



Mayor and City Council of Cumberland

Mayor Raymond M. Morriss
Councilman Richard J. "Rock" Cioni
Councilman Eugene T. Frazier
Councilman James L. Furstenberg
Councilwoman Laurie P. Marchini

City Administrator Jeffrey F. Silka
City Solicitor Michael Scott Cohen
City Clerk Allison K. Layton

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WORK SESSION

2nd Floor Conference Room
Allegany Museum
3 Pershing Street
Cumberland, MD 21502

Tuesday, May 7, 2024, 4:00 p.m.

PRESENT: Mayor Raymond M. Morriss; Council Members Eugene Frazier, Jimmy Furstenberg, Rock Cioni and Laurie Marchini.

ALSO PRESENT: Jeffrey F. Silka, City Administrator; Allison Layton, City Clerk; Michael Scott Cohen, City Solicitor; Bobby Smith, Director of Engineering and Utilities; Chuck Ternent, Chief of Police; Shannon Adams, Fire Chief; Ken Tressler, Director of Administrative Services; and Mark Gandolfi, Comptroller

Media: Teresa McMinn, Cumberland Times-News
Kathy Cornwell, WCBC Radio

I. INITIAL FY25 BUDGET PRESENTATION

Mr. Gandolfi began his update to the Mayor and Council for the Fy25 budget by stating the assessable base is increasing by 6.5%, which is the highest increase since 2012. Our budget maintains the current tax rate and will yield a \$212,000 surplus. In addition, this budget will also allow an increase of \$330,000 to the non-spendable fund balance.

Mr. Gandolfi continued that while they are recommending a water rate increase, there are no sewer, trash or property tax rate increases being recommended. The Municipal Parking Authority (MPA) revenue includes general fund assistance in excess of \$200,000. The MPA and Downtown Development Commission (DDC) continually need assistance. Mr. Gandolfi continued that the recommendation for the personnel cost-of-living increase was 3.5%, which is in line with inflation to ensure wages do not fall too far behind.

Mr. Gandolfi stated the Health Insurance claims have been favorable. Last year, there was a 5% reduction in health insurance rates and this year is a 3.5% increase due to some high-cost claimants that have affected the plan.

Mr. Gandolfi expressed that the ARPA funds are in good shape and we are targeted to spend it all, however, we are still facing issues with rising costs. In FY 2025, we will be spending the last \$4.4M of ARPA funds on the South end project, which consists of the Virginia Avenue and Industrial BLVD water main project including paving and water line replacement. The City Hall HVAC system is the other larger piece and we have made good progress. The Assessable base has been trending and the constant yield rate is just under 1% so we will be keeping the current tax rate.

Mr. Gandolfi continued by explaining that the state of MD changed its law and only requires the Public Notice and the Public Hearing if we are increasing above the existing rate, so there will be no ad or hearing this year.

He stated that the Health Insurance maximum cost is \$5M, and our actual expected cost is \$4.5M, which is a 3% increase. In FY 2025, the Health Insurance was originally expected to increase by 6.7%. To help combat the increase, the maximum out-of-pocket changed from \$1300 to \$2400 and we are trying to encourage the use of generic brands. This puts us on par with where the other participants in our group are, and we analyzed what others were doing with their members. The biggest change will be changing the prescription benefit provider to Liviniti, which will provide improved costs for the participants and the City.

Gandolfi indicated that a recommendation was being made for Personnel costs to increase 3.5% for union and non-union. He shared that there are currently 8 vacant positions and we are not proposing any new positions. Two of our full-time grant positions have since been removed due to the funds being exhausted, however, the employees have been absorbed into the general fund. We budget for 249 employees, retaining our staff level and are at 247 currently. Part time and seasonal positions have fluctuations coming in with the expected hours.

Mr. Gandolfi discussed capital equipment indicating that we are still working on patrol vehicles - which will provide 5 vehicles, a fire truck is also on order and is expected to be delivered. The street department is also putting together a street paving program and has included in the budget a \$400,000 paver/roller and \$350,000 to put into the street fund to cover things we will not contract out, mainly residential roads. We expect to have it started between August-October of this year.

