

Open Work Session

Fiscal Year 2018 Budget

Tri-County Council for the Lower Eastern Shore of Maryland – Contingency Funding Request

March 20, 2018

Mr. Brad Bellacicco, Transit Director, and Mike Pennington, Executive Director of Tri-County Council, came before Council. Mr. Pennington said every year they submit two budget requests to Council, one for operational funds, and one for capital funds. He said he believes what happened was the two figures were put together as one figure, and he thinks that led to some confusion about what they were asking for. He said, in the original budget request, there was a \$52,000 line item for capital to help with construction and the purchase of vehicles at their facility, and, in the ensuing activities, that was taken away. He said they now have the construction ongoing, and they have additional funds available from Maryland Transit Administration (MTA) to help pay for the construction, but there is a requirement for local match, and this transfer would help them match those funds. Mr. Joe Holloway said he remembers this, and Mr. Strausburg, Director of Administration, said to take it out, to which Mr. Cannon responded, yes, exactly. Mr. Kilmer said Council had asked about that. Mr. Pennington said he fully understands what happened, but, again, he just wanted to clarify how it went down. He clarified, they had two separate requests, one for capital, and one for operational, and, again, he thinks it got rolled into one fund, so it made it a little confusing, he believes. He said, again, he is not really party to that side of the conversation.

Mr. Joe Holloway said he has a question about the Lower Shore Revolving Loan Fund through Worcester County that was made for \$100,000. He said he thought when they did something at Tri-County Council, they did it for all three Counties. He then asked why that was done just for Worcester County, and not the other Counties, to which Mr. Cannon responded, he will drop in on that, and he suggested they have that conversation at the next Tri-County Council Meeting because that is a critical issue. Mr. Joe Holloway said he does not go to Tri-County Council meetings, to which Mr. Cannon responded, he could attend. Mr. Joe Holloway said they are talking about Council giving money from contingency, but he is looking at why this money was given. He said he realizes Mr. Cannon is on the Board, but he is wondering why they do that when it is supposed to be done three ways, to which Mr. Pennington responded, if they want to get into the three-way thing, there are a whole variety of programs Tri-County Council funds. He said they have allocations from the different Counties, but this specific program, as he has explained to Tri-County Council when they have their meetings, as well as all of the economic development folks in the three Counties, was an attempt to replace a revolving loan program that was terminated down at UMES. He said they have been working on it for a year and a half. He said they had some funds available originally from the State of Maryland Video Lottery Terminal Fund. He said, in the FY17 budget, those funds were removed, so there were no funds available to replace that loan fund. He said working with the Maryland Department of Commerce they identified that some money had been put aside to help with loan funds in the three Counties. He said they put \$100,000 aside for Wicomico County, \$100,000 aside for Somerset County, and \$100,000 for Worcester County. He said Wicomico County applied for and got their \$100,000. He said, in Worcester County, they worked with the Economic Development folks there, and they felt like they did not want to set up the fund, but they would allow Tri-County Council to have those funds on their behalf with the following idea, which he will explain using the analogy he has used before. He continued, when someone tries to get their first credit card, they cannot get a credit card because they do not have credit, and they cannot get credit because they do not have a credit card. He said they have been applying to a variety of agencies, the USDA, the Maryland Department of Commerce, the DHCD, and all of these programs, basically, ask what

funds they have now. He said this gave them an opportunity to seed their fund. He said, since the grant was \$100,000 for Worcester County, the funds do need to be used in Worcester County, but the funds will be granted to the Tri-County Council so they can now use those funds for match. He said, as a matter of fact, right now they are working on an application with DHCD for \$250,000 that they can now use to expand the fund, and those funds can be used anywhere. Mr. Joe Holloway asked if he is telling him that no Wicomico County tax dollars are part of this \$100,000 that is going to Worcester County, to which Mr. Pennington responded, that is correct. Mr. Cannon asked if there was any required match, to which Mr. Pennington responded, there was a match requirement. Mr. Cannon asked if that was on the part of all three Counties, to which Mr. Pennington responded, no, the required match came from Tri-County Council. He said those are funds they have been able to accumulate through administration, fees they have served for other programs, or other funds they have available to use for wherever Tri-County Council can determine the best use of these funds. Mr. Cannon said this is something he and Mr. Pennington talked about, and he forgot that Mr. Joe Holloway does not attend those meetings and is not on that Board. Mr. Joe Holloway said the other problem he has is where they hold their meetings. He said he does not agree with the way they have them at high-end restaurants, to which Mr. Pennington responded, he is aware of that. Mr. Joe Holloway said they still have them there anyway, and they should spend the taxpayers' dollars a lot more frugally than that. Mr. Pennington said he appreciates that, but they like to make the contributions to local businesses, to which Mr. Joe Holloway responded, there is a Hardees down there. Mr. Pennington said, if Hardees has a private meeting room where they could hold the meetings, he would look into it. Mr. Cannon said this is something he and Mr. Pennington have talked about that they are going to have on the Agenda because it was a concern, and Mr. Dave Ryan had expressed some real concerns with it. He said he does not know if it is going to come up in the next meeting because he does not know if he is even going to be at the next meeting as he may have a conflict.

