

COUNCIL OF TRAPPE
TRAPPE TOWN HALL
NOVEMBER 1, 2017

Council of Trappe Meeting:

President Fegel called the regular meeting to order at 7:00 pm. Council members: Nick Newnam, Tonya Pritchett, RD Diefenderfer and Walter Chase were present. Other attendees for the Town: Administrator Braband, Attorney Booth, Captain Mergenthaler and Lt. Green from Talbot County Sheriff's Department. Public Attendees: Don English, Mr. & Mrs. Charles Adams, Mr. & Mrs. Bobby Quidas, Nancy Dunn, Bo Nelson, Chris Polk – Star Democrat and Roy Geiser from TGM Group.

Amendments to the Agenda: Attorney Booth stated that she would like to add the Lakeside Special Tax District extension which will be Ordinance 6-2017 under New Business. Commissioner Chase made a motion to approve the agenda as amended. Commissioner Newnam seconded the motion. All approved.

Presentation of Minutes: Commissioner Newnam made a motion to approve the October 4, 2017 minutes as presented. Commissioner Diefenderfer seconded the motion. All approved.

Clerk's Report: Administrator Braband presented the Clerk's report, the general fund and the enterprise fund budgets that are filed in the records.

Fiscal year 2016/2017 financial report – Roy Geiser, TGM Group -

Mr. Geiser stated that this is the 3rd year that his firm has completed the Town's yearly financial report and he thanked management for having everything ready and for again making this year's audit go smoothly. Mr. Geiser stated that he wanted to highlight portions of the audit report and asked the Council to feel free to ask any questions that they may have.

Financial report highlights presented by Mr. Geiser –

Pages 3-5 are the independent auditor's report and the Town was given an unmodified report, which means that the financial statements as presented are free of any mistakes.

Page 11 shows the statement of net position for both funds. The net position is comparable to equity in a for profit business. The Town's net position is \$1,470,311 of which \$1,135,770 is capital assets.

Page 12 is the statement of activities and shows the profit and loss for both funds. The change in net position for the year is a negative \$41,832.

Page 13 is the general fund balance sheet which shows the Town's fund balance is \$214,572.

Page 15 is the profit and loss sheet for the general fund and shows an increase in the fund balance by \$22,509.

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Page 17 is the enterprise fund balance sheet. The enterprise fund is intended to operate to be self-sustaining and make a profit. The Town currently has almost \$3,000,000 in debt for the enterprise fund. The Town's net position is \$505,220.

Page 18 is the profit and loss sheet for the enterprise fund and shows an operating loss of \$32,105. The Town's interest expense was \$127,067 and the Town's net position decreased \$134,339 which leaves a net position of \$505,220.

Pages 27-29 show the Town's changes in capital assets and long-term liabilities for the year.

Audit Communications highlights –

Pages 8 and 9 show the Town's significant deficiencies and weaknesses are segregation of duties again this year. The Town has essentially 1 person doing the work of what should be 3 people. This is a foot note that most Town's the size of Trappe have. The Town has a key control in place which allows the Council to at least monthly review the Town's budgets and expenses to be sure everything is correct. The auditors state in their report that it would not be cost effective for the Town to add additional personnel to ensure complete segregation of duties in the finance department.

Page 11 shows the financial health of the Town government wide. The net position and whether it increases or decreases is a good indicator of the financial health of the Town. The Town's net position has decreased 24% in the last 4 years. The enterprise fund is largely the reason that the Town's net position has decreased. Mr. Geiser stated that the Town has made great changes in the water and sewer rate structures and commends the Council on doing so but the Council needs to continue with the changes and keep an eye on the financial health.

Page 12 shows the general fund balance level for the Town. The GFOA (Government Finance Officers Association) recommends, at a minimum, the general fund maintain unrestricted fund balance of no less than 2 months of regular general fund operating expenditures. The Town is currently at 4 months of reserves.

Page 13 shows the enterprise fund working capital level which is current assets to current liabilities and shows if the Town is going to be able to pay their bills. The GFOA recommends that the target for working capital be no less than 45 days' worth of annual operating expenses. The Town is currently at 0.

Page 14 shows the Town's operating loss which indicates that the Town's core operations (Water and Sewer services) are not profitable and that changes need to be made to either increase revenue or decrease expenses. The Town's operating loss this year is \$32,105. This is an improvement from the last 4 years but still a loss. The Town is not generating enough revenue to pay for their expenses.

