

Mayor and City Council of Cumberland

WORK SESSION

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

Tuesday, April 27, 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 and Laurie Marchini.

ALSO PRESENT: Jeffrey D. Rhodes, City Administrator; Michael S. Cohen, City Solicitor; Marjorie Woodring, City Clerk; Mark Gandolfi, City Comptroller; Kathy McKenney, Community Development Program Manager; Dee-Dee Ritchie, Canal Place

I. AGENDA REVIEW – MAY 4, 2021

Mayor Morriss reviewed the Reports and Minutes on the agenda and called for any questions or comments. Being none, Mr. Rhodes reviewed the three Orders on the Consent Agenda:

Order 26,787 – authorizing the purchase of a new Caterpillar 430 07A Backhoe Loader from Cleveland Brothers Caterpillar for the not-to-exceed amount of \$109,858 through a cooperative purchasing agreement with Sourcewell (Agreement #032119CAT).

Mr. Rhodes advised that this purchase is through a cooperative purchasing agreement, so there was a bidding process through Sourcewell. He stated that this backhoe is budgeted for the Water Department, and said the old one will go to the Parks and Recreation Department.

Order 26,788 – authorizing execution of a letter of support regarding the Passages of the Western Potomac Heritage Area's request for MD Heritage Areas Authority FY22 grant funding to hire a consultant to update the 2012 PWPFA's Management Plan and approving the provision of \$25,000 in funding towards the required match for the grant.

Dee-Dee Ritchie, Executive Director of the Canal Place Preservation & Development Authority, advised that the request of \$25K be used as match money for the MD Heritage Area Plan update through the MD Heritage Area Authority. She stated that the Authority is requiring all 13 heritage areas to update their 5-year plan for next year, but explained that since they're going through an expansion with the Allegany County, the City of Cumberland, George's Creek municipalities and Frostburg, she wanted to try to update the plan this year. She stated that in the expansion, Allegany College wants to be part of the Heritage Area, along with the YMCA, which will be the starting point of the new River Park Project. She added that the Decatur Street National Register, including the Carver Center and the Methodist Church also want to be included. She also said that Commissioner Shade is requesting the Cumberland Theatre become part of the Heritage Area, as well as parts of Greene Street, across from the Gates House.

Ms. Ritchie stated that she is also requesting funding from other areas in the County to be used as match, and wanted to let everyone know that this is not a regulatory program, it will just allow non-profits and municipalities to apply for Heritage Area funding – capital and non-capital – and they will be eligible for non-historic tax credits. She explained that the funding is a 1-1 match, but now it can be matched with in-kind services, which will help out a lot of the local non-profits.

Ms. Ritchie explained that she is asking for both a letter of support and the \$25K, which will be part of the match for the portion dealing with Cumberland, and stated that she's also asked for match money from the County. She said that the MD Dept. of Planning will be supplying in-kind service and amending the comp plans for Georges Creek municipalities. She added that the City of Cumberland's comp plan will need amending as well, and said she understands that the County will be providing some cash match. Ms. Ritchie said she is asking for the total cost of the project right now to be \$80K, or they will have to down-size the project.

Ms. Ritchie advised that they did a management plan update that was completed in 2014, with a consultant hired to do it, but that plan never was approved by the County or by the Heritage Area because there was opposition to the expansion due to a misunderstanding. She explained that they are hoping to just update that plan, with some new mapping, and advised that there are some public lands to include (i.e. The Narrows and the Rocky Gap area). She added that there will be some new themes as well, to pick up some African-American and Native American Indian heritage.

Ms. Ritchie further explained that this expansion is not another layer of zoning – it's just an opportunity for funding. In answer to a question from Council, Ms. Ritchie explained that to be able to apply for funding the property has to be in the heritage area, and said this will include new areas in the update. She said the Heritage Area Authority will make sure all plans are updated, but said she is not sure what repercussions would be if certain areas couldn't get their updates done. She said that she had thought she would be able to take on this by herself, but explained that it's too much, and said it would be more professional if a consultant handles it.

Order 26,789 – authorizing the Mayor and City Council to hire a recruitment firm to support the hiring process for the City Administrator position.

