Mr. Bauer are the City's agents. They believe they can secure funding and make this partnership a model for the Lieutenant Governor to use as an example. They believe they can develop a proposal for the Board of Education Central Offices downtown and improvements for the Maryland Theatre. They have business people approaching them wanting to be a part of the partnership.

Mayor Gysberts wondered what prevents Mr. Poole and Mr. Bauer from doing this without a letter from the City. Mr. Bauer stated the agreement is needed to demonstrate the City is supportive of the development group. If there are several independent developers making recommendations, there could potentially be several different plans. A master plan is needed. The County, State and private sector needs to accept, and participate in, the master plan as well.

Mr. Bauer stated they will need to vet the information that would be provided by City staff. The proposed agreement will provide a base for them to meet with businesses and the Board of Education. They have met with representatives from the Maryland Theatre. Mr. Bauer and Mr. Poole are willing to secure 75% of the funding for renovations themselves. The Theatre board is waiting for an answer from Mr. Bauer. They need the support of the City before they discuss projects with other entities. Mr. Bauer stated they would discuss plans with a health facility, the Board of Education and other interested parties. They capitalize the project, with no cost to the City for the plan. He is asking for 45 days to bring the plan together for the Mayor and Council's review.

Councilmember Metzner stated two of the current elected officials were in office during the time the City and staff spent thousands of hours developing the plans for a multi-use stadium. That project failed, for whatever reason. Two weeks ago, the Mayor and Council presented a proposal to the Board of Education to relocate the central office to downtown. He thought that meeting went well and was beneficial, until learning the Board of Education was intending to place an offer on the former Allegheny Power building on Downsville Pike. He believes the City needs a proposal from a bona fide group. He wondered what the City's plan is for the Board of Education. He stated the

Mayor and Council can't wait 60 days to decide on a plan for the Board of Education. The opportunity will be gone within that time frame. He does not think the Mayor and Council should let the opportunity presented at this meeting pass them by. He pointed out Mr. Bauer indicated there is already a proposal from Meritus Health as part of their plan. He stated the Board of Education asked what the City would provide for them to relocate their offices and nothing has been discussed.

Mayor Gysberts stated it has been conveyed to the Board of Education that the City would acquire the needed properties for their potential relocation. He thought that point was very clear. Councilmember Metzner stated the Mayor and Council have not discussed funding and he wondered how acquisitions would be funded.

Mr. Bauer stated, in order to work with the State of Maryland, the agreement must be in place prior to the end of the 2013 General Session.

Mr. Zimmerman asked for clarification if the letter from Bruce Poole, dated February 20, 2013, is a proposal from the Sora team. Mr. Bauer stated they were initially requesting a letter indicating the City would enter into a public/private partnership with Sora, which would include a fee. They were asked what it would take to start things moving and they determined a letter stating Mr. Poole and Mr. Bauer were "agents" for the City would be the most expedient route. This is a letter of intent, stating the level of effort expected, with the City.

Councilmember Brubaker stated Mr. Bauer indicated they would be prepared to do a number of things within a certain number of days, with no obligation from the City. He wondered if the reward would be what they could successfully bring back from the State of Maryland. He does not understand where the investment comes from.

It was stated that Mr. Poole and Mr. Bauer would function as the City's agent to build a team and add to it. They will meet with the Board of Education to secure a commitment from them to relocate the offices downtown and then meet with the Lt. Governor to secure funding for a public/private partnership.

Councilmember Metzner wondered why the Mayor and Council would say no to this proposal. Councilmember Munson stated he does not see any reason to say no to this request.

Mr. Zimmerman asked if this letter commits the City to any expenses or preclude the City from talking to local developers. Mr. Bauer stated they would try to add local developers to the team. Mr. Zimmerman asked if this means developers would only come to the City through the Sora team. He also asked what happens if the developers do not want to work with Sora.

