

**STATE OF THE CITY SPEECH**  
**MAYOR RANDY MCCLEMENT**  
Tuesday, July 31, 2012 at 11:30am.

REMARKS

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

As we enter the third year of the 60<sup>th</sup> Administration's term in office, I want to share with you our achievements and the positive direction we are moving as a community.

*As we gather together for this Administration's third State of the City address, we in City government have found ways to successfully manage the City's financial health, move carefully forward with important capital projects, expand our commercial base and maintain public safety. This is what we have done, and will continue to do, over the next one and a half years.*

A promising future is only possible through fiscal responsibility. During these challenging economic times, myself and the Board of Aldermen have strived to provide critical public services to over 65,000 residents and 3,500 businesses in our community. With the passage of the Fiscal Year 2013 budget, City officials wanted to continue to provide the same level of service while trying not to raise the tax rate.

In years past, The City of Frederick and Frederick County have worked under a tax reimbursement system known as a tax rebate. This system was set up so the City of Frederick (and all other County municipalities) would receive a direct payment from Frederick County for the cost of duplicative services the County did not have to provide to residents living in The City of Frederick.

In spring 2011, The City of Frederick and other Frederick County Municipalities began discussions with Frederick County Government on ways to improve the system. As a result of these meetings, the City and County elected to use a property tax differential for residents who reside in The City of Frederick. Under this type of plan, the County tax rate is lowered to offset the cost of services not provided by the County for City residents. As a result, City residents will directly receive the savings in County taxes and when City and County property taxes are combined, City of Frederick property owners experienced a **\$0.04 overall decrease** in property taxes while continuing to receive the same level of service.

Fiscal responsibility has been a platform embraced by the 60<sup>th</sup> Administration. In December 2011, the City had an opportunity to refinance over \$23 million worth of bonds. The City originally anticipated saving \$1.9 million, but as a result of the meeting with bond rating agencies and proceeding with refinancing, the City saved \$2.8 million over the life of the bond. The City intends on using its positive AA bond rating to obtain additional savings for the community, including the refinancing of \$13.6 million in airport improvement bonds and issuance of bonds to help fund Phase II of Carroll Creek Liner Park.

As a result of a strong positive reserve fund balance, the administration's plan to fund phase 2 of the CCLP and a willingness on the City's part to tackle long-term issues such as post-employment benefits and pension obligations, 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 global recession since the Great Depression. During a period of fiscal anxiety at the international, national and local level, with many governments receiving credit downgrades, all three credit rating agencies affirmed the City's fiscal health.

The 60th Administration continues to make efforts to not only fund, but review the City's Pension and Other Post Employment Benefit (OPEB) liabilities.

The Mayor and Board of Aldermen took the proactive step to adjust the benefit formula for the 25 year and 30 year pension plans for employees hired after June 30, 2012. After reviewing an analysis completed by the City's Actuary, the following items were changed in the 25 and 30 year pension plans: we increased Participant Contributions ... Changed the Salary Basis for calculating retirement benefits .... Changed the Retirement Age Calculation ... Reduced the benefits formula multiplier ... Increased the early retirement age ... Increased the years needed to be vested in the plan ... and lowered the cost of living cap.

The Mayor and Board continue to conduct a comprehensive review of employee and retiree benefits. Last week, the Mayor's Ad Hoc OPEB and Pension Review Committee presented their recommendations to the Board. This is just the first of many steps needed to address this important issue.

Another step taken was the establishment of the Mayor's Ad Hoc Investment Trust Committee. I asked this group of Citizen Volunteers, who have experience and background in this topic, to review our current pension trust fund and make recommendations to the Mayor and Board as to how best manage those funds.

Over a year ago the City launched a new web-site to allow the public to gain better access to City services and information. We have continued our efforts to improve the effectiveness and the delivery of public services and have expanded the performance page and tracking of taxpayer dollars for goods and services. This Administration is committed to making our internal City business as transparent as possible.