Mr. Geiser stated that the Town is paying \$312,000 in debt service to be paid in 2018. After taking out the lines of credit interest the Town will be paying \$220,000 for the long term debts. Last year the Town brought in \$639,000 and already has to consider that \$220,000 is gone to pay on debt service. Mr. Geiser suggested that the Town look into refinancing the Town's long term debt. Attorney Booth stated that the Town did just refinance their 3 large loans that were originally with USDA. This refinance saved the Town over \$350,000 for the remaining life of the loans.

The Town's debt ratio should be at a minimum of 1.2 and the Town is currently in the negative.

Mr. Geiser stated to put the information simply the Town spent \$134,000 more than what they brought in for the enterprise fund and brought in \$22,000 more than what was spent in the general fund. However government wide as a whole the Town lost \$42,000.

COMMITTEE AND DEPARTMENT REPORTS

Public Works: President Fegel read Superintendent Callahan's report that is filed in the records.

Planning & Zoning: President Fegel stated that the Planning Commission will meet on November 21st.

Talbot County Sheriff's Department: Captain Mergenthaler and Lt. Green in attendance. Captain Mergenthaler stated that Lt. Green is the operation commander for Trappe and will be attending the Town Council meetings and providing a monthly report. Lt. Green provided the Council with the monthly report as follows:

October 2017 – responded for 1 theft call, 1 assault, 2 malicious destruction of property, 3 alarms, 3 suspicious persons, 2 emergency petitions, 1 check welfare, 1 suspicious vehicle, 1 assist EMS, 1 civil matter and 16 traffic stops. At this time the Sheriff's Department is issuing mostly warnings but has issued some tickets. The Sheriff's Department will be in attendance for Nace's Day and they have that event covered.

Captain Mergenthaler stated that Lt. Green has created a crime data report that will show exactly what an officer has done while they are working for Trappe. President Fegel asked if the Sheriff's Department has found any information about starting a neighborhood watch. Captain Mergenthaler stated that he would look into it.

Communications: None

Attorney Updates: Attorney Booth stated that a workshop with the Town's engineers was held on August 21st and it was discussed at that workshop the Town's need for a new well in addition to some other projects needed in Town. The Council and engineers prioritized the projects and the new well is the most important project. The Town has spent over \$117,000 in the last 2 years on repairs and scheduled tank maintenance has been put off because the tank can't be taken offline due to our inability to regulate the pressure. The engineers put together a preliminary engineering report which is a report that is an estimate of the total cost for a new well. The estimate came in at \$1,140,000.00. A grant application was submitted to USDA and instead of a grant; USDA approved the Town for a loan for \$1,140,000 at 2% for 40 years which is a quarterly payment of \$10,384. At the last meeting it was discussed to have GMB apply for grant funding with MDE for the grant cycle that closes in January. If awarded a grant the Town wouldn't be notified until at least May. However no matter what, this work needs to be done and the USDA loan is a guarantee. Attorney Booth stated that since it takes at least 14 months to design this project, put it out to bid and construct the new well that the Town go ahead and start the work to get interim financing in place so the design work can begin. If the Town gets a grant through MDE that is great but if not the Town has the USDA loan to fall back onto. Attorney Booth

stated that USDA doesn't allow access to their funds until the project is complete so the Town will have to get interim financing from a local bank to be used as a line of credit to pay the bills as the project progresses. At the end of the project the line of credit is paid off and the permanent financing is put into place. Attorney Booth stated that she has talked to Shore United Bank because they have done projects like this for other local towns and they house all of Trappe's bank accounts. Shore United has agreed to give interim financing and had previously agreed to give permanent financing at 2.6% but interim financing could be lower. Attorney Booth stated that she recommends that the Council authorize her to secure bond counsel and prepare legislation to secure interim financing for this project. Attorney Booth stated what that means is that she will come back to the Council with an Ordinance either at the December or January meeting for introduction and then to hold a public hearing at the following meeting. Attorney Booth stated that she is concerned that the Town is delaying maintenance and the Town could find themselves without water if the 2 existing wells stop working. This project will also upgrade the electric on the existing wells and create an asset for the Town. Mr. Geiser stated that he agrees with Attorney Booth and that there is grant money out there and hopefully the Town can receive some. Attorney Booth stated that due to the savings that the Town incurred with the recent refinance with the CDA there is money in the budget to cover the quarterly loan payment with USDA however the Council still needs to consider raising the water rates in July to build a reserve for other needed capital repairs and projects. Mr. Geiser stated that GMB and Shore United both do a great job with projects like this however the project could take longer than projected so it is important to not wait until May to see if the Town can get a grant with MDE. Commissioner Chase made a motion to authorize Attorney Booth to secure bond counsel and prepare legislation to secure interim financing for the well project. Commissioner Diefenderfer seconded the motion.

