Budget & Finance Standing Committee
Thursday, December 3, 2020 – 5:30 p.m.
REMOTE MEETING
-Minutes-

Present: Chair, Councilor Melissa Cox; Councilor John McCarthy; Councilor James O'Hara

Also Present: Mayor Sefatia Romeo Theken; Acting CAO Vanessa Krawczyk; City Council President Steve LeBlanc; City Clerk, Joanne M. Senos; DPW Asst. Director Mark Cole; Superintendent Ben Lummis; School Committee Chair Jonathan Pope; School Committee Member Kathy Clancy; Auditor Kenny Costa; CFO John Dunn; Principal Assessor Nancy Papows; Asst. Assessor Tim Good; Purchasing Agent Donna Compton

Absent: Vice Chair, Councilor Scott Memhard

This meeting was conducted remotely through ZOOM. All votes were by ROLL CALL.

Meeting called to order at 5:30 p.m.

Chairperson Cox announced, "This meeting is recorded by video and audio in accordance with state open meeting law. Consistent with the Governor's orders, suspending certain provisions of the open meeting law and banning gatherings of more than 10 people, this meeting will be conducted by remote participation. The public may not physically attend this meeting, but every effort will be made to allow the public to view and listen to the meeting in real time. Persons who wish to do so are invited to view the meeting and you have the information that was on the posting. If you are calling in on a phone, you can press *9 to request to speak. If you are watching on a computer or a device, there is a raised hand button that you can tap or press to request to speak. Please use either these options to be recognized to speak."

The information packet for this evening's meeting can be found on the City website at: http://gloucester-ma.gov/ArchiveCenter/ViewFile/Item/12411.

The Zoom meeting recording for this evening's meeting is available on the City website.

The following items were taken out of order:

2. Memorandum from CFO re: Loan Authorization request in the amount of $66,700,000 to support the design, site work, construction and outfitting of the new East Gloucester/ Veterans Memorial Elementary School

Summary of Discussion: Chief Financial Officer John Dunn explained that this loan order was based on the Massachusetts School Building Authority (MSBA) 3011 Form, the total budget that had been approved by the MSBA for the new school construction. The override was passed on November 3, 2020, so if this was approved moving forward, it would eventually come into the tax levy as an override in addition to that. He stressed that the City was trying to minimize the taxpayer financial impact to no more than 20 cents on $1,000 of value (possibly even less depending on interest rates and how the debt is put out). He offered to answer any questions regarding how this would affect the tax rate.

Chairperson Cox verified with **CFO Dunn** that the money borrowed would not affect the tax classification that would be discussed later in tonight's meeting, but would instead occur during the first part of calendar year 2021/fiscal year 2022.

Councilor O'Hara asked **CFO Dunn** whether borrowing the money as soon as possible to lock in the lower interest rate would pass the debt on to taxpayers sooner. **CFO Dunn** responded that it might. He elaborated that based on his discussions with City consultants, he does not believe interest rates would change much over the next year and a half. He explained that the real expenditure would not occur until the school site construction began. Interest rates and cash flow based on the MSBA requirements would determine the amount and timing of money being borrowed. He agreed to keep everyone informed as the project evolved.

Chairperson Cox referenced the earlier loan order that covered swing space (in this case, a temporary space where school can be held while the new site is being constructed), creation of the Green Street softball complex, and the demolition/remediation of the current East Gloucester Elementary School site, in addition to the loan order before the committee this evening. **CFO Dunn** verified that this evening's loan order would not need to appear before this committee again since the state funding reimbursements would be applied to the loan. He explained that as the money was expended, the City would request reimbursement from the state either every month, or every other month (depending on the financial need), to request reimbursement. He commended the Auditor's office for submitting the reporting requirement information to the MSBA on a timely basis. **Chairperson Cox** stated that she looked forward to receiving periodic updates from the School Building Committee, the school, City Hall, and all other involved parties as to the pertinent details such as the reimbursement rate.

School Committee Chair Jonathan Pope stated that the matter before the committee this evening was the logical conclusion after the results of the November 3rd election indicated that enough support was received to move forward, and he hoped that the committee would support the request. **School Committee Member Kathy Clancy** appreciated the opportunity to be present at this meeting, expressed excitement about the project proceeding, and hope that the committee would support it.