Mr. Gandolfi explained we will incur new debt for our Capital projects with significant multi-year projects that are planned or in process. A significant financial assistance is expected. We have a total of \$92M in grants, which is a funding source associating with \$185M in projects. It is important to be aware if we take on the debt, there will be a huge impact on water rates. General fund used for Baltimore Street town center will be finished in 2025. The start of Fayette Street bridge will be finished in 2026-2027. The water fund, the largest thing is the water filter which is impacting the budget. The sewer fund, CSO pipelines, when looking at grant sources, \$51k of \$81k is grant funding, which is good but we need more.

Mr. Tressler mentioned that the pipeline that has been in the works for years, the cost goes up every year and the grant participation goes down. Mr. Gandolfi stated debt services continue to be fairly stable. In 2026 we have a spike which is for the HVAC system at the Public Safety building. Estimating that will be a \$4M project. Overall, it is manageable and the city is maintaining its debt. We stand at a A+ rating with potential for even more improvement.

Mr. Gandolfi explained that with the proprietary funds, the most important thing is what it does to cash flow. If there is no rate increase this year for the water fund, we're looking at a \$1.8M cash

deficit, with an ending balance of \$1.1M in cash – the equivalent of about a month and a half of cash reserved, which is too low. In order to get back to 25%, we will need an increase of 15% which changes that negative \$1.8M by \$1M and brings us to \$800k.

Mr. Gandolfi continued to explain that if we did a 15% increase this year, that next year would require about a 22% increase, and a lot could change between now and then. If we would do a 20% increase now, we're looking at roughly 15% next year. Its either an increase of 15% now and 20% later or 20% now and 15% later. 15% will be the minimum which would leave us with 3 months of operating cash.

Mayor Morriss responded that this is the biggest deficit since he's been Mayor. Last year, we had projected a potential 10% increase. Now we're looking at 15% this year and 22% next year. If we are wrong and the 22% goes to 25% or 30% next year, that's a big hit. The reason Mayor Morriss think it fits better this year because of the closing of Warrior Run, one of our biggest customers has gone out of business. As we convert to green energy, consumers are paying more money for their utilities because of it.

Mr. Gandolfi interjected and said to not lose any cash in FY25 that it needed to be an increase of 20%. If we would do a 15%, we are going from \$3M down to \$2.1M, if we do nothing for FY26, were at cash deficit of \$1.6M but the cash balance goes to \$548k. Average household water, on 3k gallons of usage, inside resident is \$21, 15% we're at \$24.32. It's a \$3.17 increase. If we go 20% the \$24.32 becomes \$25.37 which will add an additional \$1. You do preserve a substantial amount of cash and you can see what increase next year will be.

Mr. Gandolfi expressed the Warrior run is about 15% of our water revenue. Mr. Cioni asked is there an average of usage for our residents? Mr. Gandolfi responded with 3000 gallons a month for residential customers only. It will be different for commercial and industrial. Mayor Morriss continued with every year, the cost is going up for the water filtration system. The estimated costs now will be more next year and more the year after that. If we do not hit 20% this year, we are going to be hitting bigger numbers later. Mr. Tressler said the earlier you do it, the less you need to do later. Mayor Morriss stated if I'm wrong and prices and cost goes down, instead of having a 15% we can take it down to 10%. Mr. Gandolfi pointed out if you did 20% still under what the market is in the surrounding areas even with a rate increase. Frostburg will not be increasing their rates this year for water and trash. Mr. Cioni inquired about the elderly population, if the 3000 gallons were a family of four? Mr. Tressler responded with its average sizes across the city are more than 2 people. We also bill on cubic feet. Mr. Gandolfi stated if you are at the minimum, it is a \$1.50 increase. Ms. Marchini stated we pay more taxes in the city than people in the county do. We have the double tax over the county, what would it look like if we increased outside residential? We have a lot of outside residential customers that does not pay the city tax. Mr. Tressler said there is not enough, you would have to make a substantial increase to move the needle.