VOTE:

Newnam – Y Fegel – Y Pritchett – Y Diefenderfer – Y Chase – Y
All approved, motion carried.

Ordinance 6-2017 – Attorney Booth explained that in December 2006 the Town established a special tax district which is the vicinity of the Lakeside project which allows in the future a special tax to be levied to pay for the water, sewer, roads, etc. on the property owners who live in that development. This special tax has nothing to do with the rest of the Town. Before the special tax is established a study would need to be done to set a tax rate. This special tax district expires every 2 years so that requires an extension from the Council. This is the 7th extension. This Ordinance is up for introduction tonight and a public hearing would be held in December and Lakeside's Attorney Ryan Showalter will be in attendance. Attorney Booth read Ordinance 6-2017: "AN ORDINANCE SUPPLEMENTING ORDINANCE 6-2015 TO EXTEND THE TIME PERIOD FOR ISSUANCE OF THE BONDS WHICH WERE AUTHORIZED BY ORDINANCE 11-2006 PASSED ON DECEMBER 6, 2006 (THE "ORIGINAL ORDINANCE") (AS SUPPLEMENTED BY ORDINANCE 11-2007 PASSED ON NOVEMBER 7, 2007, ORDINANCE 8-2008 PASSED ON NOVEMBER 5, 2008, ORDINANCE 7-2009 PASSED ON NOVEMBER 4, 2009, ORDINANCE 8-2011 PASSED ON NOVEMBER 2, 2011 AND ORDINANCE 6-2013 PASSED ON NOVEMBER 6, 2013, AND ORDINANCE 6-2015 PASSED ON DECEMBER 2, 2015) BY THE COUNCIL OF THE TOWN OF TRAPPE (THE "TOWN"), WHICH ORIGINAL ORDINANCE, AMONG OTHER THINGS, CONFIRMED THE CREATION OF THE LAKESIDE SPECIAL TAXING DISTRICT (THE "LAKESIDE DISTRICT"); PROVIDED FOR THE CREATION OF THE LAKESIDE

SPECIAL FUND (THE “SPECIAL FUND”); PROVIDED FOR THE LEVY OF A SPECIAL TAX ON ALL REAL PROPERTY SUBJECT TO TAX WITHIN THE LAKESIDE DISTRICT; PLEDGED THE SPECIAL TAX ON REAL PROPERTY WITHIN THE LAKESIDE DISTRICT TO THE SPECIAL FUND AND PROMISED THAT THE PROCEEDS OF THE SPECIAL TAX WILL BE PAID INTO THE SPECIAL FUND; PROVIDED FOR THE USE OF MONEYS IN THE SPECIAL FUND; AUTHORIZED THE TOWN TO ENTER INTO CONSTRUCTION AND FUNDING AGREEMENTS WITH THE CURRENT OWNER OF ALL OF THE PROPERTY WITHIN THE LAKESIDE DISTRICT; MADE CERTAIN LEGISLATIVE FINDINGS, AMONG OTHERS, CONCERNING THE PUBLIC BENEFIT AND PURPOSE OF SPECIAL OBLIGATION BONDS TO BE ISSUED BY THE TOWN; AUTHORIZED AND EMPOWERED THE TOWN TO ISSUE, SELL AND DELIVER, AT ANY ONE TIME OR FROM TIME TO TIME, ITS SPECIAL OBLIGATION BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$60,000,000; PROVIDED THAT SUCH SPECIAL OBLIGATION BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION DEBT OF OR A PLEDGE OF THE TOWN’S FULL FAITH AND CREDIT OR TAXING POWERS; AUTHORIZED AND EMPOWERED THE TRAPPE TOWN COUNCIL TO ADOPT A RESOLUTION PRIOR TO THE ISSUANCE, SALE AND DELIVERY OF SUCH SPECIAL OBLIGATION BONDS, TO PRESCRIBE THE RATE OR RATES OF INTEREST SUCH SPECIAL OBLIGATION BONDS ARE TO BEAR, THE FORM, TENOR, TERMS AND CONDITIONS OF AND SECURITY FOR SUCH SPECIAL OBLIGATION BONDS, AND TO PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE VARIOUS OTHER MATTERS, DETAILS, DOCUMENTS AND PROCEDURES IN CONNECTION WITH THE AUTHORIZATION, ISSUANCE, SECURITY, SALE AND PAYMENT FOR SUCH SPECIAL OBLIGATION BONDS; AND GENERALLY PROVIDED FOR THE FINANCING OF PUBLIC INFRASTRUCTURE IMPROVEMENTS WITHIN AND OUTSIDE THE LAKESIDE DISTRICT AND FOR THE IMPOSITION AND LEVY OF A SPECIAL TAX AND THE ISSUANCE OF SPECIAL OBLIGATION BONDS, ALL IN ACCORDANCE WITH THE LOCAL GOVERNMENT ARTICLE, § 21-401, ET. SEQ., OF THE ANNOTATED CODE OF MARYLAND, AS AMENDED”. Commissioner Newnam made a motion to introduce Ordinance 6-2017. Commissioner Diefenderfer seconded the motion.

