

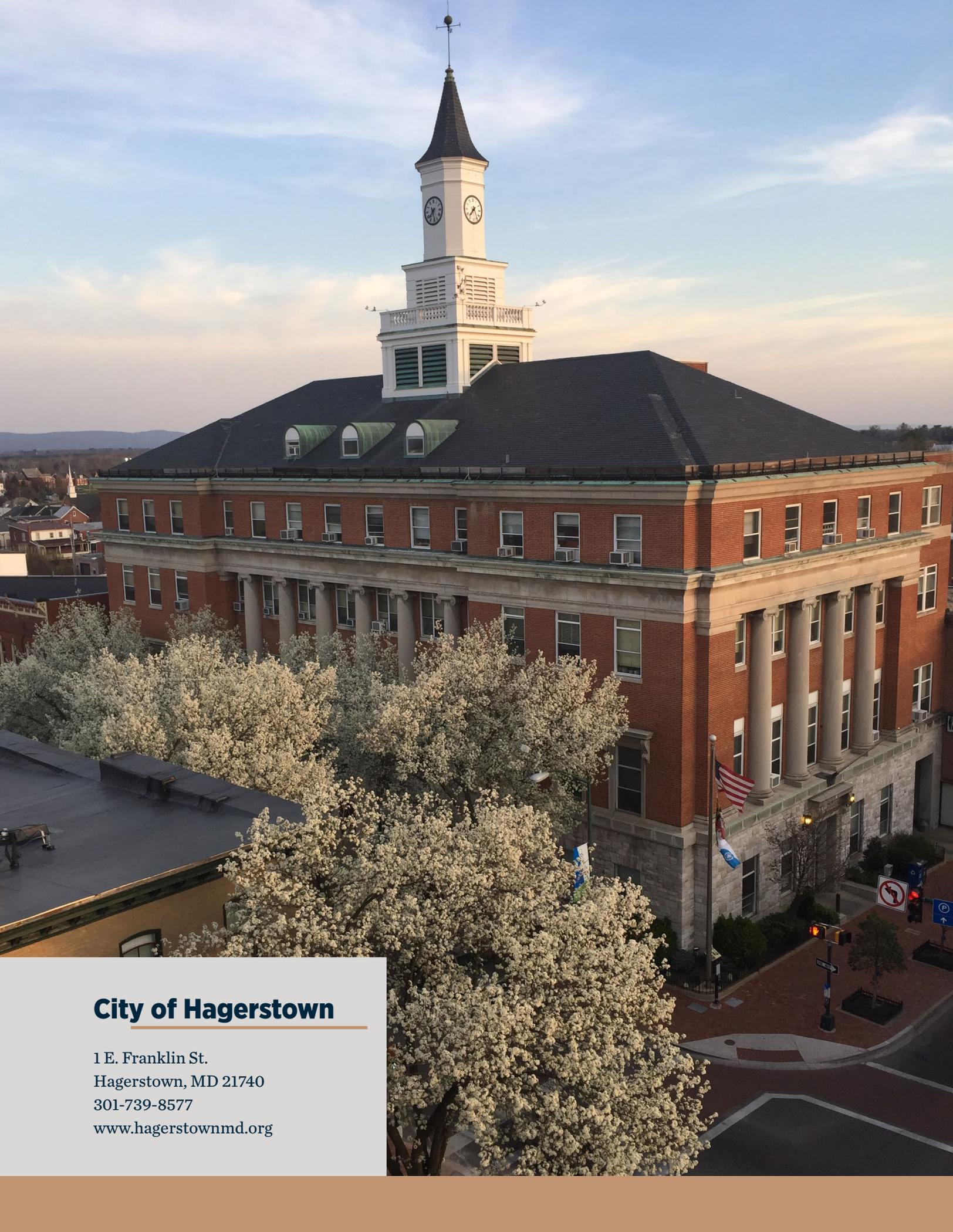


# Popular Annual Financial Report

For The Fiscal Year Ended June 30, 2020

# H A G E R S T O W N : **experience** THE HUB CITY





## City of Hagerstown

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1 E. Franklin St.  
Hagerstown, MD 21740  
301-739-8577  
[www.hagerstownmd.org](http://www.hagerstownmd.org)



To the Mayor, City Council, and citizens of Hagerstown:

I am pleased to present the return of the Popular Annual Financial Report for Fiscal Year 2020 for the City of Hagerstown. This report highlights the City’s financial position and capital investments at a glance. All of this information is presented in a more precise, user-friendly format than our annual Comprehensive Annual Financial Report.

