

WORK SESSION – May 19, 2014

Mayor D. S. Gysberts called this Work Session of the Mayor and City Council to order at 4:00 p.m., Tuesday, May 19, 2014, in the Council Chamber at City Hall. Present with the Mayor were Councilmembers K. B. Aleshire, M. E. Brubaker, L. C. Metzner, and D. F. Munson; and City Administrator Bruce Zimmerman. Councilmember P. M. Nigh was not present.

Mayor and Council FY15 Budget Review

Bruce Zimmerman, City Administrator, and Michelle Hepburn, Director of Finance, were present to assist the Mayor and Council with discussion of and decisions for General Fund adjustments and to review the Enterprise Funds 5 Year Projections.

Councilmember Brubaker has reviewed the budget and developed a three year budget strategy. He presented the options to the Mayor and Council for review. He is not recommending significant changes to the proposed budget presented for FY 2014-2015. He focused on future years.

His plan helps maintain the current array of City services with no further change to the 11 cent tax rate increase. It does not focus on particular departments or positions, but continues tight position management. He included an option menu of difficult Mayor and Council decisions, many of which need to be decided on before upcoming budgets. The proposal does not include any additional funds for Mayor and Council initiatives.

He reviewed the budget and projections with the intent to not have to raise the tax rate again next year. The Mayor and Council have to keep in mind the impact of a higher tax rate on future development.

His proposal does not include major changes with city services. There may be a need in the future to look at restructuring of City government.

The FY 17 budget year is the last year for the existing union contracts and the last in the three year assessment cycle. Difficult decisions will have to be made in anticipation of these facts.

The financial projections show a shortfall of \$ 3.5 million. Councilmember Brubaker's recommendations to address the deficit include:

1. Increase funded position vacancy savings
2. Decrease the CIP budget (in particular for vehicle replacement)
3. Review of the Worker's Compensation and Health Insurance costs
4. Change in the General Fund Balance Policy
5. Stabilize Police and Fire Pension contributions
6. Adjust health insurance program – The City is facing penalties for having a platinum health insurance program if changes are not made.
7. Funding and fees for community events

8. Decrease funding for other agencies
9. Maintain unfunded position levels
10. Move/defer steps/COLA's
11. Decrease Part-time/temporary staff level
12. Increase fees for fines, permits and licenses
13. Implement new revenue sources such as stormwater fees, traffic/safety revenues, fire tax – Councilmember Brubaker pointed out he feels these fees are actually a substitute for property tax
14. State Highway extension of route maintenance
15. Property Tax by classification
16. Future double tax offset increase

Staff will need to bring these topics, and others presented by Mayor and Council members, to the Mayor and Council for serious review within the next six months. He pointed out even if the tax rate was raised by 14 or 15 cents in FY 15, the City would still be facing the serious budget deficit in future years.

Mayor Gysberts thanked Councilmember Brubaker for his efforts in reviewing the budget.

Councilmember Munson thanked Councilmember Brubaker. He asked how these recommendations affect the City's efforts with Urban Partners' anticipated recommendations. Councilmember Brubaker stated there is \$ 1.5 million in the budget, through bond funding. If the Mayor and Council want to fund any of the projects through the General Fund it would be difficult. He believes bond funding would be affordable.

Councilmember Brubaker stated if Class A office space was built, the City may be able to contribute to a project with an additional parking deck.

Ms. Hepburn stated the recommendations presented by Councilmember Aleshire and Councilmember Brubaker have been reviewed and some have been incorporated into the options presented. Ms. Hepburn stated the reserve funds could be used; however the funds should not be used without strengthening revenue and having good policies in place. She stated if the tax rate was increased to 14 cents or 15 cents in FY 2015-2016, there would still need to be a number of difficult decisions to be made for FY 2016-2017. This increase would allow funding for Mayor and Council initiatives for projects that give back to the community. Unless the direction is to cut services, the Mayor and Council should focus on these options.

Mayor Gysberts stated it is easy for people to say cut more from the budget. The City has restructured many areas of the government operations and has reduced the number of employees. A large portion of the budget does go to employees, and he noted that some of that money goes into the local economy. Employees have to be partners in a solid stewardship with the Mayor and Council.

Councilmember Aleshire stated the suggestions made are similar to a presentation he made to the Council last year. He will not be voting in favor of the proposed budget.

Councilmember Munson will support the proposed budget. He does not think citizens should be responsible to replace and repair curbing. When he attends social functions, citizens approach him and request services they need in their neighborhoods.

Councilmember Aleshire stated he had previously presented a list of several items that he felt comfortable changing in the budget that would not create a hardship. He thinks a 7 cent or 8 cent tax increase is a reasonable amount and it would address the immediate needs with the FY 15 budget and reduce the need to have this same conversation next year. He recommended immediate options that would lessen the impact of a tax rate increase. He thinks the Mayor and Council should focus on what can be done within each budget to reduce the impact of tax increases and not rely on future bond issues to fund CIP projects.

Councilmember Metzner thinks general fund contributions to charities should be discussed. He would agree to eliminate some of the contributions.

Mr. Zimmerman stated the contributions were discussed in August, 2013. There was no consensus to adjust the contributions at that time.

Councilmember Metzner stated many of the organizations report the number of city residents they serve and justify the City's contributions. He does not remember having this information from CASA.

Councilmember Brubaker stated if the tax rate is lowered, it impacts the projections.

Councilmember Aleshire stated his list from last year included a number of the same items as Councilmember Brubaker's. He is concerned that not addressing the recommendations will result in continued struggles in future years.

Mr. Zimmerman thinks a three year focus is important in order to strengthen the City's financial position. He suggested the Mayor and Council consider raising the taxes in one year so they can move forward knowing what the taxes will be in future years. He knows expenditure reductions will have to be made, as they have been for five years. An increase greater than 11 cents would provide funding for Mayor and Council initiatives such as support of the Maryland Theatre and strengthen the City's budget. The 11 cent increase will help stabilize the budget. He mentioned that the list developed by Councilmember Brubaker incorporates a number of Councilmember Aleshire's recommendations from last year.

Councilmember Munson stated the decision to make is whether or not the City wants a police department, a fire department and paved streets. Without income, these things would not exist. If they don't exist, why should the City exist as a municipality? These are difficult decisions that have to be made.

Councilmember Brubaker stated the responsible thing to do is increase the tax rate this year so that it will carry the City through more than one year. He is willing to consider other ideas as well.

Mr. Zimmerman stated the budget ordinance is scheduled to be introduced on May 20, 2014. Topics for the budget discussion on May 20, 2014 include parking, light, water and wastewater.

There being no further business to come before the Mayor and City Council, the meeting was adjourned at 4:40 p.m.

Respectfully submitted,

Donna K. Spickler  
City Clerk  
(from video)

Approved: July 22, 2014