

# **Mayor and Council Work Session August 15, 2017 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."*

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**"Without continual growth and progress, such words as improvement, achievement, and  
success have no meaning."**

**Benjamin Franklin**

## **4:00 PM WORK SESSION**

1. Proclamation: Forget Me Not Month - *James Arnold, Disabled American Veterans Chapter 14*
- 4:10 PM** 2. Fund Balance/Retained Earnings Policy - Revised - *Valerie Means, City Administrator, and Michelle Hepburn, Director of Finance*
- 4:25 PM** 3. Department of Community and Economic Development Loan Portfolio Update - *Jonathan Kerns, Community Development Manager, and Ashley Newcomer, Business/Community Development Finance Specialist*
- 4:45 PM** 4. Update on Rental Licensing Program - *Kathleen Maher, Director of Planning and Code Administration, and Paul Fulk, Inspections Manager*

## **CITY ADMINISTRATOR'S COMMENTS**

## **MAYOR AND COUNCIL COMMENTS**

## **ADJOURN**

**REQUIRED MOTION  
MAYOR AND CITY COUNCIL  
HAGERSTOWN, MARYLAND**

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**Topic:**

Proclamation: Forget Me Not Month - *James Arnold, Disabled American Veterans Chapter 14*

**Mayor and City Council Action Required:**

**Discussion:**

**Financial Impact:**

**Recommendation:**

**Motion:**

**Action Dates:**

**REQUIRED MOTION  
MAYOR AND CITY COUNCIL  
HAGERSTOWN, MARYLAND**

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**Topic:**

Fund Balance/Retained Earnings Policy - Revised - *Valerie Means, City Administrator, and Michelle Hepburn, Director of Finance*

**Mayor and City Council Action Required:**

**Discussion:**

**Financial Impact:**

**Recommendation:**

**Motion:**

**Action Dates:**

**ATTACHMENTS:**

**File Name**

081517\_Fund\_Balance\_Policy\_Memo.pdf

**Description**

Fund Balance Policy Memo



# CITY OF HAGERSTOWN, MARYLAND

Finance Department  
301-739-8577 X156

To: Valerie Means, City Administrator  
From: Michelle Hepburn, Director of Finance  
Date: August 15, 2017  
Subject: Fund Balance/Retained Earnings Policy - Revised

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The City's current General Fund Balance/Retained Earnings Policy was last revised in August 1993. Over the last year, the City Administrator and Finance Department has worked to make revisions to this policy. The Fund Balance/Retained Earnings Policy is a guide utilized by staff in the Finance Department, by other city Departments, by the City Administrator, and by Mayor and Council. It is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for future sustainability. Fund balance is a vital measure of the fiscal health of an organization and reflects the accumulation an organization's financial performance since it was created.

A summary of the changes are as follows:

- Change in title to reflect a consideration of the entire City and not just the City's General Fund
- Increase in the minimum percentage for General Fund unassigned fund balance from 10% to 17% of the General Fund's operating budget
- Addition of minimum level of months balance to maintain
- Expansion of when General Fund balance may be utilized including a definition for an "unplanned emergency situation"
- Addition of Enterprise Fund section
- Addition of Health Insurance Fund section

Attached are the current policy and a draft revised policy.

Staff will be available for discussion and review of the draft policy at the August 15<sup>th</sup> Work Session.

### **General Fund Balance/Retained Earnings Policy:**

1. The City will maintain a minimum undesignated fund balance (to be used for unanticipated emergencies) of ten (10) percent of the General Operating Budget (excluding Capital Outlay). These funds will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing and assist in maintaining an investment grade bond rating.
2. If the fund balance should fall below the above minimum balance, the City will budget one (1) percent of the general fund revenue estimated for that fiscal year to get back to ten (10) percent within five (5) years.
3. The City will strive to maintain sufficient retained earnings in the utility funds to provide for their working capital needs, minor continuing system improvements, and general system improvements.

