

CITY COUNCIL STANDING COMMITTEE

Budget and Finance

Monday, November 30, 2009 –7:00 p.m.

City Council Conference Room – 1st Floor

Present: Councilor Jason Grow, Chairperson; Councilor Joe Ciolino, Vice Chair and Councilor Steven Curcuru

Also Present: Councilor Jackie Hardy, Mayor Kirk, Councilor-Elect Greg Verga, Jim Duggan, Jeff Towne, Christopher Farmer, Melissa Teixeira-School Committee member, Marcia McInnis, Jim Caulkett, Mike Hale, Mr. & Mrs. Joseph Garland, David Anderson, Mark Cole, Damon Cummings, Russell Hobbs, Michelle Sweet-School Committee member, Betsy Works, Rick Noonan, Councilor-Elect Bob Whynott, Councilor Elect Paul McGeary, Marcia Hart, Sarah Garcia, Jack Vondras, Christine Rasmussen, Police Chief Lane, Fire Chief Dench

The meeting was called to order at 7:00 p.m. Items may be taken out of order.

1. Regionalization of North Shore Regional Vocational School District

Mr. Farmer stated that seems that a vote was taken to advise the City Council to delay making a decision as to such time as required to make a decision.

Councilor Grow stated we have a theoretical deadline of December 15th for acceptance for the need by the Regional Voke to get the 75%.

Mr. Farmer said he believes they have the votes. Peabody voted recently in favor of joining. They would count towards the 75%. They are seeking legislation, and the other uncertainty is the whole question as to whether or not the actual size of the school will be reduced if a significant municipality chose not to join. He hasn't been able to get an answer on this. The MSBA hasn't responded yet on this. They need their enrollment team to look at the issue.

Councilor Grow stated talked to Catherine Craven, MSBA, at the School Committee meeting about this and she registered some concern that if Gloucester weren't to join up there'd be some serious consideration to downsize. They don't want to overbuild and not meet capacity. He then asked Superintendent Farmer to review his Advisory Paper, a copy entitled "The Vocational School Merger and Expansion – An Advisory Paper" which is on file.

Mr. Farmer reviewed this document with the committee.

Councilor Ciolino said he understood the first debt payment was in 2012.

Councilor Curcuru asked if the numbers for the debt service in item #15 were based on newly released numbers by the North Shore Regional Vocational School Committee to which **Mr. Farmer** affirmed they were.

Mr. Farmer noted that the Fuller School will be looked at as a possible way to finance the school, per the MSBA. The debt capacity will be about \$15 million. This will have to be determined before a feasibility study on West Parish. We don't know where this will go. He also said they would increase class size to help pay for this. We have held class size to policy target but not in the Middle or High School. You can't hold part of the system harmless. In past six years given all the changes, in terms of relationships between students and teachers, our class sizes are on policy target. But when you look at what's going on in other districts, they have much larger class sizes than we have. Parts of the system are going to suffer.

At this time **Mr. Farmer** finished his review of his document.

Councilor Grow said you're saying in order to join the school we'd have to reduce personnel in the elementary schools and increase class sizes.

Mr. Farmer said he can't say that for sure. If those choices have to be made this is what, at that time, would be my recommendation to the School Committee. We can hope someone will help us with infrastructure issues. But we can't predict where we'll be in four or five years.

Councilor Grow said what about increased IEP cost and drop-out costs how do you measure those in relation to the cost of added debt service.

Mr. Farmer said very difficult to quantify. It surprised him that it was over 37%. If they come back to us, they come back with an IEP that requires services, which we don't pay for additionally at the Voke School.

Councilor Curcuru said you brought up the building of a new school. Do we have an estimated cost?

Mr. Farmer said that we don't have the cost of the feasibility study, but a ballpark for an elementary school for a school the size of West Parish is \$30 million, and we'd be responsible for 48% which is the maximum for the new school that we would be responsible for.

Councilor Curcuru asked what would be the total for the Voke.

Mr. Farmer responded \$5.39 million over 30 years.

Councilor Curcuru said that your recommendation is if we join the Voke, we would increase class sizes?

Mr. Farmer said we're looking at \$240,000, we're looking at 5 or 6 teachers and on the other hand we may get retirements. The number of personnel involved would not be huge. He gave that as an example, but we'd look at the whole system.

Councilor Curcuru noted we have the Charter School and the new school along with the Voke.

Mr. Farmer said a rumor is that they're (the Charter School) looking at Brown's Mall. They're talking about changing their grade levels, a rumor also. They have to get permission from the Board of Education, which is what the regulations say if they change the grade levels.

Councilor Curcuru said when we go through 9C cuts they don't affect the Voke and the Charter School, but they will affect mainstream Gloucester students. He asked the Mayor, do you see the City have excess cash over the last two years? He doubted it would change in the next five years.

Mayor Kirk said that the five year revenue and expense forecast to look at the big ticket items coming at us is also pension, a 10% increase on health insurance which wipes out half of new money for the year, for instance. 4D, those decisions can be made in the context of the day. Fiscal policy says we'll increase fixed costs now and worry about it later. But from a School Committee standpoint if you agree to those fixed costs you get backed into a corner. One of the few places you can go is class size which is discretionary. The heart of the superintendent's educational philosophy is that it's OK to let class size go up if it is to maintain the scope of the programs, which as a School Committee member and as the Mayor she could not agree with this. This conversation will start on December 8th with the School Committee. We'll put together that revenue and expense forecast, look at where we have flexibility and where we don't. That was the basis of the School Committee vote a week ago Monday. The School Committee is asking the City Council to delay their vote and recommendation because we don't have a full picture. This is part of the hole we're trying to climb out of regarding deficit spending.

Councilor Grow asked if there is any indication, to Ms. Teixeira, regarding the costs borne out with the debt service and tuition regarding in-district placement. He assumes the choice numbers can't be less than sending a child from in-district. Will it be the same if not more?