Mr. Bauer stated the developers do not have to work with Sora. If the team is able to obtain a commitment from Meritus Health and from the Board of Education, the City's investment would be minimal. The stadium could be built with General Fund money,

rather than CIP funding. They will secure the funding, if they are able to identify projects up front. They are just asking for the opportunity to develop a plan. He stated he and Mr. Zimmerman could draft the letter. Mr. Zimmerman suggested Mr. Bauer draft the letter.

Mr. Bauer asked how soon a letter could be approved, as the General Assembly session will be ending soon. He asked if the letter could be approved by contacting Mayor and Council members by telephone.

Mr. Zimmerman stated this agreement letter is important enough that it should be formally approved.

Councilmember Metzner stated he thinks a special meeting should have been held two weeks ago, following the Board of Education meeting.

Councilmember Aleshire stated there has to be an understanding with staff and this entity in relation to what packet is developed on behalf of the City. Mr. Bauer stated they would meet with developers independently to determine what is needed.

Councilmember Metzner stated he understands the City has identified a property for the Board of Education and has conveyed to the Board, the City would make it pad ready, with an estimated cost of \$ 16 million. The cost for the Allegheny Power site is \$ 8 million. The City would have to find \$ 6 million for the BOE to relocate downtown. One way to do this is to support Sora. The letter would not commit any funding from the City. He does not think the BOE members have faith in City government. They have more faith in Mr. Bauer than they do the Mayor and Council. The BOE has not approached the Mayor and Council but they did approach Sora. The Maryland Theatre has also approached Sora.

Councilmember Munson stated this opportunity will only be available for a short period of time. He thinks it needs to happen. He asked Mr. Bauer to draft the letter and then stated the Mayor and Council need to meet in a special session to approve the letter.

Councilmember Brubaker stated this proposal is different than what had been discussed before from the Sora team. He appreciates their efforts. He stated this is an amazing proposal. He does not like the idea that people in the community are saying they don't want to deal with the City. He has confidence in City staff.

Councilmember Metzner stated it is not City staff that people don't want to work with.

Councilmember Aleshire stated what the City stands to lose is the Board of Education downtown. Councilmember Metzner thinks the opposite, if the City doesn't approve this agreement, they will lose the Board of Education.

Mayor Gysberts appreciates the Council's enthusiasm. His interest is in protecting the City. He is cautious because there is an element of it being too good to be true.

Mr. Bauer stated he and Mr. Poole will attempt to put projects and people together. If they can't, then the City isn't out anything. There are a number of people who want spaces in a new parking deck, showing the City can get a commitment from people to help fund a deck. He mentioned he and Mr. Poole could be doing this planning on their own but want to help the City.

He looks at this agreement being similar to a lobbyist. Mr. Poole still has strong ties with Annapolis. He hopes they can deliver a proposed plan to the City.

A Special Meeting will be held on Friday, March 8, 2013 at 7:30 a.m. to review and possibly approve the agreement being offered by Bruce Poole and Dane Bauer.

A recess was then taken.

FY 13 Employee Compensation

Bruce Zimmerman, City Administrator, and Michelle Burkner, Director of Finance, were present to discuss several budget items.

Staff is recommending Mayor and Council consideration of a payment of \$ 1,000 to full-time regular employees, and \$ 200 to part-time regular employees during the first pay period in June, 2013. They recommend that this compensation be paid during FY13 to help lessen, to some extent, the budget balancing pressures being experienced for FY 14.

As a result of the downturn in the economy, the City has made significant reductions in expenditures in recent years to compensate for the loss of State and County shared revenues, and the decrease in the City's assessable tax base. By the end of FY 13 City employees will have gone four years without a cost of living adjustment, and three years without step increases. During FY 11, employees received 10 unpaid furlough days, which equated to a 3.8% reduction in pay for that fiscal year. Additionally, the vacancy management program implemented in 2009 has created situations where departments and staff members are being asked to continue normal operations with reduced staff levels. Employees have also been impacted by reductions in employee benefits. In FY 12, the City implemented the phase down of payouts at retirement for accumulated sick leave and by July 1, 2106, the maximum payout will be capped at \$ 12,000. On January 1, 2011, the number of sick days that can be earned by full time employees each calendar year was reduced from 15 to 12. All employee groups, union and non-union, operating, managers, and supervisors have supported the City's efforts to adjust to the unprecedented loss of operating revenue through these and other expenditure cuts. Given the sacrifices made by employees, staff believe this is the right thing to do and is affordable.