Mr. Gandolfi explained we have water companies like LaVale and Mexico Farms, buying large amounts a month, which will affect the outside areas. Our water rates are less expensive as you buy more, so we could look at changing that structure, doing so is not advantageous when it comes to your water companies. The water fund actually serves the population, property tax does not affect what your water rate is neither does how much you pay in property taxes. The revenue of the water fund provides water. Mr. Tressler stated to change the rate structure for water customers is a bigger deal.

Mr. Gandolfi spoke on the Sewer fund. It is also experiencing a \$800k deficit however, it has \$13M cash funds, which we are not concerned at this time. The trash fund is generating a cash surplus of \$6k. Our vendor elected to not increase rates for FY 2025. The forecast for FY 2026 and 2027 will potentially have an increase. The MPA fund, there is no cash because general fund pumps the extra money into it. We have increased parking rates this year. The expenses still exceed revenues. The government funds, mostly the revenue and expenses are \$0. The general fund surplus is \$212k. Street improvements, next year we budgeted \$1.8M, \$350k is the street department doing residential which will be handled by a contractor. The remaining balance of that are things that Bobby Smith has planned. The negative \$500k is in cash we have on hand that came from Columbia Gas.

Mr. Gandolfi continued with we have generated a \$300k surplus this year. There is not a reoccurring \$100k contribution for downtown grants and the IT department purchased over a couple hundred thousand dollars' worth of equipment, which was a one-time purchase. The general fund has commitments including \$500K in the program for the budget next year for neighborhood revitalization, property rehabilitation, and have money for acquisition. Grant matching for constitution park playground equipment, relocation grant, Carver Center renovations and central Ave project. General funds support the following, Dragons on the Lake, Lets Beautify Cumberland, Del Fest, Arts Council, Hotel/Motel contributions, Shade Tree and DDC supplemental funding. The fund balance is projected to be at 25%, projecting being at 39.9% at the end of fiscal year and we will ask to assign \$2M in the future. When we use the assigned money, it transfers to the unassigned which prevents the unassigned having a negative reduction to it.

Mr. Gandolfi stated we have good fiscal management. At the end of FY 2025, we are looking at a \$4.6M remaining balance. Right now, we sit at \$5.6M. We will use some of those funds this year. We have programmed \$2.2M into the FY2025 budget. The assigned funds are fluid and do not require council. The Comptroller moves them amongst each other within the assigned fund balance. The general fund, projecting surpluses all the way through, through the five-year period. Some numbers are smaller. The numbers will change year to year based on estimates.

Mr. Gandolfi moved on to the DDC fund. The fund relies heavily on general fund transfers. Current year, looking at \$349k in expenses, in those expenses there are \$57k in ARPA funds and \$25k in grants. ARPA funds will not continue into FY 2026 and the grant may or may not. Melinda is currently looking into other sources for funding to fill the gaps. Mr. Gandolfi explained about the maintaining tax rate. Need to make a decision on water rate increase. Our funds will be expended within terms of grant (ARPA).

Mr. Gandolfi questioned about the Utility rate increase? Mr. Taylor stated 20%, Mayor Morriss stated 20% and Ms. Marchini agreed. Mr. Silka shared that we've been wrestling with this, you don't want to minimize any cost increase, I would agree with the 20%. It gets us closer to breaking even and can minimize what needs to be done next year.

Mr. Gandolfi plans for the 20%. It will help mitigate surprises for next year. Mr. Gandolfi asked about questions and concerns. Mr. Silka mentioned for healthcare, we are the only municipality within the trust that has been allowed to separate from our prescription benefits manager. We are trying to fight for a best business practice and more say in how we fund our insurance. They created a health care committee which I served on. They're doing things you can't see on the outside, but are shaking up systems to provide the best price for our municipality. Ms. Marchini

questioned about moving to the other provider. Will that be through a certain pharmacy, or mail order? Mr. Silka answered it is everything. The cost they charge the pharmacy does not change and it does not restrict who we can use.