During these financially challenging times, we continue to maintain the high level of community policing we have always experienced in our City by funding and equipping 141 officers. Our proactive approach to staffing the Frederick Police Department has helped

the City go from the eighth safest community to the fifth, as published in **Sperling's Most Secure Places to Live** statistical study. During challenging times, this is not a small feat! We are also experiencing a downward trend in Part I crimes over the past twenty years while witnessing a significant increase in population growth.

One reason Frederick is an economic leader is because we have made necessary investments in our infrastructure and we continue to strive to foster a creative environment. I believe that our local businesses are well positioned to be the frontrunners in our region in helping to move us toward sustained, positive growth.

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-omatic, to Easels in Frederick, to community-based Playback Theater, our City is a hub of the creative economy.

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. The City's Bicycle Committee led the way to fund a public/private project that created a bicycle lane along Seventh Street. The committee continues to look for ways to fund the remainder of this lane that will continue to East Street. On another note, Frederick is now one of seven communities awarded funds from the Maryland Department of Transportation to begin the process of creating a bike-share pilot program and we have been awarded a bronze designation by the League of American Bicyclists towards our goal of becoming a bike friendly community.

In the FY 2013 budget, we allocated \$200,000 to fund the initial start-up cost for a bicycle/pedestrian tunnel that will allow users safe access to the East and West ends of our city, linking Baker Park to Waterford and Rock Creek Parks.

We are always looking for ways to grant fund transportation projects in our city. Just recently, the National Capital Region Transportation Planning Board (TPB) voted unanimously to approve nine projects aimed at better coordinating transportation and land-use planning in the metropolitan Washington area. With the hard work of our staff, in particular, Mr. Tim Davis, I am pleased to note that Frederick was awarded one of these grants. This grant will provide funding for the design of a trail that includes a combination of bike lanes, sidewalk upgrades, and the development of a shared use path which will provide access from residential areas to new mixed use and commercial developments. This grant allows us to take the first step in designing that project and we truly appreciate the National Capital Region Transportation Planning Boards approval of these funds. We will continue to incorporate these sustainable practices into our future capital projects.

We have witnessed the toll this recession has had on families in our City. The City has continued to play a role in mitigating this impact through the work of the Frederick Community Action Agency (FCAA). Over three summers, FCAA has provided lunchtime meals to pre-school age children, lower-income children and youth that would qualify for free or reduced price meals through the public school system. This program helps to ensure eligible children of the City gain access to nutritious food during the summer months. Since the summer of 2010, FCAA served over 31,000 meals and we are on track for another record year of serving meals at nine sites in Frederick and Walkersville.

Another exciting project is the possibility for a Downtown Hotel and meeting facility. In a report released just this month, the Maryland Stadium Authority and national hotel industry experts Crossroads Consultants / Hospitality and Gaming Solutions (HGS) confirmed that Downtown Frederick would be a great place for a full service hotel. The study was conducted at the request of The City of Frederick, using technical assistance grant funds from the Maryland Department of Housing and Community Development (DHCD). The City was acting on behalf of the Downtown Hotel Advisory Team consisting of private, community and public stakeholders. The study confirms Frederick has a growing population base with stable employment and diversified industries. Additional growth associated with recent City annexations make Frederick the place for business. The Advisory Group is releasing a Request for Information (RFI) to downtown property owners to determine if they want to be considered as a potential site for a hotel. The Hotel Advisory Group is moving forward with retaining an outside industry professional to assist in the site and developer selection process. We look forward to the day when this much needed amenity has its doors open in the heart of our City.

#### Downtown Hotel & Conference Center Fast Facts:

- 200 rooms;15,000 square feet of flexible meeting space, including a ballroom;
- Guest Amenities include a restaurant / lounge, room service, retail, pool, fitness center & business center;
- Green building design and construction;

Direct economic impact of this hotel and conference center on the local and state economy, including:

- \$25 million annually in direct economic payments, including \$9 million in personal earnings
- 280 permanent, full-time jobs will be created by the project.
- \$45 million in spending will create and maintain construction sector jobs and the purchase of materials.
- Downtown Hotel Advisory Team members: Frederick County Chamber of Commerce & Major Employers Group (Ric Adams); Tourism Council of Frederick County (John Fieseler); East Frederick Rising (Bob McCutcheon); Downtown Frederick Partnership (Kara Norman); Frederick County Business Development and Retention Division (Helen Riddle); The City of Frederick (Earl Robbins, Project Chairman), Josh Russin & Richard Griffin

The time-line is as follows; the selection of a site and development team in 2012, design and permit a facility, and develop a financing plan in 2013. Construct a facility in 2014 and open the doors in 2015. The MSA/Crossroads/HGS report may be viewed on The City of Frederick Economic Development web-site, <http://www.cityoffrederick.com/DocumentView.aspx?DID=1504>.

