

Minutes (Approved 5/21/07)
County Council Operating Budget Work Sessions
May 14, 2007

Meeting convened at: 1:42 p.m. in the C. Vernon Gray Conference Room (moved from Banneker Room)

Council Members present: Calvin Ball, Greg Fox, Mary Kay Sigaty, Jennifer Terrasa, Courtney Watson

Discussion: Courtney Watson summarized the issues related to the budget for Belmont, as follows:

- 1) \$566,000 is budgeted for debt service. If the County funds the acquisition, she finds it unnecessary also to appropriate funds for debt service. At the end of the work session on May 11, Ms. Watson recalled that Dr. Duncan said that there may be a possibility for the college to secure other funding for Belmont, if the county doesn't appropriate funds to buy it. Ms. Watson seeks clarification on this.
- 2) The Department of Natural Resources (DNR) reported that they would let the Maryland Historic Trust (MHT) govern what gets built at Belmont, and Ms. Watson thinks that this could be made part of a written agreement between the college and DNR. Calvin Ball said that he would want a commitment from DNR in writing affirming their agreement about uses at the site. Ms. Watson said that she wants DNR, MHT and the college to discuss the options. Ms. Watson said that she wants to give the college the funds for debt service, but not for capital projects. She said further that the issue of underlying zoning and the Shumacher covenant both restrict uses. The college takes the position, she said, that they are restricted by neither. Ms. Sigaty reminded her that this matter is in court, where it will be decided.
- 3) Ms. Watson said that the third issue is the length of time during which the college expects to lose money at Belmont. She wants to see the college's business plan to make the project viable financially. She noted that the right of way from DNR does not provide for utilities, lights, or a paved road, all of which may complicate expansion.

Ms. Terrasa noted that there is a benefit to the community of the college's owning Belmont beyond the economic benefit.

Ms. Watson noted that the Council received a letter from Board member Jim Truby stating that it is not acceptable to the college for DNR to fund the acquisition.

Ms. Sigaty asked about funds for capital repairs. Ms. Watson said that the \$2 million slated for acquisition could be applied to repairs, if DNR funds acquisition. The Council could give the \$2 million to Rec. and Parks or as a grant to the Foundation, she offered.

Courtney Watson noted that the Council does not know what the college owes Chip Lundy for the Dobbin property or when that debt is due.

She also questioned whether or not the appraised value of Belmont is what the college and county say it is. She asked for a copy of the original appraisal.

The Council discussed the County office complex. Greg Fox asked for clarification. Jim Irvin said that the preliminary design is complete to redo the complex. He said that the County Executive wants to phase the project. He's looking at a complementary project to expand the Police Department. DPW is also evaluating the location of other offices. They expect to start at the end of this calendar year. They would begin with construction of a parking garage. He noted that the George Howard Building is obsolete and needs to be replaced. It has galvanized pipes, the air conditioning and heating units are bad, the lights are inefficient. There are a number of options under consideration for financing, including privatizing, lease/purchase, and other creative financing arrangements; however, the proposed FY 08 appropriation is to keep the project going and possibly to fund the garage.

Calvin said that Mt. Hebron can't use construction funds this year for planning, and he asked if the County could use construction funds for further planning. Jim Irvin said that the County would be ready to proceed with construction within the fiscal year. The total price of the complex is about \$200 million; half for the courthouse and half for the County offices.

Ms. Watson asked why the Planning Board didn't recommend the project. Mr. Irvin replied that he didn't know. He said that it would be cheapest for the County to fund the whole project itself, but that the debt limits wouldn't allow that, given competing demands for capital funding.

Greg Fox asked for a timetable for phasing the project, which Jim Irvin promised to have Tuesday morning.

Greg Fox asked if \$8 to \$10 million of the request would be adequate. Mr. Irvin responded that he can't let a contract if the dollars aren't there.

