

EXECUTIVE SESSION AND WORK SESSION – December 6, 2022

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Mayor Keller called the Executive Session to order at 3:08 p.m.

On a motion duly made by Councilmember S. McIntire and seconded by Councilmember T. Martinez, the Mayor and City Council unanimously agreed by voice vote of all members present at the time of the vote to meet in closed session to consider a matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State; (#4) (Section 3-305(b)), to consider the acquisition of real property for a public purpose and matters directly related thereto; (#3) (Section 3-305(b)), to consult with counsel to obtain legal advice; (#7) (Section 3-305(b)), and to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; (#1) (Section 3-305(b)), on Tuesday, December 6, 2022 at 3:08 p.m. in the Council Chamber, 2nd floor, City Hall, Hagerstown, Maryland.

The following people were in attendance: Mayor E. Keller, Councilmember K. B. Aleshire, Councilmember R. E. Bruchey, II, Councilmember T. Burnett, Councilmember T. Martinez, Councilmember S. McIntire, City Administrator Scott Nicewarner, City Attorney Jason Morton, City Attorney Ann Rotz, Michelle Hepburn, Chief Financial Officer, Fire Chief Steven Lohr, Jill Thompson, Director of Community and Economic Development, Police Chief Paul “Joey” Kifer, Deputy Chief Robert Buck, II, Community Rescue Service, Mark Cleck, Fire Battalion Chief, Adam Hopkins, Fire Battalion Chief, Doug Reaser, Business Development Specialist, and City Clerk D. K. Spickler.

The meeting was held to discuss two business proposals, acquisition of property for City operations, changes in an existing contract and membership of the City Ethics Commission. No formal action was taken at the meeting. On a motion duly made, seconded, and passed, the meeting was adjourned at 3:59 p.m.

WORK SESSION – December 6, 2022

Mayor E. Keller called this Work Session of the Mayor and City Council to order at 4:06 p.m., Tuesday, December 6, 2022 in the Council Chamber at City Hall. Participating with the Mayor were Councilmembers K. B. Aleshire, R. E. Bruchey, II, T. Burnett, T. Martinez, and S. McIntire, City Administrator Scott A. Nicewarner, and City Clerk D. K. Spickler.

Proclamation: World AIDS Day

Mayor Keller read a proclamation naming December 1, 2022 as World AIDS Day in Hagerstown, Maryland. Lauren Villa, Hagerstown Hopes, accepted the proclamation. World AIDS Day recognition provides the opportunity to everyone to unite in the fight to end HIV. No one is safe until we are all safe.

Special Recognition: Presentation of Dennis Miller Volunteer Award to Aaron House

Mayor Keller announced that Aaron House, Board of Code Appeals, has been named the 2022 Dennis Miller Volunteer Award Recipient. Mayor Keller presented Mr. House with a Certificate of Appreciation and a gift card in recognition of his commitment to the City.

FY22 Annual Comprehensive Financial Report and Presentation

Michelle Hepburn, Chief Financial Officer, Brooke Garver, Accounting and Budget Manager, and Christopher Lehman, Engagement Partner with SB & Company, LLC, were present to provide the City's Annual Comprehensive Financial Report for FY22. Ms. Hepburn stated preparation of this report would not have been possible without the dedicated efforts of the entire Finance Department.

Copies of the FY22 Annual Comprehensive Financial Report were distributed in early November and a copy can be viewed electronically on the City's website (www.hagerstownmd.org).

An independent audit and a complete single audit concentrating on Federal grant awards are conducted each year.

Mr. Lehman reported SB & Company, LLC has issued an unmodified opinion on the financial statements. They discovered no instances of fraud or material weaknesses in internal controls. Management provided full cooperation during the audit process. The City's total net position as of June 30, 2022 is \$ 39 million, compared to \$ 28.3 million in 2020.

Mr. Lehman stated the scope of services included the audit of the June 30, 2022 financial statements, performance of the Uniform Guidance Single Audit, review of the Uniform Financial Report, and review of the Data Collection form. SB & Company is available year-round for consultation.

To complete the audit, SB & Company uses the FORCAM Audit Approach. The review focuses on risk, controls, and account misstatement. The evaluation of key processes were rated as effective.

Because of the significant number of transactions, SB relies heavily on audit of internal controls.

Total assets have increased over the last 3 years to \$ 150 million. Liabilities have also increased to \$ 128 million, in particular pension liabilities. Including all funds show assets of \$ 248.8 million and liabilities of \$ 58.7 million.

Ms. Hepburn stated it was a good, strong revenue year. The overall General Fund experienced a deficit again this year. However, other funds within the General Fund, especially the Capital Improvement Project fund show a surplus of \$ 2 million. This is

due to timing of the projects. Staff is getting ready to complete a bond issue. Questions from the Bond Counsel and Financial Advisors are being answered in preparation for the issue.

