

Minutes of the County Commissioners of Worcester County, Maryland

February 17, 2009

Louise L. Gulyas, President
James C. Church, Vice President
Judith O. Boggs
Linda C. Busick
Robert L. Cowger, Jr.
James L. Purnell, Jr.
Virgil L. Shockley

Following a motion by Commissioner Shockley, seconded by Commissioner Boggs, with Commissioner Purnell absent, the Commissioners unanimously voted to meet in closed session at 9:00 a.m. in the Commissioners' Conference Room to discuss legal and personnel matters permitted under the provisions of Section 10-508(a)(1), (7) and (8) of the State Government Article of the Annotated Code of Maryland and to perform executive actions. Also present at the closed session were Gerald T. Mason, Chief Administrative Officer; Kelly Shannahan, Assistant Chief Administrative Officer; Sonny Bloxom, County Attorney; Kim Moses, Public Information Officer; Teresa Owens, Director of Emergency Services; John Tustin, Director of Public Works; John Ross, Deputy Director of Public Works; Brian Sturgeon, Executive Director of the Worcester County Liquor Control Board (LCB) and LCB members Donald Hastings, Joe Jackson and Larry Wilkinson. Topics discussed and actions taken included: appointing Craig Glovier to the Recreation Advisory Board; reviewing potential and pending litigation; receiving legal advice from counsel; and performing executive actions.

After the closed session, the Commissioners reconvened in open session. Commissioner Gulyas called the meeting to order and announced the topics discussed during the morning closed session.

Commissioner Gulyas announced that Commissioner Purnell was absent from the meeting due to a death in the family.

The Commissioners reviewed and approved the minutes of their February 3, 2009 meeting, as presented.

The Commissioners met with Liquor Control Board (LCB) Chairman Donald Hastings, and members Joe Jackson and Larry Wilkinson and Executive Director Brian Sturgeon to review and discuss LCB operations and to consider the LCB's request to support State legislation that would allow the LCB to increase its borrowing power from \$5 million to \$8 million to continue to increase the volume of direct labels and to make bulk buys when there are deep file-off discounts. Mr. Hastings advised that the LCB is able to buy direct at low costs on products such as Stolichnaya (Stoli) Vodka and others and then pass those savings on to liquor license holders in the County. In response to a question by Commissioner Gulyas, Mr. Hastings stated that the

LCB was recently able to begin purchasing Stolli Vodka direct from the manufacturer at a deep discount, saving liquor license holders between \$70 and \$78 a case. In response to a question by Commissioner Shockley, Mr. Hastings stated that last year the LCB spend nearly \$4 million on pre-season alcohol purchases by the end of May, leaving only \$1 million in borrowing power for additional purchase throughout the season. Mr. Hastings explained that as the LCB negotiates additional direct buy agreements with other manufacturers, they will need more borrowing power to make these purchases. In response to a question from Commissioner Gulyas, County Attorney Sonny Bloxom stated that the County would not be liable if the debt was not repaid. Mr. Hastings stated that the LCB has significant assets and is in good standing with the bank. Following some discussion and upon a motion by Commissioner Cowger, the Commissioners voted 5-1, with Commissioner Gulyas voting in opposition, to support the LCB's request for State legislation to increase its borrowing power to \$8 million.

Ocean City Development Corporation (OCDC) President Greg Shockley and Executive Director Glenn Irwin provided the Commissioners with an update on the OCDC's revitalization efforts in Downtown Ocean City as follows: successful renovation of 57 buildings through the Facade Program; now beginning 5 new Development Projects; continuation of the Public Art Programs, and seasonal housing program; as well as other redevelopment initiatives. Mr. Irwin presented a power point presentation outlining both completed and current projects along with program goals and objectives. He advised that OCDC had completed 57 building renovations with 7 additional renovation projects now underway. The Commissioners thanked OCDC officials for meeting with them and Commissioner Gulyas stated that the OCDC has done a superb job and has been successful in accomplishing many tasks that had previously daunted local government officials.