The City approved a similar payment to employees during FY 12. That payment provided a \$ 1,000 payment to all full-time regular employees at a total actual cost to all funds of \$ 448,000.

Mr. Zimmerman stated four years without a COLA and three without a step increase is long enough to ask employees to go without anything. The City offers good things to employees, i.e. good compensation, solid positions, good benefits and good retirement. Not all municipalities can say that. The Hagerstown community has a fairly high level of low income residents. This presents limitations on the income received by the City in the form of taxes. The City has to consider the sustainability of its operations.

Mr. Zimmerman stated staff took from Mayor and Council comments at the Budget Retreat on January 29, 2013 that they were not comfortable covering the \$ 1 million deficit with a property tax increase and that they wanted to do something for employees. A flat payment does not increase the base pay for employees and does not carry over. Mr. Zimmerman stated this does not go as far as they would like, and not as far as the four unions would like.

Ms. Burkner discussed the cost of providing full-time regular and part-time regular employees with a payment of \$ 1,000 and \$ 200 respectively. The payment would be distributed to all full-time regular and/or part-time regular employees who are active on 06/02/13 and were hired prior to 12/01/2012. It would also be based on their employment status as of 12/01/2012, and the payment would be made on 06/07/2013. The estimated General Fund cost for full-time employees is \$ 301,420, and for part-time employees is \$ 6,890. For all funds, the total estimated cost for full-time employees is \$ 442,443, and \$ 8,397 for part time employees.

The City has wisely strengthened its unreserved fund balance over the years. The City is required to maintain a minimum unreserved fund balance of 10.0%, or just over one month of expenditures, and GFOA best practices recommend that a better unreserved fund balance level is two months of operating expense or 16.67%. At the end of FY12, the General Fund unreserved fund balance as a percent of total of expenditures, was 22.0% in FY 12, and is budgeted to be 23.3% in FY 13. All of the Enterprise funds ended FY 12 with sufficient unrestricted net assets to cover the estimated cost of this payment. Staff recommends utilization of unreserved fund balance for this one-time expenditure as this one-time use would not adversely impact the General Fund and Enterprise Funds' short-term liquidity, based on GFOA's recommended unreserved fund balance levels.

It was the general consensus of the Mayor and Council to include approval of the flat payment on the agenda for March 26, 2013.

Ms. Burkner stated staff will be discussing revisions to the fund balance policy with the Mayor and City Council in the near future.

Bruce Zimmerman, City Administrator, and Michelle Burkner, Director of Finance, were present to discuss some options relating to employee wages, benefits, and other budget items. Staff is not anticipating a decision at this time; however, this discussion will assist staff during the collective bargaining process that will begin in March and provide guidance for the FY 14 budget preparation.

During the January 29, 2013 Budget Retreat, staff understood the Mayor and City Council were interested in doing something for employees; however, they had concerns regarding the affordability and the possible property tax rate increase that may be needed to fund COLAs or step increases.

Mr. Zimmerman stated there is \$ 800,000 included in the preliminary budget for the possibility of a combination of COLA or step increases. As a result of the downturn in the economy, the City has made significant reductions in expenditures in recent years to compensate for the decrease in the City's assessable tax base and the loss of State and County shared revenues. Employees have been impacted by changes in pay and benefits. All employee groups, union and non-union, operating, managers, and supervisors have supported the City's efforts to adjust to the unprecedented loss of operating revenue through these and other expenditure cuts.