Ms. Teixeira says she hasn't had any conversation regarding that figure. She did go to a School Committee Seminars. That was before these new figures came out. It is still unsure right now. That is her concern. These figures are vulnerable. We don't know the exact figures or the exact costs for the building. They change constantly.

Councilor Ciolino noted this isn't just a Gloucester problem; it's all the possible member's problem.

Councilor Grow said it requires a commitment of funds not to join and expand our own programs. How are we going to balance this with new programs and kids going to the Voke? Can we fund the development of Chapter 74 programs.

Mayor Kirk said the School Committee has established a task force, a steering committee to look at a business plan. There is an aggressive recruitment going on to introduce our 8th graders there to the Voke. Where is the corresponding program to our 8th graders to our program? How do we recruit some of those students to the Gloucester High School program? Even if you made a difference with 5 students, that current tuition creates capacity for money that can be redirected and invested in the local program. If we graduate 15 and only bring in 10; rather than reduce that appropriation, we reinvest it into the local program.

Councilor Grow said there are no guarantees that those funds will go into the program. That would require a buy-in and a rather dubious buy-in at this point. As a City Councilor, how could we possibly allow it? And, how do you then factor in the idea that there's going to be savings attributed to the vocational program when there are other competing needs?

Mayor Kirk said there's no accountability to the vocational budget. There's no motivation for the School Committee to control and promote the high school program. If they were responsible for the budget, the School Committee would have no choice but to be motivated to find ways. It's affordable for Peabody because they're closing their local program. The Superintendent's position is that we need both. That is just not affordable. If the School Committee had control of all vocational expenses they could make some decisions and stimulate what they want as an outcome, and they would have control of that funding.

Councilor Grow said if we took the 67 kids that are currently in the vocational program and put them back into GHS, where would you put them?

Mayor Kirk said the Steering Committee has to make this analysis. Give them the time to do that – give the administration and the School Committee to go into a revenue and expense forecast so that they can go in with their eyes wide open. We can forecast our revenues out over the next three to five years with almost certainty.

Councilor Ciolino said the School Committee has not done any planning in the past on the vocational program. Why should we believe that it's going to happen now? Most people say it won't happen.

Mayor Kirk said they are taking it very seriously. They have a sense of a train coming down the tracks. We haven't put real numbers to it yet. This is coming up on December 8th to bring clarity to this. We'd like to have this same revenue and expense forecasting workshop with the City Council so that the City Council understands. Some expenses are controllable and some are not. We need to know some real numbers so that we know where the gaps are. What kind of service levels are we going to be losing? What kind of class size are we going to have?

Councilor Ciolino says the hole that we're into now is because whatever the situation is, there were missed opportunities over the years and now we're paying for our inaction. It was never the right time, something else was always more important. Then we didn't take action and years later we're paying and paying and paying for our inaction. Why do you feel this is different now if we don't take this golden opportunity? It seems to me this is a case of history repeating itself.

Mayor Kirk says she sees the hole as fiscal mismanagement, spending money we don't have, signing contracts we can't afford, making commitments we can't keep. When it comes time to balance the budget we are cutting services, we're closing a school, we're increasing class size, and we're losing programs. This is a fiscal hole we need to get a hold of. The CFO can take you through it. She agrees on the infrastructure work. The 100% match, she can't speak to 30 years ago; but two years ago we were deficit spending and we're still trying to climb out of that. She doesn't want to see that repeated. We live in a fixed revenue environment. Unless you're willing to raise taxes to raise money, it's about choice.

Councilor Grow said this is one where we agree. We're potentially closing the door on an opportunity because we're making up for the sins of our fathers.

Councilor Curcuru said you can't continue spending money you don't have.

Councilor Ciolino said my dilemma is Mr. Farmer telling us to join; and the B&F Committee on the school side saying they would move ahead and join if it stays on the City Side. But our paid professional who runs our system says we should do this.

Mayor Kirk said the Superintendent does not set policy. That is the role of the School Committee. The policy decision that Mr. Farmer is giving you is that this expense will come at the cost of class size. This is why we have to get to December 8th to say, what are the variables that can help pay for that.

Mr. Farmer reiterated his last point on his document submitted. We are not likely to get more than 2 more courses, about 18% more students already on vocational courses. About 25% is the upper limit. The Mayor is right – we haven't promoted the school's own programs because we don't have the money. We have a Steering Committee, and they'll be looking for potential kind of courses by a deadline of May set by the School Committee. But if you look at the big picture, there are not all that more students; and even if we had the funds, he doesn't see a great flourishing down the road. We need to be realistic. If we're holding out the hope that if we don't join that we can provide that kind of vocational education to these students, he doesn't believe that it's reasonable.

Councilor Curcuru asked Mr. Farmer which is more important West Parish as a new school or the Voke? Clearly we can't do both – we can't join the Voke and afford to build a new school. That is his personal opinion.

Mr. Farmer said he doesn't know all the facts at the moment. There is a possibility that the feasibility study may say no new West Parish school – put them into Fuller and just turn the clock back. It may be that you can't fund \$15 million and that you can't fund a quarter of a million dollars. The big question marks are funding.

Councilor Curcuru doesn't want the mainstream students to be slighted in the City of Gloucester going forward with the Voke if we have an opportunity to build a new school.

Mr. Farmer said that's why he is suggesting that we should wait so that some of these things can play out.

Mr. Towne asked if students with IEP's at the North Shore now come back aren't those students going to stay through graduation.

Councilor Grow said kids that might otherwise go to the Voke would stay in the district so even if you're talking about the students you have now, four years from now, you're talking about a generalized population figure of students. Anything we're looking at now is three years out.

Mr. Farmer said there's only 8 students attending North Shore Technical High School who are on programs that could be on a scholarship that if we're paying the \$17,000 if we

could have some inducement which wouldn't be discriminatory according to the General Counsel.