The City ended FY 2020 with an overall net position of \$203.6 million. FY 2020 revenues remained generally strong despite the COVID-19 pandemic due to timing, especially with an increase in property tax assessed values and state income tax revenues. Citywide, expenditures were down across most areas as a result of COVID-19 and position vacancies. The City’s General Fund reserve exceeded policy targets and is equal to 29.3% or 3.5 months of expenditures. Our bond rating is AA/Aa3.

Moving forward in this environment of continued uncertainty due to the COVID-19 pandemic, staff will actively work to implement the goals and objectives of our newly elected Mayor and City Council. Staff will also prioritize the most critical items while maintaining conservative financial management strategies. It is due to the past implementation of these strategies that the City has maintained our ability to continue 100% of services to our taxpayers during this pandemic.

A big “thank you” to our Accounting and Finance staff for resurrecting and producing this outstanding report. Also, a big “thank you” to all City staff who have continued their commitment and dedication to our City residents and visitors in providing top quality services to them during this challenging fiscal year. If you have any suggestions or questions regarding this publication or finances in general, please do not hesitate to contact me.

Sincerely,

Scott Nicewarner  
City Administrator  
snicewarner@hagerstownmd.org



## What is the PAFR?

The Popular Annual Financial Report (PAFR) is a document that contains information from the Comprehensive Annual Financial Report (CAFR). It provides the City of Hagerstown’s financial and statistical information in a user-friendly format. The PAFR is intended to increase awareness throughout the community on the financial operations of the City.

Unlike the CAFR, the PAFR is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Residents who prefer to review a report that is GAAP compliant may review the audited financial statements (CAFR) on the City’s website at [hagerstownmd.org](http://hagerstownmd.org).

## What’s Inside

A Message from the City Administrator	1
About the City of Hagerstown	2
Financial Structure	3
Financial Results	4
The General Fund	5
Where Does Your Money Go?	6
Property Taxes	7
Capital Investments and City Debt	8
Understanding Your Utility Bill	9

## Services Provided by the City:

- police protection
- fire protection
- electric, water, and waste-water utilities
- economic development
- recycling and refuse collection
- snow removal
- stormwater management
- street maintenance
- public parks
- recreation programs
- public parking
- traffic control
- planning and zoning
- licensing, permitting, and inspections
- farmer's market
- public pool and golf course

Washington County provides the public education system.



## What is the form of government?

The City of Hagerstown operates under a council-manager form of municipal government. The City has a Mayor that serves as President of the five member Council that is elected on an at large basis for four-year terms. The Mayor may participate in all Council discussions with veto powers on all ordinances passed by the council and is also the ceremonial head of the City government. The City Administrator is appointed by the Mayor and Council to serve as the Chief Executive Officer of the City.

## Hagerstown's Mayor & Council

November 2016 - November 2020



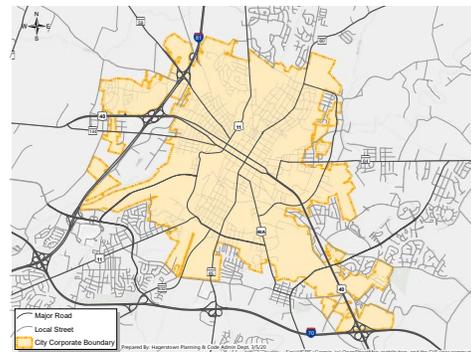
Back: (l-r) Kristin Aleshire, Austin Heffernan, Lewis Metzner  
Front: (l-r) Emily Keller, Mayor Robert E. Bruchey II, Shelley McIntire

## What makes up the community?

The City of Hagerstown is the county seat of Washington County, Maryland. Hagerstown is the ideal combination of city living and small town charm. The community enjoys 22 parks, the historic Maryland Theatre, The Washington County Museum of Fine Arts, and many other attractions and recreation facilities.