II. REVITALIZATION DISCUSSION – SURPLUS PROPERTY SALE AND HOME REHAB GRANT

Mr. Tressler provided an update on revitalization. We are going into round 7 of our surplus property sale. There will now be nine on there. We have money left in our budget. The housing rehab program we did using the APRA funds was successful and we are going to release five more \$15k grants, totaling in \$75k. We already have people who have asked about it and are waiting for it to open up. Lastly, is the Central Avenue initiative, we are asking for the Mayor and CC to approve \$200k to put into a fund with the county match to purchase the properties from the owners on the Central Avenue corridor. We had a meeting and invited the property owners to see if they were interested in selling. There are 14 properties remaining, 9 of them have structures on them, 4 of them are occupied. We began discussions with them to see if they were interested. We think there is enough interest and the county is supportive of the project. Our idea is to put in \$200k along with the counties \$200k to acquire properties and put us in a better place for strategic demolition funds to clean that area up as you come into the City.

III. UPDATE FROM RICH REINHARDT, PERCY PUBLIC AFFAIRS

Mr. Reinhardt stated we are a month out of the legislative session. This has been one of the longest sessions. There are fiscal issues ahead for the state of MD. Also, now having to deal with the imminent problems with the collapse of the Key Bridge. Looking at Cumberland, this is the 2nd year where you've had presence in Annapolis. Last year we focused primary on legislative policies around the tax sale revisions spearheaded by Michael Cohen, the City, Mayor Raymond and other surrounding cities in Western Maryland. We were successful in passing major bills last year. This past year was pivoting a bit in focusing on our financial needs. Worked closely planning for needs for infrastructure capital needs. Working with Robert was instrumental in providing the message to the Governor's office to Annapolis on where we need to prioritize our state funding dollars. Through the time in the fall and leading into session, we were successful in working closely with the Governor's office to see some funding dollars coming into our priorities.

Mr. Reinhardt explained there is a write-up on Evitts Creek Phase 4 project. We were able to successfully see half a million dollars to the city for this project. While the project has roughly about \$3.5M this is a really nice shot in the arm to see this project forward. Fiscal constraints we are currently seeing are tough, to see this support for Cumberland is a great victory. Still a lot of work that needs to be done and several projects remain. We cannot rest solely on time for the State to fund these projects. I engaged the Governor's office to work through how we can navigate the federal partnerships and leverage federal dollars to offset the infrastructure projects. Notable achievement for Cumberland specially in the last two budget cycles. If you look at the City, Allegany Museum and Western MD Scenic Railroad, there has been \$3M of state funds coming to those projects.

Mr. Reinhardt continued with State budget. There are some controversies throughout the state between what the governor proposed, what the senate indorsed vs. what the house wanted to institute and propose. The governor's budget does not increase taxes, it's a \$63B fiscal proposed budget which was passed. The senate adopted what came out of the governor's proposal. However, mid-way during the budget process, the house leadership introduced a robust tax proposal which included increase taxes, fee increases and was about a total of \$1.3B.

Mr. Reinhardt stated in addition to the taxes and fees, there was also a discussion about expanding gaming with internet gaming. That was a large spearhead attempt and was really championed by the house chamber but stalled in the senate. In the coming session, we will see these conversations coming back. Primarily in the areas with tax increases.

Mr. Reinhardt explained how we had a presence in Annapolis and throughout the hallways of Annapolis. We monitored a hand full of bills, supported some and opposed some. One of the primary bills that we saw Cumberland collaborate with the MD municipal league was senate bill 14. Mayor Ray came down along with Mayor Bob from Frostburg, Western MD Scenic railroad, cross section of other Mayors and secretary of commerce was in attendance to testify on the bill. We were able to see the bill pass and sign into law last week by the governor. This will support Allegany County and benefit our neighbors as well.

Mr. Reinhardt expressed an opportunity for the City of Cumberland to extend their cultivation in Annapolis by building new relationships and enhancing existing relationships with the governor's administration. Had Governor Moore make a nice statement to Mayor Ray, Mayor Bob and Wes Heinz during the board of public works meeting in late February.