Mr. Towne said in addition to additional expenditures that we have looming in front of us we still have to build up the General Fund fund balance which is precariously low as we've talked about on several occasions here. We are less than 0 at the end of 2009 for the General Fund. Once the final audit report is done, we desperately have to increase fund balances and safeguard it. That has to be taken into consideration and a key factor that we have to be vigilant about.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Grow, the Budget and Finance Committee to recommend to the City Council vote in favor of the School Departments recommendation of joining the Regional Vocational District High School and the expense stay on the City side.

Discussion:

Councilor Grow said he didn't think they needed to add the part of the expenses staying on the City side.

Councilor Ciolino said that was the recommendation from the Budget & Finance Committee of the School Department. That is an issue that will come down the pike and doesn't have to be in the motion. He then amends the motion to remove the part that the expense stays on the city side.

Councilor Hardy questioned where this was mentioned within the School Committee minutes that are on file for this Budget and Finance Committee meeting.

Ms. Teixeira said it made it out of the B&F subcommittee but not the School Committee it was withdrawn.

Councilor Ciolino withdrew the motion without objection.

Motion was made by Councilor Ciolino, seconded by Councilor Grow the Budget and Finance Committee recommends to the City Council to join the North Shore Regional Vocational School District.

Discussion:

Councilor Ciolino stated that he believes that the opportunities that young men and women would have is too great to pass up. We will pay the higher price if we don't join, but then it's whether there's room for our students. Parents have told me that if we don't join they'll choose their children out to Manchester or Rockport and go from there. That's not the direction we need to go in. This is the wave of the future. We can still maintain or even increase the present vocational school, but we can't miss this opportunity. We can't miss the boat on this. The State is dropping \$100 million on this. If you average this out over the years, it's not as bad as it could be. He will always vote for the opportunities for the children of Gloucester. He is just as concerned about the money the Mayor, but when push comes to shove the children come first; and he will vote in favor of this.

Councilor Curcuro will not support the motion. He firmly believes we should wait on this vote. We've got the Steering Committee established December 8th, and we don't have a drop dead date as of yet. He is looking at \$5 million for Voke, \$15 million for the new school, the \$6 million loan we're taking up tonight, the Charter School, no 9C cuts. There's just too much right now. We're looking to be fiscally responsible. He doesn't see the money coming down the road as anticipated. He hopes another motion is made to delay this vote for the time being.

Councilor Grow said he is very concerned about missed opportunities we've paid for in the past. This is probably the hardest decision we've had to face because of how far reaching it is. There are a number of issues he is concerned about - the potential for 9C cuts, the Charter School opening, the MSBA, they're all valid concerns. We're going to know shortly what the answers to those questions are. He is very worried that we might risk further reducing services in our schools here because they bear the brunt. School choice, we'll pay one way or the other, whether we are members or busing kids at our cost and paying the tuition. The amount of money on that end of the scale diminishes what you're going to pay to be in or to not be in. They're going to wash out. If pushed to make a vote tonight, he would vote for this, but it is counterintuitive. We could lose a bunch of kids out of this. It is difficult to make this decision now. He does see wisdom of opting for a period of time to wait. Around May would be the earliest. He would vote in favor of it, but tomorrow night to opt to delay it in City Council.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Grow, the Budget and Finance Committee voted 2 in favor, 1 opposed (Curcuru) to recommend to the City Council vote in favor of joining the North Shore Regional Vocational School District.

The Committee took a two minute recess.

Councilor Grow called the meeting back to order at 8:07 p.m.

2. Memo from CFO re: Acceptance of Funds from City Hall Restoration Commission

MOTION: On motion by Councilor Ciolino, seconded by Councilor Grow, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to accept the donation through the Gloucester Fund City Hall Restoration Commission to the City Hall Restoration Account #295024 for the sum of \$67,000.00. Any interest accumulating on these funds is to remain with and become a part of Account #295024 (M.G.L. c. 44 sec. 53A). These funds are to be used specifically to restore the City Hall Bell and Clock.

3. Memo from Harbormaster re: State grant for North Channel, Inner Harbor

Mr. Caulkett stated that this a continuing project started three years ago to continue the permitting and engineering for the dredging.

Councilor Ciolino asked when it comes to dredging where does the dredging material go. Has that been determined yet?

Mr. Caulkett stated that the material has been determined to be clean and can be dumped in open ocean, and that this is easy disposal. The material that came from dredging around the Coast Guard Station and his office was contaminated and that needed a different method for disposal.

Councilor Grow asked is there a matching grant to which Mr. Caulkett said no there is not.

Ms. McInnis said that if they are to file quarterly reports with the DCR 15 days at the close of each quarter. They'd like a copy to the CFO and the Auditor's office will be needed as well as the drawdown requests for the reimbursement for money.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to accept a grant from the Department of Conservation and Recreation of the State of Massachusetts, P10-2607-G7 (3772-G) in the amount of \$30,000.00 for the purpose of completion of the sampling and testing for permits to dredge in the North Channel, Inner Harbor (M.G.L. c. 44 sec. 53A).

4. Memo from Health Director re: Another H1N1 amendment for the Medical Reserve Corps Grant

Councilor Grow asked for a round of applause for Mr. Vondras on his state award.

Mr. Vondras said that this is Medical Reserve Corps that the Health Department has about 400 volunteers for discharging H1N1, and this was another amendment that he forgot to put in the first packet and was left out. There are 4 amendments in total, and this is the last one. This is one time only spending. This is an amendment to the original MRC grant which was for \$12, 500. This is one-time only spending. This will be on supplies and shifting of staffing that we have. It is all allowed by the guidance from the Centers for Disease Control. The money is here. There is no paperwork of any kind. The money starts with the CDC. The Town of Westford is the conduit for this County. Then it comes to Gloucester as the host. There is no contract. There is no language, just a check to the City of Gloucester.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council another H1N1 amendment from the Town of Westford for the Medical Reserve Corps grant of a total of \$8,000.00 to be deposited into Account #291089.10.510.51000.0000.00.000.00.051 FY09 MRC Emergency Prep-Sal/Wage. The new total amount for this grant will now be \$22,785. All funds must be spent by June 30, 2010.