Chairperson Cox expressed support for this request since she had listened to the majority of residents who voted in favor, and was happy that it had passed.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor McCarthy, the Budget & Finance Standing Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend the City Council approve the following loan authorization as follows:

ORDERED: That the City appropriate the amount of Sixty-Six Million Seven Hundred Thousand ($66,700,000) Dollars for the purpose of paying costs of the design, site work, construction and outfitting of a new East Gloucester/Veterans Memorial Elementary School to be located at 11 Webster Street, Gloucester, MA, including the payment of all costs incidental or related thereto (the "Project"), which school facility shall have an anticipated useful life as an educational facility for the instruction of school children for at least 50 years, and for which the City may be eligible for a grant from the Massachusetts School Building Authority ("MSBA"), said amount to be expended under the direction of the School Building Committee. To meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow said amount under M.G.L Chapter 44, or pursuant to any other enabling authority.

The City acknowledges that the MSBA's grant program is a non-entitlement, discretionary program based
on need, as determined by the MSBA, and any project costs the City incurs in excess of any grant approved by and received from the MSBA shall be the sole responsibility of the City; provided further that any grant that City may receive from the MSBA for the Project shall not exceed the lesser of (1) sixty-four and sixty-five hundredths percent (64.65%) of eligible, approved project costs, as determined by the MSBA, or (2) the total maximum grant amount determined by the MSBA; and that the amount of
borrowing authorized pursuant to this vote shall be reduced by any grant amount set forth in the Project Funding Agreement that may be executed between the City and the MSBA. Any premium received upon
the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with G.L. c. 44, §20, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

4. Memorandum from Assistant DPW Director requesting disposition of real property for the Good Harbor/Wingaersheek Beach Concession lease

Summary of Discussion: Assistant Department of Public Works Director Mark Cole shared that except for a couple of sections being reworded, there were no major changes to the concession lease. The first one was a COVID-related change that pertained to slush cart and concession operations, and stated that if the City remained under the current pandemic conditions, the local Health Director would have the authority to allow or deny the operation of both, or any other concession-related matters. Until the pandemic ended, it provided leeway so that the Health Director's authority superseded the terms of the lease.

Also, in order to determine whether inventory belongs to the City of Gloucester or the concession operators (and so accurate records can be maintained), operators will now be required to supply an annual equipment list for the kitchens and concession stands. All concession utilities will be submitted to the City of Gloucester, which will then bill the concessions monthly for water, sewer, and electric to generate income throughout the summer. The final change was that all concession employees (even non-Gloucester residents) would need to purchase a permanent resident pass to be allowed on the lot on the days that they work. The lease requested three years in both locations.

Chairperson Cox asked if the concessions were leased by the same company. **Mr. Cole** indicated that the same operators have received the last two contracts. **Councilor McCarthy** asked about concession revenue. **Mr. Cole** responded that while the City does not receive financials from the operators, Wingaersheek Beach parking revenue was up from last year. Good Harbor Beach parking revenue had decreased by about 20%, however, the walk-on volume for both beaches far exceeded previous years, which probably allowed the concession owners to recoup much of the initial decreased revenue due to the pandemic. **Councilor McCarthy** expressed hope that the new neighboring parking regulations would increase parking lot revenue. **Councilor O'Hara** thanked **Mr. Cole**, the DPW, and City summer employees for keeping the beaches maintained. They discussed whether the equipment is audited by the City. **Mr. Cole** explained that while the City has an idea as to what it owns, and which equipment belongs to the concession operators, the concession owners were contractually obligated to make sure that the stands are operational, and pass any and all inspections. Mr. Cole agreed to provide the City Council with a concession inventory update once the lease took effect. **Chairperson Cox** recommended that **Mr. Cole** and **Principal Assessor Nancy Papows** review the personal property forms submitted by the concessions to cross-reference the reporting.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor McCarthy, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve the disposition by means of a lease as provided in the Request for Proposal #21105 Good Harbor Beach Concessions, 99 Thatcher Road, Concessions & Restroom Operation Lease with a minimum bid of $120,000 and Wingaersheek Beach, 232 Atlantic Street, Concession and Restroom Operation Lease with a minimum bid of $105,000 pursuant to the terms and conditions as stated therein. Said term is to be a three-year term from May 1, 2021 to November 1, 2023.