Finance Officer Harold Higgins, Assistant Finance Officer Phil Thompson and Budget Officer Kathy Whited provided the Commissioners with an economic update of the FY09/10 Budget picture. Chief Administrative Officer Gerald T. Mason advised the Commissioners that revenues for FY10 are currently projected to be down by \$11.1 million from FY09. Mr. Higgins reviewed budget revenues and advised that the FY09 budget was \$189.5 million, while the FY10 budget revenues are estimated to be only \$178.4 million, a 5.87% reduction. He stated that reducing the FY10 budget by 5% would save the County \$10 million. Mr. Higgins then reviewed the steady increase in the County's assessable tax base for the past 25 years along with increases in general tax revenues and estimates over the past seven years. However, he stated that general tax revenues have steadily declined over the last eight months and income tax revenues will soon follow, noting that the County has not experienced a tax base decline like this one in modern history.

Mr. Thompson stated that the County's bond ratings remain stable and advised that the FY09 Emergency Reserve Fund (ERF) balance is \$18,974,224. He advised that if the Commissioners choose to borrow from the ERF to cover budget shortfalls, the balance must be restored and paid back in full within two years. He noted, however, that County finances are projected to decline even further in FY11, and for that reason he would not recommend using this account to cover any shortfalls in the FY10 budget. Mr. Thompson reviewed the County's obligation to fund Other Post Employment Benefits (OPEB) in accordance with the

Governmental Accounting Standards Board (GASB) Statement 45. He advised that because the County has made substantial yearly contributions to OPEB, we will avoid the huge liability in future years, which will be faced by other counties who plan a pay-as-you-go approach. Furthermore, by funding OPEB now as recommended by the actuarial study, Worcester County will be viewed favorably by the bond rating agencies. In response to a question by Commissioner Cowger, Mr. Thompson advised that including the proposed FY10 budget the County will have invested \$50 million toward OPEB. Mr. Higgins advised that while the County's liability for OPEB will decrease in coming years, if it had stuck with the former pay-as-you-go system funding requirements would begin increasing sharply and actually overtake the minimum funding required for OPEB by the year FY18. He likened both the OPEB and pay-as-you-go system as pay me now or pay me later systems. Mr. Thompson stated that if the Commissioners choose not to continue funding OPEB at the rate recommended by the County's Actuarial, they will likely be faced with the need to substantially reduce benefits for County and Board of Education employees in the near future. In response to a question by Commissioner Gulyas, Mr. Thompson stated that the interest being earned on the OPEB account should begin to counter rising health insurance costs over the next five years.

Mr. Higgins reviewed new debt service for FY10, which includes an increase of \$35,000,000 or \$3.2 million annually for Pocumoke High School for a total annual debt service of \$11,032,620, which includes \$1,805,967 in County debt allocation, \$9,190,492 in Board of Education (BOE) debt allocation; and \$36,161 or 0.32% for Wor-Wic Community College debt allocation. In response to a question by Commissioner Cowger, Mr. Higgins stated that debt service is paid by the County and is not part of the BOE budget. In response to a question by Commissioner Boggs, Mr. Higgins advised that the debt payment for most bonds is paid over 15 years. Lastly, Mr. Higgins reviewed steps taken to decrease the FY09 budget to stay within the projected revenues, including placing a freeze on hiring, asking all departments to set aside 2% within their existing budgets and to decrease their FY10 budget request by 3% to 97% of the prior year's budget. He concluded that all current economic estimates now indicate that the budget should be further reduced by an additional 2% for a total reduction of 5%. He added that State budget cuts are still looming, and there are proposals that would require counties to fund a portion of the costs for teachers' pensions and perhaps the entire cost to operate the Department of Assessments. He closed with a quote from Winston Churchill, noting that *Difficulties mastered are opportunities won*. Commissioner Gulyas thanked staff for their presentation and confirmed the Commissioners commitment to ask all county departments to reduce their FY10 budget requests by 5%, with the exception of the BOE which has been instructed to reduce their budget by 3%.

The Commissioners met with Chris Hall, CPA, CFE of Trice Geary & Myers, LLC to review the County's Comprehensive Annual Financial Report (CAFR) for FY08, which ended June 30, 2008. Mr. Hall stated that the economy has cooled, evidenced by a 35.7% reduction in transfer and recordation receipts, while room and food tax receipts were stronger than expected with a 12.8% and 10.7% positive variance over budget, respectively. He reviewed recent capital projects, pointing out the wisdom behind the County's pay-as-you-go program for projects such as the Health Department expansion. He advised that although counties in the State of Maryland issue debt for school construction, the school buildings are owned by each county's Board of

