

CITY COUNCIL STANDING COMMITTEE
Special Budget & Finance Committee
Monday, April 11, 2011 – 7:10 p.m.
1st Fl. Council Conference Room – City Hall
-- Minutes --

Present: Chair, Councilor Steven Curcuru; Vice Chair, Councilor Paul McGeary; Councilor Jacqueline Hardy

Absent: None.

Also Present: Councilor Tobey; Councilor Verga; Councilor Theken; Linda T. Lowe; Jim Duggan; Attorney Suzanne Egan; Jeff Towne; Douglas MacArthur

The meeting was called to order at 7:10 p.m.

1. Administration's Proposal re: Early Retirement Incentive to City Employees

Jim Duggan, CAO explained before the Committee was the Administration's supplemental appropriation request for \$90,000 to help support an early retirement program recently offered to all City employees. City Auditor, Kenny Costa alerted them that Council approval was required. There were a number of outstanding issues yet to be answered out of their control such as health insurance costs and any concessions by the union; and local aid numbers [when released by the State]. He expressed this was element in order to close the budget gap the City is facing, which he related was the toughest he'd seen in his 23 years in municipal government. There is nothing in ordinary; and so they're looking at everything. **Councilor Hardy** noted she forwarded a number of questions via email to the Administration with a copy to all the Councilors and asked for them to be responded to at this meeting.

[NOTE: All italicized portions of these minutes are the actual questions advanced to the Administration by City Council President Hardy.]

Mr. Duggan noted receipt of the questions from President Hardy and would address them during this meeting. President Hardy requested the Chair of the Gloucester Contributory Retirement Board be present at this meeting to address the impact of the proposal on the local retirement system. And Mr. Duggan recognized Douglas MacArthur of the Gloucester Contributory Retirement Board as being present.

Mr. MacArthur stated there is no impact on them. They have a funding schedule and an actuary done. If five or ten people participate, it is all calculated in. He gave the example of a DPW worker who is going sooner rather than staying longer believing the payout to be minor. He noted a person from the Police Department has 11 years service and is of age. Another DPW worker who has many years of service but doesn't have the age is going out with a lower percentage. There is a clerical worker with 15 years of service but not of age who is also going out at a lower percentage. He reiterated there is no impact on the pension system because all these pensions were calculated out. The appropriation will not go up but remain status quo.

Mr. Towne stated if people retire earlier in terms of years of service it does save the City funds (theoretically) "in the long run" which **Mr. MacArthur** agreed with noting they are going out with a lesser percent rather than staying their full term at a greater percent. Those individuals would be looked at as a savings at the next actuary in three years. **Mr. MacArthur** continued if a person retires and comes back and works for the City, they are limited to only working 960 hours. As another example, if they were making \$50,000 and went out with \$40,000 as a pension, they can only make \$10,000 off the 960 hours. If they over earn, every dollar over that \$10,000 comes back not to retirement but to the City Treasurer who monitors the situation. As to benefits of these City employees taking the incentive program, some of them are paying into the system 5%. All new hires are coming in at 9% +2%. That same new person at \$50,000, they're paying \$5,050 (approximately \$3,000 more than the person just retired) into the pension system which he felt was a benefit to the system. He also noted what the City is offering is a bonus to go. Nothing is tied in like an early retirement. An early retirement under the

retirement law passed that they would give them time and service and time and age; but they had to take all their deductions (vacation, sick leave, etc.) and go to retirement. The City is not offering that. The City is offering a \$9,000 incentive (to go) which is completely different than early retirement. The alternative had too many constraints. He, Mr. Towne and Mr. Bain (Personnel Director) determined this was best after discussions on the matter. If they did early retirement, they would have had to do calculations, and documentation to send to the State for approval that if you retired, for example, the current City Clerk, you could not fully fund that position; the first year would be at, say 45%.

Councilor Hardy noted they hadn't filed by a deadline regardless. Mr. MacArthur stated there was no deadline. It was a period when they could do it.

Councilor McGeary inquired if this was a "resignation bonus" as opposed to an early retirement.

Suzanne Egan, City Solicitor stated it is retirement incentive to the extent that the employee has to file the notice of intent to retire. That limits the City's liability for any unemployment benefits. They're not just saying leave employment, rather it is more come and tell them you'll retire at this moment; then they know they won't have to pay unemployment benefits because they'll be within the retirement system. There are no retirement benefits that are being offered.

Councilor McGeary since they are retiring he wondered if they have to take their pension.

Attorney Egan responded they do have to file a notice of intent to retire; and they will also sign a statement with the Personnel Department saying they are intending to retire.