## FUND BALANCE /RETAINED EARNINGS POLICY

### GENERAL FUND

1. The City will maintain a minimum unassigned General Fund balance to be used for unanticipated emergencies of not less than seventeen (17) percent of the General Operating Budget (excluding Capital Outlay). This is a minimum level necessary to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing and assist in the maintaining an investment grade bond rating. Consideration must also be given to the number of months of coverage the minimum level provides. A minimum level of two (2) months of regular General Fund operating expenditures should be maintained within the fund balance.
2. To the extent that the unassigned General Fund balance exceeds the targeted seventeen (17) percent, the City may draw upon these funds to provide pay-go financing for capital projects or for other one-time capital items. The City may designate parts of the unassigned General Fund balance that would represent tentative management plans rather than actual restrictions on the use of the funds. The funds may also be used to allow time for the City to restructure its operations in a deliberate manner but only in the context of long-term fiscal planning.
  - a. If the fund balance should fall below the above minimum due to use for an unplanned emergency situation, defined as a sudden steep decline in revenue from which no reasonable expenditure reduction or tax rate increase can be planned and implemented in a timely fashion, the City will budget a portion of General Fund revenue estimated for that fiscal year in an amount to get back to the seventeen (17) percent within five (5) fiscal years.

### ENTERPRISE FUNDS

1. The City will strive to maintain sufficient retained earnings in the Enterprise funds to ensure its working capital needs, minor continuing system improvements, and general system improvements needs are met. In addition, there is a review and monitoring of the Enterprise funds retained earnings for the Enterprise Fund Dividend Transfer Policy. This dividend transfer policy includes a minimum working capital reserve level of two (2) months.

### HEALTH INSURANCE FUND

1. The City will maintain a minimum unassigned fund balance:
  - a. that covers thirty (30) percent of its annual total expenditures excluding transfers to other city fund;
  - b. that will adequately fund annual Other Post Employment Benefit (OPEB) trust as determined from prior year actuarial report; and
  - c. that covers a minimum level of three and half (3.5) months of regular health insurance fund operating expenditures.

2. To the extent all of the above conditions are met, transfers of surplus fund balance amounts can be utilized to reimburse other city funds for prior year accumulations based upon percentage of funding provided by each fund.

Approved: August 20, 1993

Amended: 2017

**REQUIRED MOTION  
MAYOR AND CITY COUNCIL  
HAGERSTOWN, MARYLAND**

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**Topic:**

Department of Community and Economic Development Loan Portfolio Update - *Jonathan Kerns, Community Development Manager, and Ashley Newcomer, Business/Community Development Finance Specialist*

**Mayor and City Council Action Required:**

**Discussion:**

Staff request an opportunity to meet with the Mayor & City Council to provide a status update on the City's loan portfolio.

The update will include a brief review of the following items:

- Overview of Community Development Block Grant (CDBG) Loan programs
- Overview Business Revolving Loan program
- Status of existing loans and loan program balances
- FY17 loan activity
- Status of delinquent loans

Additional details will be provided in a PowerPoint presentation during Tuesday's work session.

**Financial Impact:**

**Recommendation:**

**Motion:**

**Action Dates:**

**ATTACHMENTS:**

**File Name**

Loan\_Portfolio\_Update\_081517.pdf

**Description**

Loan Portfolio Update





# CITY OF HAGERSTOWN, MARYLAND

Department of Community and Economic Development

To: Valerie Means, City Administrator

From: Jonathan Kerns, Community Development Manager *J.K.*  
Ashley Newcomer, Business/Community Development Finance Specialist *AN*

Date: August 9, 2017

**RE: Loan Portfolio Update**

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Staff request an opportunity to meet with the Mayor & City Council to provide a status update on the City's loan portfolio.

The update will include a brief review of the following items:

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- Overview Business Revolving Loan program
- Status of existing loans and loan program balances
- FY17 loan activity
- Status of delinquent loans

Additional details will be provided in a PowerPoint presentation during Tuesday's work session.

c. Jill Thompson, DCED Director

**REQUIRED MOTION  
MAYOR AND CITY COUNCIL  
HAGERSTOWN, MARYLAND**

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**Topic:**

Update on Rental Licensing Program - *Kathleen Maher, Director of Planning and Code Administration, and Paul Fulk, Inspections Manager*

**Mayor and City Council Action Required:**

**Discussion:**

**Financial Impact:**

**Recommendation:**

**Motion:**

**Action Dates:**

**ATTACHMENTS:**

**File Name**

RL\_Update.pdf

**Description**

Update on Rental Licensing  
Program



# CITY OF HAGERSTOWN, MARYLAND

Planning and Code Administration Department

## MEMORANDUM

TO: Valerie Means, City Administrator

FROM: Kathleen A. Maher, Director of Planning & Code Administration  
Paul Fulk, Inspections Manager

DATE: August 10, 2017

SUBJECT: Update on Rental Licensing Program

Planning and Code Administration staff will be present at the August 15<sup>th</sup> work session to provide the Mayor and City Council with an update on the Rental Licensing Program.

