

CITY COUNCIL STANDING COMMITTEE

Budget & Finance

Thursday, November 18, 2010 – 6:00 p.m.
1st fl. Council Conference Room – City Hall

-- MINUTES --

Present: Chair, Councilor Steve Curcuru; Vice Chair, Councilor Paul McGeary; Councilor Verga (alternate)

Absent: Councilor Hardy

Also Present: Mayor Carolyn Kirk; Kenny Costa; Jim Duggan; Jeff Towne; Nancy Papows; Bethann Godinho; Gary Johnstone; Tim Police Chief Michael Lane; Fire Chief Phil Dench; Deputy Chief Stephen Aiello; Sarah Garcia; Peter Haddad; Bob Hastings

The meeting was called to order at 6:00 p.m.

1. Continued Business:

A) Tax Classification: Presentation by Board of Assessors and City Auditor (Cont'd from 11/04/10)

Nancy Papows, Principal Assessor presented to the Committee the “Tax Classification Information for Fiscal Year 2011” (on file). The document submitted covered Classification Considerations; some economic and political issues as outlined by the Department of Revenue (DOR). They received final certification of values from the DOR on October 26, 2010 with the new growth approved on November 1st. A residential factor has to be adopted; and the maximum shift allowed by the State is 1.5 %. The residential class now makes up over 89.3%. Commercial/industrial personal property is 10.7%. The value for the City as a whole is down 1.7% from last year. Residential values, depending on the type of property have decreased from 1.8% to 4.7 %. The average decrease for residential is 2.5%, down from FY10. Commercial class saw a decrease of approximately 2.9%, industrial down 1.5%. She noted the 1.06% shift factor has been adopted for the last five years. The levy limit from FY01 plus the Prop 2-1/2 increase plus new growth gives them the FY11 levy limit. Added to that is the Poles Hill debt exclusion and the CSO debt shift. The maximum allowable levy divided by the total value of all parcels in the City gives them the factor of 1.0 where they start from; rounded to \$11.48 so as not to exceed the maximum allowable levy (\$11.49 being the tipping point). Last year the shift factor was 1.06%, and if again adopted would result in a tax rate of \$11.40, and a CIP rate of \$12.18. With the shift factor of 1.06% of the previous year, and a \$250,000 property, the residential parcel saves \$20.00 annually, while the commercial/industrial or personal property account saves an additional \$175.00. A residential property of \$1 million would save \$80.00 annually; the CIP would pay an additional \$700.00 annually. They do not have parcels classified as Open Space, so Open Space discount is not applicable; and the Mayor has not opted to adopt either the residential or the small commercial exemption.

Councilor McGeary looking at a residential exemption on the principal residence, if a house is assessed at \$100,000 he could take \$20,000.00 off the assessment or off the tax bill.

Ms. Papows stated you adopt a percentage of how much you want to reduce which is based on the average assessed value of all Class 1; which comes up with an actual dollar amount exemption. At 20% the exemption amount is \$75,800.00. All parcels that qualify, that amount would be reduced from your assessment if you qualify. But the residential class still has to bring in what it was going to bring in otherwise. The rate goes up for the rest of the class. Parcels that don't qualify subsidize those that do. In some cases there is a break even point. If you're a certain value property you're going to pay more even with the exemption.

Councilor McGeary stated that they've not opted for that.

Ms. Papows confirmed they had not. It is a shifting within the class. The class still brings in the same; it is one taxpayer subsidize another in a way. Residential properties are single families for the most part and make up the majority of the class; but this also includes condominiums. The exemption is based on the average assessment of all Class 1 properties; two-families, three-families, single families, condos; anything classified as a Class 1. Depending on the number of people that are expected to qualify, there is a formula to determine what the exemption is, an actual dollar amount off the residential assessed value of those qualifying properties. You qualify by it being your principal domicile. If someone owned an accessory parcel it would not be eligible because they don't occupy it as their domicile.

Councilor Curcuru noted the drop in commercial properties and what that indicated.

Ms. Papows stated last year commercial/industrial properties also went down, about 1.6% and 1.1% last year. By way of explanation noting it was not as drastic a swing because residential purchases are emotionally based whereas commercial properties are not as it is a business decision. Residential is significantly less of a decrease from last year. Residential class as a whole had a decrease of 6.6%. She believed because significant adjustments had been made to that class last year, they're seeing a little less of a decrease this year and is closer to what the commercial decrease is.

Councilor Curcuru didn't feel they should do a major shift at this time. It will go to the City Council at a public hearing.

Councilor McGeary noted that the 1.06% shift had been in place for five years and seemed reasonable.

Councilor Verga thought they should send a message that they are not sending a burdensome shift to businesses and citizens who are struggling.