Mr. Duggan noted the Notice of Intent paperwork which **Councilor Tobey** read into the record as follows: "I _____, an employee of the City of Gloucester by signing this document acknowledge it is my intent to retire from my position with the City of Gloucester and further acknowledge that my employment shall cease as of April 22, 2011. I state that I am taking advantage of an early retirement incentive which will result in my being paid the sum of \$9,000 for retiring from my position on April 22, 2011 and that I take this action voluntarily without coercion of any kind. Date: _____ Signature: _____ Witness: _____."

Councilor McGeary noted that the language does not specifically state that they intend to file for their pension; it says they intend to retire. He inquired if that was implicit in that statement.

Attorney Egan responded, "Yes".

Councilor Hardy made note of a past practice whereby the City had offered \$10,000 if employees retired, signed a letter and a person who did this also received unemployment insurance. She asked if this wording was different to preclude this kind of situation repeating itself.

Attorney Egan affirmed that and noted she thought the situation there was the person wasn't intending to retire but wasn't sure of the particulars. In this year's program it requires the employee to file their intention with the retirement system. She believed that to have been a different situation.

Mr. Towne added when they spoke about this program, they constructed it in order to avert that kind of situation again. They didn't want anyone to take advantage of this program and not retire.

Attorney Egan also added that was not their focus. Their focus was not in that particular situation there were people who took the incentive. Their focus was not to ensure that they actually filed their retirement papers. But now it is. They have learned from the past and want to make sure that type of situation does not happen again.

Councilor Hardy stated there are four City employees interested now.

Mr. Duggan confirmed that noting there were also more inquiries.

Councilor Hardy wondered were any of these folks mandated by City, State or Federal law to have their positions backfilled.

Mr. Duggan stated, "No."

Councilor Tobey asked what assurances are there that six months from now they won't go back and decide they need a particular position.

Mr. Duggan responded it is decided on a case by case basis. They'll look at local aid when they have the final numbers, the total number of retirements, and any other insurance concessions.

Mr. Towne stated they'll know Wednesday (April 13th) what the local aid figures are from the State and is the only piece that is missing the Administration is not comfortable with at this time.

Councilor Tobey asked that in the best case analysis versus expenditure projections, departmental requests - how big is the gap.

Mr. Towne responded they started at \$3.6 million for the gap and have been working on that.

Councilor Tobey again asked what assurance won't be back in six months because of a DPW labor position retires and the City decides they want them back after all. **Mr. Duggan** stated, "No." It will be done on a case-by-case basis. **Councilor Tobey** rejoined why do this [incentive program] at all then. **Mr. Duggan** added there were no guarantees they're going to backfill. They are going to try and maintain City services. Although he noted before they get to that point of backfilling a particular position, the argument has to be put forward by the department head and that they have the revenue/funding to do it.

Councilor Curcuru asked what was their projected goal for this incentive program.

Mr. Towne responded it was 10 to 11 City employees; with **Councilor Curcuru** noting they were considerably short of that projection. **Mr. Towne** added this is a tough decision for many people. They have talk to their spouses; work out the numbers; check their Social Security, if they are eligible, which could be reduced. They have to speak with the Retirement Board to find out how much they'll get. If they don't get 10 employees, then it doesn't fill the gap as much. Their intention is not to really backfill anybody if possible. But he also pointed out they have to offer this program to everybody. **Councilor Tobey** inquired if they really had to offer it to everybody and wondered why they couldn't put limits to whom it is offered and does the law require it. **Attorney Egan** stated they have to treat all the employees the same; that if they didn't they would be dealing with grievances. She didn't know if the law requires it being offered to everyone, but felt the City would be spending time battling that if they didn't offer it to everyone across the board. They're trying to work to get a plan in place where they don't have to do layoffs. If they pick and choose and spend time fighting grievances with the union which costs a great deal of money and time and slows the process. Rather, they're offering it across the board, trying to cap their liability in terms of unemployment; and in terms of how employees are treated.

Mr. Towne didn't want to leave the Councilors with the impression that if they get 10 people to take this program there won't be layoffs. He expressed there may very well be layoffs. **Councilor Curcuru** commented State aid numbers, concessions on health insurance are big "ifs", along with the number of employees retiring and the possibility of layoffs still exists.

Councilor Theken commented they had mentioned one of the employees taking advantage of this program was a police officer and wondered why they would not going to have a grievance there because of short staffing. How can you say you won't fill a police position or not pay overtime?

Mr. MacArthur pointed out that no police officers have applied for this program.