3. Supplemental Appropriation Budgetary Request (#2021-SA-2) from the CFO

Summary of Discussion: CFO Dunn stated that this request funded the settlement of the fire contract. It was a contract adjustment from July 1st, 2019 through June 30th, 2022 that involved a memorandum of agreement that called for a 2 ½ % wage increases in each of the three years. Also, the 1% nasal Narcan stipend that was paid in the first payroll of each fiscal year was moved into the salary account. While a small amount of overtime would be created by it, it would save administrative time for the fire and payroll departments. He explained that it made sense since it was always part of retirement calculations. The account transfer resulted in Fire Chief Eric Smith being able to resolve policy issues regarding light duty, working conditions, and motor mechanics.

The fire contract settlement fund needed to be financed for two years in this fiscal year, so it had been proposed that the City transfer $620,000 from the general stabilization fund to cover that expense. Initially, it was thought that it could be covered by the release of overlay surplus, however, that cannot be released until overdue 2018-2020 taxes were moved into tax title (and the previous tax table module data needed to be typed into the new MUNIS tax title module). There were additional moves that needed to be made, which would take 6-8 weeks, and the close to $600,000 overlay surplus could not be released until then. Once the free cash was certified, the general stabilization fund would be replenished, and then the remaining overlay surplus would be applied to next year’s free cash.

Chairperson Cox clarified that what she would read in the motion only covers the last two fiscal years as a retro and that the remaining money for the contract would be covered in the next budget.

Councilor McCarthy commented that in regards to the stabilization fund being replenished, it was preferred that it be transferred into 2021 as opposed to it being applied to 2022’s free cash. He also wanted to verify that there were no new stipends in the contract wage increases, and **CFO Dunn** confirmed that.

Chairperson Cox expressed appreciation for the firefighters in attendance at tonight’s meeting.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor McCarthy, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2021-SA-2 in the amount of $620,000 (Six Hundred Twenty Thousand Dollars) from the General Stabilization Fund-Transfers to the General Fund, Account #75005-596001, to Fire Salaries, Account #0122051-511000, for the purpose of funding the impact of the new firefighters contract for Fiscal Year 2020 & 2021 that covers the period from July 1, 2019 to June 30, 2021.

1. Memorandum from Principal Assessor re: FY21 Tax Classification (Cont. from 11/5/2020, 11/19/2020)

Summary of Discussion: Principal Assessor Nancy Papows provided an overview. The fiscal year 21

(FY21) assessed values and new growth were approved on November 30, 2020, which allowed the Assessor's office to move forward with the tax cuts application process. There were four options to consider, none of which changed the total tax levy.

Since there were no parcels classified as open space to put a discount toward, and **Mayor Romeo Theken** had not chosen to adopt either the residential or small commercial exemptions, the focus was on adopting a residential factor that determined the share of the tax levy that each class of property will bear. She noted that Page 4 of the tax classification showed the new fiscal 21 values, the residential class accounted for 90.31%, and commercial, industrial and personal property totaled 9.69%.

The City's taxable value increased this year 2.56% from FY20, and based on the sales analysis, the residential class as a whole saw an increase of approximately 1 ½%. Within the residential class, while the single family class increased approximately 1%. Condos increased minimally, two- and three-family units increased just over 4%, and the apartment class increased 6.5%. While the higher residential increases occurred in the two- and three-family apartment units, the commercial class had seen an increase of just under a half percent, and the industrial class showed a slight overall decrease.

Page 5 showed the parcel counts and assessed values of each class from 2008 to the present. She pointed out that at the bottom of the page, when looking at FY20 versus FY21, it was visible that the residential class percentage was decreasing from last year to this year, and the VIP class was increasing slightly due to the personal property class.

It was evident that there was a significant increase from FY20 to FY21 for personal property assessed values totals, basically the MA Department of Revenue required the value methodology be changed when 504 utilities (provided by Mass Electric and Boston Gas) are valued. The change was motivated by some decisions made by the appellate tax board. So assessors statewide have moved to this different type of valuation, and the increase in that class stemmed from the value increase those two utility accounts saw. She stated that if that were not the case, the trend continuation would have been seeing the increasing values that began in 2014. She explained that the residential class was increasing normally at a faster percentage, and it would be seen again this year. If not for that change in the utilities, residential would have increased, while (Commercial, Industrial, and Personal (CIP) property would have slightly decreased.