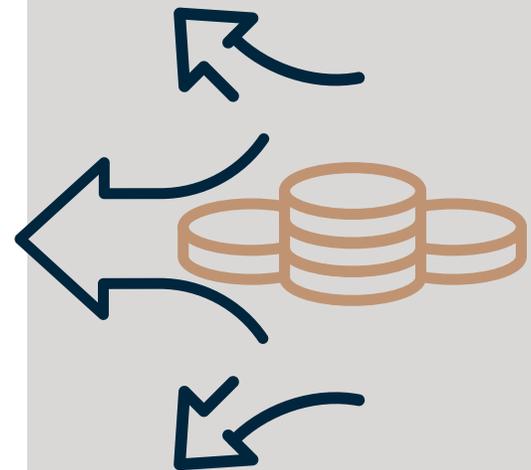
## Where is Hagerstown located?

The City of Hagerstown is located approximately 70 miles northwest of Washington D.C., about 72 miles west of Baltimore, Maryland, and 65 miles southwest of Harrisburg, Pennsylvania. It occupies an area of 12.44 square miles and serves a population of 40,100.



## What is the City of Hagerstown's financial structure?

The City uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The funds can be divided into 3 categories: governmental, proprietary, and fiduciary. Governmental funds account for the City's basic operations. Proprietary funds are self-supporting, where costs are covered by charges and fees. Fiduciary funds account for resources held for the benefit of parties outside the government.



	Fund Name	Purpose
Governmental Funds	General Fund	Primary governmental fund that supports the City's programs and services
	Community Development Block Grant Fund	Promotes the rehabilitation and development of neighborhoods by providing loans, grants, and public facilities and services
	Economic Redevelopment Fund	Redevelopment of targeted properties across the City through incentives and grants
	Flexible Spending Fund	Employee Flexible Spending Account (FSA) program
	Business Revolving Loan Fund	Assists with recruitment, retention, and expansion of businesses within the City
	Excise Tax Fund	Administration of funds received from the excise tax that may only be used for specific purposes for the County
	Grant Revenue Fund	Accounts for operating grants received from various agencies - federal, state, and local
	Forest Conservation Fund	Developer option to pay for offsite forestation activities that the City uses to plant trees
	Capital Projects Fund	Capital Improvement Projects (CIP) include buildings, improvements, land, and equipment
Proprietary Funds Enterprise Funds	Electric Fund	Provides electric power to customers
	Water Fund	Provides water to customers
	Wastewater Fund	Collection and treatment of wastewater and safe disposal of residuals for customers
	Parking Fund	Parking enforcement, parking decks & parking lots that are owned and managed by the City
	Golf Fund	Activities related to the City's public golf course, The Greens At Hamilton Run
	Property Management Fund	Activities related to rental properties owned and managed by the City
Proprietary Funds Internal Service Funds	Workers' Compensation Fund	The City sets aside assets for claims settlement in order to manage its uncovered workers' compensation risks
	Health Insurance Fund	Manages the City's self-insurance health care program for employees, retirees, and dependents
	Dental Insurance Fund	Manages the City's dental insurance benefit for employees, retirees, and dependents
Fiduciary Funds	Pension Trust Fund	Accounts for the activities of the Public Safety Employees Pension System
	Other Post Employment Benefits (OPEB) Trust Fund	Accounts for the resources that provides health benefits to eligible retirees, and in certain instances, their eligible survivors and dependents

*In FY 2021, an enterprise fund will be created to account for collected Stormwater Management fees and associated expenses.*

## What is the City of Hagerstown's net position?

Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, serves over time as a useful indicator of a government's overall financial condition. Net position is divided into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

The City of Hagerstown's overall net position was \$203.6 million in FY 2020. This was a 1.9% increase of \$4.0 million from FY 2019. Approximately 78.6% of this amount is attributable to the City's three utilities (electric, water, and wastewater).

The City's net investment in capital assets was \$227.6 million, an increase of \$6.7 million from FY 2019. This was due to infrastructure investments in both governmental and business-type activities.

