

Mayor and City Council of Cumberland

WORK SESSION

City Hall Council Chambers
57 N. Liberty Street
Cumberland, MD 21502

Tuesday, May 5, 2020
5:00 p.m.

PRESENT: Raymond M. Morriss, President; Council Members: Seth Bernard, Richard J. Cioni, Eugene T. Frazier, and Laurie P. Marchini

ALSO PRESENT: Jeffrey D. Rhodes, City Administrator; Michael S. Cohen, City Solicitor; Ken Tressler, Comptroller; Marjorie Woodring, City Clerk; Bobby Smith, City Engineer

Mr. Tressler provided a PowerPoint presentation, and advised on the tentative schedule for final budget work session, public hearing, 1st reading, and adoption, and stated that the budget presentation could be obtained off of the City website.

I. FY2021 BUDGET HIGHLIGHTS

- Covid-19 Uncertainty
- General Fund \$226 deficit
- Assessable base expected to increase 1.2%
- Health insurance rate increase of ONLY 4.6%, refund projected at \$786K
- Recommend final year of planned 3 annual Water rate increases of 5%
- MPA requires General Fund assistance of \$132K and DDC requires General Fund assistance of \$32K
- New equipment and capital projects debt issues – General Fund-\$2.2M; Water Fund-\$3.2M; Sewer Fund-\$7.9M
- New Grant and other financial assistance – General-\$15.1M; Water-\$2.5M; Sewer-\$50.4M

II. FY2020 & FY2021 COVID-19 CONCERNS

Mr. Tressler advised on the current year's Covid-19 concerns, saying MPA revenue is down, there is no penalty/interest income from tax sales, and hotel and motel vacancies are at 90-95%. He added that a report from the office of Peter Franchot states that 2nd Quarter withholding is down 22%. Mr. Tressler said he is projecting an almost \$400K reduction this FY in the General Fund due to the Covid-19 pandemic

Mr. Tressler advised that for FY21 there are a lot of the same Covid-19 problems as in FY20, saying no one knows how this is going to turn out, so he stated that some of this is a little bit of information, some is pure guess. He reviewed the numbers and deficits for FY21, saying

that the reductions shown are placeholders pending more concrete data. He advised that his projection of impact for FY21 from the Covid-19 pandemic is over \$800K.

Mayor Morriss stated that the key to this budget is to monitor it throughout the year. He advised that he had recently been on a conference call with Congressman Trone, saying that he is working on getting money to municipalities and counties for revenues lost due to Covid-19. Mr. Tressler advised that there is talk of some funding through CDBG, and they have received some public safety assistance.

III. TAX RATE

Mr. Tressler reviewed the Assessable Real Estate Tax Base slide, and went over the increase projections, and advised there will be a \$116K revenue increase to the City if the tax rate is kept the same as right now. He stated the Constant Yield rate is \$1.0466 and recommended keeping it at that rate. He said the public hearing will be May 19, 2020.

IV. FY2021 PERSONNEL COSTS

- COLA increase of 2% to all employees (subject to union negotiations)
- Small health insurance increase of 4.6% - national average is 7-8%
Projecting a big FY2020 refund, probably because of a decrease in elective procedures and doctor visits due to Covid-19.
- 11 vacancies right now – budget prepared with 5 vacancies in mind.

V. FY2021 CAPITAL EQUIPMENT REQUESTS

Mr. Tressler reviewed the requests:

- General Fund - total new debt issued - \$307,774
- Water Fund – total new debt issued - \$107,160
- Sewer Fund – total new debt issued - \$47,000
- Total New Debt issued - \$461,934
- Ladder truck is on order – expected delivery early February 2022 - \$1.3M

VI. CAPITAL EXPENDITURES – ONGOING PROJECTS

Mr. Tressler provided a summary of ongoing capital project costs, saying that they are substantial.

- General Fund – over \$18M
- Water Fund – over \$6M
- Sewer Fund – over \$58M

Mr. Tressler advised that new debt will be required, as the combined expenditures are close to \$84M. He stated also that significant financial assistance of close to \$68M in the form of grants is expected.

Mr. Tressler provided a summary of projects for each division of funding, saying the most activity next year is the Baltimore Street Bridge, and downtown redevelopment. He advised that some additional new funding sources have been identified for the mall access project, stating that the total project will be approximately \$9.6M, of which the City will end up borrowing \$2.4M. He added that part of the Street Improvement Bond from last year may be used for this.