Mr. Towne stated when funds are restore will positions be restored – that is a great possibility, especially those positions considered essential.

Mr. Duggan and **Councilor Theken** touched upon the School side of the issue. **Mr. Duggan** also stated when they submit the budget on May 10th it will show the cuts where they think it will be best from the City. It is still a work in progress.

Councilor Verga noted 3 to 4 years ago the schools did the early retirement but not the City side. He wondered what the liability for unemployment was to which **Mr. Towne** replied it was \$21,000 over 30 weeks. **Councilor Hardy** thought there were extended benefits in play currently, and **Mr. Towne** confirmed those extended benefits were gone now. **Mr. Duggan** stated, "according to Mary Sarris of the North Shore Workforce Investment Board (NSWIB) absolutely no extensions are permitted whatsoever," which he confirmed with her – 30 weeks only.

Mr. Duggan then returned to the list of questions submitted to the Administration previous to the meeting by noting Mr. MacArthur, Mr. Towne and General Counsel had answered, "*Will early retirees be entitled to unemployment benefits and whether or not we have funded sufficient funding in the current budget for same and what the impact will be going forward into the FY12 budget for same – keeping in mind the extended benefits that have been offered by the fed/state due to the economic situation...how long into the future will an unemployment claim (that is opened by an early retiree) be honored...are we prepared to fund it and at what cost.*" He again pointed out these retirees will not be eligible for unemployment benefits. Being part of the budget is a moot point. He reiterated the unemployment benefits are 30 weeks

only at this time which he had confirmed just a few minutes previously through NSWIB. **Councilor Hardy** pointed out it is 30 weeks now, but if the economy worsens, benefits could be reopened and extended for up to 52 weeks and extend the benefit here even further beyond that. **Mr. Towne** indicated the government pays for the next series of weeks, then the series of weeks that follow is split 50:50, in other words, 12 and then 12, he believed.

Attorney Egan added that was part of the reason they're offering this program. She reiterated the early retirement incentive program caps the City's liability agreeing there is the possibility of Councilor Hardy's scenario if there is another economic downturn which they can't control but they do have the ability to control this. **Councilor Hardy** noted these are the people who are leaving voluntarily of whom they're speaking; and that they don't have as many employees taking advantage of this program as they had hoped. **Mr. Towne** confirmed for the Councilor that the deadline was April 15th, and that it would not be extended, nor would there be any exceptions; in his opinion but it would be up to the Mayor. **Mr. MacArthur** added that he has spoken personally to 12 employees, and in some cases with their spouses as well, who have come in to speak with him and that he had discussed the matter thoroughly. As had been noted earlier, there are some who are still thinking about it. He confirmed he had four applications in hand and eight that he has yet to hear back from.

Councilor Hardy continued that at the expiration of this offer, would there situations whereby they would extend it even further. **Mr. Duggan** confirmed they would not at this time. He then read, "*Why is the City offering early buyout at a cost of \$9,000 each rather than making layoffs with no buyout offering especially considering these tough economic times and the added cost of unemployment costs to the City.*" He stated it is a \$21,000 cost to the City if they laid the people off being that much more of an impact. **Councilor McGeary** followed up regarding compensation stating these employees apply for their pension, typically taking a number of weeks or months before the pension checks start coming, and asked how long that would be. **Mr. MacArthur** stated they retire April 22nd; the first check would be May 31st. **Councilor McGeary** inquired would they then be eligible for that interim time and **Attorney Egan** responded, "No". **Mr. MacArthur** added that many times their 'close out' money carries them through to the first pension check.

Councilor Tobey asked when the \$9,000 was disbursed which **Mr. Towne** stated was on the 22nd. **Mr. MacArthur** added that when these employees see what their payout would be and look at the economy, they're fearful of going which, he felt, was hurting the Administration.

Councilor Hardy wondered if the employees knew of the service Mr. MacArthur offers to walk them through all the financial scenarios as she had not seen a group meeting such as they had done before where the program was explained. **Mr. Towne** felt they had 'put out the word' behind the scenes encouraging employees to go to the GCRB; he'd sent one of his employees to Mr. MacArthur and felt also that most people are aware of the issues from the last time a similar program was done in recent years as to the benefits, etc., and have sent people directly to Mr. MacArthur. **Mr. MacArthur** added the Administration had put this out to everybody in several different ways.