Restricted net position, resources that are subject to external restrictions on how they may be used, represents \$4.8 million of the City's total net position.

Unrestricted net position, which is used to meet the City's ongoing obligations to citizens, creditors, and employee pension plans, represents <\$28.8 million>. Business-type activities account for \$15.3 million of this total, while <\$44.1 million> account for governmental activities.

## Summary of Total Net Position:

Fiscal Year	Total Assets and Deferred Outflows of Resources	Total Liabilities and Deferred Inflows of Resources	Total Net Position
FY 2016	\$354,708,795	\$135,103,224	\$219,605,571
FY 2017	\$365,070,841	\$143,827,326	\$221,243,515
FY 2018	\$361,952,666	\$167,113,348	\$194,839,318
FY 2019	\$373,152,591	\$173,518,391	\$199,634,200
FY 2020	\$371,161,535	\$167,563,032	\$203,598,503

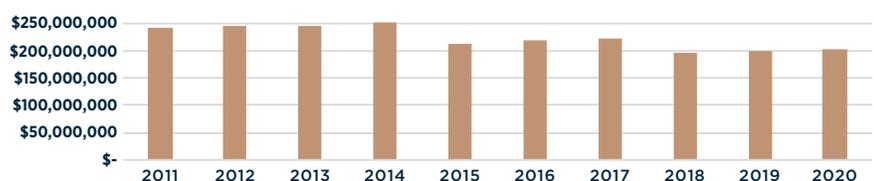
Source: City of Hagerstown FY 2020 CAFR, page 8.

## Changes in Net Position:

	June 30, 2020 and 2019					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$8,227,084	\$9,038,555	\$2,065,364	\$52,589,568	\$60,292,448	\$61,628,123
Operating grants and contributions	2,246,769	3,061,406	240,000	750,196	2,486,769	3,811,602
Capital grants and contributions	1,006,232	845,126	5,037,394	2,568,732	6,043,626	3,413,858
General Revenues:						
Property taxes	32,399,365	32,047,754	-	-	32,399,365	32,047,754
Income and other taxes	5,930,706	5,735,651	-	-	5,930,706	5,735,651
Miscellaneous	943,594	932,282	295,674	409,075	1,239,268	1,341,357
<b>Total Revenues</b>	<b>50,753,750</b>	<b>51,660,774</b>	<b>57,638,432</b>	<b>56,317,571</b>	<b>108,392,182</b>	<b>107,978,345</b>
<b>Expenses:</b>						
Program Expenses:						
General government	10,986,324	10,613,252	-	-	10,986,324	10,613,252
Public safety	26,395,843	24,243,025	-	-	26,395,843	24,243,025
Highways and streets	3,044,652	3,258,426	-	-	3,044,652	3,258,426
Waste collection and disposal	2,621,986	2,562,226	-	-	2,621,986	2,562,226
Culture and recreation	3,267,389	3,090,190	-	-	3,267,389	3,090,190
Economic and community development	4,958,500	4,757,014	-	-	4,958,500	4,757,014
Interest on long-term debt	668,563	615,223	-	-	668,563	615,223
Utilities and other proprietary funds	-	-	52,484,620	54,044,110	52,484,620	54,044,110
<b>Total Expenses</b>	<b>51,943,257</b>	<b>49,139,356</b>	<b>52,484,620</b>	<b>54,044,110</b>	<b>104,427,877</b>	<b>103,183,466</b>
<b>Transfers:</b>						
Excess (deficiency) before transfers	(1,189,507)	2,521,418	5,153,812	2,273,461	3,964,305	4,794,879
Transfers	(325,719)	(655,763)	325,719	655,763	-	-
<b>Change in net position</b>	<b>(1,515,226)</b>	<b>1,865,655</b>	<b>5,479,531</b>	<b>2,929,224</b>	<b>3,964,305</b>	<b>4,794,879</b>
<b>Net</b>						
Net position - beginning	29,875,967	28,010,312	169,758,232	166,829,008	199,634,199	194,839,320
<b>Net Position - Ending</b>	<b>\$28,360,741</b>	<b>\$29,875,967</b>	<b>\$175,237,763</b>	<b>\$169,758,232</b>	<b>\$203,598,504</b>	<b>\$199,634,199</b>

Source: City of Hagerstown FY 2020 CAFR, page 9.

