

Mayor and City Council of Cumberland

WORK SESSION

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

Tuesday, May 11, 2021
4:30 p.m.

This meeting was held via Video-Conference

PRESENT: Raymond M. Morriss, President; Council Members: Seth Bernard, Richard Cioni, Eugene Frazier (signed on at 4:41), and Laurie Marchini.

ALSO PRESENT: Jeffrey D. Rhodes, City Administrator; Michael Cohen, City Solicitor; Marjorie Woodring, City Clerk; Ken Tressler, Director of Administrative Services; Mark Gandolfi, City Comptroller

I. BUDGET PRESENTATION - FOLLOW-UP

Mr. Gandolfi advised they are tentatively looking at May 18, 2021 for the first budget reading, with June 1, 2021 being the budget adoption, barring any additional changes.

Mr. Gandolfi advised that tonight they are showing a balanced fund budget, with the one of the biggest changes being \$1K in unassigned fund balance surplus. He went on to go over other changes from the initial presentation:

- Moved FY21 discretionary Sewer Fund transfer of \$50K to FY2022 – not needed for FY2021
- Included \$680 K in ARPA funds in FY2021 (\$287K) & FY2022 (\$393K)
- Balanced budget by reducing FY2022 proposed increases in GF expenditures in the Streets Dept. & Community Development
- Added \$200K from FY2021 Koon Dam Repairs being completed in FY2022 Capital Projects slide for Water Fund
- Updated all tables to reflect these changes

Mr. Gandolfi advised that as seen at the last meeting, the real property tax base has declined, and said Constant Yield will stay the same. He advised that because of this, there will be no need for advertising or a special meeting this year.

Mr. Gandolfi reviewed staffing levels, which had been revised, with two new employees added (coordinator and superintendent for each plant), and reduced by one in IT due to retirement. Mr. Tressler said that void will be covered by part-time and interns. Mr. Gandolfi explained that employment is at a constant and similar level to FY21.

Mr. Gandolfi discussed the GF unassigned fund balance, how it's a key indicator of the City's financial health, and how it can be improved. He said there should be almost \$3.7M in unassigned fund balance in FY22, which represents 14.6% of budget, with the target being 25%, which he stated is a good stride towards that. He said, however, that even though this is a good year, the City is coming off of an unassigned fund balance deficit, so we don't want a yo-yo pattern to develop, and said we want to continue the upward trend in unassigned fund balance. He added

that the City's recent bond rating show we're headed in the right direction, discussed comments from Fitch and S&P, but said the ultimate goal is to improve the City's bond rating. Mr. Tressler discussed the two bond ratings done back-to-back, and advised on the meanings of the ratings, saying "A-Stable" is decent – not great, but not bad. He said we would have to not go below that if we want to borrow money again and get decent rates. Mr. Tressler added that their suggestion to do the \$50K discretionary transfer is to maintain the City's health in unassigned fund balance.

There was discussion on the City's recent financial history, and how far back Fitch goes regarding comments. Mr. Gandolfi advised that it meant 2010 and 2011, and Mr. Tressler discussed the Tax Anticipation Note that was issued at that time.

Mr. Gandolfi reviewed revenue composition, which he said the majority is taxes. He also discussed the GF FY21 and FY22 Department budgets, and did a comparison.

Mr. Gandolfi moved to Discretionary Expenditures, which he pointed out that Council was in agreement with at the last meeting, but wanted to review it again to make sure they were confident with everything that was included. There was discussion about paving the parking lot at the ballfield in Constitution Park, with Mr. Tressler saying he didn't recall that specifically, but said if it had been in the list and then dropped, it was probably applied for and denied. Mayor Morriss stated that all the expenditures on the list looked good, and noted that they were seeing good turnaround on nuisance properties, though said there are still a lot out there. He stated that it's something that still needs worked on, but said he believes things are going in the right direction. Mr. Tressler advised that they did drop nuisance property removal from \$250K to \$200K, and stated that surplus sales are generating income, and if above budget, pour money back into those investments. Mayor Morriss agreed.

Mr. Rhodes advised that on the matching grant involving paving at Constitution Park, they had more recently looked at that issue, and stated that it needs paving pretty badly. He suggested looking to the Rescue Plan Act for funding for that. Mr. Tressler advised that there is \$400K in Street Improvement Misc. for FY22, so there is paving in the budget.

Mr. Tressler reviewed the recent debt refunding, saying they had spent several months pursuing it, and they finally closed on it. He advised that it generates just shy of \$1.5M in savings. He said they front-loaded it, so it helped FY2021 by \$293K, and almost \$1M in 2022. He reviewed the next few years as well – 2023 – 2025. Mr. Tressler advised that whatever happens in MPA happens in the GF, and said that since money was saved with the debt refunding they don't have to make a transfer to MPA, for the first time in years. He said that mostly because of stimulus money – over \$200K - they are pleased that there's a substantial improvement over the budget for FY21. Mr. Tressler added that they did better than expected, and better than the State Comptroller Peter Franchot warned about because they allowed a 25% reduction in income tax allocation, and will end up with more income tax allocation than last year, which was a \$300K swing.

Mr. Tressler advised that property sales and health insurance costs are 85 – 90% of the budget, and explained the fact that the City is self-funded, so they establish the rates, and if the City is at 100%, that means claims are where they are expected to be. He also explained the cushion of 15%, and how the City got a substantial refund last year, which was better than expected. He said although they are happy with FY21's results, FY22 is still going to be a tough year.

Mr. Gandolfi moved on to Proprietary Funds for FY22, saying this has not changed, and they are still anticipating net projected incomes in Water and Sewer Funds, but said the Water Fund cash

flow reductions did change slightly. He advised that overall utilities are profitable. He added that Trash Fund had a slight cash and income deficit, but there will be no rate increase necessary.

Mr. Tressler reviewed the slide showing Covid-19 concerns and advised on the allowance that was made for Covid-19, and said that Hotel/Motel is better than expected, as well as Highway User Revenue and Income Tax Allocation. He advised that this all contributes to a better year. Mr. Gandolfi added that they will continue to monitor Covid-19 concerns, even as it seems we are coming out of this crisis.

Mr. Gandolfi reviewed the Key Decision Points:

- Discretionary Sewer Fund transfer (\$50K)
- 2% COLA
- Tax, Water, Sewer, Trash rates unchanged
- Use of ARPA funds
- New debt issuance
- Discretionary Expenditures

Discussion:

Mayor Morriss and Council offered thanks for the very thorough presentation, and the Mayor said he is good with the budget as presented. He said he believes they can move forward in the next two meetings and get it passed. There were no objections from Council.

Mayor Morriss asked that since there wasn't enough time left before Councilman Bernard needed to leave, was everyone OK with skipping the review of next week's public meeting agenda, and just moving to the Closed Session. There were no objections.

II. ADJOURNMENT

With no further business at hand, the meeting adjourned at 5:08 p.m.

Respectfully submitted,
Marjorie A. Woodring
City Clerk

Minutes approved June 15, 2021