Mr. Duggan continued with the questions, "*What is the likelihood that this offering by the City will trigger a domino effect to the School Department? What would that impact be on the current and future budgets?*" He responded that the Schools have their own 'thing'. "*A difficult question – but one on the minds of many none-the-less: if this were not an election year, would the administration be offering a monetary buyout?*" **Mr. Duggan** stated they would, and that an election year has nothing to do with it. It is the fact of the budget; delivering a balanced budget to the City Council is what is driving this and trying to maintain City service as "best as financially allowed." **Mr. Towne** added this was the most effective way to save the City the most "bang for the buck" pointing out typically it is higher paid employees who have years of service and are at the top of the pay scales; and they don't pay them unemployment insurance by laying them off. If you do have a layoff, typically it is the lower end people who may get laid off because of the nature of collective bargaining and bumping rights, etc.

Councilor Tobey asked if somewhere they provided a justification of why \$90,000 (to be transferred out of free cash to a ordinary department line item) which **Mr. Towne** stated they came to that figure by 10 people at \$9,000. The Councilor followed up with inquiring about sick or vacation buyback; where does

that money come from. **Mr. Towne** replied they still have money left in vacation/sick leave buyout which was raised last year which he surmised was enough for 4.5 or 5; and they will transfer because the line item already exists. They're doing this because the line doesn't exist and DOR said they can't do it out of lag funds which is the way they did it last time. They would have to transfer more money into vacation/sick leave depending on their numbers. He pointed out it would still come through a transfer request to the Council. They have 30 days after the 22nd to make it happen. Responding to a further inquiry from **Councilor Tobey**, **Mr. Towne** noted it depends on the number of people, and how much vacation and sick leave buyout that they have as to what the second piece will look like for the vacation/sick leave buyout, and so was unable to tell it was at half right now. **Councilor McGeary** asked for a rough estimate from **Mr. Towne** who stated there was about \$50,000 left in that line item. If some AFSME people go, less vacation, and lower amounts on sick leave, he estimated they could get the 4.5. However, if they have a police officer or firefighter go, they'll have less because they have higher accumulations that they can buy back; and therefore is dependent on who goes and accounts for the fluid approach right now.

"How are other communities handling the same situation – surely there are layoffs in other communities in these tough economic times. Please be prepared to address that question by identifying the community that you have made inquires to." **Mr. Duggan** reiterated they're doing a last case scenario of layoffs, and is the last resort. The Personnel Director spoke with other communities and has not heard of any layoffs at this point. **Mr. Duggan** noted in discussions with Mayor Lange of New Bedford, they had tried furloughs with some unions instead of layoffs so people could keep their jobs, stating Mayor Lange is being sued by the unions.

Councilor Tobey commented that in terms of around the country when municipalities are being hit by similar circumstances they're doing layoffs. **Mr. Towne** agreed but commented not locally of late; but did point out two years ago Fall River laid off a large amount of their workforce with **Mr. Duggan** adding in some cases with people they had literally just hired. His research had shown that in most cases communities were resorting to layoffs as it is the only remaining factor when they've cut everything else. **Councilor Curcuru** also wondered why other communities weren't doing a similar early retirement incentive program. **Attorney Egan** responded she had spoken with the DOR, Mr. Costa's contact, and he didn't give her any specifics of other communities that had done this but was very familiar with it and noted that the City had the authority to do what they're doing, and felt she was not approaching him with something viewed as novel. **Councilor Curcuru** followed up if they do lay someone off, when they go to hire back, will that laid off employee be considered first. **Mr. Towne** believed it was a part of the collective bargaining agreement. **Attorney Egan** added that was true in some instances but felt it was important to keep in mind is to avoid that. **Councilor Curcuru** rejoined with the fact they had only four employees taking the incentive program, there was a good chance of layoffs and given the other factors previously pointed out. The Administrative team agreed that would happen, with **Attorney Egan** adding when they do go to fill those positions, those laid off would have priority; and **Councilor McGeary** confirmed this was if an employee was laid off, not if they retire. **Attorney Egan** confirmed if they do retire they're not coming back to work.

Mr. Duggan continued with the questions, *"Is this offering limited by Groups...."*, and felt they had answered that question that no, it was not. *"What is the impact on the level of services that the City will be able to provide? What should we be informing the public of in advance as to how the level of all services that they are accustomed to now will be impacted? How will this affect our quality of life?"* He responded that is asking for a more defined picture, and as he had referred to earlier, they'll know better once they have the overall picture and submit a balanced budget on May 10th. *"Specifically to the Public Safety (Police and Fire) departments, if a number of fire fighters take advantage of the buyout, which stations will be PERMANENTLY closed? Will the Police Department dispatching and response be affected as well?"* He pointed out they have to look at the number of people that take the early retirement as to what the level of services are going to be and its impact pointing again to May 10th and the balanced budget. *"Will the City consider re-hiring those who take early retirement what is the protocol for same. Will the early retirees be able to be hired in part-time capacity by the City in other departments?"* **Mr.**