### **Hagerstown's Rental Licensing Program**

Chapter 197 of the City Code outlines the licensing and inspection requirements for the City's Rental Facilities Program. This code was adopted by the Mayor and City Council in 2003 for the purpose of protecting and promoting the public health, safety and welfare of the citizens of Hagerstown, establishing rights and obligations of the landlords and tenants in the rental of dwelling units, and encouraging the landlords and tenants to maintain and improve the quality of rental housing within the community. An additional purpose is promoting and assuring the safety, health and habitability in the housing conditions in rental facilities in the City, preventing deterioration of rental facilities in the City, supporting property values, and encouraging responsible management and use of rental facilities through licensing and inspection. Periodic adjustments have been made to the program over the years, most recently in late 2016.

*Licensing and Inspections Required by the Code:* Chapter 197 requires any structure containing one or more dwelling units to be licensed with the City and subject to periodic inspections for compliance with the City's Property Maintenance Code. Rooming houses are considered rental facilities under this code. Exceptions are provided to owner-occupied structures containing no more than one rental unit ("owner plus one") and to rental facilities owned and operated by the Hagerstown Housing Authority (HHA). The exception for HHA is because it was determined their inspection standards were comparable to the City's standards.

*Excluding from Licensing by the Code:* Chapter 197 excludes traditional hotels, motels, bed-and-breakfasts, nursing homes and hospitals from the definition of "rental facility." The first three are "rented" on a very transient basis by travelers passing through the community, and

any hotel or motel operating under the flag of a national chain would be subject to the operational and maintenance standards to remain under that flag. The last two are subject to oversight by the State of Maryland.

*Excluded from Licensing by Interpretation:* Planning and Code Administration staff have excluded homeless shelters due to their hotel-like transiency and assumption of oversight by the State of Maryland or other authority, residential treatment facilities due to on-site care and oversight by others, ARC of Washington County houses due to in-home nursing care and other oversight, and assisted living facilities due to nursing care and other oversight. In November 2016, PCAD staff provide an update on which housing provider properties were licensed in the program and which were exempt and an assessment of the inspection checklists shared by those providers exempt from the City licensing program.

### **Staff Recommendations in November 2016 to Amend the Rental Licensing Program**

In light of this research and the prior concerns raised by the City Council regarding the safety of housing provided to our most vulnerable citizens, staff recommended the following revisions to Chapter 197, Rental Facilities, for the Mayor and City Council's consideration. Further research on these recommendations was tabled with the change in administration and advent of the PICCR process.

1. 197-2, Definitions: Modify the definition of 'Rental Facility' to include 'or units or beds provided to clients of supportive housing providers, whether for consideration or not' at the end of A.
2. 197-2, Definitions: Modify the definition of 'Rental Unit' to include 'dormitory, homeless shelter, and residential treatment facility.'
3. 197-2, Definitions: Add a definition for 'supportive housing provider' – A non-profit or for-profit entity that owns or operates housing with or without in-house staff or treatment for elderly, disabled, and/or homeless clients. This does not include nursing homes or hospitals.
4. 197-4, Application, license fee: Add 'and dormitory facility' to (2).
5. 197-4, Application, license fee: Add a new (3) for 'homeless shelter and residential treatment facility.'
6. 197-4, Application, license fee: Using the rooming house fee system in (2) as a model, the fee system for 'homeless shelter and residential treatment facility' in new (3) could be \$100 per facility, plus \$10 per bed.
7. 197-6, Inspections: Add 'dormitory, homeless shelter, and residential treatment facility' to (2).

8. 197-6, Inspections: Change the frequency of inspections for rooming house units, plus 'dormitory, homeless shelter, and residential treatment facility,' in (2) from 48 months to 24 months.

#### **Additional Staff Recommendations**

1. Due to recurring situation of non-payment of Rental Licensing fees by some landlords, suggest allowing liening of unpaid Rental Licensing fees as is allowed in the Vacant Structures Program.
2. Due to large number of units never inspected and fairly common occurrence of non-reporting of tenant turnovers by some landlords, suggest modifying the interior inspection schedule from an event schedule to a timing schedule.

#### **Staff Presentation on Administration of the Two Programs**

PCAD staff will provide detail on our experience administering this program at the meeting on August 15<sup>th</sup>.