Mayor Morriss advised that he thought from the beginning that the City should have used a recruitment firm. He said that in the Selection process from the 26 applicants received, the citizens and participants on that committee were disappointed with the overall quality when looking at the resumés, and took the 26 received down to 4. He asked what Council's perspective on this was.

There was discussion from Council regarding serving on that committee, and about creating the rubric to rate the applicants, which was sent to Council to review. There was discussion about the concern of the difference in the scores and subjectivity, as well as discussion about some people on the committee believing there were 4-6 resumés that were well worth looking at that should be part of the process, whether a recruiter is hired or the City does it.

After more discussion, it appeared that all of Council was in agreement to let the 4 qualified applicants be passed to the recruiter, if that's the route to be taken. Mayor

Morriss agreed, saying he believed it was only fair to them, and said there could be a good candidate within that 4. He added that he believes with a position like City Administrator, with experience managing a 40M budget – to spend \$25K to get the right person is money well-spent.

II. FY22 INITIAL BUDGET PRESENTATION

Mark Gandolfi provided the attached PowerPoint for the FY22 Initial Budget Presentation, and advised that he was looking to do the follow-up presentation by May 4th, which he said would be plenty of time to adopt the new budget at the end of June. He went over the budget highlights, saying that they are not recommending any tax rate, sewer rate, or water rate increases. He added that the General Fund has a \$411K deficit, and that there are several options to reduce that deficit. Mr. Gandolfi also touched on the American Rescue Plan, and stated that the Municipal Parking Authority will require assistance, as it does every year. He added that he anticipates closing on the bond issuance tomorrow, and mentioned that Personnel cost increases would include a 2% COLA, pending final approval and union negotiations.

Mr. Gandolfi advised that there has been very favorable health insurance claim performance in the last 2 years, and stated that rates will be increasing 2.5% for FY22. He went over new equipment and capital projects debt, as well as FY22 grants and other assistance, and noted that the Carver School grant is now being spent in 2022 instead of 2021. He added that the assessable base is expected to decrease, with a \$101K budget reduction in tax revenue

Mr. Gandolfi advised on the top City FY22 COVID-19 concerns, and said FY22 budget recommendations are \$55K for COVID-19 expenditures, mostly PPE, \$45K for grant awards, and \$275K for projected revenue shortfalls, with the MPA being hit drastically by the pandemic. He also stated that water and sewer delinquencies with COVID-19 went up and up; there were folks with large balances due, and the City worked with customers providing information on financial assistance. He added that since January 1, 2021 the total due from at-risk customers has declined greatly.

Mr. Gandolfi provided more information on Personnel costs for FY22, saying that they are projecting a health insurance refund of \$960K. He also advised on Health Care Costs, and in answer to a question from Council, stated that there were no wild costs associated with COVID-19 hospitalizations, ventilators, etc. He added that there is a stop-loss in our health plan that kicks in when an individual reaches \$75K. Mr. Gandolfi explained that retiree health insurance is very low, comparatively, and the over-65 cost is zero, due to a new plan that provides over-65 supplemental coverage through LGIT. He said they're not seeing a lot of folks taking advantage of this, though, and said he assumes it's because people are working longer and living longer.

Mr. Gandolfi reviewed capital equipment, and went over the new vehicles budgeted. He stated that the new ladder truck, with a cost of \$1.3M, is expected to be received in FY22

Mr. Gandolfi summarized the capital expenditures ongoing projects, saying that they are expecting \$35M in expenditures towards capital projects in FY22, but said that the City is picking up \$65M in grants. He added that the amount of debt is reasonable and manageable – nothing to be concerned about. Mr. Gandolfi went over all the projects, amounts, and projected start times, which is all included in the PowerPoint presentation. Looking at the City-Wide Debt Service Requirements, Mr. Gandolfi explained that the new debt is very manageable, and reviewed the Annual Debt Service, explaining that the spikes shown are existing debt, with the bond that they are closing on tomorrow creating savings.