To help continue to lay the City's economic foundations in downtown Frederick, this Administration has made the decision to move forward with the completion of 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 \$13 million economic development, transportation and recreation project will act as a catalyst to existing and new businesses and provide additional employment opportunities to our community. The first phase of Carroll Creek Linear Park triggered redevelopment along the Creek and the second phase will produce greater opportunities for our residents and boost pedestrian traffic along The Park. As an economic generator, there is no question the Creek has spurred the creation of multiple companies and allowed others to expand, including 50 businesses that are located near the Park. We can only imagine the positive change generated with the soon to be completed Carroll Creek Linear Park. Phase II builds upon the \$16 million Phase I project and the \$60 million spent on the flood control project that has kept the flood waters of Carroll Creek at bay since construction. This project will help lay the "foundation" for economic growth along Carroll Creek and will be out to bid by fall 2012.

The City's oldest parking structure; the Church Street Parking Garage, is undergoing a temporary closure to allow for rehabilitation of the garage. By doing this we will extend the life of this facility for an additional seven years. Adding seven years to the lifespan of the Church Street garage allows the City to rebuild a sustainable fund that will pay for the future construction of a new Church Street Garage and the long anticipated Parking Deck #6 near the Visitor's Center. Both parking facilities are necessary for the continued success of Downtown and East Frederick. In August, we are launching a user oriented electronic payment parking solution which will allow residents and visitors the opportunity to make credit card payments from their phone when they park on a downtown street.

The City and the Maryland State Highway Administration have begun the \$16.7 million Motter Avenue / US 15 bridge replacement project to help ease the number of current and future employees traveling in and out of Fort Detrick, Frederick Memorial Hospital facilities and the medical offices located on Thomas Johnson Drive. This traffic congestion is a sign of economic progress and is partly due to the expansion of Ft. Detrick's facilities, and will be remedied by this City, County and State funded improvement which will be completed in 2014.

We continue to make excellent progress on the Monocacy Boulevard bridge and center section project. As a part of that project, Gas House Pike is currently being realigned and will reopen to traffic in early September. We anticipate that the new bridge that fords Carroll Creek will open the end of this year. This will allow a connection from East Patrick Street to North Market Street and Route 26.

As the second busiest airport in Maryland, Frederick Municipal Airport continues to serve the commercial, travel and recreational needs of the greater Frederick community. The \$5.3 million dollar air traffic control tower is operational and is making it possible for planes to safely travel to and from our airport. As a way to provide greater capacity for our growing aviation industry, we are releasing a Request for Proposals to aviation entities interested in leasing the former Frederick Community College (FCC) hangar, returning this facility to aviation use. I want to take this opportunity to thank the Frederick County Board of Commissioners for their participation in making this opportunity possible. In addition, the City is working toward having the Federal Aviation Administration (FAA) release millions in grants to reimburse the City for borrowing \$13.6 million to cover the construction and property acquisition costs associated with the runway extension project.

The commercial and residential communities, including members of the Neighborhood Advisory Councils 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. This newly formed 501(c) 3 group is moving forward with organizing community events and boosting the identity of the Golden Mile as a major place for business in Frederick.

Not only do we need to maintain a vibrant City today, we must also plan for the future. I believe the best way to accomplish this is find ways to strengthen our local and regional economy.

One way we are attempting to accomplish this is by moving forward with critical capital projects and putting our financial house in order. Frederick is a leader in the creation of new technology jobs. Added to that, we had the highest growth rate in number of visitors compared to any other jurisdiction in Maryland. All of this helps boost our economy. Our

County is currently number two in Maryland in the number of new technology jobs created per capita.