5. Memo from Police Chief re: Weed and Seed grant from the U.S. Department of Justice

Chief Lane is looking to apply for a 5 year grant by the Federal Government by Dept. of Justice out of their Community Capacity office. The application is due tomorrow, and they've been working furiously on it. It's a very lengthy document. There is a 25% match required. It can be in-kind. The Dept. of Justice will let us know in several months. It combines enforcement with prevention program. It would allow for police equipment, school resource officers, community policing, bike patrols, warrants, sweeps, things like that.

Mr. Vondras said it would have programs like the drug disposal program we already have. There's funding for physicians roundtable on opiates, and programs that we've been working on, some neighborhood consumer groups development as an example.

Councilor Curcuru asked what the 25% match in-kind would be. You made mention that it could be covered.

Mr. Vondras said this is covered by my time, the Chief's time, and conference rooms so we can build in rental of space, phones, things that we can normally provide so that we don't ask the city for any money. We're very good at this. We have had this kind of grant before.

Chief Lane said the CFO of the Police Department would be the main person to administer this grant on both the Police and the prevention side. He would do the quarterly reports that they require.

Councilor Grow asked if there is a plan in place as how it will be spent. He's a little nervous about this money just being spent on equipment as in the past.

Chief Lane said it is a five year plan. The strategy as it stands now it is to get crime software, some more equipment and as it changes as equipment is acquired then in the second year there is less equipment, more work and so forth going forward. There are certain things they can't buy with it like cruisers.

Councilor Curcuru asked when you will find out.

Mr. Vondras said they'll probably find out in March and would institute it at the start of the State fiscal year of July 1st if they are awarded the grant.

Councilor Curcuru asked that they come forward with the allocation of the funding plan if they are awarded the grant.

MOTION: On motion by Councilor Grow , seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to grant permission to the Gloucester Police Department to apply for the Weed and Seed five year grant being offered competitively by the U.S. Department of Justice through its Community Capacity Development Office with a 25% in-kind match.

6. Memo from Community Development Director re: Approval of CPA Committee's hiring of Project Manager

Ms. Garcia spoke to the hiring of a project manager for administrative support. By the budget that was passed in November, 5% of the grant is allowable for administrative purposes. In our first year we're expecting \$390,000 under the CPA. This doesn't include a state match in the first year. The state match comes in the beginning of the second year. The Committee will do several major processes. She explained the administrative functioning of the CPA Committee. A half time junior planner is the right sort to hire for this. Someone straight out of school or someone at home would be ideal. It is a good quality planning job, but it is directly supporting the Committee. The hiring is through the Community Development Department. The plan is to have a four-person hiring committee. Sandy Dahl Ronan and J.J. Bell would be involved in the hiring. A lot of communities do a large formal planning process. We already have our plan 2001 and we have a committee that's been each year is updating it. Those recommendations are felt to be current and real for the City. Ms. Garcia suggested that they hire someone for what we would call low cost in the planning world. That person is Linda Braden, whom they hired for under \$1,000 to have a draft plan so when they have a public meeting in January they are prepared.

Councilor Grow asked how much taken up with salary vs. other administrative costs and needs?

Ms. Garcia said about \$20/hr. for 19 hours a week. This is definitely a junior, part-time job.

Ms. McInnis said the annual salary for the M4 would be \$22,000 to \$29,000 range for a full year, so half of that.

Councilor Ciolino would like to see someone working here, not someone working from home.

Ms. Garcia clarified that they were looking at someone who was willing looking to work reduced hours, not work from home. She was thinking of someone who might be qualified who may now be at home but wishes to work a part-time job.

Councilor Hardy asked where this position is full time if there were any benefits associated with this position, and if there are any City employees let go who might be eligible for this.

Ms. Garcia responded it is a 19 hour work week for this position so it doesn't come with benefits. They are looking for someone with knowledge of CPA and a related planning degree. We're looking for that kind of expertise.

Councilor Grow said most of the CPA money expenditures need a public hearing; do we need to have one for this?

Ms. Garcia said the CPA Coalition said they don't have to have a public hearing for administrative budget items.

Mr. Towne asked if this an authorization from now until June 30th and will be part of the operating budget for the CPA or do you expect them to continue for a while?

Ms. Garcia said they expect they'll be paid out of the CPA funds in this role. The planner is to maintain the project budget structure. They are trying to be very clear about where the funds go. It gets complex once we have multiple projects.

MOTION: On motion by Councilor Grow , seconded by Councilor Ciolino , the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the hiring of a part-time Community Preservation Project Manager which is to be paid out of the CPA's allowable 5% administrative budget at 19 hours per work week.

7. Memo from Community Development Director re: Acceptance of grant for down payment of parcel of land known as I4-C2

Ms. Garcia is asking for acceptance from the Seaport Advisory Council of \$800,000 to make a down payment on the I4-C2 land parcel. As you know this sits in the middle of our downtown vacant, and is adjacent to city owned docks on the water side of the land. It became apparent that this land would never move if the docks were not connected to the land side. It's in the designated port area. You can't have a marine industrial dependent piece which must have docks. The ownership of the docks is currently under the control by the Waterways Board. With the grant award, it is a way to bring the property owners to the table. It makes sense for the City to own this property. Many have proposed ideas to the owners, but none have taken. We'd like to move forward to secure the purchase.

Councilor Ciolino asked where we are on this.

Mayor Kirk said that the State has asked us to make that request sooner rather than later for a decision in the event of budget cuts, the money would be protected. That is why it is coming to you separately. On the transaction with the property owner, the next step is to finalize a Purchase & Sale agreement. In order to put that purchase and sale agreement together, we had appraisals done on the property. That purchase and sale agreement will come to the B&F and City Council for review and a vote prior to that agreement. The appraisals were slow in coming because of the complexity of the marine/industrial use. Two appraisals were done which will help to inform the purchase price. The City's Legal Department is working with the legal owners on the terms of the purchase & sale agreement and is probably a month away.

Councilor Ciolino asked is this possible to have it done?