## History of Net Position:



Source: City of Hagerstown FY 2020 CAFR, page 107.

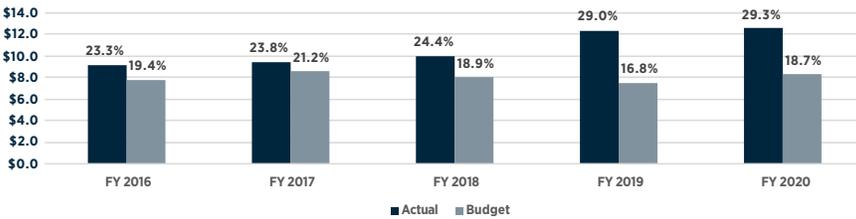
Revenue Category	FY 2019	FY 2020	Change
Property Taxes	32,047,754	32,399,365	1.1%
Income & Other Taxes	4,187,104	4,268,856	2.0%
Licenses & Permits	2,144,825	2,144,423	0.0%
Intergovernmental Grants	525,856	419,557	-20.2%
Charges for Services	3,787,489	3,332,932	-12.0%
Fines & Forfeitures	949,862	966,215	1.7%
Other	2,452,425	2,415,823	-1.5%
Internal Transfers	564,827	640,550	13.4%
<b>Total Revenues (\$)</b>	<b>46,660,142</b>	<b>46,587,721</b>	<b>-0.2%</b>

Source: City of Hagerstown FY 2019 CAFR, page 22 and FY 2020 CAFR, page 23.

Expenditure Category	FY 2019	FY 2020	Change
General Government	5,984,620	5,875,501	-1.8%
Public Safety	23,169,590	23,774,917	2.6%
Highways & Streets	3,057,832	2,644,230	-13.5%
Waste Collection & Disposal	2,562,818	2,622,380	2.3%
Parks & Recreation	2,610,018	2,726,959	4.5%
Community & Economic Development	792,815	602,568	-24.0%
Debt Service	2,532,784	2,949,753	16.5%
Unallocated General Expenditures	1,914,332	1,712,820	-10.5%
Transfers to Other Funds	2,285,516	3,568,139	56.1%
<b>Total Expenditures (\$)</b>	<b>44,910,325</b>	<b>46,477,267</b>	<b>3.5%</b>

Source: City of Hagerstown FY 2019 CAFR, page 22 and FY 2020 CAFR, page 23.

### Actual vs. Budget General Fund Reserve (millions) % of General Fund Operating Expenditures



Source: City of Hagerstown FY 2016 - FY 2020 CAFR Balance Sheet - Governmental Funds; FY 2016 - FY 2020 Adopted Budget

## What is the reserve policy?

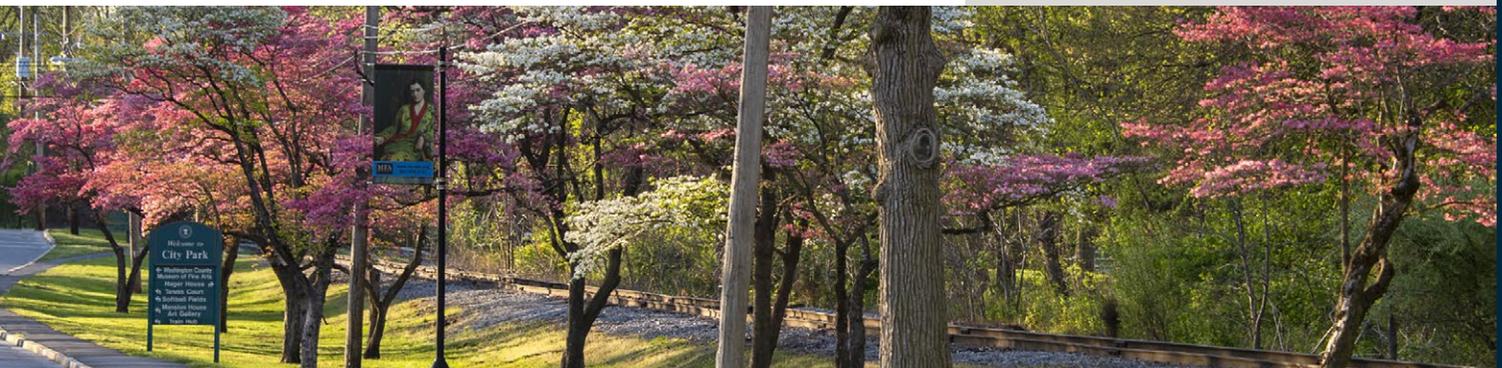
The City's financial policy requires a minimum unassigned fund balance of 17% and 2.0 months of General Fund operating expenditures (through FY 2017 the percentage was 10%).

