

Mayor and Council Budget Work Session December 17, 2013 Agenda

*"A diverse, business-friendly, and sustainable community with clean, safe and strong neighborhoods."
"Providing the most efficient and highest-quality services as the municipal location of choice for all
customers."*

4:30 PM WORK SESSION

4:30 PM 1. [Budget Work Session](#)

CITY ADMINISTRATOR'S COMMENTS

MAYOR AND COUNCIL COMMENTS

ADJOURN

REQUIRED MOTION

MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:

Budget Work Session

Mayor and City Council Action Requested:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

Name:

📎 [Budget Work Session.pdf](#)

Description:

Budget Work Session



CITY OF HAGERSTOWN, MARYLAND

Bruce J. Zimmerman
City Administrator

December 12, 2013

To: Mayor and City Council
From: Bruce Zimmerman, City Administrator *BZ*
Subject: December 17th Budget Work Session

Next Tuesday, December 17th, Mayor and Council are scheduled to hold a Budget Work Session. Mayor and Council has held prior Budget Work Sessions and discussed several important issues related to the City's finances and budget. Among the topics the Mayor and Council have discussed in recent months are the following: Employee Compensation, Preliminary FY13 General Fund Surplus, General Fund Agency Contributions, Water & Wastewater Five Year Rate Study, Utility Fund Dividend Policy, State Stormwater Management Requirements & Possible Revenue Sources, and Parking System User Fees.

In addition, Mayor and Council have received staff presentations on significant budget related topics including: our Pavement Preservation Program and funding needs, the Stormwater Management Projects Study, our revenue experience since implementing the Safe Speed for Schools Program in April, 2012, and Employee and Retiree Health Insurance Program costs and trends. In addition there have been brief Mayor and Council discussions on a Fire Service Tax, Red Light Cameras, and a potential alternative approach for bond financing of capital expenditures in FY14.

It is anticipated the State will announce the results of the Assessor's Office Triennial Reassessment of Real Estate at the very end of 2013 or early 2014, which will inform us of the change in our property tax base. It is anticipated the Mayor and Council will focus on this information in January, 2014 and incorporate it into your work on the budget.

The staff has begun departmental preparation of next year's budget. We are early in the process, but we will need to know soon what assumptions Mayor and Council wish us to include in department operating budgets for employee pay. We are assuming this information will come from Mayor and Council in January.

In the meantime, it would assist staff if Mayor and Council can give us direction on the following budget issues which have been of interest to you. This will help us in developing budget projections and also developing plans for bond financing and debt service costs.

1. **Third Parking Deck:** Members of the Mayor and Council have expressed their interest in the City constructing a third parking deck. Staff needs to clarify how Mayor and Council wish to include the possible construction of a third parking deck in the preparation of the Proposed Five Year Capital Improvement Program. Attached are the initial CIP forms provided to Mayor and Council in October which reflect two possible assumptions on the size and cost of the parking deck.
2. **Downtown Project Funding:** Our Five Year CIP as included in the FY14 Budget includes \$1,500,000 for a downtown project to be determined by the Mayor and Council. This project appears in Section 9 Page 117 and is identified as Project #45-C0854. The suggested funding source for the project is \$1,500,000 from the FY14 General Fund

supported bond financing. This CIP and potential funding can be used to support a future catalyst project to be identified in the downtown planning project approved by Mayor and Council on December 3rd or a current downtown priority project. It will help staff if Mayor and Council can indicate whether you wish this CIP project to remain in the proposed budget and whether you have a specific project in mind to receive the funding. In order to include funding for this CIP in the 2014 bond issue or any subsequent financing will require the City to identify a specific project.

3. **Acquisition of Two Fire Department Ladder Trucks:** CIP #45-C0010 as presented in the current year's budget in Section 9 Page 1 includes the FY14 acquisition of a ladder truck to replace our 1998 Ladder Truck 1 operating out of Pioneer Hook & Ladder. The CIP includes \$900,000 in funding for this acquisition with \$700,000 coming from General Fund supported bond financing and \$200,000 in funding from volunteer company contributions.

In FY15, the CIP includes the acquisition of a ladder truck to replace our 1998 Ladder Truck 4 operating out of Western Enterprise. The CIP includes \$950,000 in funding for this acquisition with \$750,000 coming from General Fund supported bond financing and \$200,000 in funding from volunteer company contributions.

It will help staff to firm up the schedule for these acquisitions with the Mayor and Council so that we can finalize our bond financing plans. We will also need to discuss with Mayor and Council the level of volunteer funding contributions that can be reasonably expected.