City policies are good and the fund balance is good. However, the Police and Fire Fund in unfunded liability and unfunded percentage shows massive increases. Ms. Hepburn and Mr. Nicewarner have been doing some strategic planning to address this. There was a \$ 5 million market loss on police/fire investments alone. The City gained very little in dividends and income. For the first time ever, there was a market loss, meaning it was a double hit for the City. As a result, the discount rate was changed by 2%.

Councilmember Aleshire clarified this is a reflection of long-term liability but not a reflection on the increase in expenses for public safety noted in the financial statement. Ms. Hepburn indicated this is correct.

Mr. Lehman noted most of the losses are deferred and amortized over time (about 5 years). GASB approves this method of smoothing gains and losses.

Ms. Hepburn stated it is fortunate the State Retirement System is recorded a year behind the current year and did not experience those large fluctuations because of the delayed timing. At the end of the year, the Police and Fire Pension Fund was at \$ 72 million and the funded amount was at 29%. Even though the funding is good, it is going to have to be better in order to be stable.

Councilmember Aleshire agrees it is better to level out the fluctuations over a period of time to lessen the impact.

Ms. Hepburn stated it is a good report. She pointed out the surplus of \$ 10 million is in Utilities. The surplus will be used to fulfill the commitment the City has made for funding of several big projects and initiatives.

Mr. Lehman noted there were no difficulties completing the audit and they found no fraud issues to bring to the Mayor and City Council's attention.

Councilmember Aleshire stated it is important that property tax revenue cover the public safety costs. The bulk of the City's expenses are in public safety operations and that largely dictates what other functions the City can afford. The City's finances are healthier now than they were 3 years ago. The tax base is stronger and there will be more funding available for economic development.

Ms. Hepburn is hopeful the triennial property assessment shows growth within the City's tax base.

Mr. Nicewarner stated staff keeps strengthening the City's finances at the forefront of functions.

Ms. Hepburn reported all departments are where they need to be. Revenue is strong, income tax revenue is less than the prior year but still on par with the budget. There are more appeals and abatements filed for property taxes, which was expected. Expenses are taking a hit because of inflation, gas prices, etc. Departments are doing their best to stay within their budgets. Projects are being impacted because bids are coming in higher than anticipated.

Ms. Hepburn thanked Brooke Garver, Accounting and Budget Manager, and Jeff Lear, Senior Accountant, for their work on the annual audit. She is proud the City had such a good audit. Financially, the City ended the year really strong. The fund balance remains at 34%.

Two Grant Applications (Maryland Energy Administration and FEMA)

Jim Bender, Assistant City Engineer, and Rodney Tissue, City Engineer, were present to request the Council's approval to apply for two different grants. One grant would be used to replace high pressure sodium parking lot lights with new LED lights. The other grant would be used to develop a complete model of the City's storm drainage system. The City's Grant Policy requires City Council approval to apply for these grants.

Maryland Energy Administration grant – As part of the City's sustainability efforts, staff would like to apply for a grant from the Maryland Energy Administration to replace twenty-nine existing "Hagerstown-style: 150W high pressure sodium lights in the Central Parking Lot with more efficient 52W LED lights.

The Hagerstown Light Department will purchase the fixtures and perform the installation. The MEA grant funds up to 85% of the project cost or \$ 33,375. The City's General Fund or Parking Fund must cover the 15% balance of \$ 5,891. Light Department staff estimate the annual electric savings at 17,661 kwh/year (or roughly a \$ 1,500 annual reduction in electrical costs), which yields a total payback period for the City's portion of only four years. Installation will occur early in FY24.

FEMA "BRIC" grant – In response to recent storm events that caused surcharges and flooding, staff would like to apply for a Building Resilient Infrastructure and Communities (BRIC) grant from the Federal Emergency Management Agency (FEMA). The BRIC program is focused on hazard mitigation, and decreasing the potential for flooding or damage to infrastructure from extreme storm events. Approximately \$ 2.3 billion has been allocated for this program nationwide.

The City has very detailed mapping of the existing storm drainage system. However, no comprehensive analysis of the system's ability to collect and convey stormwater has ever been completed. Consequently, staff have been forced to react to problems with the system in the wake of storm events, instead of being able to proactively address issues in a systematic way. Staff proposes using BRIC grant funds to hire an engineering consultant to create a computer model of the City's system that can be used to identify capacity issues or bottlenecks, allowing staff to prioritize and budget for capital improvement projects to address deficiencies. Having the computer model in place will

also put the City in a more favorable position if it is decided to seek additional BRIC grant funding in future years to implement these projects.

