

**FRUITLAND CITY COUNCIL
MONDAY, MAY 4, 2009
SPECIAL MEETING
MINUTES**

The Fruitland City Council met in work session at City Hall on Monday evening, May 4, 2009 at 7:00 p.m. with the following members present:

*President Gregory J. Olinde, Treasurer Gloria J. Ortiz, Councilor Raymond D. Carey,
Councilor Theodore O. Lokey and Councilor Richard F. Tull.*

Also present were:

City Manager John F. McDonnell, Director of Public Utilities Joseph P. Derbyshire, Deputy Treasurer Amy B. Caton, and City Clerk Diane Nelson.

Our guests included:

City Auditor Jack Layton of Wigglesworth, Layton & Moyers, P.C.

President Olinde called the work session to order at 7:02 p.m. for the purpose of discussing the Fiscal Year 2009-2010 Budget.

Jack Layton summarized his concerns and recommendations for the Fiscal Year 2009-2010 Utilities Budget that emerged after several budget meetings with Utilities Director Derbyshire and Deputy Treasurer Caton.

- Concerns

- Front footage fees should pay for debt
- User fees should pay for operating costs*
- Impact fees should pay for capital outlay and/or debt repayment
- Twenty percent (20%) of operating costs should be funding a capital reserve account; the funding of this account was stipulated by Maryland Department of the Environment (MDE) as part of the last large loan package the City of Fruitland acquired from the State of Maryland

**(cash outlay to keep the doors open-electricity, chemicals, salaries, gas, oil, repairs)*

- Recommendations

- Increase Water User Fee Base Charge \$20.00 per quarter (\$45.00 → \$65.00)
- Increase Sewer User Fee Base Charge \$30.00 per quarter (\$65.00 → \$95.00)
- Increase Water and Sewer Overage Rates \$.25 per 1,000 gallons each (\$1.25 → \$1.50)
- Increase Sewer Front Footage Charge \$.12 per lineal foot per year (\$1.38 → \$1.50)

Mr. Layton noted that there was not much room for negotiation with regard to his recommendations since the rate increases are only half of what is truly needed to properly balance the budget. The sewer budget already reflects prior year surplus funds from either sewer impact or water front footage fees.

The two year phase-in increase, suggested in deference to Fruitland residents in light of the economy, means proper funding of the Reserve Account would not take place until after next year's rate increase*; not funding Twenty Percent (20%) to the reserve account could potentially jeopardize future MDE funding of projects.

**Mr. Layton acknowledged that a portion of the Water Front Footage Fees collected (at the current \$.40 per lineal foot rate) are funding approximately one half of the Twenty Percent (20%) needed to fund the Reserve Account.*

Discussion topics included impact fees collected and how they can be and are being used, clarification of an *out of trust* circumstance when restricted use funds are used incorrectly, balancing the budget with base rate user fees not overage rate fees, surplus funds or lack thereof, capital improvement budgets and expenditures, and the potential pitfalls and consequences associated with not raising rates incrementally over time.

In addition to Mr. Layton's recommendations aforementioned, Council also made the following recommendations.

- Increase Returned Check Fee \$10.00 (\$25.00 → \$35.00)
- Increase Late Charge Fee \$5.00 (\$20.00 → \$25.00)
- Increase Business Hours Reconnect Charge \$5.00 (\$20.00 → \$25.00)
- Increase After Hours Reconnect Charge \$10.00 (\$40.00 → \$50.00)
- Increase Water and Sewer Impact Fees \$750.00 (\$3,750.00 → \$4,500.00) each
- Increase Water and Sewer Tap Installation Fees to cover costs for each

Discussion continued with Capital Projects and how they are evaluated for inclusion in the budget based on anticipated financing that generates line item expenses for loan payments associated with the various projects.

The Utilities Budget will reflect Project Engineering only, not line item payments for the actual Enhanced Nutrient Removal (ENR) and elevated Water Tower projects; therefore budget expenditures will be reduced and MDE budget requirements will be maintained. The Capital Improvements Budget(s) will be adjusted accordingly.

The Utilities Budget is an enterprise fund that should pay for itself and it has not done so during the last four years of Council sanctioned *no rate increases*; therefore there is no choice but to raise rates this year. This concept will need to be explained in detail at the Budget Public Hearing so that Fruitland citizens may understand the dramatic increases proposed for the water and sewer user fees.

Council agreed a press release (in addition to the mandated public hearing advertisement) would be proactive in encouraging public participation at the Budget Hearing that historically is not very well attended.

President Olinde has been invited to be a guest on Bill Reddish's radio show Friday after the Budget Hearing; Council agreed that this would be a good venue for discussion of the budget and proposed rate increases.

Mr. Layton reported, and Deputy Treasurer Caton concurred, that preliminary analysis indicated that there were no tax rate increases proposed *at this time* for the General Fund Budget for Fiscal Year 2009-2010; there are some surplus funds in the General Fund that may or may not be needed to balance the budget depending on the amounts of State Highway and State Police Aid that are allocated to the City of Fruitland by the State of Maryland for this fiscal year.

City Manager McDonnell advised the Council that Roland Palmer had withdrawn his request to purchase the Metz House on the City owned property at 208 S. Division Street in Fruitland. Prior to Mr. Palmer's request, Council had declared the house and contents surplus property and the property was to be salvaged and disposed of in an orderly fashion prior to the demolition of the house. Council authorized Mr. McDonnell to proceed as originally planned, upon verification that the winning bid submitted by Beauchamp Brothers for the demolition of the house was still valid.

Deputy Treasurer Caton presented the Finance Department Budget for Fiscal Year 2009-2010; she clarified that she is the only employee assigned to the Finance Department; all other employees physically in the Finance Department are assigned to the Water/Sewer Department for budget purposes.

The overall budget was pared down from last year but did include planned increases for several line items that included *Continuing Education* for computer classes at WorWic College, *Computer Supplies*, *Computer Programs and Support* for the Badger Meter Project and most of the Credit Card Project, and *Capital Outlay* for Payroll Outsourcing and IBM Upgrade Projects.

Ms. Caton noted that the IBM Upgrade included two (2) separate disc drives; in the event of a system crash on one drive, the files convert to the second drive while the first drive is being repaired. Essentially, work flow continues uninterrupted.

City Manager McDonnell acknowledged that all department heads had successfully reduced their budget requests for the coming year; employees are aware that salary increments were not included in this year's budget requests.

Council scheduled another Budget Work Session on Monday, May 11, 2009 at 7:00 p.m. at City Hall.

With no further business to discuss, on motion made by Treasurer Ortiz seconded by Councilor Tull with a unanimous vote in favor, the work session adjourned at 8:30 p.m.

Diane C. Nelson, City Clerk