The Council next discussed the Mt. Hebron High School project. Courtney Watson summarized that the Board of Education could transfer money from site acquisition to keep the project on track. However, she noted that renovation projects are coming in above budget, so she wants to find money to restore the \$1.1 million borrowed from the land acquisition account.

Mary Kay Sigaty asked about the fund balance with the close-out of three school projects, which recently were completed under budget.

Calvin Ball reaffirmed that the Board has \$800,000 for planning and that they said they needed \$500,000 to \$1.2 million. They have the capacity to cover the difference, if any, from site acquisition.

Mary Kay Sigaty noted that the rest of the school system's (capital) budget was funded 100%. She noted that Jim Irvin said that the County complex has been postponed for ten years. She observed that this may be a window of opportunity to begin the project.

Ms. Watson said that she thinks if the county can fund other projects in another way or if we don't need other projects, we should shift all funds to school construction, because they will need it for future projects. She thinks at a minimum the Council should fund \$1.1 million for Mt. Hebron in FY 08.

The Council discussed the fire tax. Chief Kevin Simmons represented the Fire Department.

Greg Fox said that, based on his own property tax bill, the 3 cent increase in fire tax would be about a 50% increase in his fire tax cost in the first year, 107% over the three year period of assessment increases. He said that the tax rate accounts for a 30% increase, but the rising home value accounts for the balance of the difference in cost to the homeowner.

Ron Weinstein, Budget Director, calculated that a 1 cent increase costs \$45 per year for a homeowner in a home assessed at \$450,000. A 3 cent increase amounts to \$135 per year, or 36 cents per day.

The Council said that they are waiting for information from Jim Irvin about insurance savings to homeowners in western Howard County, given the improved access to water.

Mary Kay Sigaty asked about the cost of the negotiated salary enhancements over a 4 year period. Mr. Weinstein passed out a chart summarizing employee costs.

The Council discussed charge-backs to the west for fire services provided by the east. Ron Weinstein reported that \$7.3 million of the \$10.9 million in the west's fire tax is charged back to cover services by the east. He said that 1 cent of fire tax in the west produces about \$800,000.

Mary Kay Sigaty asked for information about transfer tax dedicated to the fire service. Mr. Weinstein replied that 12.5% of the transfer tax goes to the fire department for capital projects. The fire building and equipment fund of \$3.5 million, including \$647,000 in debt service, is from the transfer tax. Calvin Ball requested a projection of the FY 07 transfer tax receipts.

Mary Kay Sigaty asked Lyn Robeson, Office of Law, to advise on what limits exist for using fire tax to fund capital projects.

The Council took a break at 4:00 p.m. and resumed at 4:10.

Victor Broccolino briefed the Council on the Howard County Hospital's construction plans, including expansion of beds in a new tower, renovations in the existing structure, and construction of a parking garage. He mentioned their hope that the County will provide \$10 million in funds toward this project.

Calvin Ball invited question on revenues and surpluses. Ron Weinstein passed out a chart of revenues to date.

Responding to a question from Calvin Ball, Ron Weinstein outlined the actuarial estimate of the need for the County to provide funding over time for the Other Post Employment Benefits (OPEB) gap. He noted a need to build over five to eight years to an annual appropriation of \$40 million to cover anticipated costs. The FY 08 budget includes \$14 million, which exceeds the \$8 million estimate for the year that the County indicated to bond rating houses that would be a minimum contribution this year.

Courtney Watson asked rhetorically whether or not the Council should consider raising the fire tax if there is a potential to cut \$6 million from OPEB without doing damage to the estimate given to the rating houses? Greg Fox countered that perhaps the County should fund more in OPEB and cut new positions to do so.

Mary Kay Sigaty said that she is concerned about the economic outlook, the possibility of State shortfalls in local aid, and built-in increases from new positions. Courtney Watson asked for a forecast of expenses associated with new positions. Ron Weinstein promised to project expenses and revenues by the end of the day Tuesday.

The Council recessed at 5:10 and reconvened at 5:35 p.m.