## When can reserves be used?

Reserves may be used in an emergency or disaster. If reserves exceed the policy target, they can be used to finance capital projects or other one-time needs.

## Why do we need reserves?

The purpose is to alleviate significant unanticipated expenditures or revenue shortfalls and to ensure the orderly provision of services to residents.



# Fiscal Year 2020 General Fund Expenditures



## General Government\*

\$5,875,501

## Debt Service

\$2,949,753

## Waste Collection & Disposal

\$2,622,380

## Highways & Streets

\$2,644,230

## Transfers to Other Funds

\$3,568,139

## Community & Economic Development

\$602,568

## Parks & Recreation

\$2,726,959

## Public Safety

\$23,774,917

## Unallocated General Expenditures

\$1,712,820

## Total Fiscal Year 2020 General Fund Expenditures

**\$46,477,267**

\*Includes: Mayor & Council, City Administrator, City Clerk, City Hall, Communications, Engineering, Finance, Human Resources, IT, Legal, Planning, Public Functions, and Support Services

Source: City of Hagerstown FY 2020 CAFR, page 89-90.

## Assessed Value of Taxable Property

Fiscal Year Ended	Real Property	Apartment Real Property
2011	2,856,491	-
2012	2,625,439	-
2013	2,601,940	-
2014	2,599,512	-
2015	2,468,251	-
2016	2,521,123	-
2017	2,521,811	-
2018	2,538,466	-
2019	2,334,413	239,447
2020	2,400,047	240,820

Source: City of Hagerstown FY 2020 CAFR, page 113.

## Principal Property Taxpayers

Top 10 City Taxpayers	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Washington REIT Centre at Hagerstown	\$56,375,700	2.31%
Cortpark II LLC	32,936,300	1.35%
Lowes Home Centers, Inc.	29,824,200	1.22%
Bowman Railway LLC	29,255,100	1.20%
Homes For Hagerstown LLC	25,156,800	1.03%
RPAI Hagerstown LLC	24,090,700	0.99%
Stone House Maryland LLC (Oekos Stone House)	22,893,300	0.94%
Tractor Supply Company	22,059,500	0.90%
Walmart Real Estate Business Trust	19,852,800	0.81%
Washington County Centre at Antietam	15,548,500	0.64%
<b>Totals</b>	<b>\$277,992,900</b>	<b>11.39%</b>

Source: City of Hagerstown FY 2020 CAFR, page 115.

## City of Hagerstown's Property Tax Rates

The City of Hagerstown charges residents a real property tax and charges businesses a real and personal property tax. The amounts charged are based on the City's tax rate and the value of the properties. There was no change in tax rates in FY 2020.

FY 2020 real property tax rates are \$1.032 per \$100 assessed value for apartments and \$1.002 per \$100 assessed value for all other real properties. The personal property rate is \$2.505 per \$100 assessed value.

The State Department of Assessments and Taxation (SDAT) is responsible for determining the assessed values for all properties located in the City. Assessments occur every three years. If a property increases in value, it is phased in over three years. If a property decreases in value, the decrease is reflected in the first year levy after the assessment.

