

**COUNTY COUNCIL OF CECIL COUNTY
WORK SESSION MINUTES
December 11, 2018**

PRESENT: Council Members: Robert Meffley, William Coutz, Al Miller, George Patchell and Jackie Gregory; James Massey, Council Manager; Terry Hale, Council Assistant; members of the press; and members of the public.

OPEN SESSION – Elk Room

9:00 A.M. –Council President Meffley called the meeting to order at 9:00 a.m. and determined a quorum.

NOTE: Video and audio recording of this meeting is available on the County website www.ccgov.org.

Approval of Minutes

On a motion made by Councilman Coutz, seconded by Councilwoman Gregory, the Council moved to approve the minutes of the Council work session of December 4, 2018, as presented. Motion was approved unanimously.

Comprehensive Annual Financial Report FY 2018

Lisa Saxton, Finance Deputy Director, introduced Chris Lehman, Engagement Partner for SB and Company, the County's independent auditor.

Mr. Lehman reviewed the scope of services provided by SB & Company. These services include an audit of the financial statements and review of the Uniform Guidance single audit, pension plan for public service employees, non-pension post-employment benefits trust, fire protection expenditures, 911 Trust Fund, Local Management Board, National Transit Database report, Uniform Financial report, and data collection form.

On page 7 of his presentation, he stated that there were no disagreement with the financial statements, no instances of fraud, and no material weaknesses in internal controls. He further summarized that management fully cooperated, GASB 75 was fully implemented for other post-employment benefits (OPEB), net pension liability for Volunteer Length of Service Award program for \$18.5M, and there were no audit journal entries noted.

On page 10, Mr. Lehman reviewed the assessments of control environment were all effective. On page 11-12, he noted that the key processes were evaluated to be all effective. He noted on page 13, the changes in OPEB accounting to be implemented. He further stated that there was nothing negative in the required auditing communications on pages 15-18.

Council Members asked for clarification of "test of controls" and changes in OPEB accounting. When asked what should be a recommended fund balance, Mr. Lehman stated that it was dependent on management decisions.

Ms. Saxton introduced Jeff Koss, Deputy Director of Finance, and began a review of the Comprehensive Annual Financial Report FY 2018. She also provided a summary of the CAFR from which she based her remarks.

On page 1 of her report (CAFR pp. 93-94), she reported that Revenues and Transfers In of the General Fund had increased by \$13,890,761.20 as compared to the prior fiscal year. Major factors for the increase included an increase in real property tax of \$6.78M, an increase in income tax of \$1.29M, and an increase in personal property tax of \$924,882.23.

She reported that within the general fund, Expenses and Transfers Out of the General Fund increased by \$3,977,941.87. Factors for the increase included an increase of \$1M by the Board of Education and an increase of \$1M by the Public Works Department.

On page 2 of her report (CAFR pp. 93-34), she stated that revenue is shown in the same fashion as page 1 of her report, but expenditures are shown by category. The current year budget to actual shows all expenditure category are favorable. The actual amount of the fund balance increased by \$7,848,474.51.

On page 3 of her report (CAFR p. 65-66), Ms. Saxton reviewed the fund balances in the general fund and provided a definition of the fund balance categories. As of June 30, 2018, the general fund had a non-spendable balance of \$10,075,089, which included \$3,724,550 advance to motor vehicle fund, \$5,920,241 advance to wastewater fund, and \$430,298 inventory and Prepaid. There were no restricted funds.

She stated that the assigned fund balance reports \$23,788,045, which includes \$19,534,586 assigned rainy day (10% of FY19 expense budget), \$1,953,459 assigned budget stabilization (1% of FY19 revenue budget), \$450,000 assigned Volunteer Fire Company unfunded portion of FY19 vehicle budget, \$100,000 assigned Volunteer Fire Company unspent portion of FY18 vehicle budget, \$1,000,000 assigned Safe Schools (Board of Education), and \$750,000 assigned compensation and OPEB funding. There was a total of \$9,775,539 in the unassigned fund balance.

On page 4 of her report (CAFR p. 29), Ms. Saxton reported on the Landfill Enterprise Fund. Operating revenue increased by \$527,283.91, primarily due to rate increases. Operating expenditures increased by \$26,241.27. The Landfill Fund reported an operating income of \$2,523,873.57. After recording expenses for interest, it recorded an increase in net position of \$2,897,774.68.

On page 5 of her report (CAFR p. 29), Ms. Saxton reported on the Wastewater Enterprise Fund. She stated while Sales & User fee revenue increased by \$178,000 as a result of a 3% increase in rates associated with the final increase of a five-year previously approved multi-year rate plan, the overall revenue for the fund decreased by \$28,000. Even though the fund reported a reduction in operating expenses, the current system size and rate structure could not support the operating and capital costs of the fund. This activity resulted in an operating loss of \$331,830.65. After recording grants, connection fees and interest expenses, the fund recorded a negative change in net position

of \$1,386,664.42. On page 6 of her report (CAFR p. 29), Ms. Saxton reported on the Property Management Enterprise Fund, which is used for rental of building at 107 Chesapeake Blvd. The fund transferred \$180,000 to the general fund, while retaining \$25,401 to finish the year with a net position of \$64,837.

On page 7 of her report (CAFR p. 109), Ms. Saxton reported on the Internal Service Funds, which include health insurance, workers compensation, information technology and motor vehicle. The County is self-insured for their health plan and workers compensation.