Duggan stated on a part-time basis they would consider it. *“Will City Hall (and other offices in other buildings) be open to the public on the current schedule or will there be any closures until the economy returns? If so – will the administration work with the City Council to determine the best way to handle this based on the constituencies that we also serve?”* He pointed out again that this was one of the “moving targets” depending upon what they have for budget numbers. He didn’t wish to be vague, but he did not want to “set” expectations and then have them not to be true. *“If City offices are to reduce the number of hours they are open to the public, will this become a union issue?”* He referred to his previous answer. *“Is there any light at the end of the tunnel? How long does the administration expect (from what they are hearing at the state and other municipal levels) that the City will be at its bare bones?”* **Mr. Dugan** shared that the Administration expects this to go on for a long time. *“Does the Administration see further cuts in the future?”* He stated they did but that they would continue to work hard, the Council and the Administration, to expand the tax base and to encourage development in order to do that. *“What will we do if there are 9C cuts in FY12 – what will be left to cut?”* **Mr. Duggan** replied they don’t anticipate any 9C cuts in FY12 from discussions they’ve had with the Governor’s administration and is a consistent message. *“To the extent that Plan A for any aspect of the expenses arising from this program is to use Free Cash, is there a Plan B?”* He stated Plan B is more layoffs. **Councilor Tobey** inquired if there was no other potential funding source to which **Mr. Towne** responded not with the snow and ice deficit. He pointed out that even if they don’t fund it this year, its part of the FY12 budget next year. If they have, say, \$300,000 they can’t fund, they still have to raise it in FY12. **Councilor Tobey** followed up with asking why this was an appropriate use of free cash. **Mr. Towne** didn’t want to “hit” the stabilization fund and because free cash is there for supplemental appropriations and is what it is designed for, which this is. He could backfill from other places for snow and ice, and do free cash later; but because they had to come to the Council regardless, with the request to create the new line in order to transfer funds in, they thought this was the best way to do it. They could also do snow and ice through free cash and do this via other transfers; but in the end it nets out to the same bottom line result. **Councilor Tobey** wondered if he saw no limits on free cash. **Mr. Towne** did see limits on free cash pointing out he’s the first who doesn’t want to spend it. He saw free cash as being used for “emergencies only” and viewed this as an emergency; that the City was in a tough fiscal constraint for the following year. He felt it should first go towards improving their fund balance in their stabilization fund by adding \$700,000 this year; another portion was used to set up the capital projects stabilization fund at \$100,000, which was a request from the City Auditor and the B&F Committee pointing out he would have preferred not to have done that this year but understood why they wanted to do it. They wanted to start the \$10,000 OPEB Trust Fund because that was important to the bond rating agency. It is a situation where when they want to take money from free cash it should be a well planned one because that is what Moody’s and Standard & Poor’s expects them to do. **Councilor Tobey** again followed up wondering if DOR in any way revisiting the free cash number which **Mr. Towne** stated, “No.” The Councilor then commented it is secure with no threat to it and **Mr. Towne** confirmed that as well. **Councilor Hardy** added that the certified free cash for FY10 in the amount of \$1, 942,293.00 is still the same amount to which **Mr. Towne** agreed less the amount of money that has already been transferred out. He pointed out to the Councilor that number will go away June 30th as it drops to the bottom line and then they wait to the fall to recertify the free cash. **Councilor McGeary** inquired by appropriating the \$90,000 and they only get, say, 4 or 5 employees who take the early retirement incentive program, it will leave \$40,000. Did it tie up that money or was it still available for the budget year. **Mr. Towne** explained they would have to come with another transfer. The only way it could stay is with the Personnel Department. They could transfer it from one item to another without Council appropriation. If it went outside of the Personnel Department line item, then it would have to be transferred out by a vote of the City Council. Their goal would be to let it lapse; to which the Councilor noted it then falls to the bottom line and is not used in FY12, not budgeted. **Mr. Towne** added it did fall to the bottom line and becomes part of the calculation for free cash, as of June 30th for FY11. **Councilor McGeary** noted once certified it becomes available for spending in FY12. **Councilor Curcuru** asked if they get to the point of laying off, would they be using some of that money to back fill the unemployment and benefits. Would they be using the remainder of that free cash? **Mr.**

