

Budget & Finance Committee
Thursday, February 23, 2012 – 6:00 p.m.
1st Fl. Council Committee Rm. – City Hall
-Minutes-

Present: Chair, Councilor McGeary; Vice Chair, Councilor Joseph Ciolino; Councilor Melissa Cox None.

Also Present: Councilor Verga; Kenny Costa; Jim Duggan; Jeff Towne; Mike Hale; Mark Cole; Suzanne Egan; Deputy Fire Chief Stephen Aiello

The meeting was called to order at 6:01 p.m. Items were taken out of order.

Due to a power outage, the Committee recessed at about 6:42 p.m. and reconvened at 6:46 p.m.

1. *Continued Business:*

- A) CC2011-056 (Verga/Ciolino) Possible adoption of MGL re: assessment of water betterments and deferral of such betterments and Amend GCO Chapter 23 “Utilities” Article III accordingly (Cont’d from 02/09/12)

Suzanne Egan, City Solicitor stated the Committee had wanted a provision to add a contribution to a water betterment. She did have to make a change to Sec. 23-68 (3), which mirrors the four provisions in the existing ordinance concerning sewer betterments; however, the word “sewer” needs to be removed from the draft in that section and replaced with the word “water.” She reviewed subsections a-e which is copied and modified from the sewer betterment ordinance to be relevant to water quality issues. Subsection “e” is the addition of the Committee. It states that the city’s share of any betterment is not to exceed 20% of the total project costs up to and not to exceed \$6,000 per betterment. They also discussed the subdivision/ANR (Approval Not Required) process, referring to subsection 4 of the same section; two or more abutting lots or within two thousand feet of each other, which **Ms. Egan** stated her belief the language encourages the subdivision process. **Mr. Towne** thought at some point the city will have to look water betterments in light of affordability for the City; that every \$6,000 appropriated affects Prop. 2-1/2; although this ordinance may assist some areas in the City. **Mr. Costa** assumed it would work the much the same as sewer betterments. **Mr. Towne** stated each time they do a betterment it adds to the accounting burden, as each betterment must be tracked separately, and his department is just now getting to the sewer betterment projects. **Councilor Ciolino** commented this gives folks an option. **Mr. Towne** stated more rate payers will be required to pay off the debt for the water fund portion when water betterments occur; when installing water lines in a street, abutters will have to connect. In his estimation that is an important factor. **Councilor Ciolino** stated the Committee had done their due diligence in that regard. **Councilor McGeary** stated that Section 2 does cover that aspect. **Mr. Towne** added as structured this water betterment language would support the water system by getting more water users on the rolls. **Ms. Egan** pointed out the language does not require the city to contribute to a betterment. **Councilor McGeary** expressed concern about subsection 23-68 (e) about the language speaking to fire hazards and the ability to fight fires as did Councilor Verga. **Ms. Egan** stated there has to be some certification from the Fire Chief; however in response to their concern, she would insert language to soften the statement. **Councilor Ciolino** complimented Ms. Egan for her work on the drafting of the water betterment.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend the draft language for GCO c. 23 Utilities, Article III, which is to be revised by the Legal Dept, to the Ordinances & Administration Committee for consideration at its March 5, 2012, meeting and subsequent final recommendation to the Council.

2. *Comprehensive Report reflecting recommended reclassifications*

At the request of the Administration and the approval of the Committee, this matter is continued to March 8, 2012.

3. *Memorandum from Purchasing Agent re: approval to issue leasing contract for new school buses for more than 3 years*