Bob Hastings, Executive Director of Chamber of Commerce, 196 Main Street stated last year, for the first time the Chamber supported the Budget & Finance Committee's Tax Classification Factor of 1.06%. Small businesses, he noted, are having a hard time. They would like to see the tax shift to stay neutral from last year, their businesses are just starting to come up and don't want to see anything exacerbate the problems.

Councilors Curcuru and **Verga** agreed that the 1.06% shift has kept the City on an even keel.

Mr. Towne congratulated the Board of Assessors team who worked so hard this year, a triennial certification year, and got it done five weeks and three days earlier than the last time they went through this program due they are experts at what they do and are well recognized at the DOR. The feedback was minimal from the DOR this year. They did a fantastic job. Because they are doing this, the City can set the tax rate and get the bills out on time. He also mentioned Madonna Fleming of the Assessors Office and thanked them all.

MOTION: On motion of Councilor McGeary, seconded by Councilor Verga, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council a Tax Classification Factor of 1.06 percent.

MOTION: On motion by Councilor McGeary, seconded by Councilor Verga, the Budget & Finance Committee voted 3 in favor, 0 opposed for a letter of thanks is addressed to the Assessors office recognizing the exemplary efforts of Ms. Papows and her team.

B) Memorandum from Fire Chief re: Addition of New Fees and Increasing Current Fees (Cont'd From 11/04/10)

The Committee continued their discussion with Fire Chief Dench regarding the possible increase of fees currently being charged by the Gloucester Fire Department. He wished to simplify the proposed fee schedule and listed things that they don't get any fees for now. He went to the MRI audit and the fire prevention section, recommendations under Sec. 9.2, "They should restore the part-time clerical position to support the fire prevention program. This position would be responsible for administering a permanent management system, scheduling fire inspections, filing and other related duties." Sec. 9.3 states, "The

Department should consider increasing the fees for permits within the allowable statutory amounts. For example, most of the \$25.00 fees may be increased to \$50.00 and additional fees may be charged for smoke detector/carbon monoxide inspections and multi-resident occupancies pursuant to M.G.L. Chapter 148, Sec. 10A.” The Chief also noted the report goes into some of the other things they could charge for; and that the City should consider charging a fee for plans reviews and services within the Fire Department and that these are the things they were looking to do. He contended the Fire Prevention Bureau should be an up and coming aspect of the Fire Department; fire prevention as opposed to fire prevention is a “much better alternative”. He felt they are trying to do so much more with so much less. They would like to take the \$54,000.00 for permits in revenue the previous year and by doubling it, it would come in at around \$100,000.00 and propose the increases be re-invested in the fire prevention services which would include hiring a full-time secretary to do all the administrative work that needs to be done. This would free up the Fire Inspector to go out and do inspections more efficiently which he is unable to do now because he is tied to the office “for X amount of hours” answering phones, scheduling appointments. He’s getting backed up on all of his inspections, and they’re losing revenue. At the Committee’s request they eliminated the departments that didn’t relate to Gloucester in any way and showed Beverly, Salem and Danvers, the three communities in this area reasonably the same size as Gloucester with similar departments. They showed what their fee schedules look like. For the most part they are higher than Gloucester’s, a few lower. They’re just trying to move many of them off of \$25.00 mark.

Councilor Curcuru asked if the Administration would support the added revenue going back to the Fire Department and where do the fees currently go.

Mr. Duggan stated they’ve looked at it in terms of above and beyond the ambulance revenues to be invested directly back into the Fire Department, “yes”. The fees currently go to the General Fund.

Mr. Towne stated they stay in the General Fund. There would be additional expenditures of the Fire Department budget to offset it.

Councilor Curcuru asked if the fees are reinvested back currently.

Mr. Towne stated all the appropriations are supported by all the receipts. It’s not that “this pays for that”.

Councilor Curcuru noted inspectional fees are not direct to the Department; and is not earmarked for the Fire Department. They’re suggesting another \$50,000.00 overall.

Chief Dench stated the Fire Inspector would be able to be out on the road doing those inspections. A big part of fire prevention is education of which they are lacking; they don’t do much anymore like their in-school programs; there isn’t enough time. This will not only make the Fire Inspector more efficient but would him free up to bring the Fire Education Program up to where it should be, and hoped in the near future they would be able to add another person to the Bureau, as they were “poorly lacking” due to lack of funds and personnel to do it.

Councilor Verga stated that the Administration is committed to that the increase which will go through to the General Fund on to the Fire Department. The Councilor disclosed in his profession he deals in terms of smoke inspection permits; but that his clients pay for that; and therefore did not see a conflict of interest. He noted the smoke detector permit fee was listed currently as \$25.00 and would go up to \$50.00; and asked for clarification and would there would be a range; or rather, the \$50.00 he would have paid a month ago, what it would be ‘next year’.