VOTE:

Newnam – Y Fegel – Y Pritchett – Y Diefenderfer – Y Chase – Y

All approved, motion carried.

A public hearing will be held on December 6, 2017 at 6:45 pm.

Executive session: An executive session was held on October 4, 2017 to discuss a personnel matter and to obtain legal advice.

ORDER OF BUSINESS BEFORE THE COUNCIL

Resolution 3-2017 – A Resolution of the Council of Trappe adopting the Assistant Clerk/Assistant Planner job description was read by President Fegel. Commissioner Pritchett made a motion to adopt Resolution 3-2017. Commissioner Newnam seconded the motion.

VOTE:

Newnam – Y Fegel – Y Pritchett – Y Diefenderfer – Y Chase – Y

All approved, motion carried.

Other Business:

Rt. 565 sidewalk update – Administrator Braband stated that she was contacted by the new project manager for SHA with the cost estimate for the right-of-ways and easements and the cost estimate came in at \$375,000.00 which would be the Town’s responsibility. SHA is now asking the Town to enter into an agreement to obtain all right-of-ways and assume the financial responsibility to do so. Administrator Braband stated that she explained to SHA that the Town did not have the funds to obtain the right-of-ways at this time. SHA stated that they could put the project on hold until the Town was in a financial position to obtain the right-of-ways. Administrator Braband suggested to the Council that they schedule a meeting with SHA and discuss the project and try to negotiate with the property owners for the right-of-ways. President Fegel stated that the project is needed as it is a safety issue and the Town lost a grant through Safe Routes to school due to no connectivity. Administrator Braband stated that SHA has agreed to fund the design and construction so that is a huge savings to the Town. Attorney Booth stated that the Town had a large sidewalk project years ago and all the property owners consented to give the property to the Town therefore there was no cost to the Town. Mr. English stated that Edgar Harrison went door to door and everyone agreed to give the property to the Town. Commissioner Newnam made a motion to not enter into the agreement with SHA at this time but the Council would like to schedule a meeting with SHA and discuss the project. Commissioner Chase seconded the motion.

VOTE:

Newnam – Y Fegel – Y Pritchett – Y Diefenderfer – Y Chase – Y
All approved, motion carried.

Public Questions/Comments:

Chris Polk – Star Democrat – Ms. Polk asked about the Town planner position and if there was still a Town planner? President Fegel stated that the position has been changed and expanded and the Town has advertised for the new position. Attorney Booth stated that Lakeside is still paying for the position as per the DRRRA.

Announcements: President Fegel read the announcements.

Executive session: None requested.

There being no further business to discuss, Commissioner Newnam made a motion at 8:05 pm to conclude the meeting. Commissioner Diefenderfer seconded the motion and it was unanimously approved.

Respectfully submitted,
Erin Braband, Town Administrator/Clerk