Mr. Gandolfi reviewed the Proprietary Funds budget and said overall, utilities are profitable, with the Water Fund expected to finish with \$337K, and the Sewer Fund with \$14.7M. He said trash service almost broke even, with the MPA projecting a negative \$126K, which the GF will supplement. He went over the different funds and cash flows in more detail, and in answer to a question from Council, explained that the MPA's total operating expenses are around a half million dollars annually, and said it will benefit the City to use ARPA funds to supplement the MPA because it will put the GF in a better position. He added that as far as the parking garages go, there have been super heavy reductions in revenue. He advised that largest expense for the MPA is personnel, but said that it's mostly made up of lot of smaller expenses.

Mr. Gandolfi reviewed General Funds, and explained revenues, expenditures, and unassigned surplus. He reviewed GF FY21 vs. FY22, and went over the department variances. He advised that for the GF Fund Balance, the City's fund balance policy has a target goal of 25% of budget expenditures. He also explained the three different types of fund balances: non-spendable, restricted, and unassigned. Mr. Gandolfi said without using any ARPA funds, the City will be within 51% of its goal, and projecting a \$1.1M surplus in 2021, with a \$411K loss and a gap of about \$2.8M, so he recommends using ARPA funds, to bring the deficit down to \$96K.

Mr. Gandolfi advised on the debt refunding savings and said in the GF in 2021, the City saved \$132K, and will save \$253K in 2022. He also went over City grant matching amounts, which come to \$197K, and said they have not all been submitted yet, but they have all been budgeted. Ms. McKenney advised on the matches concerning Community Development. Mr. Gandolfi reviewed the other discretionary components, which amount to \$165K. He went over the last slide, Key Points, and asked M&CC if they wanted to use the ARPA funding to support the GF.

Mayor Morriss stated that this would be a good use of the ARPA funds, without question, and said the continued use of ARPA funds going forward is also critical. The Mayor also said it was great news that there will be no increases in water, sewer, taxes or trash removal, and stated that the City continues to be headed in the right direction with the GF balance. Mayor Morriss discussed expenditures that could Mr. Gandolfi said could possibly be eliminated, and stated that all of the projects are important, and he wouldn't recommend reducing any of them. He said all are excellent programs for the City that should continue to be funded. Mr. Gandolfi also discussed assessable tax base, and said there is a lot of allowance on constant yield notice for adjustments to the assessments. He advised if those come in less, revenues will go up.

Mr. Gandolfi advised that he will give M&CC time to think about everything he talked about today, and come back with a follow-up presentation on May 4th or 11th, and include the ARPA funding as being earmarked. He said it would be presented in a consolidated fashion, to see if M&CC are still comfortable with it, or if more adjustments are needed.

III. DISCUSSION: EXTENDING PROVISIONS OF CURRENT HISTORIC DISTRICT TAX INCENTIVE PROGRAM

Ms. McKenney provided background on this incentive program, and said it originated in 1987 as two Ordinances: 10% property tax credit, and property tax assessment freeze up to 10 years. She stated that the language in those original documents assumed that Canal Place Preservation District and the Certified Heritage Area boundaries mirrored each other, which has led to confusion about whether a heritage area designation comes with restrictions. She also mentioned that Cumberland had the first designated heritage area in the state of MD. She said the root of the

issue is whether or not the language in the ordinances is clear enough to provide the same incentives to what became the expanded Heritage Area in 2017 - which is now known as the Passages of the Western Potomac – and now to the possibility of boundary expansion again.

Ms. McKenney advised that in order to have the programs benefit the most people, the Code language may have to be revisited, to make sure they're tight enough that the incentives are available to as many people that would possibly have access to them. She said it won't change anything about the programs, and provided a copy of the tax incentive application via email to M&CC.

Mayor Morriss agreed that anything they can do to clarify the ordinances to make them easier to understand is critical, and said that as long as it doesn't come with any restrictions, and simply allows property owners to take advantage of the programs, it could be a good thing. He said a worry he has is property restrictions. Ms. McKenney advised that the only restriction is to make sure that applicants to the program abide by the conditions of the program.

With no additional comments or questions from Council, Mayor Morriss stated that they will look over the application Ms. McKenney sent them and if they have any concerns they will discuss further.

IV. ADJOURNMENT

With no further business at hand, the meeting adjourned at 6: 21 p.m.

Respectfully submitted,

Marjorie A. Woodring
City Clerk

Minutes approved on June 1, 2021