She stated that the health insurance fund ended last year with \$1,057,384. FY 2017 required additional \$985,681 from the general fund. These funds, along with the increase in premiums and reduction of high dollar claims, enabled the fund to end the year with a net position of \$2,043,065. Ms. Saxton stated that the workers compensation fund ended last year with \$2,186,118. An additional \$539,002 was added to this fund. The workers compensation fund ended the year with a net position of \$2,725,120.

She stated that the motor vehicle fund ended last year with \$955,559. An addition of \$123,271 was added to this fund to reflect assets held in those funds. The motor vehicle fund ended the year with a net position of \$1,078,830.

Ms. Saxton stated that the information technology fund ended last year with \$1,644,003. There was a decrease of \$209,936, which reflects a change in assets held in those funds and unspent bond proceeds associated with capital communication project. The information technology fund ended the year with a net position of \$1,434,067.

Ms. Saxton suggested that Council Members review the management's discussion and analysis section, pages 4 to 15 of the CAFR for more details of the document.

Council Members questions and comments ensued.

Cecil County Public Schools Update

Dr. Jeff Lawson, school superintendent, update the Council regarding the 2018 Maryland school report card.

He explained that the State released the results of its first-ever report card grading system for state schools. He said that this system uses a 5-star rating system, with rankings based on academic and non-academic factors, including progress in achieving English language proficiency for English Learners, chronic absenteeism, preparation for postsecondary success, access to a well-rounded curriculum and graduation rate. He said that the new report cards were created to comply with the Every Student Succeeds Act.

Dr. Lawson provided copies of the report card for Cecil County Public Schools, which showed 3 schools with the highest five star rating, 14 schools with the four star rating, and 12 schools with the three star rating. He stated that no Cecil County schools rated two stars or one star. He discussed

the difference between the new rating system and PARCC. He also stated that CCPS will be evaluating the effectiveness of the new system and making adjustments to improve the methodology.

Council questions and comments ensued. He responded that School of Technology students generally score higher than other high schools in this rating system. He will also provide comparable statistics with other counties to the Council.

Dr. Lawson agreed to make a presentation on the second Tuesday of each month to keep the Council up to date with the school system issues. He also invited Council Members to participate in the Principal for the Day program.

State Legislative Initiatives

Al Wein, Director of Administration, provided an agenda for the annual meeting to discuss legislative requests with the Cecil County Delegation, which will be held on Friday, December 14 at 1:00 pm in the Elk Room of the County Administration Building.

Mr. Wein stated that the administration is asking for two legislative initiatives. The first request for legislation is to permit correctional officers to engage in collective bargaining.

The second request for legislation to alter the existing Special Taxing District statute to support broadband expansion. The third request for legislation is to request capital infrastructure funding for sewer infrastructure improvements at Bainbridge.

Mr. Wein also stated that the administration is advocating for the county's transportation priorities, which includes Belvidere Road interchange, toll relief, and MARC train extension. Mr. Wein also stated that the administration will be requesting changes in the used tire regulations. He also said that the administration will be requesting support to address the heroin and opioid problem.

There were no Council questions or comments.

FY 2020 Council Departmental Budget

Council Manager Massey reviewed the proposed FY 2020 Council departmental budget. The proposed budget is the same as the FY 2019 approved budget.

Councilwoman Gregory made a motion to approve the proposed FY 2020 Council department budget request of \$407,384. The motion was seconded by Councilman Coutz and approved unanimously.

2019 Council Calendar

Council Manager Massey provided the proposed 2019 Council calendar, which had been revised to schedule all seven department budget hearings at 4:30pm on Tuesday afternoon between April 2, 2019 and May 14, 2019. The Council approved the 2019 Council calendar by consensus.

Council Manager Report

Mr. Massey updated Council Members about upcoming meetings and events.

Council Member Comments

Councilman Patchell attended the Perryville Christmas street lighting ceremony and commented that it was well attended.

Councilman Miller attended the Annapolis Immersion training earlier this week and commented on his tour of the State House. He noted that the State of Maryland Seal has a farmer and fisherman on each side.

Councilman Coutz attended Annapolis Immersion training and commented on the importance of MACo in following state legislation on behalf of the counties. He also encouraged Council Members to attend the Shop With A Cop program to experience a very heartwarming experience with children who are needy. He stated that this year's event includes 108 children and 90 law enforcement officers. He also attended First Fridays in Elkton and commented on the large crowd in attendance.

Councilwoman Gregory attended the opening of the new restaurant, Tacos and Tequila, in North East. She attended the honor court for Eagle Scout James Paylor with Council President Meffley and Councilman Coutz.

Council President Meffley attended the Sheriff's Office Intel meeting and reported on an increase in overdoses and fatalities for 2018. He also attended a fundraiser for Youth Empowerment Source, which supports children and families in crisis. He also attended the holiday receptions at the town of Elkton and Cecilton. He stated that it was important for Council Members to speak with officials in the towns to keep up with issues and events.

Adjournment

Councilwoman Gregory made a motion to adjourn the meeting, which was seconded by Councilman Coutz. Council President Meffley adjourned the Council work session at 10:16 a.m.

The next Council work session will be held on Tuesday, December 18, 2018 at 9 am.

Attest:


James Massey
Council Manager

Approved:


Robert Meffley,
Council President