Mr. Kilmer said these funds were requested as part of the budget, and Council cut it and took it out. He said now it is being said that since that time there has been a new development which provides the basis for this request, and now they are asking for the same amount of money. He then asked if there was no basis for the request when it was originally asked, to which Mr. Pennington responded, they use the capital grant to match a variety of programs. He said they have a capital maintenance fund they get from MTA, and they also get capital funds to purchase buses. He said, originally, this money would have been used in the capital purchase for buses, so that is what the original request was for. He said, in the interim, because of the fact they are working off numbers that are five years old for their original program grant funds from MTA for the construction, their bids have come in over that. He said MTA has agreed to redirect some of the funds they would have been able to use for buses to go to this construction. He said they may have been able to defer the bus capital until next year, so maybe they could have tried to get the match next year for that. He said the original request was to match funds to purchase buses. He said MTA, because of the cost of the construction project, has redirected that money to allow them to finish the construction project. He said the construction project cannot be put off as they are already in that phase. He said, for the bus purchase, what the original use of the funds would have been for they can now defer until next year. He clarified, once they get that grant, they can carry that over. He said now that they have this construction project ongoing, they need this match to come up with to match the funds that MTA has redirected from bus capital to construction. Mr. Kilmer asked if there is any other way for them to cover that in their current approved budget, to which Mr. Bellacicco responded, reducing service would be the only place where they have that kind of slack. Mr. Kilmer asked how much they need for the match. He asked if \$2,345 is exactly what they need, to which Mr. Pennington responded, they just used that number, but they need at least \$50,000 because it is a \$500,000 move of funds from MTA, and they require a 10 percent local match. Mr. Joe Holloway said

reducing service would not be the only way, as they could up the bus fares, and that could make up the difference too, to which Mr. Bellacicco responded, yes, they could, though they are right in line with the highest fares in the State. Mr. Joe Holloway asked if they have any competition locally, to which Mr. Cannon responded, he thinks Mr. Bellacicco is doing a good job in trying to cut down. Mr. Cannon said he has been to several of the public hearings they have had over the years where they have had to change the routes, and try to do whatever they could to cut costs and still maintain some efficiency, and he thinks he has done a pretty good job of it. He said he knows there was one year where they actually went through a rather lengthy process of actually handing out cards and getting input from people as far who they were, where they were traveling, and whether it was work related or not, and it was quite an in-depth study on that, he thinks. Mr. Bellacicco said, with funding from the MPO, they were able to do that study with a professional company, and it provided a lot of important information. He said 58 percent of their ridership do not own a car, and do not have any other way to get around.

Mr. Cannon asked where this will go from here, to which Mrs. Hurley responded, they have not received the County Executive's recommendation for the contingency transfer yet, and she thinks Mr. Weston Young, perhaps, can speak on that today. She clarified, they have received the Wor-Wic request, so that request will definitely come back before Council for formal consideration. She then asked Mr. Young if the Executive is on board with this, to which Mr. Young responded, he will follow up and see where that endorsement is. Mr. Cannon asked why they are spinning their wheels in a Work Session if it does not have an endorsement. He said the whole idea from the beginning was that they were going to address both of these at the same time since they both involve the budget from last year, and that was the whole purpose. Mr. Cannon said he really does not understand why there is not an endorsement, to which Mrs. Hurley responded, when she spoke to Mr. Strausburg, he thought Administration was on board, but she has not spoken to him recently. Mr. Joe Holloway said Mr. Strausburg was the one who requested the funding be cut anyway, to which Mr. Cannon responded, he did not request it be cut. He clarified, Mr. Strausburg just said it was an oversight, and it was not needed. Mr. Cannon said it was a mathematical error that Mr. Strausburg misinterpreted when he reviewed it, and he told Council to take it out, and it was a misstep. He said that is why he does not understand why they are dragging their feet on this. Mr. Bellacicco said he would like to point out that originally they asked for \$436,000 as their operating match. He said the County Executive then reduced that by \$52,000. He said they asked for \$120,000 for capital match, and the Executive reduced that to \$52,000. He said he thinks that is where the confusion came in because the reduction was \$52,000, and their new number for the capital match was \$52,000. There was no further discussion.

Signatures on next page

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John T. Cannon, President



Larry W. Dodd, Vice President, District 3



Ernest F. Davis, District 1



Marc Kilmer, District 2

_____ absent _____

John B. Hall, District 4



Joe Holloway, District 5

_____ Matt Holloway, At-Large



Laura Hurley, Council Administrator