## Property Tax Revenues

In FY 2020, every \$0.01 charged in real estate property tax generates approximately \$263,000 in revenue. Total FY 2020 property tax revenues of \$32.4 million were above projections by \$0.5 million and higher than FY 2019 by \$0.4 million. The increase is a result of the growth in assessable base values and the real estate two-tier tax rate.



## How does the City pay for Capital Investments?

Capital Investments are funded from various sources, including: transfers from the General or other funds, highway user revenues, federal and state grants, developer and community contributions, user charges and fees, and bond proceeds.

## Why does the City issue Bonds?

The City issues bonds to pay for large, expensive and long-lived capital projects. Although the City can and does pay for capital investments with current revenues, borrowing allows the spread of costs across multiple generations. General tax revenues pay for bonds used to support non-enterprise projects accounted for in the Capital Improvements Program Fund. Revenues from utility rates and charges pay for bonds used to support the projects funded through each enterprise fund.

## Is there a limit on the amount of Bonds the City can issue?

The Mayor & Council approve the issuance of all new debt. Neither Maryland law nor the City Charter set a limit on municipal debt. However, the City ensures that debt is being used responsibly from an established debt policy. In FY 2020, total taxpayer supported debt was \$18.84 million. This equates to 0.67% of assessed value or \$470 per citizen of the City.

Source: City of Hagerstown  
FY 2020 CAFR, page 118.

## City of Hagerstown's Capital Budget

The City plans its capital improvement projects (CIP) over a five-year period. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 in the governmental funds or \$10,000 in the proprietary funds and an estimated useful life in excess of four years. The City's capital budget focuses on projects that build upon the City's Strategic Plan which outlines the City's desire to be the location of choice for a diverse and dynamic citizenry, and to provide a proud and prosperous community. In FY 2020, the City spent \$5.5 million in additions for capital assets and improvements for the City's governmental activities and \$9.9 million in additions for construction in progress of capital improvements and other capital assets for the City's business/proprietary activities. Example FY 2020 CIP projects and amounts spent are listed below that encompass the following categories of the Mayor & Council Goals and Priorities:

Goal	Amount	Examples
Neighborhoods Revitalization and Sustainability	\$107K	public art, downtown beautification programs, accessibility ramps
Public Safety	\$2.7M	purchase of fire engines, police radios, police vehicles, street crime cameras, police crime lab software and equipment
Public Facilities and Infrastructure	\$11.3M	safe parking, new sidewalks, bridge repairs, signal intersection upgrades, alley and street reconstructions, pavement preservation, various upgrades and renovations related to the electrical services provided to Hagerstown Light Division customers, water main replacements, improvements to water treatment plants to improve safe drinking water standards, and various Wastewater collection system rehabilitations
Economic Development	\$441K	multi-use trails, including the Cultural Trail and Plaza, investments to emphasize business development in the City Center
Parks and Recreation for Active/Healthy Living	\$646K	providing parks and public gathering spaces, enhanced amenities, and expanded programs in the Parks & Recreation division
Economic Development through Sports and Tourism	\$45K	upgrades to Hager House Museum, Steam Engine Museum, and Municipal Stadium
Citizen Based Government	\$184K	integration of technology throughout City Operations to enhance the Customer experience and increase citizen access to City services and information

AA/Aa3

The City has been evaluated for its overall debt burden, financial management, financial performance, and the City's economic base and prospects. The City currently maintains an AA bond rating from Standard and Poor's and an Aa3 rating by Moody's Investor Services, which are obligations that are judged to be of high quality and are subject to very low credit risk. The City is rated as having a very strong capacity to meet its financial commitments.



# HAGERSTOWN WATER & WASTEWATER DEPARTMENT

1 East Franklin Street, Hagerstown, MD 21740  
301-790-4160 (Tel.), 301-739-4028 (Fax) Customerservice@hagerstownmd.org (Email)  
Office Hours - 8:00 a.m. to 4:00 p.m., Monday to Friday; website - www.hagerstownmd.org

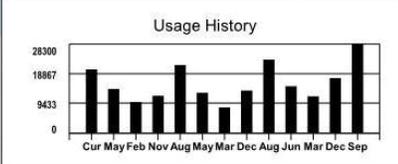
<b>Customer</b>	JOHN DOE	<b>Service Address</b>	10000 MAIN STREET		
<b>Account No.</b>	6000000	<b>Customer No.</b>	500000	<b>Bill No.</b>	4000000
				<b>Statement Date</b>	09/05/19
				<b>Due Date</b>	09/26/19

Due Date applies only to Current Bill. Failure to pay the previous balance may result in an interruption of service. Failure to receive bill does not relieve the obligation to pay bill and late payment charge of 10%.

