

**Budget & Finance Committee**  
Thursday, October 18, 2012 – 6:00 p.m.  
1<sup>st</sup> Fl. Council Committee Rm. – City Hall  
-Minutes-

**Present: Chair, Councilor McGeary; Vice Chair, Councilor Joseph Ciolino; Councilor Melissa Cox**

**Absent: None.**

**Also Present: Jeff Towne; Jim Duggan; Fire Chief Eric Smith; Bill Sanborn; Nancy Papows; Former Fire Chief Phil Dench**

**The meeting was called to order at 6:00 p.m. Items were taken out of order.**

**1. Memorandum from Assessor concerning Overlay Surplus**

**Nancy Papows**, Principal Assessor for the City of Gloucester explained to the Committee that on September 27<sup>th</sup> the Board of Assessors declared an overlay surplus of \$38,000 and requested it be transferred to the FY09 Reserve for Abatements in order to process abatement for Verizon New England, Inc. **Councilor McGeary** stated that this is money set aside for people who apply for abatements but was not used for that purpose. Ms. Papows added it is held in separate years until it is declared surplus. **Councilor McGeary** asked how much time people have to apply for the abatements. **Ms. Papows** stated they have a one-month window from when the first actual tax bill is issued. This particular abatement with Verizon has been in litigation since 2004. This specific case is about poles and wires over public ways, and so pertains to FY09. From FY10 forward there was a change that closed the loopholes so that poles and wires are taxable. This abatement is for FY09. It was the decision of the Appellate Tax Court that Verizon was taxable. Verizon appealed that decision, and the Appellate Tax Court decision was overruled. Because this is a state Department of Revenue (DOR) assessed telephone company, the DOR sets the values; and the City accepted those values and taxed on the basis of those values. They paid the City, and this is an abatement or refund, of that payment. The total amount to be refunded is \$67,276.80. There is a balance in that account already. Normally the Assessors keep amounts in the accounts for those purposes and also in the event they have to abate uncollectable personal property tax. There is a certain amount that has to be left in there even after this abatement is paid. **Ms. Papows** also explained the City has prior cases with Verizon, FY06, FY07 and FY08. Once the FY09 is paid, those cases will be closed. It is a different scenario, but it is nice to get it off the books and have no liability there. It helps with the bond rating. It clears up a lot that has been weighing on communities in general. Everything has been reviewed by General Counsel. Ms. Papows said that there was a deficit in the FY09 account, for the recap. Otherwise the whole amount that would have been there, but she knew she had funds in the other fiscal year accounts to cover the amount total. Normally the Assessors keep amounts in the accounts for those purposes and also in the event they have to abate uncollectable personal property tax. There is a certain amount that has to be left in there even after this abatement is paid to cover other revenue shortfalls. **Jeff Towne**, CFO, gave an example of uncollectable personal property tax by noting there is no enforcement mechanism for personal property taxes; it can't be liened and put it towards personal property tax title. At a point, it is no longer recoverable and so leave funds in the overlay to cover that loss. So the \$38,000 is what they need in addition in order to cover the \$67,276.80 (actual tax amount and interest of 8 percent), which is the final amount. **Ms. Papows** noted she had always kept the amount for Verizon in the account fairly whole. Although this particular year was odd because it was at the time of the recap; otherwise the whole amount would have been there. She knew there was money in other fiscal years that could be easily transferred should Verizon be not liable. **Councilor McGeary** asked what some of the conditions a citizen could apply for property tax abatement. **Ms. Papows** noted there are overvaluation, disproportionate assessment, and inaccurate classification. When a person is over 65 they can apply for a deferral and also exemptions that can be granted which is covered by this fund. Some examples of exemptions are: over the age of 70 if one meets certain income and asset requirements; veterans' exemptions, Purple Heart; exemptions for the blind; surviving spouse. The deferral is a lien on the home. It's saying they're going to pay their taxes, just not right now but at a later date. The lien earns interest. **Mr. Towne** added that seniors can apply for the abatement if they feel the value is there. They may have additional exemptions also. A number of the elderly do file for the deferral program. Deferrals are not counted against the overlay. It goes against their percentage they don't collect in the fiscal year they're in; and compromises cash flow. It is complicated, and they review on a case-by-case basis.

**MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed in accordance with MGL Chapter 59, Section 25, to approve the appropriation in**

**the amount of \$38,000 from Unifund Account #101000.10.000.32200.0000.00.000.00.000 entitled F/B: Reserve for Overlay released by the Assessors for Exp. (Overlay Surplus) to Unifund Account #101000.10.000.12300.0000.00.000.09.000 entitled FY2009 PROVISION FOR ABATEMENT AND EXEMPTION. The purpose of this appropriation from Overlay Surplus is to cover future abatements of FY2009 Personal Property tax bills.**

**2. Memorandum from Assessor concerning Tax Classification**

**Ms. Papows** stated they are not ready to speak to this matter yet. Values were submitted to the State last Friday but the tax classification packets were not ready for release. The State was heard from at 2 p.m. today. The values have been approved. She asked this be continued to another meeting. The new growth exceeds what was expected to \$46,000. **Mr. Towne** stated that there is a lot that goes into what Ms. Papows does and her staff. She takes on the whole burden of what her department does, and does an unbelievable job. The DOR asked questions on the first piece of the valuations submitted, and no questions on the second piece, which is highly unusual. Ms. Papows is a very dedicated person. The Committee and City Auditor, Kenny Costa also expressed their appreciation for Ms. Papows' work on behalf of the City.

**MOTION: On motion by Councilor Cox, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to ADVERTISE FOR PUBLIC HEARING as follows: As in accordance with M.G.L. Chapter 40, Section 56 and pursuant to the Gloucester Code of Ordinances §2-26 the Gloucester City Council will hold a public hearing on Tuesday, November 13, 2012, at 7:00 p.m. at City Hall, 9 Dale Avenue in the Fred J. Kyrouz Auditorium, relative to TAX CLASSIFICATION to determine and set the Tax Classification factor for Fiscal Year 2013.**

**This matter is continued to November 8, 2012.**

**3. Memorandum from CFO concerning Fire Department Loan order request in the amount of \$1,000,000.00**

**Fire Chief Eric Smith** explained that the Fire Department has requested a loan order for \$1 million for the purchase of two pieces of equipment to be purchased during FY13 as part of the submissions that are included in the FY13-17 Capital Plan and ask for a loan order for this. He met with the Capital Improvements Advisory Board (CIAB) who reviewed the department's capital plan and reacted favorably to that plan. The capital plan was in place prior to his arrival. The process for building a new apparatus as well as finding a good used, quality ladder truck (a part of this request) can be a lengthy process. He asked they put this forward as it is important to move forward as quickly as possible.

**Used Ladder Truck: Councilor McGeary** noted the used ladder truck would act as backup for Ladder 1, which currently has no backup in the department and asked if one had been identified. **Chief Smith** explained the department has been looking at the market for a used ladder truck to fall in line with their replacement plan. They're confident the right truck will be available by the time the loan authorization process is completed to allow for the vehicle's purchase. **Councilor McGeary** asked if they are able to obtain a used ladder truck, how many years of life would they expect. **Chief Smith** stated it would be 8 to 10 year range and would fall within the rotational cycle he had referred to when he was before them discussing apparatus replacement. Ladder 1 would be scheduled to cycle into reserve status in about that 8 to 10 year timeframe depending on how the truck holds up. At that point they would then purchase a new vehicle as the used ladder truck cycles out of reserve status. **Councilor McGeary** stated the condition of trucks can vary and asked what year range they are looking for. **Chief Smith** noted it depends on what they are looking at and their location where the vehicles come from. For instance, if they are in a desert area, they hold up longer, and if they had been with a volunteer department. Such trucks can have very low mileage. That's where they would bring in a third party to help them evaluate the vehicle to make sure their expectations will be met with regards to longevity. He confirmed to Councilor McGeary that he had been before the CIAB whose members had reviewed this request and viewed it favorably. He does not have a complete assessment yet available for all department vehicles, but will soon and would forward that to the CIAB. Right now they know they need these vehicles.

**CIAB: Councilor McGeary** stated the minutes of the CIAB meeting the Chief attended won't be ready by the next City Council meeting. **Jeff Towne**, CFO confirmed the minutes won't be approved until the CIAB's meeting on October 24<sup>th</sup>. The Board didn't take a vote as they want to do an overall review. The Administration brought this loan order for two vehicles forward now because it takes longer to purchase the engine and to have a backup ladder

