

TWO YEAR MILESTONE SPEECH

MAYOR RANDY MCCLEMENT

City Hall, Boardroom
The City of Frederick
Tuesday, January 17, 2012 at 11:30 A.M.

REMARKS

Members of the Board of Aldermen, colleagues in local government, City staff, and my fellow Frederick Residents:

We have crossed the half-way point of the 60th Administration's term in office and I want to share with you some of our achievements and to note the direction we are moving as a community. It is my intent today to provide you a quick glimpse back and a quick glimpse forward. We have achieved a lot and have plans for even more in the coming years.

So let's take a look back for a couple of minutes. Two years ago we started the Administration with a totally fresh outlook. We knew we were facing fiscally challenging times, but we were up for the challenge. What we may not have anticipated was approximately 10 days into the term we were hit with 23" of snow. Then about a month and a half later, we experienced a blizzard with 53" of snow! That was kind of interesting! We have experienced a brush with a hurricane, flash flooding on Market Street and even two earthquakes. We are crossing our fingers that Mother Nature was just testing us, we passed and she will leave us alone for a while.

In the midst of *Mother Nature's challenges*, we were also facing a fiscal challenge. Entering into office, we knew our number 1 challenge for our 4 years in office was going to be the budget. The downturn in the economy not only affected our Country, but the State, the County and, the City of Frederick. We knew we had to find ways to successfully manage the *City's financial health* and take steps to make government more efficient for our community while exploring ways to grow our local economy. We have done this from day one, and will continue to do this over the next two years.

In preparing our first year's budget, we were faced with a shortfall of approximately \$6 million dollars. Year two brought a budget deficit of \$9.9 Million Dollars. We faced this challenge head on and looked for ways to become more efficient with less revenue. I implemented a zero based budget plan in an effort to change the way our government looks at budgeting. This has paid off as we have been successful in shrinking our budget from \$114 million as adopted in FY 11, to a \$111 million budget in FY 12, a 2% decrease. We did this while maintaining a robust reserve account.

By making tough choices, the Board of Aldermen, department directors, staff, and the public, helped determine creative ways to close our projected budget deficit through program cuts, sharing assignments when vacancies were created, and leaving positions unfilled.

In an effort to keep dollars in the hands of our hard working tax payers and their families, with a 5 to 0 vote by the Board of Aldermen, we maintained the real property tax rate at the existing level of \$.65 per One Hundred Dollars of assessed value for the past two years. This was a monumental feat considering the City witnessed an 8% decline in property tax revenues from calendar year 2011 to 2012.

We knew that we needed to find ways to work through these fiscally challenging times with our regional government partners, so we are working with the Board of County Commissioners to find ways where we can join forces and save our tax payers hard earned tax dollars.

I looked hard at the day to day operation of the City workforce and made changes that I believed were necessary to run more efficiently. I placed a freeze on hiring so we had the opportunity to examine the organization department by department.

Not only did we look at City workforce, we examined all existing contracts. One of those contracts was for the lease of one of our largest facilities, Harry Grove Stadium. As the current lease came to its end, I started negotiations to renew the lease. In order to obtain the best return on our investment, it was my belief that it would be in the public's best interest to seek lease proposals for the stadium complex. An advertised bidding process was the means to make that a reality.

Once completed, the Board of Aldermen approved a 10 year lease agreement with the Frederick Key's for the use of Harry Grove Stadium. We increased our annual lease revenue from approximately \$30,000.00 to \$100,000.00 over the course of the lease. We are happy that the Frederick Keys will continue to call Frederick home.

The 2 year contract with the City's FOP came up for renewal in 2011. The City collaboratively worked with the Fraternal Order of Police Lodge 91 to come up with a collective bargaining agreement that was amenable to both the FOP and the Administration. The new contract will last two years and ensures that we are able to provide the resources for our men and women in uniform that have helped the City go from the eighth safest community to the fifth, as published in Sperling's Most Secure Places to Live statistical study. We continue to strive to find ways to maintain the high level of excellent policing we have always experienced in our City. To do this, and when funding allowed, we took steps to hire experienced officers looking to come to the FPD and in March of this year we will begin a police academy class.

From the day we took office, this Administration has taken steps to find ways to better communicate with the citizens. We opened up the budget process to try to include citizen comments as early in the process as possible. The City undertook a massive overhaul of its current web-site. Our virtual gateway to the community is much easier to read and navigate. The new site includes a performance page that will make it easier for residents and businesses to understand where the City spends taxpayer dollars and on what services. The information from this web-page will help the City move toward a performance based budget process that uses mission statements, goals and objectives to explain why the money is being spent.