The following recommendations were discussed:

1. FY 14 Mid-Year COLA of 2.5% - 3.0% for all full time employees: Staff continues to believe that the City needs to begin funding Cost of Living Adjustments (COLA's) for employees. A mid-year COLA is recommended, to be added to all employee pay schedules in January, 2014. The use of a mid-year COLA reduces the budget shortfall in FY14. However, because a COLA will carry forward as a compounding expenditure into future fiscal years, staff believe approval of this should be contingent upon the development of a plan to address declining revenues in the General Fund.
2. FY 14 Health Insurance Cost Increase: Staff is recommending, that because employees have not received pay increases for the last 3-4 fiscal years, the City should attempt to ensure that the employee portion of health insurance premiums remain constant. The estimated cost to absorb the 12% premium increase is \$ 625,000.
3. FY 14 General Fund Revenue: To compensate for the decrease in the City's assessable tax base and the loss of State and County shared revenues, significant reductions in expenditures were made. Staff is anticipating an additional negative impact on revenues during the December 2013 triennial reassessment of real estate that will take effect in FY 15. Lastly, in order to afford additional financial support for employees, staff believe that General Fund revenues must be strengthened. Potential new and increased revenue sources identified by staff are: property tax rate increase, red light cameras, stormwater management fee,

personal property tax rate for utility and railroad businesses, fire service tax and Water Fund dividend for transfer to the General Fund.

4. Career Track: Staff are recommending that the career track program be reinstated for FY14. This will allow employees who have attained higher skill levels and training to progress on their career tracks if a career track is detailed on their job description. The cost is estimated at \$ 85,000.

Councilmember Aleshire asked if the fund balance is all cash. Ms. Burkner stated it is a combination. She will provide the cash amount.

Councilmember Aleshire supports the reinstatement of career tracks. When skills are expanded, an employee should be compensated accordingly. He asked whether a COLA or step increases would have a larger impact for employees. It was clarified that he is requesting the impact of a one-step increase in July as compared to a mid-year COLA. He wants an opportunity to consider a joint review with local governments for expenditure reduction and to create efficiencies by consolidating government services.. This was completed successfully in Frederick County. He supports a water dividend. He needs more information before supporting a stormwater management fee. He asked for a list of the 39 unfunded positions and the length of time these positions have been vacant. He will be reviewing the impact to the City of the County's consideration of reducing the excise tax. Mr. Zimmerman stated a summary of the County Commissioner's discussion of this topic was provided to the Mayor and City Council.

Councilmember Brubaker asked for an estimate of the number of employees who are eligible for step increase. He tends to think COLA's are fairer in a situation like this.

Councilmember Metzner stated he would not support Red Light cameras.

The proposed budget will be presented to the Mayor and City Council by March 31, 2013. Review of the budget will continue throughout April and May, 2013.

CITY ADMINISTRATOR'S COMMENTS

Bruce Zimmerman, City Administrator, thanked the Mayor and Council for a good State of the City presentation earlier today. He indicated there is a possibility of significant snow overnight. Snow plow crews are ready. Trash pick-up will be delayed by one day for the rest of the week in response to the weather forecast.

MAYOR AND COUNCIL COMMENTS

Councilmember L. C. Metzner commended staff for their efforts with the State of the City presentation.

Councilmember M. E. Brubaker had no additional comments.

Councilmember K. B. Aleshire received a letter from a citizen asking for a change in lighting at an intersection. The Light Department has tried to address this issue through Neighborhoods 1st. He still does not have an answer on whether the EDC strategic plan has been approved. He would like to make comments but does not know if the time for comments has been established. He is interested in what the Maryland Municipal League says about the highway user fund revenue revisions. He stated the City has made efforts to remove criminal activity from downtown.

Councilmember D. F. Munson stated he is increasingly impressed by the dedication and hard work of City employees. He mentioned several employees worked all weekend to make the State of the City presentation possible.

Mayor D. S. Gysberts appreciates the Council's support for the State of the City presentation. It is an honor and privilege to serve as Mayor and work with the five Councilmembers. The State of the City is available on the City's website, on Channel 25 and the City's YouTube page. He attended two grand openings today: Beatitudes Beauty Shop and Bennie's Pub/Antietam Brewery. He urged everyone to be careful during the snowstorm that is predicted.

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 7:45 p.m.

Respectfully submitted,

Donna K. Spickler
City Clerk

Approved: April 23, 2013