The BRIC program requires a local match of 25% for any grant funds that are allocated. Staff proposes requesting \$ 75,000 in BRIC funds, with a \$ 25,000 match coming from the Stormwater Protection Fund budget.

It was the general consensus to approve applications for both grants as stated.

Request to Purchase Competitive Negotiated Sale (CNS) Property: 216 S. Prospect Street

Christopher Siemerling, Economic Development Specialist, was present to review a proposal from Alece and Paul Drnec to purchase the vacant lot at 216 South Prospect Street as part of the City's "Competitive Negotiated Sale" (CNS) program.

Alece and Paul Drnec, neighboring property owners, submitted a request to purchase the 18,250 sq. ft. lot for added supplementary yard and the potential to build on it in the future. The proposed purchase price is \$ 15,000. The source of funding is an individual retirement account.

On May 10, 2020, the property had a significant fire causing damage to the structure. On July 21, 2020, the City decided to accept a donation of the property from the owner and proceed with demolition. The City took title to the property on November 5, 2020.

Demolition of the building was completed on December 3, 2020 with a cost of \$ 28,200. The signed ordinance, effective September 24, 2020, authorized the sale of the property to a private owner upon completion of acquisition and demolition of 216 S. Prospect Street, and once the property was no longer needed for public use.

It was the general consensus to move forward with the sale of the property to Alece and Paul Drnec. Introduction of an Ordinance for the sale of the property will be included on the December 20, 2022 Regular Session agenda.

Consideration of Purchase Offer for 239 N. Locust Street

Christopher Siemerling, Economic Development Specialist, was present to review a proposal from Augustine M. Boyce, majority owner of AuChar Properties, LLC, to purchase the property at 239 North Locust Street, as part of the City's "Competitive Negotiated Sale" (CNS) program.

Augustine Boyce, a local property developer and landlord in the community, proposed a purchase price of \$ 45,000 for 239 Locust Street. There is no recent appraisal information available. The proposal for the 8,480 sq. ft. property is for mixed-use development of a commercial laundromat on the first floor, and four 2BR apartments above (scope of work modified from six 1BR units due to Zoning Concerns). The source

of financing is a line of credit totaling \$ 327,710 for use of real estate acquisition and rehab.

The City has owned the Alms House located at 239 N. Locust Street since the acquisition in November, 2004 for \$ 90,000 (funds from CIP Fund Balance). Alms House landmark zoning overlay was adopted by the Mayor and City Council in 2009 (property is subject to local Historic District Commission review with a landmark overlay designation). The property has been vacant while under City ownership and the last occupancy was likely in the 1970's based on prior research.

The general consensus of the Mayor and City Council is to move forward with the sale of this property and to include Introduction of an Ordinance for the same on the December 20, 2022 Regular Session agenda.

CITY ADMINISTRATOR'S COMMENTS

Scott A. Nicewarner, City Administrator, noted many activities are taking place in Hagerstown this weekend – Christkindl Markt, Blooms Alley Monthly Market, and an L. L. Bean Pop Up Shop.

Mr. Nicewarner announced the last collection of yard waste for the year will be December 18, 2022. Due to staffing shortages, Waste Management will be collecting trash and recyclables on a delayed schedule.

Mr. Nicewarner offered condolences to the family of Zach Reid, Hagerstown Firefighter and Clear Spring Volunteer Fire Company Chief. Mr. Reid passed away unexpectedly yesterday.

Mr. Nicewarner also offered sympathy to the family of long time City Attorney John Urner.

MAYOR AND COUNCIL COMMENTS

Councilmember T. Martinez and *Councilmember Burnett* spoke to a group of youth recently in a program offering financial literacy for kids of color. They came to City Hall and toured the building. The City Park Tree Lighting was amazing.

She congratulated the people graduating from Drug Court.

Councilmember K. B. Aleshire offered condolences to Mr. Urner's family. He thanked Governor Hogan for his service to Maryland.

Councilmember T. Burnett had no additional comments.

Councilmember R. E. Bruchey, II had no additional comments.

Councilmember S. McIntire received a request for the City to create a Disability Advisory Committee. She thinks this is a good idea. This idea was presented to her at the Downtown Tree Lighting by April Corsair who was concerned about the accessibility to the event for the children she serves.

Mayor E. Keller thanked City staff for the tree lighting event at City Park. She and Councilmember McIntire participated in The Girls on the Run Gingerbread Dash recently.

She offered condolences to Zach Reid's family. It has been a difficult year within the Hagerstown Fire Department.

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 4:49 p.m.

Respectfully submitted,

Original signed by D. K. Spickler

Donna K. Spickler
City Clerk

Approved: July 31, 2023