Kathy Verga, Transportation Director for the School System explained that the department leases buses every five years. The department will put it out as a dual bid to see if it would be cost effective to do a three-year lease. The department usually does a five-year lease, which in the past has been more cost effective. Under a three-year lease, the department would get a full three-year warranty and may save money by not having to replace brakes, exhaust systems, etc. This is more of a fact finding situation. **Councilor McGeary** asked if the warranty would include normal maintenance. **Ms. Verga** stated it wouldn't cover brakes or tires, but that brakes don't wear out after three years. If the department opts for the five-year lease, it would get a warranty but the warranty would be for three years. On inquiry by **Councilor Ciolino**, **Donna Compton**, Purchasing Agent, advised that the bid is for a three-year lease and has an option for five years. If the five-year option is taken, it has to be approved by the City Council (as do all leases for anything more than three years). **Ms. Verga** explained the department has always done five-year leases - this is its fourth bid for a five-year lease. The three-year lease is an option to see if it will save more money. A five-year lease includes a warranty on the engine and transmission only; with a one-year warranty on everything else. This is always how the warranties have been structured, she said. **Councilor Ciolino** asked if the department leases for five years what happens if there are updates in federal safety laws. Both **Ms. Verga** and **Ms. Compton** informed the Councilor they'd be "grandfathered" in. **Ms. Verga** added emission control regulations are anticipated to come forward soon. The buses to be leased meet 2010 emissions standards. The next standard is anticipated to be in 2017. **Councilor McGeary** clarified with **Ms. Compton** that bids will be requested for a three-year and a five-year lease, and the department will take whichever is more cost effective. **Councilor Ciolino** expressed his endorsement of the five-year lease. **Councilor Verga** asked if the same number of buses would be leased. **Ms. Verga** stated the department is bidding for the full runs for Manchester/Essex, and the lease proposal is for the number of buses required to fulfill that contract. If the city is not awarded the Manchester/Essex contract, the buses can be returned to the leasing company without penalty. **Councilor Verga** stated the School Committee accepted several years ago a State law to allow advertising on buses; and at that time they got an okay from the bus company to do that and wondered it was still the case. **Ms. Verga** stated it would depend on the leasing company who wins the bid; but she didn't think there would be an issue.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council under MGL c. 30B that the new school bus lease to be executed in FY13 for the City of Gloucester School Department be a contract for a three-year lease period with an option to expand that lease contract to a maximum of five years allowed.

4. Memorandum from CFO re: proposed loan order to refinance existing outstanding debt

Jeff Towne, CFO explained to the Committee that the City has an opportunity to refinance its existing outstanding debt to save interest expense; rates are lower than before. The proposed order gives him the authority to refinance debt that may be at 4% and take it to as low as 2.5%. Financial advisors provided this language of the order through Bond Counsel. This will allow for long term savings. **Councilor McGeary** clarified that the decision to refinance is at Mr. Towne's discretion. **Mr. Towne** stated any refinancing could be combined with other debt, say, in September until the amount to be refinanced makes good economic sense. This authority stays out there until it is acted upon to save interest for the City. The average maturity they would be looking at would be 10 years. It gives them enough leeway after 10 years; and also depends on the structure of when the debt was issued. **Mr. Towne** questioned a possible insertion of language "with permission of the Council". **Mr. Costa** stated it is up to the preference of the Council. **Councilor Ciolino** didn't see it necessary for Mr. Towne to have to come back in each instance - and viewed this more as a blanket authorization. **Mr. Costa** stated that having to seek Council authorization could take a month or two, and is a consideration. **Mr. Towne** felt it was worded as if the Mayor signs off on the debt notes. The Council does not. They're giving him authorization based on this and Mr. Costa signs off on long-term debt and represents the Council. He asked the statement be struck. **Councilor McGeary** agreed as did the Committee that they leave out the phrase "with permission of the Council".

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the following loan order:

Ordered: That in order to reduce interest costs, the Treasurer, with the approval of the Mayor is authorized to provide for the sale and issuance of refunding bonds under MGL c. 44, §21A to refund all or any portion of the remaining principal of and redemption premium and interest on any bonds of the City, outstanding as of the date of adoption of this Order, and for the payment of all other costs incidental and related thereto, and

that the Mayor and the Treasurer are each authorized to take any and all other action necessary to carry out the purposes of this Order. Further, that the Treasurer is authorized to file an application to qualify under c. 44A of the General Laws any and all of the bonds or notes authorized to be issued pursuant to this Order, and to provide such information and execute such documents as may be required for such purposes AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

5. *Review and Recommendations for Disposition of real property re: Magnolia School House (a.k.a. Blynman School)*

This matter is continued to March 22, 2012

6. *Memorandum from CAO re: acceptance of donation of a vehicle to Gloucester Emergency Management*