She thought it was significant to mention that there could be some future fluctuation if these utilities challenged the assessments, either through the abatement period or potentially to the appellate tax board. For that reason, it was hard to pinpoint the fluctuation amount over the next couple of years.

Page 6 showed the historic shift factors adopted over the years, and explained that it was the underlying factor associated with the shift that was being voted on. Last year, the adopted shift factor was 1.003.

Page 7 showed the maximum allowable levee calculation that started with the FY20 levy limit, was reduced slightly for amended new growth from FY20, then the Proposition 2 ½ % increase. and new growth for FY21 was added, which resulted in the FY21 levy limit. Combined Sewer Overflows (CSO) debt was added to the water debt exclusion, which resulted in the 2021 maximum allowable levy.

That number divided by the total value of all parcels results in a tax rate at a factor of one of 12.48, which was up 11 cents from FY20, and was rounded to not exceed the maximum allowable levy. Factor of one would result in the same tax rate for all classes of property, and any factor other than one would shift a portion of the levy to a different class.

Page 8 showed the approximate tax rates that resulted from the various shifts to the CIP class.

Page 9 was a comparison of levees by class at various shift factors. The tax rates depicted on that page were approximate and rounded so as not to exceed the maximum allowable levy, and could change slightly when the recap was completed. The far right column showed the difference in the levy that each class would bring in after the shift.

Page 10 showed the tax dollar changes for properties valued at different levels, at various shifts. It showed the savings to the residential parcels and the increase to the CIP taxpayers.

The property value of $500,000 (the middle column) was close to the median single-family value this year, which was $458,300. The average single family home was $627,563. So in that column of the $500,000 dollar value at last year's shift, adopted shift of 1.3, the residential taxpayer saves $20, while the commercial, industrial, or personal property tax payer would pay an additional $190. The maximum shift allowed was at the bottom of that column, 1.5 that would show a greater savings to the residential taxpayer of $350, while the commercial, industrial, and personal property taxpayer would pay an additional $3,125. The remainder of the packet covered the open space discount, the residential exemption, and the small commercial exemptions, which are not viable options this year.

Chairperson Cox provided a recap from last year to this year. She verified with **Ms. Papows** that last year was $12.37, and with the shift, it was moved to $12.33 for the residential, and it was $12.74 for the CIP. If nothing was done this year, it would be $12.48.

Chairperson Cox referenced the last two columns on Page 6, and **Ms. Papows** explained that the far right column showed the amount of the levy that the each class will bring in, so when the burden is shifted,
the residential class, for instance, was not bringing in what it would have, which is why the change in percentage was on that page. The residential class would bring in a slightly smaller percentage than they would have at a factor of one if the assessors chose to shift any of the burden onto the CIP.

Chairperson Cox observed that overall, the City was at $12.48 this year, 48 cents at a factor of one, an 11 cent increase from a factor of one last year, but the shift had changed it from $12.37 to $12.33 on the residential. Since the bigger burden every year was to businesses, she wanted to compare the residential.
Last year it was $12.33, and if left at a factor of one this year, the rate would be $12.48 (15 cents), but if shifted to a factor of 1.03, and would move to $12.45. She examined the difference in cents. **Ms. Papows** told Chairperson to refer to Page 9.

Councilor McCarthy asked **Ms. Papows** about bringing the average single-family home section down from 1.3 to 1. **Ms. Papows** explained that the average single-family home is valued at $627,563 this year, so she had used the example of just the straight $500,000, which was very close to the median, and probably more prevalent. The 1.03 shift would save the homeowner $20. Councilor McCarthy asked if the 2 was used, whether that would cost the homeowner $20 more a year.

Ms. Papows explained that they would not receive the benefit of the $20 dollar decrease since when individual properties were reviewed, the individual's property value from last year to this year would be a factor. Some properties might increase at a higher rate than average if sales indicated it was located in a very desirable neighborhood, for instance. It was hard to determine the amount that a specific property would save. The values fluctuated at different levels within that residential class.