Towne noted it would have to be done via transfers which they would have to do. He gave the example if they laid off a DPW worker, they would have 8 weeks left if they did it as of May 1st. They would take their lag money to pay off their unemployment comp. Vacation/sick time would be done like they do all else. **Councilor Tobey** pointed out they'd have to appropriate that in FY12 for the layoffs they anticipate making; they'd have to recommend an appropriation to cover those costs in FY12. **Mr. Towne** agreed stating it would be part of their unemployment comp line item for FY12. They'd see the position gone and they'd also see a portion of that in unemployment comp. **Attorney Egan** reminded them this would be over a period of 30 weeks. **Mr. Towne** also added the remaining portion will pay for the vacation/sick leave buyout. He admitted it would be tough; that they had to struggle to get through FY11 and now they'll have to continue to struggle to get through FY12 for the cuts they have to make. He conjectured that some of the City offices will have to have down time to deal with public.

Councilor Tobey asked if the School Department is going to do layoffs, from whose budget is that unemployment comp paid which **Mr. Towne** stated it was out of the School Department budget.

Councilor Tobey commented the schools will have to adjust their budget if what they ask for isn't covered by what the Mayor states and layoffs become necessary.

Councilor Curcuru inquired as to the percentage of what personnel was in the budget which **Mr. Towne** thought it to be about 50% to 55%. He pointed to cherry sheet assessments; pension which is \$5.2 million, and figuring in the Charter School; tying in benefits, he believed it to be about \$20 million of the total budget. He did point out in most communities it was 65% to 75% for personnel. Referring to pensions, **Councilor Tobey** noted they have no discretion as to that and can't cut those lines. **Mr. Towne** added some count pensions as personnel benefits and others don't.

Mr. Duggan continued with, *"Last time people took the buyout even though they had a couple of months to go, and it was also given to people who had to be replaced. This only works if it is an incentive to replace people at the top of the scale by people on the bottom, or for positions that will, at least for a while, not be filled."* He noted as to people being replaced it would be done on a case-by-case basis. The last time they offered this they had about 24 people who took it and thought they filled 4 or 5 on the public safety positions. *"Why are we offering this proposal across the board to employees who we MUST backfill according to law?"* Believing they had touched upon this previously, they can't pick and choose who to offer this to. **Councilor Hardy** stated they'd have to treat all employees equally. **Attorney Egan** stated, "Yes". **Councilor Tobey** interjected they were saying that for practical reasons which **Attorney Egan** agreed with because it would open up so much controversy and so many issues particularly if they're offering an early retirement; if you pick and choose who to offer it to, there are liability issues. **Councilor Hardy** followed up didn't they treat everyone equally regardless, and **Attorney Egan** again responded, "Yes". **Councilor Hardy** felt that was their goal that they don't intentionally exclude anybody from a grouping with **Attorney Egan** in assent to the Councilor's comment also.

"Where there any lasting benefits to the City resulting from the last time we offered early retirement? What were they?" **Mr. Duggan** in looking back at the ratio where they actually filled, salaries, health insurance, and other benefits, those, he believed were the "clear benefits" to help close a gap there.

Councilor Tobey inquired if David Bain had done that analysis; had he looked at the positions that were vacated in the last round to see what history has shown. **Mr. Duggan** responded not in a micro-manner. Rather, he looked at who took it and confirmed the backfill numbers previously noted and that there were 4 or 5 that had been rehired. He informed the Councilor Mr. Bain would not be at the City Council meeting the following evening. *"If a similar plan is offered by the School Department, how will it be funded?"* **Mr. Duggan** noted they'd touched upon this earlier. *"The Administration is indicating that the payout of the sick leave and vacation buybacks will be disbursed as well – who does the City disburse those funds to? Past practice shows that the City has reimbursed the employees for their sick leave and vacation buybacks. Have we done this properly in the past or is the City required by law to disburse any of the sick leave and vacation buybacks to the Gloucester Contributory Retirement Board? Please cite the applicable statutory law"* **Mr. Towne** noted this had been covered earlier. **Councilor Hardy** commented they had done it correctly in the past.

Councilor Tobey asked on the City side, how many General Fund hires or promotions have there been since January 1st and would need that information from Mr. Duggan for the next evening's regularly scheduled City Council meeting. He noted during the Mayor's State of the City address, the question was specifically raised why they were still advertising positions and shouldn't they be stopped. **Councilor Hardy** also noted there has been some discussion about the Administration looking at a certain pay grade of people and upping their pay grade to the next highest step, from 8's to 9's, known as reclassification. How could they as City Councilors with one hand say they're giving people an early buyout of \$9,000 and at the same time offer other people who are staying increases in their pay; how do they justify that to their constituents.