Also, over the course of the past four years, our local businesses have continued to strengthen our economy and this is demonstrated by the consistent, gradual decline in our unemployment rate which currently is 6%. This compares to the National rate of 8.2%. I want to take this opportunity to thank our businesses for hiring more people when the opportunity presents itself.

We must continue to find ways to facilitate greater economic growth and reinvestment in our local economy. To help do this, we have moved forward with the following initiatives:

- **Creation of the Mayor's Ad Hoc Blighted and Vacant Review Committee.** This committee, composed of residents and business leaders, was given the task of exploring national best practices, reviewing current City codes and regulations and proposed property tax incentives to tackle habitually blighted and vacant commercial and residential properties within the City. Earlier this month, the Committee provided recommendations to the Mayor and Board of Aldermen in reference to commercial properties. Based on their research the Ad Hoc Committee determined Frederick has a commercial vacancy rate of 10%. The City is aware that prolonged vacancies create many challenges for neighborhoods, including potential safety issues, aesthetics and the impact on area property values.

**We are moving forward with several of the Committee's recommendations, including:**

- The creation of a Blighted Building Database to help track maintenance code violations and build a case for future enforcement actions,
- Development of a compounding fine system for code enforcement violations so that habitual offenders with three or more building code violations within a 12 month period pay more for each violation;

- Develop and adopt a Blighted Building Property Tax, which assesses an increased city property tax rate of five times the base rate. This tax rate will apply to any property that has remained in the Blighted Buildings Database for a period of more than one year to help incentivize property owners to maintain their properties in a safe manner.
  - Provide a lien waiver for a new owner of a property deemed blighted if they agree to rehabilitate and tenant the building by submitting a renovation plan to the City and posting bonds equal to the renovation cost. This will help remove barriers to re-occupying these buildings.
  - Adopt a property receivership program, allowing the appointment of third party receivers to manage, rehabilitate, demolish, market and sell distressed commercial assets and only allow a property to move forward to receivership under the sanction of the Board of Aldermen. I view this as a "last straw" type of program. While our vacancy rates are declining, we really need to have in place as many tools as possible to help turn these empty buildings and lots into productive spaces.
- For small to mid-sized businesses that are trying to open their doors or expand their operations, 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 challenges of opening a new business and the cost to access and use water and sewer services is a hurdle for many folks to open their doors to customers. We revised the way we compute impact fees, moving away from a fixture based system to a volume based system that would track flows.
  - Established a business incentive match program that will, for the first time, allow Frederick-based companies an opportunity to receive a required local government match for State issued business grants and loans. This will allow Frederick companies to retain a competitive edge in the regional economy.
  - Establishment of a New Jobs Property Tax Credit Program. This is a performance-based credit that will award a tax credit based on expansion of a facility and the number of new, permanent full time positions created over a two year period.
  - We continue to see an interest in property owners wanting to be incorporated in The City of Frederick. Recently, two property owners have moved forward with requests to be annexed into The City of Frederick.

- To the City's north, the Crum Annexation would add an additional 252 acres of land into the City, allowing the eventual construction of four residential units per acre, pedestrian scaled neighborhoods, 30 new acres of public park land, a location for a future school site, a new water tower and combined with additional land previously annexed the Crum annexation would establish 110 acres for a future employment center.
- To the City's northwest, the Keller Annexation would add an additional 750 residential units to Frederick.
- Both of these annexations continue to concentrate planned growth around existing communities and infrastructure. The eventual development of both of these properties will continue to offer housing and employment opportunities to our community.
- The annexations are proof of Frederick's resilience as we emerge from the prolonged economic downturn.

In my opinion, The City of Frederick is truly a "jewel" in the State of Maryland. We really are where the history meets the future. I ask that together we continue to move our City forward and let everyone know that we are a community that is a growing center for innovation. We are a community where you want to come raise your family. We are a community that visitors tell their friends "you gotta go visit this place!" And most important, we truly have established that being the 2<sup>nd</sup> largest municipality in the State of Maryland does not mean we have lost our sense of community and our hometown charm.

Thank you.