Meter Number/s	Read Code	Number Of Days	Meter Reads				Usage in Gallons
			Start Date	End Date	Start Read	End Read	
12345678	ACTUAL	1 91	05/30/19	08/29/19	650300	670600	2 20300

Current Water/Wastewater Charges			Account Summary	
3 Water Usage Fee Inside	18,000 Gals at \$1.67/1,000 Gals 2,300 Gals at \$3.17/1,000 Gals		\$37.35	Previous Balance 192.82
4 Wastewater Usage Fee Inside	20,300 Gals at \$5.61/1,000 Gals		\$113.88	Adjustments 0.00
5 Water Fixed Fee Inside			\$7.39	Late Payment Charge 0.00
5 Wastewater Fixed Fee Inside			\$23.00	Payments through 09/05/19 192.82
				Current Charges 243.62
				Deposits Applied 0.00
			<b>Total Amount Due</b>	<b>\$243.62</b>

Other Charges		
6 Bay Fee Residential on City Sewer	1.00 unit(s)	\$15.00
7 Trash Services	1.00 unit(s)	\$47.00
<b>Total Current Charges</b>		<b>\$243.62</b>



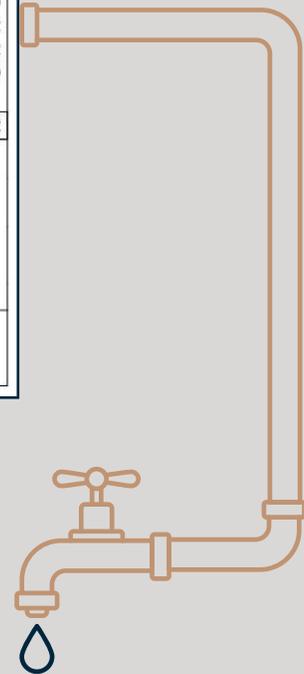
Rate increase of 3% on Water charges and 2% on Wastewater charges on all bills rendered on or after July 1, 2019. The Consumer Confidence Report is available at the City's website - www.hagerstownmd.org.

- The number of days represents the number of days in a billing period.
- The usage represents the usage in gallons for a billing period.
- Water Usage Fees are based on a two-tier structure for both Residential and Non Residential accounts and for Inside City and Outside City accounts. For Residential Inside City accounts, the first 18,000 gals usage is at \$1.67 per 1000 gals and at \$3.17 per 1000 gals for usage over 18,000 gals.
- Wastewater Usage Fees are flat rate per 1,000 gals. For Inside City accounts, the rate is \$5.61.
- Water and Wastewater Fixed Fees are charges that cover a portion of the fixed costs of the Water and Wastewater operations. The amount of the charge is based on the meter size and location (Inside City, Outside City, or Joint).\*
- The Bay Fee is a fee mandated by the State of Maryland.\*
- The Trash Services Fee is for trash collection, recycling, and yard waste collection available for Inside City accounts only.\*

\* (5,6,7) - These are quarterly rates.

### Water and Wastewater Utility Rates

For a complete listing of Water and Wastewater rates (both Inside and Outside City), please visit the City's website and search for Rates and Fees.



## Coming in 2021...

Coming in 2021, a new Stormwater Management fee will be included on utility bills in order to pay for and implement new Maryland Department of the Environment requirements. The City's Stormwater Management Program seeks to not only limit flooding and runoff-related damage, but also to improve the quality of water in the Chesapeake Bay, the Potomac River, and all of the tributary streams in Washington County.



## Pay Your Bill Online

### ONLINE SERVICES

Pay Bill / Check Permit / Jobs

visit: [hagerstownmd.org](http://hagerstownmd.org)