truck. **Mr. Towne** said the Board members were pleased to see a maintenance program being put in place; that the engine was absolutely needed. The Chief will do the rest of his analysis on the remaining two engines and any further requirements will depend on the results of that evaluation. They know they will have requests for two other pieces of equipment coming forward sooner rather than later; originally they were slated to come forward in 2018 which is just outside of this five year 2013-2017 Capital Improvement Plan. The CIAB was very supportive of this loan request. The fire apparatus and the software program conversion to UNIS were discussed with the CIAB as well. They also discussed requests for additional parking kiosks coming forward in the following fiscal year's capital appropriation program. **Councilor McGeary** asked whether this request before them now was taken out of the five year department capital plan. **Mr. Towne** stated the five year plan was presented for the Fire Department, and part of that plan was the acquisition of these two vehicles. They have already acquired new ambulances. There are four; three brand new and one used ambulance (approved at the October 4<sup>th</sup> B&F meeting). Asked when the Administration would have completed its 10-year capital plan, he stated that the Administration hopes to have a 10-year plan for General Fund capital spending by next year. Once the DPW Director gets his water master plan completed, it will be a five year plan and be submitted first to the CIAB. **Mr. Towne** suggested Mr. Hale might even have a 20 year water master plan. He will follow it up with a sewer infrastructure master plan which will be another 12 months until it comes forward. They'll join those two master plans together with General Fund road paving to make sure they are not paving roads where infrastructure changes are to take place. **Councilor McGeary** asked Mr. Towne whether the proposed public safety center would be within the five year plan. **Mr. Towne** stated they are looking to authorize the project around 2015 with the engineering starting in 2015-2016, with the first year of the asset in place and in operation in 2016 to 2017. A new West Parish School will be coming up before that.

**Debt Issuance, Vehicle Cost and other financial considerations:** On inquiry by **Councilor Ciolino**, **Mr. Towne** showed the Committee the specification sheets over 100 pages long for the new rescue pumper. It includes everything from the diesel engine, rust proofing, chassis construction to the width of the tires and their type. He commented it is very well thought out. As to the debt and how it factors out, they will do a seven-year debt issuance on the used ladder truck because it should last seven to eight years. If the used vehicle is newer, they would perhaps go out eight years years. **Chief Smith** stated the price of a used ladder truck varies between the high \$200,000 range to the low \$300,000 range. No used vehicles are currently located close enough for the department mechanics to make a hands-on assessment in order to inspect the frame rails and the sub-frame rails under the aerial which would fail first in this climate. Here the fleet is subject to rust on the frames due to environmental factors. They need a good quality inspection done prior to the purchase. **Mr. Towne** stated they aren't scoping the vehicles out yet until this loan process is finished. **Councilor McGeary** asked if they could pay for the used vehicle out of the Capital Project Stabilization Fund. **Mr. Towne** stated most of that fund was taken out for the ambulance, and there is about \$40,000 left in the other account. He noted the annual debt service payment would be about \$57,000 on average for seven years for the used ladder truck. For the new rescue pumper which they would do a debt issuance of 15 to 20 years. He suggested they consider scaling back to 15 year. They have been using 20 years for debt issuance but the vehicles haven't been lasting that long. He first spec'd out the debt issuance for 20 years which is \$44,000 per year. For 15 years debt it would be \$50,000 to \$60,000 per year. Their remaining borrowing capacity would be about an additional \$201 million. They are well within their borrowing capacity even taking into consideration a new West Parish School and a new Police/Fire safety center. Water and sewer debt is outside that limit.

**Councilor Cox** noted there was only about \$45,000 set aside for maintenance. Even though these are newer vehicles was this enough to cover maintenance annually, and suggested it was not enough. **Chief Smith** stated the Councilor was correct; that money is being used quickly. That amount needs to be bumped up. Once he gets past purchasing the vehicles, he will meet with the mechanics to get an actual cost of preventative maintenance for the next two years factoring in the increases in cost they must incur to maintain the department's vehicles, not including the repair of damage and failures. In the last fleet he managed which was similar in size to that of the Gloucester Fire Department, they had \$60,000 just for preventive maintenance alone, and they were subbing the work out. The department mechanics can do the work for less. But the equipment in his former command was newer. They had \$170,000 annually for overall maintenance.

**Specifications for Rescue Pumper:** **Councilor Ciolino** asked about the particulars contained in the specification for the new vehicle (2012 purchase) and how it was compiled. **Chief Smith** stated the basis for this specification package was based on the same specifications from the most recently purchased new vehicle. The only real change is he asked the mechanics to increase the GPM (Gallons per Minute) capability on the pump; which is not much money to go from 1,250 GPM to a 1,500 GPM. It also helps with ISO ratings. It is a more appropriate thing to do and less wear and tear on the engines when they are idling pumping the volume of water they use at most house fires versus trucks with a lower capacity pumping harder to push the same volume of water. It costs more; but there is less wear and tear on the trucks, and expressed he considered it a good investment. It doesn't change the overall size