Mr. Duggan responded it was going to be more of a burden on the people who remain that have been ignored for years. He believed it would be a matter of much more responsibility; more stressful; and they need to be able to retain those people as the City values their employees. In some point in time they want also to be able to attract new strong professionally qualified employees. **Councilor Hardy** citing the changing of employees from M8's become M9's noted there could be a bumping process under those conditions. **Mr. Duggan** pointed out they are not in unions. **Councilor Tobey** believed the Councilor was referring to compensation and bumping in terms of equity. **Councilor Hardy** thought that was not a fair situation. **Mr. Duggan** noted they have been looking at managers across the board over the last 10-12 months. **Councilor Verga** thought it was time to put a halt to that practice. People left behind will be burdened with work, but people who just got asked to leave would have gladly stayed at their regular pay rate. **Mr. Duggan** noted they're examining everything and would be under separate cover to reclassify some of the managers and freezing potential raises for FY12 until the team feels more comfortable to be in a position where there is leeway and then introduce some of those reclassification raises.

Councilor Tobey commented upon the fact they'd be diminishing services because of these layoffs, it would seem that is the target of their efforts; that they would be backfilling for those services first. He also inquired who this team was. Mr. Duggan responded it is the Administration's leadership team comprised of him, Mr. Towne, the Mayor, Mr. Bain and Attorney Egan who meet to discuss pertinent issues. **Councilor Tobey** expressed he wouldn't give that license as a Councilor to a team that doesn't include the Council. **Councilor Hardy** would rather see the team put that aside until the money is there, and then they'd discuss it. **Mr. Duggan** commented it will come forward to the Council, and they could vote it up or down.

Councilor Tobey made note of the proposed DPW reorganization plan and its budget implications.

Mr. Duggan and **Mr. Towne** noted the reorganization would be reflected in the FY12 budget and fully budgeted, and that budget hasn't finalized yet.

Councilor Hardy referred to the original schedule submitted to the Council in the Mayor's Report from November 22, 2010 showing the amounts of money from free cash and where the Mayor wanted to see it go to. Noting there were many line items, she asked where they were targeting the \$90,000 to come out of free cash. **Mr. Towne** remarked there was a line item, "fund balance retention" (\$500,000) where it would come from.

[Mr. MacArthur left the meeting at 8:15 p.m.]

Councilor Hardy reminded the Councilors that some time ago they had the police contract in front of them which they funded out of free cash (\$51,000) to settle the patrolmen's contract. Part of the Mayor's transfers to be forthcoming was \$25,293 to be reserved for City Council appropriation which was still before the B&F and needs to come back to the B&F Committee so it doesn't fall to the bottom line. The Committee scheduled it to return to their agenda at their April 21st regularly scheduled meeting.

Mr. Towne added that for every person they don't get [to take the early retirement incentive program] there are two people leaving cautioning that is the likely reality. **Councilor Curcuro** wondered if Mr. Towne was being overly cautious. **Mr. Duggan** stated an empathic "no." In a meeting with State Speaker DeLeo, they were told the cuts [in local aid] would not get any worse, but it wouldn't get any better. **Mr. Towne** stated their whole funding scenario has a great deal of "what ifs". **Councilor Curcuro** commented in the health care negotiations if they were going to save something, it wouldn't be significant although it could save a few jobs. Both **Mr. Duggan** and **Mr. Towne** agreed with the

Councilor, and **Mr. Towne** commented that was why they were pushing hard for it on the City side. If they don't do this, he believed their employees may end up in GIC by the Governor's signing it into law. **Councilor Hardy** expressed that her biggest issue has been how does she justify to the people she represents, that she is going to give some people \$9,000 to retire early knowing there are adjustments coming through to other employees in the future. She also believed these to be two separate actions. **Mr. Duggan** stated it will be a separate submittal for the Council to vote with **Councilor Tobey** adding it would be an amendment to the personnel ordinance. **Mr. Duggan** continued they'll have the 30 day window; and this will freeze any potential increases moving forward until they feel it is an appropriate time to release that and reiterated it was a separate issue. **Mr. Towne** added they get to vote on both. **Councilor Hardy** also reiterated if motion passes and they don't use all of the \$90,000 it falls to bottom line or they can vote for a transfer. Mr. Towne responded the goal not to touch stabilization fund and believed they'd all agree they have a good rainy day fund established.

Councilor McGeary observed the stabilization fund was a rainy day fund, and it is raining. He would look hard at 'raiding' the \$700,000 in order to save some jobs which provide services to the City; and felt that is something the Mayor should consider in formulating her FY12 budget. He agreed with the sentiment and goal, that it was important for the City to be on a solid fiscal footing, "but it is raining."