Mr. Tressler advised that once we get through these projects, there will be no additional debt for street improvements, and new debt will have to be issued for the next fiscal year.

Mayor Morriss asked Mr. Smith to keep an eye on priorities for next year, regarding debt being issued. Mr. Smith advised that Engineering has a plan for which roads need addressed, and said they will go after cost-sharing agreements with Columbia Gas. He added that he has also been working in conjunction with the Water Department to improve streets the same time as water upgrades.

Mr. Tressler advised that they are projecting to submit an application for funds of \$400K from Community Legacy for the Baltimore Street Access Project. He added that some state sources think it's a reasonable request, others think it's high for a typical Community Legacy request. Mr. Tressler advised that assuming we proceed, we'll need to decide if we're going to invite other community projects.

VII. CAPITAL EXPENDITURES – WATER FUND

Mr. Tressler reviewed project activities in the Water Fund. He advised that there is a major future project of a new filter building, with a project cost of over \$18M, and a start date in FY25. He stated that they still have to narrow down and figure out the cost, but added there are a few years in the meantime to look for funding sources.

VIII. CAPITAL EXPENDITURES – SEWER FUND

Mr. Tressler quickly reviewed the ongoing and future Sewer Fund projects, which are outlined on the PowerPoint presentation. He advised that the Mill Race Pipeline and Evitts Creek Phase 3 Funding are approved.

IX. CITY-WIDE & ANNUAL DEBT SERVICE REQUIREMENTS

Mr. Tressler summarized the City-Wide & Annual Debt Service Requirements, referring to the tables on the PowerPoint presentation.

X. PROPRIETARY FUNDS FY21 BUDGET

Mr. Tressler quickly reviewed the 3 slides on the PowerPoint presentation outlining the FY21 Proprietary Funds.

XI. GOVERNMENTAL FUNDS FY21 BUDGET

Mr. Tressler summarized the information on the slide, and advised there is a \$226,177 deficit in the General Fund. He stated that the General Fund is supporting the Downtown Development Commission to the extent they need it, after they run out of their existing supply of cash. He said an important thing to note is that we have been funding the design expenses for the Cochran Group out of the DDC budget, to the tune of \$106K

XII. GENERAL FUND – FY20-21 BUDGET, FUND BALANCE, EXPENDITURES

Mr. Tressler reviewed the 3 slides in the PowerPoint presentation that summarized the General Fund FY20/21 Department budget, fund balance, and discretionary expenditures. He advised that unassigned Fund Balance is the most important thing bond companies look at when borrowing money.

XIII. KEY POINTS

- General Fund deficit of \$226K
- Significant reliance on State Funding sources, and general Covid-19 uncertainties
- Tax Rate – current rate or constant yield rate – public hearing May 19th
- Discretionary expenditures
- Selective new hiring for vacancies
- COLA allowance (General Fund - \$148K)
- Water Rate increase of 5%
- Capital expenditure/new debt – minor impact (\$104K new G.F. debt service in FY21)
- CEDC > ADC reduction
- One-time transfer or loan from Utility

XIV. DISCUSSION

Mayor Morriss agreed on leaving the tax rate the same for this year, due to uncertainties. He said we will be working through the continued negotiation of the CEDC merger. The Mayor agreed that the transfer of one of the utility funds is not something he would recommend on a regular basis, but said with the Sewer Fund balance being where it is, it gives us the opportunity to do so and have a balanced budget.

Councilman Cioni stated that if we get more help from the Feds, Cumberland may have a leg up because the information submitted from the City was top of the line.

Mayor Morriss advised he wants to keep the unassigned fund balance continually going up and stated this is a good budget under extraordinary circumstances.

Mr. Tressler stated he will make the assumption that the Mayor and City Council want to go after the transfer or loan from utilities to balance the budget, and will manage it as we go. He said if he has been overly pessimistic and things with Covid-19 aren't as bad as he thought, then we won't have to do that. He added there are a lot of uncertainties, but said we can monitor and make adjustments during the year if some of the estimates are off.

Mayor and City Council will consider and provide input to Mr. Tressler and Mr. Rhodes.

V. ADJOURNMENT

With nothing further, the meeting adjourned at 5:04 p.m., and moved into Closed Session, pursuant to Section 3-305 (b) (4) and (7) of the General Provisions Article of the Annotated Code of Maryland.

Respectfully submitted,

Marjorie A. Woodring
City Clerk

Minutes approved on June 2, 2020