Mayor Kirk said it is. From a development perspective, you have to put the waterfront with the land. The recommendation would be to take three years to plan how we would either develop or transform that parcel into a revenue generating situation. It can't be a park, and we don't want it to be a drain on city resources. So the City would put out a request for proposals as to possible development and that we would have the community weigh in what those scenarios would be. Two to three years is a prudent course of action. We want it to be cost neutral. It is to marry the land with the waterfront within that zoning.

Councilor Hardy asked for clarity sake on process, before the actual P&S is to be signed, it will come to the Council for approval prior to that stage?

Mayor Kirk said absolutely. We can't enter into that agreement without coming before the City Council.

Councilor Hardy asked will the City Council know then at that point the amount of the appraised value and the P&S numbers, etc.?

The Mayor said the Council will have all the information before it. Right now they are in negotiation on the purchase price. As it is nailed down the Council will have an understanding of the purchase price and the rationale behind it.

Councilor Grow said it was brought to his attention that there may be some restrictions even within the marine/industrial as to what could potentially be built on.

Ms. Garcia said she looked into this. She spoke to one of the attorneys in town familiar with it and got a copy of the agreement on the parcel. There is an actual footnote on Page 5 where a judge refers to that caveat. The distinction is being made that some filled tide land is filled on private property above the low water mark but some filled tide land is actually the water area that is filled. That is owned by the Commonwealth. A lot of our harbor is like that. Wherever you see a finger pier is built on filled tide lands of the Commonwealth. In speaking with the Coastal Zone management coordinator, there is a law that shows that the DPA is exempt from the special conditions from Commonwealth filled tide lands. So if you're in the DPA, the fact that it's Commonwealth filled tide lands versus normal filled tide lands it is not an issue. It is Commonwealth filled tide land, and the DPA does not create a special distinction or a special restriction on use.

Councilor Ciolino asked what does this mean.

Ms. Garcia said it is under the normal DPA restrictions that we all know.

Mayor Kirk added that the first round of RFP's will be to solicit proposals that can conform to DPA use. The Councilor-Elect for Ward 2 is suggesting a non-DPA use. The administration will be seeking conforming uses for the first round under the existing restrictions. The challenge to the State is to say come up with the contemporary, positive productive DPA use - partner with us to find an appropriate use. The first choice is to have the DPA use.

Councilor Curcuru asked do you really think two agencies will talk to each other and they all work together, partnering with us.

Ms. Garcia said that the groups believe that they want the ports to be more productive; they believe in the DPA's; to have ports more productive, and want to work with us and use feedback from the community. In the harbor plan there is a schematic showing usages.

Councilor Grow asked are we looking for the City to maintain ownership of the property and leasing it out to users. How do we reconcile bringing in developers but we want to maintain control of the property.

Mayor Kirk said this is the kind of thing to be hammered out. A Land Lease is a way to guarantee control. You put restrictions on that type of lease so the City can maintain control of the waterfront. This way we can maintain the docks with the lobster boats that are there now. Disrupting it now would not be in the best interest of the City.

Councilor Hardy noted that community involvement in situations such as this is vital to make it work. Are you going to put together a committee for the RFP, after the RFP? At what point would you involve the community?

Mayor Kirk said at the point of the RFP to help define the scope. It's going to be fairly defined because of the property and the restrictions on it. It would be like a selection committee. Say you got 5 or 10 responses, we'd envision what the library did, have a

charette. We won't make the same mistakes two years ago of trying to advance a predetermined proposal in a very important area of the city. It will probably take 3 years to do.

Councilor Grow said what if we decide not to spend that much money on the property in the City Council?

The Mayor said we have opportunity to reprogram it. This was a reprogrammed previous grant. The harbormasters office wasn't ready to move on that project. The Waterways Committee has the capacity to take some of its own projects. It's working on account for their funds with the Seaport Advisory Board.

Councilor Ciolino said he's happy he's lived long enough to see something happening at this lot. It is Gloucester's poster child for failure. He definitely supports it.

Councilor Curcuru is in support of this.

MOTION: On motion by Councilor Grow, seconded by Councilor Curcuru, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to accept the \$800,000 grant of the Seaport Bond funding to the City of Gloucester to make a down payment necessary to purchase 65 Rogers Street, Map 9, Lot 1, otherwise known as I4-C2.

8. Loan Authorization Request for water treatment plants and system distribution improvements

Mayor Kirk said before you is a request to borrow \$6 million. She is opening the discussion. She came to the conclusion that our infrastructure is in receivership. The consent decree on the waste water treatment plant for the water system represents multi-million dollar projects. We're under the oversight of the state, and we do what they ask us to do. We have some flexibility on method, but all such methods have to be approved by the DEP. We need to fulfill our obligations under those consent orders

Mr. Towne said with regard to debt what else is coming? What else after we vote this? He would try to paint the picture currently and what is looming out there like the Voke. Mr. Towne referred to a handout entitled "Water Treatment Plant and System

Improvements” which is on file. The motion is standard and that we have to advertise for Public Hearing and then the City Council would vote on it. It paints a true picture where we are. He went over the document.

Councilor Grow sought clarification on Title V and Betterments saying that’s not coming out of General Funds nor is it on the rates. That’s paid for by residents. To which **Mr. Towne** agreed.

Mr. Towne said sewer CSO is the \$11 million figure is separated out because it would leave \$5.8 million in the sewer long term debt. He continued to explain the document. \$125 million is the grand total of long term debt. About \$33 million is betterment funded. This doesn’t include the \$6 million we’re talking about this evening.