4. **\$625,000 in Revenue from the Sale of the Army Reserve Building:** Mayor and Council have previously indicated you wish to utilize the revenue from the sale of this property to the County for one or more one time projects. This revenue was placed in the Property Management Fund for allocation to a project at a future time. As we prepare our CIP and Budget Projections it would assist staff to know how you wish us to reflect the use of this revenue in the Proposed Budget.
5. **Use of FY13 General Fund Surplus:** As discussed with Mayor and Council during your November 12th Work Session, preliminary year end results for the General Fund in FY13 indicate a surplus of \$1,500,000. Some of this surplus has previously been allocated to projects such as the purchase of Police Patrol Vehicles (\$210,000), the acquisition of 21 West Antietam (\$90,500), and the FY13 Golf Course deficit (\$97,000). In addition staff are presently assuming the use of \$346,000 to fund the new Engine One and Battalion Vehicle already purchased this fiscal year. At the November Work Session, staff identified a number of options for use of the remaining FY13 General Fund Surplus. Attached is the handout from the November 12th Work Session. During next Tuesday's Work Session it would be beneficial to determine whether Mayor and Council have any preference for the use of the remaining balance.
6. **CDBG Budget Information Update:** Our annual entitlement grant has significantly declined in recent years as the Federal Government has reduced funding. In FY11 our entitlement grant totaled \$1,004,945. In the current fiscal year we received \$666,490. As we have learned this week, Congress is working on a budget compromise which may shed some light on our future CDBG funding and the timing of HUD's announcement of our entitlement for next year.

Staff looks forward to discussing these budget and financial issues with Mayor and Council next Tuesday.

Attachments

CAPITAL IMPROVEMENT PROGRAM

FY '14 thru FY '18

City of Hagerstown, Maryland

Department Parking Fund
Contact Deike and Tissue
Type Improvement
Useful Life 50 years
Category Buildings and Structures
Priority Planned Improvement
Status Active

Project # 56-C0173

Project Name Parking Facilities - 3rd Parking Deck

Location: To be determined

Year Submitted: 2011

Description

Mayor and Council are contemplating the construction of a third parking deck on West Antietam Street on the current Columbia Bank lot. A new parking deck could be financed by City issued bonds to be repaid by City Parking users and contributions from others. This project is still in preliminary discussions and funding sources are not yet finalized.

A more definitive funding plan will be completed once a decision is reached on whether to pursue construction of a third deck. Rich and Associates completed a parking study analysis in 2012 and communicated that current parking demand will not support a third deck.

FY15: Land acquisition and design phase

FY15: Construction phase of a new approximately 359 space deck

Justification

Provide additional needed parking to support redevelopment of the city center area including: residential, office, and commercial development, as well as any other downtown revitalization projects.

Expenditures	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Planning/Design		666,225				666,225
Land Acquisition		700,000				700,000
Construction/Maintenance		6,633,775				6,633,775
Total		8,000,000				8,000,000

Funding Sources	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Bond Financing (Parking Fund)		8,000,000				8,000,000
Total		8,000,000				8,000,000

Budget Impact/Other

For this deck to be financially viable to the City, it is critical to have new and additional paying customers in our downtown area.

The operating revenue from a third deck, combined with other Parking Fund revenue, would need to meet total Parking operating expenses plus related debt service expenses to avoid general fund subsidies and revenue shortfalls. The annual debt service is estimated to be \$594,000 for a 20 year term or \$455,000 for a 30 year term.

CAPITAL IMPROVEMENT PROGRAM

FY '14 thru FY '18

City of Hagerstown, Maryland

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A more definitive funding plan will be completed once a decision is reached on whether to pursue construction of a third deck. Rich and Associates completed a parking study analysis in 2012 and communicated that current parking demand will not support a third deck.

FY15: Land acquisition and design phase

FY15: Construction phase of a new approximately 490 space deck

Justification

Provide additional needed parking to support redevelopment of the city center area including: residential, office, and commercial development, as well as any other downtown revitalization projects.

Expenditures	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Planning/Design		875,000				875,000
Land Acquisition		700,000				700,000
Construction/Maintenance		8,425,000				8,425,000
Total		10,000,000				10,000,000

Funding Sources	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Bond Financing (Parking Fund)		10,000,000				10,000,000
Total		10,000,000				10,000,000

Budget Impact/Other

For this deck to be financially viable to the City, it is critical to have new and additional paying customers in our downtown area.

The operating revenue from a third deck, combined with other Parking Fund revenue, would need to meet total Parking operating expenses plus related debt service expenses to avoid general fund subsidies and revenue shortfalls. The annual debt service is estimated to be \$743,000 for a 20 year term or \$569,000 for a 30 year term.