Education (BOE). Therefore, while the county's financial statement includes this outstanding debt, it does not include the capital assets funded by the debt. He advised that County debt outstanding for the BOE amounted to \$50,517,489 at June 30, 2008, and absent the effect of this relationship, the County would have reported unrestricted net assets of \$108,319,100 on its government-wide financial statements, rather than the unrestricted net assets of \$57,801,611. He then reviewed the CAFR, stating that County assets exceeded liabilities by \$206,043,264 as of June 30, 2008 compared to \$206,021,610 as of June 30, 2007, an increase of \$21,654. Mr. Hall noted that at the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$99,403,037, a decrease of \$7,170,575 due in part to the use of pay-as-you-go capital construction projects, debt proceeds from construction of the Worcester Technical High School and the County's proactive approach to addressing the \$17 million in Other Post Employment Benefits (OPEB). During the current fiscal year Other Governmental Funds show a decrease of \$62,476 in fund balance from the prior year due primarily to the activity of the Local Management Board. In response to a question by Commissioner Boggs, Mr. Hall stated that there would be a day of reckoning for counties that have not worked to steadily decrease their OPEB liability and would then be faced with the need to cut employee benefits. He encouraged the Commissioners that their decision to invest in OPEB was a wise decision. Commissioner Cowger stated that the County does not want to borrow from OPEB or Reserve Funds as a band-aid approach to making up for decreased revenues. Mr. Hall strongly concurred, stating that the County was taking a proactive approach to address budget concerns and protecting the County's ability to provide promised benefits. Mr Hall advised the Commissioners that they should be pleased with staff, who have done an exemplary job of forecasting revenues and planning accordingly. Following some discussion, the Commissioners thanked Mr. Hall and County staff for working together to provide them with the report.

Pursuant to the request of Economic Development Director Jerry Redden and upon a motion by Commissioner Boggs, the Commissioners unanimously authorized Commission President Gulyas to sign the Grant between Worcester County and Mid-Atlantic Institute for Space and Technology (MIST) awarding MIST a grant not to exceed \$125,000 to be used to help fund a Renewable Energy Technology Conference and Exposition from November 12-14, 2009 at the Roland E. Powell Convention Center in Ocean City. Mr. Redden explained that funding for this grant was derived from the Energy Service Fund restricted account, which can only be used for such purposes.

Pursuant to the request of Emergency Services Director Teresa Owens and upon a motion by Commissioner Shockley, the Commissioners unanimously authorized Commission President Gulyas to sign the Memorandum of Understanding (MOU) Between the Maryland Department of the Environment (MDE) and the Worcester County Local Emergency Planning Committee (LEPC) as well as the Maryland State Community Right-To-Know Fund LEPC Grant Eligibility Certification Statement in order to receive State funding for the LEPC for planning and training activities.

Pursuant to the request of Public Works Director John Tustin and upon a motion by Commissioner Busick, the Commissioners unanimously authorized Commission President

Gulyas to sign a Maryland Department of the Environment (MDE) Interagency Agreement Between Worcester County and MDE for a one-time grant of up to \$50,000 for the collection and recycling of electronics and computers through the statewide Computer Recycling Pilot Program.

The Commissioners met with Mr. Tustin and Enterprise Fund Controller Jennifer Savage to discuss interim financing for design fees of \$800,000 and the purchase of certain equipment at a cost of \$1,300,000 associated with the replacement of the Mystic Harbour Wastewater Treatment Plant (MHWWTTP). Ms. Savage advised that the County is currently in the design phase of the approximately \$8.8 million project and should know whether they will be able to secure permanent financing from MDE no later than March 2009 either through the use of Federal Stimulus Funds or a low interest loan. She stated that because of the magnitude of the design fees and the need to purchase certain equipment prior to construction of the project, staff is requesting approval to seek short-term interim financing in the amount of \$2,100,000 to be used as needed until permanent financing is secured. She advised that doing so would relieve the financial burden that these projects are having on the service area's operating fund and free those funds to be used to cover other necessary operating expenses. Following some discussion and upon a motion by Commissioner Church, the Commissioners unanimously approved the request. Upon a motion by Commissioner Boggs, the Commissioners unanimously authorized staff to prepare a proposal for a low-interest, inter-fund loan from the County's General Fund to the Mystic Harbour Sanitary Service Area at a rate of between 5% and 6% for the Commissioners consideration at a future meeting.