Mr. Hale said there is a \$4 million is the consent order to get Babson up and running again. The City can’t bring Babson back on line without the \$4 million. The state won’t allow us to be up and running without it. We’ve already started to disassemble parts of it to be ready for the fix by the anticipated deadline of July 1st. They are shooting for a tighter schedule for May or June. He went into the details as to the Babson water treatment plants at point of contact, etc. All these numbers were developed for DCAM approval and also developing a letter to the DEP outlining our proposal for the consent order work. He discussed the breakdown of the numbers on Page 4, and the state of the Babson plant. He is hopeful the work will solve these problems enumerated by the Consent Order. He spoke of the quality of the water over the years. Babson has 1950’s technology. Much has to be done manually. This leaves room for operator error. West Gloucester will have to be altered as Babson is altered - the processes have to be homogenous. We are holding \$2 million for immediate work. Some time ago we put together a long-term capital program. The distribution system is about 60% unlined main which has met its life expectancy. The pre-WWI distribution main had a 100 year life expectancy, and it’s due now. The WPA had about a 70 year life expectancy, and the pre-WWII had a 50 year expectancy. We have come due on the majority of our water mains in the system. The mineral build-up on the inside of these pipes sucks the life out of the chlorine as it tries to reach the outer limits of the City. Historically the chlorination has been very low in some of the outlying areas. It leads to the “brown water” complaints that we all have. As we do work on the system, a little bit of work causes a whole lot of disruption. We’re looking to focus on a very specific area with this \$2 million looking to engineer improvements for the Spooner Tunnel. We have the two finished water mains run through a masonry tunnel 45 feet below grade under the Blyman Bridge that bring water to East Gloucester or to West Gloucester depending on which side we’re operating. If one of the mains breaks in that tunnel, we lose the finish water capability side to side; we lose the only gas feed to the island, fiber optics and other cables in that tunnel, water between West and East Gloucester. It would be a complete loss and there’s no way to recover until we rebuild it which would take a significant

effort and capital cost. The bridge would be locked down for the foreseeable future if there is a rupture there. The \$2 million will allow us to do that. The water quality to Essex Avenue is poor and the water going to West Gloucester then is limited as it has to take a jog through Bond Street. All the water coming to the City has to take this jog, and a new 20 inch main will improve this. Non-emergency water improvements - we have a loan authorization we're working off of now of \$1.5 million from 2006. It was untouched until this spring. We couldn't have operated West Gloucester this fall without the improvements. We are hoping to build off of that existing authorization to do some of this work here. These include improvements that are necessary such as reservoir aeration which greatly improves water quality and which is an inexpensive way to improve it, reservoir intake and storage, Plum Cove storage tank improvements. Ward 4 pulls off this one storage facility. The tower is built too low. When Babson is operating the water doesn't transfer to the tank almost at all. So you wind up with stagnant water in that tank which is released into the system. Just to reline the tank was \$400,000. To raise that tank one ring would take \$1.6 million. It is necessary to improve the water quality for this ward. The HVAC, etc. at Babson needs to be improved. If you saw the furnaces at Babson you would realize they're energy hogs. They're enormous and inefficient. They need to be improved. The facility itself has a number of small improvements. That totals \$2.18 million.

Councilor Curcuru asked \$6 million and another \$2 million. This is not included in the overall debt in Mr. Towne's document here.

Mr. Hale said the \$6 million has an asterisk at the bottom, of slide 4. The \$2.18 million he is considering that part of an existing authorization. He believes \$3.5 million is in the short-term debt. That existing authorization started work at the West Gloucester facility and at Babson a year ago. We forwarded a project that is on-going on the water pumps that pushes the water into the distribution system. They had to run two pumps to get the productivity of one new pump. Three new pumps are now there with variable speed controls and can be ramped up when needed and then dialed back in the off season.

Councilor Curcuru said these are estimated costs – that's all this is right now?

Mr. Hale said these are the best numbers they have to make them realistic costs and looked at similar ongoing projects to make these numbers. They tried hard not to under- or overstate them.

Councilor Curcuru asked could this be higher, this \$6 million?

Mr. Hale said pricing seems to be very competitive. The work we just did at the waste water plant was similar to this. Labor is labor. That can't fluctuate. You can anticipate a better cost estimate than pipe work in the street.

Councilor Curcuru said you could come back and ask for more money?

Mr. Hale said it would be a challenge to spend \$6 million in six months.

Councilor Curcuru said you want to get this on line at the latest date of July 1st. When do you have to shut West Gloucester down?

Mr. Hale said West Gloucester has never been operated longer than 5 or 6 months that anyone can recall. West Gloucester has larger reservoirs than East Gloucester but a slower charge. Dykes is an 800 million gallon reservoir. Babson is 350 million gallons. One reason they haven't maximized West Gloucester is the pumps between reservoirs being outdated and poorly maintained. We can't keep Dykes full by transferring water that would go over the spillway towards Walker Creek.

Councilor Curcuru you would anticipate running West Gloucester until Babson is up and running?

Mr. Hale said we have no choice. It is our only option.

Councilor Grow referred to money borrowed for water system improvements this past spring. It was geared towards some of these necessary improvements. This is not new information. We use the 2003 report verbatim to the DEP. They know we saw it. Everything in here is what is in the consent order. The DEP knows of the Babson Water Treatment Plant Evaluation.

Mr. Hale said this is the most critical – engineering the tunnel. We have two water main breaks a year on Western Avenue. It's the same pipe under the tunnel. We are making a contingency plan that has to be developed. It's a very big contingency plan. We lose one in the tunnel it can't be put back together again. It breaks in this tunnel we're done.

Councilor Ciolino asked what happened to the gas tunnel at the high school. There was talk about running a pipe through that.

Mr. Hale said he doesn't know if National Grid put spare conduit there for a gas line. He has been in discussion with National Grid about this and they don't have a contingency plan yet. So his guess is that they don't have a spare conduit. We could directional drilling. It could be one option. Or do we look at pipe jacking and directional drilling in another direction.

Councilor Ciolino said they would join the two pipes on Essex Avenue with the new hotel.

Councilor Curcuru said that is contingent that they actually build the hotel.

Councilor Curcuru asked in 1993 was there an estimated cost outlined.

Mr. Hale said there were costs discussed in 2003 dollars. In present day dollars it would be the same.

Councilor Hardy asked with regard to the \$6 million we're going to expend at Babson, is that something we're going to keep a hold of or will it go for naught if we go for a new filtration plant.