Deputy Chief Aiello noted the City is being offering the donation of a 1985 Chevrolet van for the Gloucester Emergency Management/Civil Defense. **Councilor McGeary** informed the Committee of Council President Hardy's request to the Mayor asking that the van be gone over by the City's mechanic. Councilor McGeary stated that he had spoken with Carol McMahon, the Emergency Management Director's assistant, and that she had indicated that the van is not first responder equipment.. This vehicle would assist in moving equipment around. **Deputy Chief Aiello** stated that if Emergency Management/Civil Defense had their own vehicle they wouldn't have to borrow from other departments, and that the vehicle would be parked at the Fuller School. **Councilor Cox** asked if the Deputy Chief had seen the vehicle. **Deputy Chief Aiello** responded that he had not but knew the donor would not donate a vehicle that would not be worthy to be used. It was noted that according to the City ordinance, they have to put a City decal on it. **Mr. Towne** informed the Committee the vehicle must be driven by authorized City employees who are part of the City's insurance program. For instance, CERT volunteers would not be qualified at this time. **Councilor McGeary** stated this needs to be made clear to everyone concerned should they accept the van donation. He also noted the value is given as \$4,500.00 by Mr. O'Hara. **Mr. Towne** commented the value of the vehicle would be based on the Blue Book value; and **Mr. Costa** stated that would be needed to be included in the acceptance of the donated van. **Councilor Verga** clarified that Ms. McMahon is an independent contract employee and would not be able to drive this vehicle. **Councilor McGeary** asked that they get the blue book value and get the written review from the City mechanic as enumerated in Council President Hardy's Request to the Mayor, before making their decision to accept the donation of the van.

This matter is continued to March 8, 2012.

7. *Memorandum, Grant Application and Checklist from Fire Chief re: Mass Decontamination Unit Grant in the amount of \$2,500*

Deputy Fire Chief Aiello explained that after 9/11 the State bought decontamination units for communities with hospitals. This is an annual grant available to Fire Departments to do training. The training is done in conjunction with the Addison Gilbert Hospital. The communities of Manchester, Essex and Rockport are invited to participate as well. **Councilor Ciolino** asked if there is any match. Deputy Chief Aiello stated there is none. If they overspend for the training exercise, Northeast Health System reimburses the City beyond the grant funding. Last year there was a large training event and that did occur. The City owns the actual decontamination unit, which is currently stored at the Bay View Fire Station but will be relocated to the Addison Gilbert hospital so that it is more easily accessed in times of an incident in order to decontaminate individuals before they enter the hospital.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to accept under MGL c. 44, §53A a Mass. Decontamination Unit Grant of \$2,500 from the federal Health and Human Services Department, Office of the Assistant Secretary of Preparedness and Response (ASPR) through the Mass. Dept. of Public Health for the FFY2011 program of hospital preparedness.

8. *Memorandum from Veterans' Agent re: establishment of a revolving fund for donations to the Office of Veterans' Service*

Jeff Williams, Director of Veterans' Services, stated that his department is proposing, based on the Auditor's suggestion, to set up a revolving account for donations to Veterans' Services. Prior to this the department has had no mechanism for accepting them. This will assist the department to provide help to veterans that falls outside their regular budgetary accounts. **Mr. Costa** explained, on **Councilor McGeary's** inquiry, that the revolving fund has to be reauthorized each year during the budget deliberations by the Council and has to have an expenditure limit, in this case is \$5,000. If expenditures go over the limit, Mr. Williams would have to come back and ask to be allowed to do so. Each year they can determine the appropriate ceiling. **Councilor Ciolino** asked how the funds can be spent. **Mr. Costa** stated as Mr. Williams set up his budget he would need to set up purchase orders which would go through his office to verify these disbursements. **Mr. Williams** explained this is new territory and would wait to see how it will go at first. He wished to make sure that there was an appropriate mechanism to accept these donations. **Councilor Cox** confirmed this fund is for private donations. She asked if the department would be advertising the fact that it can now accept donations; and if donations could be earmarked for specific things. **Mr. Williams** responded if there was a plan with appropriate documentation, the donation opportunity could be advertised. **Ms. Egan** and **Mr. Towne** confirmed donations to the City are tax deductible. **Councilor Verga** noting the ceiling for expenditures asked if there was a limit on the fund itself. **Mr. Towne** stated there is no limit to what is contributed in donations per year to the fund.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the full City Council to establish under MGL c. 44, Sec. 53E-1/2 a Veterans' Services Donations Fund #293022 for the purpose of receiving donations for the assistance of veterans in the City of Gloucester. The authorized officer of the Fund is Jeffrey M. Williams, Director of Veterans' Services. The fund is credited from donations; expenditure limit is \$5,000; the balance is the available balance, and there are no restrictions to the Fund.