The Commissioners met with Mr. Tustin to review reductions in Highway User Revenues. Mr. Tustin stated that the FY09 Highway User Revenue Budget anticipated revenues of \$5,247,613; however Public Works received notice on January 8, 2009 from the Maryland State Highway Administration (SHA) estimating Worcester County's Highway User Revenue funds for FY09 were only \$4,558,009.05, leaving a budget shortfall in the current year's operating budget of \$689,604. He advised that Public Works has identified several areas where these shortfalls can be made up, with the majority of the funds being deferred for new capital equipment purchases and by reducing the black top overlay program along with several other minor reductions. In response to a question by Commissioner Busick, Mr. Tustin stated that the County will begin road paving projects in March and should still have enough funds to complete most of the projects.

Pursuant to the recommendation of Mr. Tustin and upon a motion by Commissioner Shockley, the Commissioners unanimously awarded the single bid for refuse service at 17 County facilities located throughout Worcester County from Allied Waste of Delmar, Maryland at a monthly cost of \$2,035.92 for a period of two years beginning with the date of award and ending February 28, 2011.

Pursuant to the recommendation of Mr. Tustin and upon a motion by Commissioner Boggs, the Commissioners unanimously awarded the low bid for pest control services to Bennett-Taylor Termite & Pest Control of Salisbury, Maryland at a monthly cost of \$550 for Schedule I (22 facilities to be serviced on a monthly basis) and hourly cost of \$50 for Schedule II

(13 facilities to be serviced on an on-call basis) for a period of two years beginning with the date of award and ending February 1, 2011.

Pursuant to the recommendation of Mr. Tustin and upon a motion by Commissioner Shockley, the Commissioners unanimously approved the proposal from EA Engineering of Ocean Pines, Maryland for the design of Cell 5 at the Central Landfill along with the permit process and public hearings for the permit modification within a 23-week time frame and at an estimated cost of \$159,567.57. In response to a question by Commissioner Shockley, Mr. Tustin stated that the County should be ready to begin construction of Cell 5 by April 2012, at which point the County should be able to begin mining Cell 1.

Pursuant to the recommendation of Mr. Tustin and upon a motion by Commissioner Boggs, the Commissioners unanimously agreed to schedule a public hearing on April 7, 2009 to receive public comment on the proposal to add the following public roads in the Winding Creek Subdivision into the Inventory of Public Roads of Worcester County: Winding Creek Drive; and Timberneck Drive.

Pursuant to the request of Development Review and Permitting Director Ed Tudor and upon a motion by Commissioner Boggs, the Commissioners unanimously agreed to schedule a public hearing on March 17, 2009 to receive public comment on the proposal to modify the various program maps for the Atlantic Coastal Bays Critical Area due to a number of previous Critical Area mapping mistake requests, Growth Allocation awards and Buffer Management designations approved by the County Commissioners since the original approval by the State of the County's Atlantic Coastal Bays Critical Area Program, along with a number of Interim Period projects that were not recorded until after its enactment.

Recreation and Parks Director Sharon DeMar Reilly informed the Commissioners that the Worcester County Recreation & Parks Department was awarded the Maryland Community PLANT (People Loving and Nurturing Trees) Silver Award for 2008, which marks the ninth year in a row the County has received this designation from the Maryland Urban and Community Forest Committee (MUCFC) of the Maryland Association of Forest Conservancy District Boards and the Maryland Department of Natural Resources Forest Service.

Pursuant to the request of Ms. Reilly and upon a motion by Commissioner Boggs, the Commissioners voted 4-2, with Commissioners Cowger and Shockley voting in opposition, to award the bid for Option 2 for the purchase of a 30 horsepower Kubota 72" front mounted mower to Burke Equipment Co. of Salisbury, Maryland at a cost of \$15,760. Ms. Reilly advised that even with the purchase of this needed piece of equipment, the Parks Department has been successful in decreasing its FY09 budget expenditures by 10%. In response to a question by Commissioner Gulyas, Mr. Reilly stated that the old mower will be refurbished and used as a backup mower within the Parks Department.

The Commissioners reviewed an email from Delegate Norman Conway advising that the State will conduct a hearing on House Bill 65 - Worcester County - Slot Machines for Nonprofit

Organizations - on February 25, 2009 at 1:00 p.m. The Commissioners agreed to send a letter reiterating their support for passage of this bill and for introduction of a companion bill in the Senate.

The Commissioners answered questions from the press, after which they adjourned to meet again on March 3, 2009.