Mr. Hale said it's a matter of having water this summer. We have to do some long-term planning as to the future of water filtration and as to whether we start planning for a new facility right away for it to come into being in 10 years. In '99 it was a discussion of what are you going to do, keep both of them or have one. It was had again in 2003, and in 2006. It's a discussion we don't want to have. It's a big price tag associated with it.

Councilor Hardy says she doesn't want to leave the impression that this \$6 million will take care of it all because it's not.

Mr. Hale responded that it takes care of the immediate issue, and it buys us some time. It will take five years to plan the facility and construct it and have it operational.

Councilor Ciolino asked how the bids came in for West Gloucester improvements.

Mr. Hale said they came in as they expected. The work for the waste water plant came in under. They added some alternatives to the document that the price was so desirable that it included the two alternatives for the bid package.

Mr. Towne referred back to his document regarding water rates. Currently it's \$7.62. With the existing ongoing water projects that have not yet been borrowed \$5 million from the short-term debt. That is a net of 65 cents. The project of \$6 million has a net of 50 cents. Originally he put the \$2.18 million in extra expense budget. They don't believe they need to go for additional authorizations. We think we'll be able to use up the rest of the water improvements of \$3.5 million. We anticipated that the FY 2012 will be \$8.83 for an additional increase of \$1.31 or \$1.50 presently just for the debt we're talking about. Next year will probably be a 65 cent increase added on. He used the current water consumption rates. Other revenues stay the same for enterprise funds, but as it gets more expensive people may conserve and then consumption goes down and so less revenue. It depends on what consumption is a contributing factor to the rate. There is an assumption of short-term borrowing again, but these are really long-term rates. It doesn't include any additional capital projects (he pointed to a large chart and stated that it is available in the Mayor's office). Back in 2008 when we outlined water and sewer projects there were several key things, the water distribution system improvements for the pipes that are in the ground totaled up to about \$18 million. A rough estimate for a modern water treatment plant if we were to put one in could cost as much as \$40 million.

Councilor Grow asked **Mr. Hale** said if this would include refinishing of the streets to which he said yes in the critical areas.

Mr. Towne said as we get into the FY2011 process, we'll really try to define this as much as possible. By the time we vote it, most of the \$4 million work will be done and the \$2 million may not quite be done and could extend past June 30th. The \$4 million will be spent 100% by May or June. Whenever we look at new debt we want to look at a cash flow plan to see when we're going to have to borrow the money. We don't borrow way in advance like we have so many other projects. We don't want to do this any more – it costs us money and run into arbitrage issues which we don't want to do on the long-term debt borrowing.

Mayor Kirk asked Mr. Towne what the percent of water enterprise budget you assume a debt of about 30%.

Mr. Towne said that we spend little over \$2 million and our total budget is just over \$6 million which is about 30%. That ratio is way out of wack in water and sewer, and it is moving in that direction in the General Fund.

Councilor Grow what sorts of annual increase do we average in general over the last number of years?

Mr. Hale said the focus over the last six years has been on sewer. The new contract is fairly neutral. The contract is structured much differently. With this new contract, the vendor pays utilities and chemical costs. It's a five year contract.

Councilor Curcuru asked about consumption over all during our water crisis.

Mr. Hale said it was down. It's debatable how significant it was. It may have an impact in the end. The last two years we've been conservative on our estimates on consumption. Most of September, October and November were down. Our worst case scenario is not having Babson not close to up and running by summer. Conservation measures are not good for consumption numbers.

Mr. Anderson said our water rates are astronomical. We have spent zero on water improvement. How do the water rates go up? Is this money being used to balance the budget?

Mr. Hale said that we're pretty cautious on which enterprise money is spent where. We have employees split half and half between water and sewer. He makes sure they're dedicated to those things.

Mr. Towne said we have independent audits every year that look at the enterprise funds. They look at the operating budget to actual. They look at the actual to revenue. They look at their rate calculations. He doesn't know where it's gone in the past. When you

have \$18 million left on debt right now, you're paying \$5 in interest. We've done things by issuing debt. We need to build for spending capital in cash for long-term debt. The goal is to eventually establish, not only enterprise funds but General Fund, a capital improvement budget that is paid for by the operating rate every year and not borrowing. We can put \$5 million more on infrastructure if we pay for it in cash. That's along time to come for the City.

Mr. Anderson responded that previous mayors did nothing while the City went down the "sewer". That money had to have gone somewhere. Creative accounting over the years is responsible for this. How can we account for such high water rates? Where did that money go?

Mayor Kirk responded the CFO said that \$18 million of improvements have been done over the years, and we're carrying the debt for that. The point is the wrong priorities were chosen. When we look at what's required under the ACO and we look at the additional project, when we ask the director what are the projects keeping you up at night, and he's flagged the tunnels.

Councilor Ciolino said this City seems to work best with a gun to its head. Through the years on the Council, when we had the fire in Magnolia and had to deal with the low pressure, that's when we did the water project putting pipe all the way into Magnolia; when we had a house burn to the ground on Eastern Point that's when we did the work there. We had fires elsewhere, it's and subsequently it's been improved in those places too. It's always been improved that way when we have emergencies. We're on the water, we have these federal mandates. Other communities don't have a gun to their heads. We do.

Ms. McInnis said why the rates aren't comparable with other communities is that there were missed opportunities for Federal subsidies and State grants. They were not taken and it was a false savings. This is what is driving the rate differences in the communities. It's just a case of missed opportunities.

Mr. Hale said that whenever he talks to professionals who work around water and sewer rates, they are always amazed that Gloucester has 26 square miles, 30,000 people and the infrastructure is so big. We have very few users for the infrastructure that we have. We have 130 miles of water mains in the City. We have 13,000 accounts for a City of this size. We're big with few people with a huge infrastructure. Rockport has the same sewer and water rates as Gloucester. Gloucester is not an anomaly that sits out there. The highest water and sewer rates in the country – he believes that's greatly overstated. We are a unique community that we're just blown out with utilities and just not drawing off

them. The consumption numbers are 740 million gallons and 155 million gallons for sewer. They're very small consumption numbers compared to the infrastructure that we have. We can't optimize your resources like that. We're set up differently than most communities.