Mr. Duggan agreed but last case scenario is layoffs with Mayor Kirk. She is adamant that they're not touching the stabilization fund and need to build it up and be disciplined to do so.

Councilor McGeary felt they were, but perhaps not at the rate it has been proposed noting the situation and circumstances change.

Councilor Hardy wondered why Gloucester appeared to be the only community that is doing this.

Mr. Duggan replied other communities are going into their stabilization funds and laying off in the next fiscal year unlike Gloucester and Mr. Towne noted those communities will likely lay off effective July 1st.

Councilor Hardy noted she wasn't in favor of this earlier but the difference between the \$21,000 in the unemployment and the \$9,000 on the buyout with **Councilor Tobey** adding only if the assurances he had asked about were provided, but they have no assurances. If someone leaves, if they won't stay, that their position won't be filled; and **Councilor Hardy** continued by also adding and that they aren't entitled to unemployment.

Mr. Towne stated they won't be able to balance the budget unless they have enough people that are out of the budget. They need to reduce the amount of the staff in the budget to balance the budget which is the overall intent. If they don't do it through this, it has to be done "by some other means."

Councilor Tobey reminded the Committee when the Police Department's capacity to generate revenues it was owed was a poor situation with regards to outside details and was a drag on the general fund. They brought in a financial manager. That situation was resolved and the overall Police and Fire Department budgets turned around. He cautioned if they lose that they'll be in some difficulty. It is not strategic to eliminate a position that is revenue generating; and so rather, it should be replaced, and asked then why would they do that. **Councilor Curcuru** commented they can't prevent a person from leaving and **Mr. Towne** stated they can't single anyone out. **Councilor McGeary** pointed out they can't craft it for one person. **Attorney Egan** noted a new person who comes in costs the City less. **Councilor Tobey** added that won't be effective in reality because they shouldn't be hiring anyone back.

Mr. Duggan pointed out for every person who doesn't take this early retirement two people lose their job. They'll do it all at once. He and **Councilor Tobey** discussed this further regarding the timing of layoffs in the City. Mr. Duggan stated a strategic plan will be in place first and then it will be done feeling that the laying off of personnel piecemeal degrades the work environment. Doing it all at once was the preference. **Mr. Towne** noted bumping will also be done at one time as well and is a big factor. They are literally waiting for State aid numbers and health insurance. When they know they aren't happening they'll move quickly. Last year they had the numbers March 15th. This year it is very late at which **Councilor Tobey** expressed his ire with the State for being so late because of the issues is causing. They also touched upon the discussions with the departments and giving them the worst case scenario.

Councilor Hardy asked for some degree of confidence that the letter of intent to retire precludes employees from getting unemployment insurance.

Attorney Egan related they would fight it. She pointed out the process now is not the same as it was previously. Now people who do apply for unemployment under these kinds of circumstances are denied. While she was unable to guarantee anything, they're having a good track record right now with regards to denials. With all this documentation they will fight any applications for unemployment insurance and expressed confidence. **Councilor Hardy** asked if they would fight them all if they think they shouldn't be getting unemployment benefits. **Attorney Egan** commented it is not her decision, but when it comes to her she does [take action]. It comes to the Legal Department through the Personnel Department. **Mr. Towne** stated he looks at them now also.

Councilor Hardy then expressed concern that they won't have enough people to get to \$90,000 to the point where if after the close date some decide that they want to 'get in', and there is a surplus in the line item, they [the Administration] will see it available to them and have the ability to offer it to them. She stated she was taking their word that it is only being given to those who sign the paperwork by the April 15th deadline. **Mr. Duggan** assured they've done enough outreach through the Personnel office, through Mr. MacArthur's office, through Mr. Towne's office of making this available, having been very vocal all through the process. **Mr. Towne** stated if it is any longer than that date it doesn't work because they can't take advantage of the lag funds. **Councilor Hardy** also noted concern that employees could get the \$9,000 and unemployment; but again would also take the Administration at their word; and does see a savings on that portion, and therefore would vote yes.

Councilor McGeary expressed he would vote yes but that it is a "regrettable necessity." They can save some of the cost of cutting. He would also vote in favor.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council \$90,000.00 (Ninety Thousand Dollars) be appropriated from the General Fund Unreserved Fund Balance ("Free Cash") and transferred to the Personnel Department budget line item "Early Retirement Incentive" (account number to be assigned by City Auditor) for FY2011.

A motion was made, seconded and voted unanimously to adjourn the meeting at 8:37 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.