Councilor McCarthy repeated **Ms. Papows'** previous statement that residential had risen to a much higher percentage rate this year than commercial. She reiterated that single-family condominiums increased less than they had been in the prior year, but two and three-family units and apartments remained at 4-6 ½ %, and the commercial side was relatively stable. There had been a little decrease on the industrial side. She explained that two and three-family units increased so dramatically since turning them into condos could be considered, as well as when the single families become unaffordable, people look at two and three-families to get that rent to help offset the mortgage. High rent prices was also a factor, making it possible to generate more money than in previous years. It was for this reason that an investor would potentially be willing to pay more money for a property initially knowing that they could collect more gross monthly rent.

Ms. **Papows** explained that a house valued at $500,000, with a tax rate for this past year of $12.33 would cost the homeowner $6,165. If the factor of one tax rate was adopted, a $500,000 home at $12.48 per $1000 would cost $6,240 annually, which would create a difference of $75.

Chairperson Cox requested that examples would enhance the visual understanding of the tax classification presentation the assessors would bring before the City Council on **December 8, 2020**.
CFO Dunn requested that **Ms. Papows** review this year's CIP shift, which he observed had appeared to have increased in total percentage of tax levy due to personal property, which was generated by the utility companies. **Ms. Papows** confirmed that was the case. She mentioned that the commercial values from one year to the next saw a smaller increase that included new growth, any market adjustments, and also whether new parcels are coming and going. Those values represent everything that happened from one year to the next, not just the market. It could be due to growth or a parcel being converted to a different use, those types of things. However, the personal property change was significant in terms of the increase, and that was what had shifted the ratio in terms of the CIP class being higher than it was last year. If you took out that increase for the utility accounts, the residential percentage would have increased, and the commercial, industrial, and personal property would have decreased from last year.

Chairperson Cox asked if that was appealable. **Ms. Papows** explained that each year, taxpayers can apply for an abatement. This was the first year it was required that this different methodology be employed by assessors, so she believed it was possible that it might be challenged, in which case it would travel through the abatement process. The City had appraisals done for these utility accounts by its personal property vendor because it was a very specialized type of valuation submitted to the Department of Revenue. If a challenger did like the decision in terms of an abatement application that may be submitted, it could appear before the appellate tax board, where a decision could be rendered that the City would need to abide by, whether it be ruled in the City's favor, the taxpayer's favor, or a modest adjustment. Since the appellate tax board had not been hearing any cases since the pandemic started (only scheduled hearings), and the City had a small outstanding case from 2019, things were moving slowly on that level.

Chairperson Cox stated that the administration had voiced an opinion on keeping the shift at 1.03 for this coming year. She acknowledged that residents and businesses had been hurting this year. She shared that she had always been a fan of a factor of one, and had worked very hard to get it down from 1.06 to 1.03, and that the City had been successful in keeping it low. She stressed the importance that the City Council take the time to really review the numbers before voting.

Mayor Romeo Theken echoed **Chairperson Cox's** acknowledgement of the hurt on both sides created by the pandemic. She explained that while the factor of one had been considered, there were different kinds of loans that businesses and homeowners did not receive, despite still owing rent. While the eviction moratorium was still in effect in Gloucester, there were still landlords who ended up in foreclosure. The administration had decided to keep the shift at 1.03 until the pandemic ends.

Chairperson Cox stated that she was nervous about the instability of the CIP, and the fact that it could be appealable, she believed it should be left unchanged this year. **Councilor McCarthy** and **Councilor O'Hara** agreed.

The public hearing for this matter is scheduled for Tuesday, December 7, 2020 during the City Council meeting that begins at 6:00 p.m.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor McCarthy, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to adopt a RESIDENTIAL TAX CLASSIFICATION FACTOR OF .996800 that equates to a CIP Shift of 1.03 for Fiscal Year 2021.

5. Memorandum from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor's Report and other related business

Summary of Discussion: Auditor Kenny Costa stated he had nothing to report this evening.

MOTION: On a motion by Councilor Cox, seconded by Councilor McCarthy, the Budget and Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to adjourn the meeting at 6:38 p.m.

Respectfully submitted,
Brianna Komi
Administrative Support
City Clerk's Office