9. Memorandum from CFO re: reimbursement for portable heaters purchased without a purchase order

Mr. Towne explained due to City Hall being without heat for more than two days, and his staff's working environment was being negatively impacted, he responded by purchasing portable heaters. While the City has an account at the Building Center where he went to purchase heaters, he discovered upon check out he was not authorized to sign on the account. Given the emergency situation, he paid for the portable heaters out of pocket recognizing he was making that purchase without a purchase order in place. **Councilor McGeary** suggested there should be a policy to be worked out for such emergency situations providing for discretion by Department heads. The Committee recommended something be set up by the City Auditor and Purchasing Agent. A policy to cover such situations will be included to come forward to the Committee when policies regarding other financial matters are prepared by Mr. Towne and Mr. Costa.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to permit payment of \$105.16 for portable heaters purchased by the Chief Financial Officer without a purchase order in place.

10. Communication from Administrator of the Gloucester Retirement Board re: City Council Acceptance of Local Option

Douglas MacArthur, Chair of the Gloucester Retirement Board stated legislation from the State allows the local board to increase the stipend for local board members from \$3,000 to \$4,500 per year. The legislation requires that it be accepted by the local legislative body, the City Council in Gloucester's case. There are new requirements with more training board members must attend. Because of the increased demands on the board members' time, the increase was allowed by the state. The board members, including the City Auditor, have attended classes in Boston for three days. All the board members are required to participate in training every year. They must meet these standards or be removed from the board. The board also deals with many issues and hearings, besides the regular monthly meetings; members work with the School Department, and meet with the unions and make presentations and more. This all takes a great deal of the members' time. **Mr. Costa** confirmed the last time the stipend was set was in 1995. **Councilor Ciolino** asked how many members are on the board; **Mr. MacArthur** stated there were five. The money for the stipend comes from their investment income. At this time only one board member still needs receive their training, and must or they will receive a letter from the State informing the board that that member would no longer be allowed to serve on the Retirement Board. **Mr. Costa** stated members need to take 18

training credits over two years to keep the membership on the board. **Councilor McGeary** commented the authorizing language states up to \$4,500. By statute the ex officio member can also only make up to \$4,500. **Councilor Ciolino** asked if they take attendance at their board meetings. **Mr. MacArthur** stated they do; if they have a member that misses three meetings, the State will send a finding on that. However, their Board has been good with their attendance. Mr. Costa even came from Somerville during a vacation to attend a meeting. He lauded the service of Mr. Costa to their Board. The Board is made up of five people, two elected by their members; the ex officio member and the Mayor's appointee. Those four members select a fifth person who is not in the system. **Councilor Cox** asked about the \$4,500 as per year per person. She asked about reimbursement for mileage. **Mr. MacArthur** and **Mr. Costa** confirmed mileage reimbursement is for going to and from trainings but not for local occurrences. **Mr. Towne** noted he has worked with Mr. MacArthur for three years and stated the gentleman puts in a tremendous amount of volunteer hours and is tireless in getting the Board into the best possible financial condition it can be. The Board has the best interest of the system in putting the interest of the Gloucester employees first; and appreciated the Board for what they do for him as well. He endorsed this stipend increase. **Mr. MacArthur** in turn thanked Mr. Towne for being able to work cooperatively with not only himself but with the Board. They look for ways to save money for the taxpayers and for the employees who participate in their program (There are 456 retirees and 526 active City employees in the retirement system.). The Committee unanimously voiced their endorsement for the stipend increase

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the accept a Local Option provision under MGL c. 32 §20(6) and as outlined in Sec. 34 of c. 176 of the Acts of 2011, for an increase to the Gloucester Contributory Retirement System Board Member Stipend from \$3,000.00 per year to \$4,500.00 per year.

**11. *Memo from City Auditor regarding accounts having expenditures which exceed their authorization
And Auditor's Report***

Mr. Costa reviewed his documentation with the Committee, with commentary by Mr. Towne, which was submitted prior to the meeting (on file).

A motion was made, seconded and voted unanimously to adjourn the meeting at 7:50 p.m.

**Respectfully submitted,
Dana C. Jorgensson
Clerk of Committees**

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.