In an effort to help maintain our excellent credit rating and be the best stewards of your hard earned tax dollars, our finance department reviewed the status of all our bonds. With the help of our financial advisors, we proceeded to refinance three series of bonds. We took the steps to meet with the 3 Rating Agencies in New York City. Our presentation explained the City's robust economic outlook, a strong positive reserve fund balance, and willingness on the City's part to tackle long-term issues such as post-employment benefits and pension obligations. The group did an outstanding job and the City was able to reaffirm its AA bond rating with Fitch and Standard and Poor while receiving a potential upgrade in the next six months to two years by Moody's. The favorable bond ratings were the result of the tough decisions we had to make and the smart fiscal policies we have implemented during the worst recession since the Great Depression. While many governments were receiving credit downgrades, all three credit rating agencies affirmed the City's fiscal health.

These updated bond ratings will allow this and future Administrations the ability to borrow at favorable rates. When we went to bond sale one week later, we anticipated that the City would save around \$1.9 million dollars, but as a result of the excellent ratings given the city the week before, we were able to see a savings of \$2.8 million. That is \$970,000 **above** the amount we anticipated saving.

Reevaluating the way we operate is the approach of the 60th Administration. We know the 800 pound gorilla in the ring is finding a way to provide sustainable employee health, pension and benefit plans. We have taken steps to move toward creating such plans. We have increased the civilian and the sworn police officers employee premium cost for health insurance from 15% to 25% annually. We have established a trust to manage and invest our other post-employment benefit (OPEB) and pension expenses. An advisory committee is in the process of being created to manage this trust. We have applied for and received federal funds to help reduce our healthcare costs for early retirees' liability with a potential reimbursement ranging from \$50,000 to \$400,000. Beginning January 1 of this year we implemented new Medicare benefits for our Medicare entitled retirees. This brought a savings of nearly \$220,000.00. We are also exploring methods to review our defined benefit programs including changing the plan assumptions to better reflect current market conditions, altering the retirement age for future entrants, increasing pre-tax contributions and increasing years required for vesting in the plans. These changes and many more will help make it possible to cover these long-term legacy commitments.

Frederick is an arts destination and we continue to attract both private and public investment in our flourishing arts community. From performing arts centers, to Art-o-matic, to Easels in Frederick, to community-based Playback Theater, our City is a hub of the creative economy. To help foster community input in the display of public art, our Administration launched the Public Art Commission to aid us in selecting meaningful art that can be enjoyed by current and future generations.

Members of the community made it a point to let us know that our City needs to expand upon our efforts to create a sustainable tomorrow. We heard this call to action. The **Mayor's** Ad Hoc Bicycle Committee led the way in this objective. Their goal is to obtain the ranking of becoming a Bicycle Friendly City. They started off with a public / private project that will create a bicycle lane along Seventh Street from East Street to Fort Detrick. A portion of that project is already in place from Route 15 to the entrance of Fort Detrick. It is the intention of this Administration to continue to incorporate these types of improvements into our future capital projects.

I implemented an Ad Hoc Recycling Committee. They explored ways to improve upon the recycling efforts in the community and looked at how we could switch to once a week trash removal. I am pleased to say, with the Committees help, we have a couple of pilot programs in Whittier and Old Farm that are currently testing once a week trash removal. I have launched the Green Initiative Team; a community-oriented group that will help drive environmentally minded policies in our City.

NOW MOVING TO THE FUTURE:

We have a number of projects that we have implemented in our first two years that will continue over the next two years and beyond. Let me share some of them with you now.

With the collaborative efforts of the City's **Department of Economic Development**, and stakeholders such as the Major Employer Group of the Frederick County Chamber of Commerce, the Downtown Frederick Partnership, as well as the Tourism Council of Frederick County, the City received a Twenty Thousand Dollar (\$20,000) grant from the Maryland Department of Community Development (DHCD) to pay for an update to the downtown hotel and conference center economic feasibility study. This update will allow the Hotel/Conference Center committee comprised of public, private and community advocates to seek project funding from State and private stakeholders. Having a hotel and conference center in downtown Frederick will serve an area of the City that has been devoid of hotel accommodations for decades. This initiative is moving ahead and we are currently working with the State Delegation to assist us on obtaining State financial support for this project. We look forward to the day when our community will witness this much needed amenity in the heart of our City.

The commercial and residential communities in the West end of our City, including members of the Neighborhood Advisory Council (NAC) 5 and 8, launched the Golden Mile Alliance (GMA) with the assistance of the City of Frederick. This community-based entity is starting to market and brand the Golden Mile as a business destination. The other component of the Alliance is to have the community embrace and take pride in this area of the City. The Alliance will quickly transfer from a City Ad Hoc Committee to an independent 501(c) 3. The City's Economic Development Department is providing staff support for up to one year to help this organization get off the ground. A local attorney is handling the filing documents and assembly of the non-profit's charter. I encourage the public to participate with this organization as they move forward to foster greater investment around the Golden Mile.