- c: Blaine Mowen, Chief Code Official  
Gary Lambert, Programs Manager  
Emily McFarland, Program Administrative Specialist  
Jon Kerns, Community Development Manager  
Steve Lohr, Fire Chief

# Report on Inspections of Non-Profit Supported or Provided Housing

## Housing NOT in the City's Rental Licensing Program

Agency	Program	No. of Prop.	No. of Units	No. of Beds	Inspections by Others?	Inspections Comparable to City PMC Inspections?
Troy Van Scoyoc, Ex.Dir., The ARC of Washington County, 820 Florida Avenue, 21740	supportive housing for mentally and physically disabled	Multiple	58		inspection of ARC-owned homes. ARC inspections monthly of all units. HHA inspections of Section 8 units. No external oversight of client rented homes (unless Section 8).	No
William G. Boyer, Jr. Ex.Dir., Ravenwood Lutheran Village, 1183 Luther Drive, 21740	independent living units for seniors	1	60		Twice per year inspections by maintenance staff.	No
Bruce L. Sonny Shank, Ex.Dir., The Hope Center at Hagerstown Rescue Mission, 125 N. Prospect Street, P.O. Box 685, 21741-0685	13-month residential program	1		31	Health Department inspects kitchen.	No
Bruce L. Sonny Shank, Ex.Dir., The Hope Center at Hagerstown Rescue Mission, 125 N. Prospect Street, P.O. Box 685, 21741-0685	shelter for transient men (30 consecutive nights maximum stay)	1		31	Health Department inspects kitchen.	No
Jodie Ostoich, Ex.Dir., REACH of Washington County, 140 W. Franklin Street, Suite 300, 21740	shelter for homeless adults	1		56	Self-inspection per Federal guidelines with annual report to Federal government.	No

Major Dan Heard, Commanding Officer, The Salvation Army, Hagerstown, MD Command, 534 W. Franklin Street, 21740	shelter for women and children	1		28	Annual inspection by SA HQ. Annual inspections of fire extinguishers and fire alarm system by outside contractor. Unannounced inspection by City Fire Dept.	?
Scott Rose, President, Way Station, Inc./Turning Point of Washington County, 230 W. Patrick Street, Frederick, MD 21705	treatment of non- vets for mental illness	5		29	Annual inspection by MD Dept of Health & Mental Hygiene, inspected at least every 3 years by HUD, and inspected at least every 3 years by Commission on Accreditation of Rehab Facilities (national accrediting body).	No
Scott Rose, President, Way Station, Inc./Turning Point of Washington County, 230 W. Patrick Street, Frederick, MD 21705	treatment of veterans for mental illness	2		40	Federally licensed and inspected annually by the Veterans Administration.	No
Charles Mooneyhan, Ex.Dir., Wells House, Inc., 124 E. Baltimore Street, 21740	treatment facility for recovering addicts	2		32	Annual inspection by the State and State Fire Marshall.	No

PCAD, Sept 2, 2016  
and Oct 21, 2016

# Report on Inspections of Non-Profit Supported or Provided Housing

## Housing in the City's Rental Licensing Program

Agency	Program	No. of Properties	No. of Units
Alexander House	Low income for elderly and disabled	1	94
Bethel Gardens	Low income for individuals	1	94
Community Action Council	temporary housing for homeless families	3	5
CASA	shelter for abused women and children	1	16
Elizabeth Court	Low income for elderly and disabled	1	111
Private Rental Properties and HHA	Section 8 Vouchers*	Multiple	943
Potomac Case Management	permanent supportive housing for homeless	1	12
Major Dan Heard, Commanding Officer, The Salvation Army, Hagerstown, MD Command, 534 W. Franklin Street, 21740	transitional housing for homeless	1	2
St. John's Shelter	shelter for homeless families	1	5
Scott Rose, President, Way Station, Inc./Turning Point of Washington County, 230 W. Patrick Street, Frederick, MD 21705	housing for persons with mental illness, development disabilities, and substance addiction	5	15
Teresa M. Russell, Dir., W. House of Hagerstown Foundation, Inc., 519 N. Locust Street, 21740	transitional housing for recovering addicts	2	5
Teresa M. Russell, Dir., W. House of Hagerstown Foundation, Inc., 519 N. Locust Street, 21740	treatment facility for recovering addicts**	1	?
Charles Mooneyhan, Ex.Dir., Wells House, Inc., 124 E. Baltimore Street, 21740	transitional housing for recovering addicts	1	3

\* City may accept HHA inspection in lieu of City inspection.

\*\* Never been inspected by City as part of Rental Licensing Program.