Mr. Reinhardt stated there are a hand full of bills they're watching very closely or took positions on. There were over 3,400 bills introduced which is a milestone in Annapolis this year. We look at every single bill to see if there was an impact on Cumberland in its self, to the region, or to the county. In the bill report, there are certain bills we closely watched related to tourism, infrastructure, tax sale property issues and public safety. Looking at the 90-day session, Cumberland should pat itself on the back due to having a wonderful and successful two years under this administration.

Mr. Reinhardt continued with regardless from the outcome, whomever is in the senate seats, having good relationship with both candidates and certainly from a congressional standpoint, we have positioned ourselves where we could leverage our relationships.

Mayor Morriss expressed it was an active year and Mr. Reinhardt were able to keep it into perspective and up to speed. I was shocked how much was in the legislative this year and the number of bills they were working on. Looking forward to continue to develop our plan and need to plan working on those relationships.

IV. REVIEW OF THE PUBLIC MEETING AGENDA OF MAY 7, 2024

Mr. Silka stated that there was nothing to share that wasn't self-explanatory.

V. MAYOR AND CITY COUNCIL UPDATES

Mr. Furstenberg stated June 8th will be the 76th Annual Battie Mixon Kid's Fishing Rodeo. Registration starts at 8AM. Casting for kids contest (ages 3-15) starts at 8AM. Main event time is 10AM. Location is C & O Canal, Lock 70 in Oldtown, MD. All proceeds go directly to the WMHS dialysis center.

Mr. Cioni moved on to Parks & Rec update. The swimming pool is about 85% clean. Lifeguards have been difficult to find previously, but this year looks good. The day camp will be starting this summer, Ryan put more money in the budget so maybe 40-50 kids can get trips to Delgrosso's and over to the YMCA. The skatepark is getting closer. Mr. Silka stated we are close to authorizing the contract. Mr. Cioni continued June 1st and 2nd, is the big national road yard sale in times-news parking lot. Day of caring sharing is on May 10th. There are 50 projects with 500 volunteers. We're hearing about the fundraising for the clock, the goal is \$40k and the clock itself is around \$25k.

Ms. Marchini discussed starting to work out details for Baltimore Street ribbon cutting. Eugene and I attended the Wills Creek Museum ribbon cutting. It is a lot nicer and blew us away with how nice it is. It starts with the French and Indian war and goes through revolution. It also goes through personal stories dating back several generations. The Mayor and I met with a group for Washington St. bridge meeting. I attended the habitat for humanity fundraiser at 1812 Brewery and health fair for Mountain Ridge High School. Also, I attended the awards ceremony for top 100 women in Maryland. It's a big deal because we don't get much recognition from Allegany County.

Mayor Morriss stated in addition to the Washington Street meeting, I attended a meeting with Bobby Smith, the Senator and CSX. It was a good conversation about where we are with some of the projects and what they want to do including the raising of Green Street bridge. Eugene and I went to Earth/Arbor Day, event was run well. Also, we went to the Fair housing event at ACM. Rock, Laurie, Eugene and I went to National Day of Prayer. Farmers Market is now on Thursdays down at Canal Place. The fundraising is going well for the clock tower. They have a write-up in the newspaper. The MML dinner will be upcoming, attended their board meeting two weeks ago and discussed new rate structure.

Mr. Fraizer continued he was at the Maryland Court ribbon cutting at the old sheriff's office where a lot of attorneys are located and can go there for help and assistance.

Mayor Morriss stated there is another business opening, Sabroso Tacos on N. Centre Street. Baltimore St. revitalization moving along, more trees and bricks on the streets. Looking forward to the sidewalk pavers coming down.

Ms. Marchini finished with asking if knew anyone who would like to sponsor Friday after Five or Farmers Market. The budget showed we don't have the money for this year.

VI. ADJOURNMENT

With no further business at hand, the meeting adjourned at 6:06 p.m.
Respectfully Submitted,

Allison K. Layton
City Clerk

Minutes approved on: June 4, 2024