Courtney Watson invited the Council to list their concerns at this point.

Mary Kay Sigaty asked whether or not all of the proposed positions are sustainable. Ms. Watson agreed and asked how the Council would know which positions to cut, if they needed to do so.

Greg Fox summarized costs he knows about: \$10-\$20 million per year for the government campus (assuming lease/purchase or similar financing); \$30 to \$40 million for OPEB; State cuts with a possibility of turning over \$40 million in pension costs for teachers. He noted that he is receiving e-mails from county employees who are frustrated by the fact that union employees receive larger annual increases in salaries than employees who are not represented by unions. He asked for a history of the COLAs for non-union vs. union employees and the Board of Ed. for the past ten years. Courtney

Watson asked what it would cost to bring equity between union and non-union employees.

The Council then summarized capital budget issues. Ms. Watson offered that fire tax is going to capital projects. Mr. Fox suggested that the Council could vote against the fire tax, cut the items of expenditure to correspond, or that they could move capital bond and paygo money from other projects to the capital projects, or that the Council could negotiate using General Funds for fire.

A discussion ensued about the limits on the Council's ability to move funds. Because they may not add to the budget and must balance the budget by fund type, they may move from one project to another only by negotiation with the Executive.

Mary Kay Sigaty offered her opinion that funding fire capital projects from the fire tax is fine. Calvin Ball said that he would support trying to get State legislation to get one fire tax district.

Lynn Robeson said that there's a philosophy that you shouldn't use dedicated funds for capital projects, because the dedicated fund needs to support the program costs. If you run a deficit in the fire tax, the dedicated fund, you shouldn't fill in the expenses of fire with General Funds. She referenced section 615.1 –C of the Charter, which provides that "no general funds shall be dedicated to supplement an appropriation of special funds except as a loan."

Mary Kay Sigaty noted that in order to cut the fire tax, it would be necessary for the Council to decide what isn't worthy of funding.

Courtney Watson said that this would take \$6 million in cuts. Greg Fox offered the following recommendations: \$4 to \$5 million cut from the government campus, a series of cuts that "don't matter" where funds exist from prior appropriations (projects C 285, 286, 287, 296, and 309), and Belmont, which he said is still a question. Mary Kay Sigaty added to the list J4121, private road reconstruction, because the parties along the private roads currently under consideration don't agree.

Mary Kay Sigaty noted that the Fire Department wasn't able to fill half of its FY 07 allocation of positions until the end of the fiscal year and suggested the possibility of funding only ½ of the positions requested for FY 08. Ron Weinstein pointed out that half of those positions were given appropriations only for ½ year, on the assumption that half would be filled in the second half of FY 08.

Courtney Watson noted that cutting half of the positions in fire would yield \$1 million. Greg Fox suggested putting that money into OPEB. Jennifer Terrasa asked for the basis for making that cut.

Joan Kennedy, legislative liaison to the County Executive, reported that the campus funds can be spent this year. She reported that Corporate Office Properties (COP) is

looking at this building (for possible renovation). She also noted that the Police Department could be expanded immediately.

Courtney Watson noted that the Board of Education had \$800,000 sitting in their health costs, which could be a cushion. She also suggested putting together a study committee to look at the fire tax and tax structure generally.

Mary Kay Sigaty noted that Greg Fox wanted to cut the fire tax, but not the projects. She suggested the possibility of taking the “benign” cuts (in the previously listed general county projects, excluding the campus) and raising the tax 1 cent for everybody.

Courtney Watson said that new positions would cost \$26 million for salaries and benefits. She supports cutting Belmont’s funding. Mary Kay Sigaty noted that new positions cost not only salaries, but also cars, computers, furniture, space, etc.

Action: Calvin Ball will take to the County Executive the list of projects discussed for possible cuts and will ask for justification of the expenditures.

Another budget work session was scheduled for Wednesday, May 16 at 3:00 p.m.

Time Adjourned 6:55 p.m.