Christine Rasmussen said that a lot of the infrastructure that was put in over past years was mandated in certain areas of the City. Streets were ripped up. It was determined at that time that it was a good investment that we replace the water mains and pipes. So every sewer loan order is a water loan order then. And that's where a lot of the costs were. At the time it seemed that it made sense because knew we'd have to come back and rip up the roads, and we didn't do it.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to order that \$6,000,000 is appropriated for the purpose of making improvements to the City of Gloucester's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section I of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor is authorized to borrow up to \$6,000,000 and to issue bonds or notes thereof under Chapter 44 of the General Laws and/or Chapter 29C of the General Laws or any other enabling authority; that such bonds or notes shall be general obligations of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer with the approval of the Mayor is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter onto a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project; and further to ADVERTISE FOR PUBLIC HEARING.

Councilor Grow called for a two minute recess.

The meeting was called back to order.

9. *Memo from Operations Manager-DPW request to purchase new mowing equipment*

Mr. Cole said this is for another ride on-mower with a leaf-collection system that comes with it and four more push mowers. It's coming out of the interest from the sale of plots.

Ms. McInnis said that the City Councilor must appropriate it. It is a supplemental appropriation. We need a supplemental transfer form from this fund for \$13,642 and put it into the operating fund.

Councilor Grow said it wasn't a part of the packet. Can you have one by tomorrow?

Ms. McInnis said yes.

Councilor Ciolino asked if this was adding to the equipment.

Mr. Cole said that they're replacing old equipment and the ride on-mower would be new and adding to their other mower bought four or five years ago. This is just for the cemetery. The money has to be used for the cemetery.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to authorize a supplemental appropriation from Account Number 294010.10.991.59600 to Account Number 101000.10.470.58700 the expenditure of \$13,642 from the Cemetery Capital Account to purchase new mowing equipment, as submitted by the Operations Manager, Mark Cole.

10. Memo from Operations Manager – DPW request to pay for services procured without a purchase order

This item for the B&F Committee's consideration is removed at the request of Mark Cole, DPW Director.

11. Special Budgetary Transfer Request #10-11 from the DPW and Memo from Assistant City

Engineer

Mr. Duggan said this was a matter where a mistake was made. The money was spent a month ago on pot holes. When they did the transfer the wrong forms were used.

Ms. McInnis said it was due to reorganization, and they used old account numbers. The account number they asked the transfer to go to no longer existed.

Ms. McInnis noted this is a six vote because it's from one account to another.

MOTION: On motion by Councilor Grow , seconded by Councilor Ciolino , the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer balance in Unifund Account #101000.10.422.52490.0000.00.00.052 Highway Paving Contracting to Unifund Account #101000.10.470.58415.0000.00.000.00.058 Public Property Paving in the amount of \$40,000.00.

12. Special Budgetary Transfer Request #10-13 from the Fire Chief

Chief Dench is requesting the transfer funds for the training of firefighters on oil burner technology. He said the problem was that all the money was in an ordinary account. They are in the process of setting up an account so that they don't have to do this every time they send firefighters to a training program.

Councilor Grow stated that the point of this class is that you're going to have a lot more firefighters trained so that the fire inspector is not bogged down looking at oil burners and spotting problems. He explained the theory that they train the officers in the oil burner technology and in turn they can teach our firefighters to do this, but you need the expertise to do it so they can spot problems and bring it forward once they know what to look for. We are targeting the officers to bring things back to the department and to train their personnel.

Councilor Grow asked if everyone will be trained in this.

Chief Dench said that this is a matter of making the others aware of the issues. So when they see things they will know to do the inspections and tell the fire inspector he can sign off on it. Ultimately the fire inspector has to sign off on it.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer from Unifund Account #101000.10.220.53060.0000.00.000.00.052 Fire Department Pub Safety Program to Unifund Account #101000.10.220.51300.0000.00.000.00.051 Fire Department, Sal/Wage-Overtime to pay for nine members of the Fire Department to attend a class on Oil Burners for a total transfer of \$2,058.00

13. Special Budgetary Transfer Request #10-14 from CFO, Jeff Towne

Mr. Towne stated when the Lock Box company changed the P.O. Box last year after ordering a large quantity of envelopes, he told them too bad, and you're paying for our envelopes. They did give us a credit last year on the fees that we pay them, but we didn't order envelopes then. We need to do this now.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer from Unifund Account #101000.10.145.52000.0000.00.000.00.052, Treasurer/Collector, Legal Consultations to Unifund Account #101000.10.155.54230.0000.00.000.00.054 MIS-Paper/Forms for a total transfer of \$2,000.00 to purchase additional Collection Department return envelopes.

14. Special Budgetary Transfer Request #10-15 from City Auditor, Marcia McInnis

Ms. McInnis said the contract we signed with Sullivan and Rogers included a baseline in grants and we have exceeded that amount. We were already overdrawn on the line item. The additional grants and the amount that is required is \$13,900.00. \$63,000 left in the Council Reserve Account. This is an accurate assessment of where we are.

MOTION: On motion by Councilor Grow, seconded by Councilor Ciolino, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer from Council Reserve Appropriation Unifund Account

**#101000.10.900.51100.0000.00.000.00.051 to Auditor Fees Unifund Account
#101000.10.135.53130.0000.00.000.00.052 for a change order to include additional
audit costs for grants requiring OBM-133 Audits of Sullivan and Rogers for a total
transfer of \$13,900.00.**

15. Report from City Auditor re: Accounts having expenditures which exceed their appropriations

Mr. Duggan said that these have been cleared up.

16. Other Business

None.

**It was moved, seconded, and voted UNANIMOUSLY to adjourn the meeting at
10:00 p.m.**

Respectfully submitted,

Dana C. Jorgensson

Clerk of the Committees