To help continue the vision of previous civic leaders, the City is currently working with the State Highway Administration (SHA) to complete Phase II of the Carroll Creek Linear Park project. Phase II runs from the Delaplaine Center to East Patrick Street and from Market Street to Bentz Street. This \$12 million project will be paid through a combination of resources, including:

- \$3 million federal Transportation Enhancement Program (TEP) grant which is passed through the State Highway Administration (SHA)
- \$500,000 from Frederick County Government
- \$641,000 in developer contributions

- A portion of the project will be completed with City in-house staff resources which will count toward a portion of the TEP match requirement. City staff continues to find areas to lower the project's cost.
- The remaining balance will be paid through unallocated reserve dollars and / or City-issued bonds

This project will lay the "foundation" for economic growth along Carroll Creek. We anticipate this project will be out to bid by June 1, 2012.

In conjunction with the State Highway Administration, the City is moving forward with funding the Opossumtown Pike / Thomas Johnson Drive intersection / US 15 bridge replacement project to help ease the number of current and future employees traveling in and out of Fort Detrick and the medical offices located on Thomas Johnson Drive. Fortunately, the traffic congestion is a sign of economic progress and is due to the expansion of their facilities, which will be remedied by this City and State funded improvement.

As the second busiest general aviation airport in Maryland, Frederick Municipal Airport continues to serve the greater Frederick communities ' commercial, travel and recreational needs. The City finalized construction of a \$5.3 million dollar air traffic control tower making it possible for planes to safely travel to and from our airport.

I am pleased to announce that this project is drawing to an end and air-traffic controllers will be manning the tower in the near future. In addition to this investment, the City is working toward having the Federal Aviation Administration (FAA) release a \$13.6 million grant that will cover the construction and property acquisition costs associated with the runway extension.

Frederick anticipates the tower will boost the existing 130,000 annual aviation operations to 165,000 by 2025. As a way to provide greater capacity for our growing aviation industry, we are working with Frederick County on obtaining the former Frederick Community College hangar from the County, and returning it to aviation use.

There is only one way to be successful as a community, and that is by finding ways to strengthen our local and regional economy. Frederick is a leader in the creation of new technology jobs, and job creation is the best way to help boost our economy. Our County is currently number two in Maryland in the number of new technology jobs created per capita. Over the course of the past three years, our local businesses have continued to strengthen our economy. This is demonstrated by the consistent, gradual decline in our unemployment rate. We thank our businesses for hiring more people when the opportunity presents itself. As a result, our unemployment rate is now below 6%.

As a City, we want to see growth and reinvestment happen. This will take place through the creation of new jobs, the use of local services, and by attracting employees to live in our great City. Over the next twelve months, together with the Board of Aldermen, we will start to explore the following economic development initiatives:

- We need to find ways to provide greater flexibility for small to mid-sized businesses that are trying to open their doors or expand their operations, so we have created an option that allows a business or property owner to pay their water and sewer impact fees over four years. A property owner can put 25% down and pay the rest in installments. As a former small business owner, I understand the many challenges of opening a new business and the cost to access and use water and sewer services is one of the hurdles for many folks to open their doors to customers. We are also in the process of revising the way we compute impact fees, moving away from a fixture based system to a volume based system that would track flows.
- I want to announce today that I have established an Ad Hoc Commission to come up with a proposal to help the City tackle habitually blighted and vacant properties. This 9 member Commission is currently planning their first meeting. The task set for this Commission is to come up with recommendations within 100 days after their initial meeting to address commercial properties and 240 days to address residential properties. The group will provide recommendations targeting residential blighted and vacant property issues. This review should help determine if there are other programs that may assist properties to become actively used.

- The City is aware that prolonged vacancies create many challenges for neighborhoods, including potential safety issues, aesthetics and the impact on area property values. Our office market vacancy rate is at 12%, retail is at 5% and flex/industrial space is at 18%. Our vacancy rates are declining but we can do more to turn these empty buildings and lots into productive spaces.
- We will explore the possibility of creating an Economic Development Fund that can be accessed by Frederick businesses who have successfully applied for a Maryland Department of Business and Economic Development (DBED) grant or loan guarantee that requires a local match. We want our local businesses to have the opportunity to obtain these grant or loans so they can start or expand their business here locally.
- We will look into ways to expand the One Stop Permitting Office which will allow residents and contractors the ability to obtain approvals that very day for certain residential and commercial projects. We will explore a Fast Track Permitting Process that is criteria-based and modeled after Frederick County that will allow larger projects to move through the system quickly.

Frederick is a shining star in our State and in our region. We are an economic leader because we have made and are moving forward with investments in our community. We are well positioned to be the frontrunners in our region in helping to move us out of this economic downturn. Together, the citizens and local leaders of our City have taken the first steps towards a new way of governing. The first steps are always the most difficult, but we have taken them. Now help me over the next two years to find creative ways to continue to move our City forward in a positive way. Thank you. I appreciate you coming out, and have a great day.