CAPITAL IMPROVEMENT PROGRAM

FY '14 thru FY '18

City of Hagerstown, Maryland

Project # **45-C0854**
Project Name **Downtown Redevelopment**

Type Improvement Department Finance
Useful Life 25 years Contact Burkner
Category Unassigned Priority Planned Improvement
Location: Downtown
Year Submitted: 2013
Status Active



Description

Mayor and Council have identified downtown revitalization as a major priority of this administration. This provides for a capital improvement project and some initial funding to support this project. The project's goal would be to help revitalize and create downtown economic redevelopment. The money designated here would be for one-time costs and expenditures related to a downtown revitalization project that will be identified in the future.

Any bond monies spent would need to be on eligible items for tax-exempt bond issuance. Non-eligible items would include costs such as: normal operating expenditures, planning, and other studies.

The Mayor and Council have expressed interest in working with private developers or a private public partnership that could lead to a major downtown revitalization project.

Justification

The proposed project should be able to: create jobs; spur development in areas surrounding the downtown area; increase consumer spending; and create community pride.

Budget Impact/Other

Expenditures	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Other	1,500,000					1,500,000
Total	1,500,000					1,500,000

Funding Sources	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Bond Financing (General Fund)	1,500,000					1,500,000
Total	1,500,000					1,500,000

CAPITAL IMPROVEMENT PROGRAM

FY '14 *thru* FY '18

City of Hagerstown, Maryland

Project # **45-C0010**

Project Name **Fire Department Vehicle Replacement**



Type	Replacement	Department	Fire
Useful Life	15 years	Contact	Dieterich
Category	Automobiles and Trucks	Priority	Planned Improvement
Location:	Administrative Office		
Year Submitted:	Ongoing		
		Status	Active

Description

Per Vehicle Replacement Plan.

FY14: Engine 1 - 1994 KME Pumper (\$450,000); which was approved in FY13 budget with funding Contributions from volunteer companies and 2013 City issued bond proceeds.

FY14: Truck 1 - 1998 AI 105' Ladder (\$900,000) with funding to be split between new City bond financing of \$700,000 and Contributions of \$200,000

FY14: Utility 3A Ford F350 Pickup (\$100,000) - Utility vehicle that responds to all fire/ incident calls within the City limits.

FY15: Refurbish Reserve Engine 4 - new paint, update lights, electrical system, and compartments for Firefighter safety (\$125,000)

FY15: Truck 4 - 1998 AI 105' Ladder (\$950,000)

FY16: Unit C2 - 2004 GMC Safari Van (\$50,000)

FY16: Unit C4 - 2005 Chevy Blazer

FY16: Unit C7 - 2005 Chevy Trailblazer

FY17: Unit C8 - 2007 Ford Expedition

Justification

Replace aging vehicle equipment used in fire suppression operations.

Budget Impact/Other

Expenditures	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Equip/Vehicles/Furnishings	1,450,000	1,075,000	120,000	40,000		2,685,000
Total	1,450,000	1,075,000	120,000	40,000		2,685,000

Funding Sources	FY '14	FY '15	FY '16	FY '17	FY '18	Total
Bond Financing (General Fund)	800,000	750,000	70,000	40,000		1,660,000
Contribution by Others	350,000	200,000				550,000
Prior Bond Proceeds	300,000					300,000
Transfers to CIP-General Fund		125,000	50,000			175,000
Total	1,450,000	1,075,000	120,000	40,000		2,685,000

City of Hagerstown
FY13 Preliminary General Fund
November 12, 2013

Primary Sources of Preliminary Surplus:

FY13 Approved Budget - Budgeted Surplus	126,000
Real Estate & Corporate Personal Property Tax Revenue	330,000
Income Tax Revenue	132,000
Admission Tax Revenue	56,000
Safe Speed for School Revenue	831,000
Various Revenue Sources	10,000
FY13 Expenditure Savings over Budget	15,000
Preliminary FY13 General Fund Surplus <Deficit>	<u>1,500,000</u>

Uses of FY13 General Fund Surplus:

FY13 Transfer for Purchase of all Patrol Vehicles in FY14	(210,000)	JE
Lien Abatement for 21 E Antietam Street	(90,500)	JE
FY13 Golf Course Deficit	(97,000)	JE
CDBG HUD Repayment for 2011 Audit	(24,360)	JE
	<u>(421,860)</u>	

Other Potential Uses of FY13 General Fund Surplus:

FY13 Transfer for Fire Department Engine 1 & Battalion Vehicle	(346,000)
Additional HPD vehicles	(150,000)
CDBG HUD Repayment for Massey Property use	(195,000)
MELP Project	(250,000)
One-time stipend to employees	
Designate use toward FY15 budget deficit for one-time CIP projects	
Pavement Preservation Project	
Stormwater Management Project	
	<u>(941,000)</u>

Revised Preliminary FY13 General Fund Surplus <Deficit>	<u>137,140</u>
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