of the vehicle. It is the only tweak. They have to go through the specs with the mechanics to make sure of all aspects. It is a draft. There are probably marginal changes that have to be made. Councilor Ciolino commented there were issues with the vehicles; and although firefighters are satisfied with the equipment it appears small details seemed to be missed such as the access points for certain pieces of equipment carried on the vehicles, as an example and asked if they had learned from past errors. **Chief Smith** stated the last spec eliminated a lot of those problems. He will have the crews reevaluate the present equipment and compare it to the specs and get opinions, but he noted that there are differing opinions and not everyone will be happy. The primary goal is to make sure it is quality equipment and built to last. This is a stainless steel truck all the way around. The frames are usually steel. When they start changing major chassis components, it raises the price substantially. **Former Chief Phil Dench** confirmed that stainless steel frames are the industry standard, and that Chief Smith is right, having mechanics asking what did the crews want on the vehicles. He too expressed they can't make everyone happy. Each firefighter has their own opinion. For the most part they went out to find what works on the vehicles to make them functional. Some things you just can't change. **Chief Smith** stated consistency and similarity with design from vehicle to vehicle allows the crews to be more familiar with the design especially in low light and smoky conditions. **Councilor Ciolino** stated one of the complaints of the last vehicle was that the turning radius wasn't tight enough to make some tight corners on many of the City's narrow streets. **Chief Smith** said it is a concern. The apparatus don't come much smaller. In order to make a tighter turning radius it would sacrifice hose load and equipment load and are the tools they need to do the job. The dynamics of firefighting are different now than in the past when smaller vehicles were the norm. It is a "necessary evil" to have the vehicles the size that they are. The ladder truck has a much larger footprint. The bid will go out as a national open bid for 30 days. He has had numerous phone calls as soon as an article hits the newspaper. The state has a generic spec that fits many communities across the state. If it worked here they already would have given it consideration. It is pared down to make it extremely affordable for communities who have on-call services and to make it affordable for those kinds of fire departments. **Councilor McGeary** asked how often the ladder truck goes out. **Chief Smith** stated it goes out numerous times a day between alarms and EMS calls. If the engine is out and Rescue 1 is out, and that truck is closest to an EMS call and there are qualified staff, that truck will take care of the call and wait for the backup rescue. It's on the road every day. It is working truck like all of them.

**Mr. Towne** noted that CIAB put \$615,000 as an estimate for the last ladder truck. There have been cost escalations since then on the rescue pumper. They said it would be \$650,000 for the vehicle, and that they were comfortable for that. They may not spend \$350,000 on a back up ladder truck, but they want to be able to obtain a quality vehicle.

**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 and TO ADVERTISE FOR PUBLIC HEARING the following loan order:**

**ORDERED: That up to \$1,000,000.00 (One Million Dollars) be appropriated for a fire rescue pumper and a used fire ladder truck for the Fire Department; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to \$1,000,000.00 (one million dollars) under G.L. c.44 §7(9) or any other enabling legislation; that the Mayor is authorized to contract for and expend any federal or state aid available for the project; and that the Mayor is authorized to take any other action necessary to carry out this project; and that the Treasurer is authorized to file an application with the Municipal Finance Oversight Board to qualify under Chapter 44A of the General Laws any or all of the bonds authorized by this order and to provide such information and execute such documents as the Municipal Finance Oversight Board may require for those purposes.**

**4. *Special Budgetary Transfer (2013-SBT-6) from Inspectional Services for \$18,000.00***

This transfer is not necessary for Council action. It is an internal transfer. Therefore, 2013-SBT-6 is null and void.

**This matter is closed.**

**5. *Special Budgetary Transfer (2013-SBT-7) from IT Department for \$7,988.90***

**Mr. Towne** explained they are helping the IT Director managing his budget, and to that end, this transfer is to fund replacement desktop and laptop computers to be used throughout the City. This is on top of what is already budgeted and purchased. There will likely be more coming forward with free cash because of high speed printers

that are aging which are high quality laser printers used to print warrants. One has failed in the Auditors Office, but there are several others that are of the same vintage. They have reduced their need to print so many checks because the City has encouraged direct deposits which is a cost savings to the City. They are asking to School Department to make this a part of their negotiations with employee unions this year as well.

**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 to transfer (2013-SBT-7) \$7,988.90 from Computer Maintenance Contr, Unifund Account #101000.10.155.52610.0000.00.000.00.052 to Equipment Replacement, Unifund Account #101000.10.155.58700.0000.00.000.00.058. The purpose of this budgetary transfer is to purchase new computer equipment.**

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

Mr. Costa reviewed and discussed his report with the Committee.

A motion was made, seconded and voted unanimously to adjourn the meeting at 6:55 p.m.

Respectfully submitted,  
Dana C. Jorgenson  
Clerk of Committees

**DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.**