Deputy Chief Aiello noted Councilor Verga was dealing with real estate transfers. For new construction they charge \$25.00 per unit; for real estate transfers it is \$50.00 per unit because a carbon monoxide detector is required by the building code now. They are looking to raise that fee to \$50.00 for new construction. He acknowledged the fee for real estate transfers would stay at \$50.00.

Councilor Verga agreed a secretary was needed and acknowledged how bogged down the department was administratively, and expressed in his experience the department had always been accommodating regardless. He felt it would be more efficient if the system had clerical work taken care of to free the inspectors.

Chief Dench acknowledged sometimes another Deputy Chief might go out, whoever is on duty; but that only takes that particular Deputy Chief away from their assigned work and cascades from there.

Councilor McGeary asked if they run behind on the inspections is there a liability issue for the City if they failed to carry out an inspection and something happened.

Chief Dench thought there “probably could be.” In the case of occupancy permits being given, they get the ones done that they have to get done. He gave the example of oil burner inspections that haven’t been done. He posed the question what if one malfunctions before it is re-inspected. By law the homeowner is only allowed 50 gallons in the tank until the inspection is done. Of late they tell the homeowner to go ahead and that the licensed oil burner technician has done his job. They go and inspect when they can. It is the oil burner technician with the onus on his license; but imagined it could be a liability to the City.

Councilor Curcuru noted when the Chief was here several weeks ago; the proposed permit fees list was longer.

Chief Dench stated the proposed permit fees were the same. They had the State’s list with all the fees there. For this meeting, they eliminated those they don’t really do, which Councilor Hardy had pointed out in the last meeting, and anything that they didn’t want an increase in, mostly obscure ones. They only brought forward fees they feel should be appropriately increased. The list reflects now the inspections and services Deputy Chief Aiello does on a weekly basis regularly and what they wish to focus on.

Councilor Curcuru, Chief Dench and **Deputy Chief Aiello** also had a brief conversation on free standing chimneys, also known as Chiminaires.

Councilor McGeary expressed the fees seemed reasonable to him.

Councilor Verga thought the big one that affects the real estate business is staying the same. He, too, agreed that the fees are reasonable and the additional revenue is committed to go back to the Fire Department to create efficiencies and “was all for it.”

Councilor McGeary wished to make clear that the Administration was only committing to the increased revenue to “go towards the secretary.”

Mr. Duggan stated “correct, at this point.”

Councilor Curcuru expressed he was not pleased about it; while he understood the situation; but they raised all the construction fees/permitting fees and didn’t earmark any of additional monies to that department.

Mr. Duggan disagreed; that there were investments made, “significant investment”.

Councilor Curcuru believed the largest increases were in inspectional services.

Mr. Duggan felt it was the DPW, especially with their connections which saw the largest increases; with and gave the example of one fee that went up to \$1,000 for a particular sized connection.

Councilor Curcuru recalled the fees for inspectional services fees for large construction “jumped” quite a bit.

Mr. Duggan responded the Fire Department had been “decimated”; and haven’t seen reinvestment; but added he wasn’t saying there wasn’t a need for reinvestment into there [inspectional services].

Councilor Curcuru contended if they do for one department they should do it for all others.

Councilor Verga agreed but thought that they could do it now going forward, and that this was the precedent.

Mr. Duggan made note it was not a precedent; that of the three biggest City departments: the DPW, Police and Fire, that reinvestment to the level that it needed to be done in the Fire Department has not been made “in years.” That was not saying Inspectional Services didn’t need it; but there are deficiencies made plain in the audit report that says they need to reinvest on many levels in the Fire Department.

Mr. Towne noted regarding reinvesting in a particular department; the revenue that they generate doesn’t 100% support the department now. They’ll be spending more; and they still have tax revenues that are the major source of support.

Councilor Curcuru noted there are departments that generate revenues and feel their department should receive that revenue as re-investment; and then there are a lot of departments in the City that don’t generate revenue at all and felt something needed to supplement that.

Councilor Verga asked they keep this in mind going forward, like in the inspectional services. Since the inspection fees just jumped, he hoped they wouldn’t change further for a while.

Mr. Duggan thought that was a fair assessment. When they went out to a fee compendium to all the different departments, the Chief's predecessor had asked for an increase in fees. The DPW, Inspectional Services, the City Clerk's office, the Police Department – it was up to the department head. When Chief Dench came on board he recognized that they're not comparable with other communities.

Councilor Curcuru stated that they were looking for a standard set of communities that they can go by.

Mr. Duggan stated if the Council wished to determine what communities they wanted for comparables, they will do what the Council wishes to be consistent.

Mr. Duggan stated the more communities to make like comparisons, the less communities you will have based on demographics, square miles, coastal miles, median income, and road miles. If they say communities with a population fewer than 50,000, he thought that would be appropriate. He believed it was a population of communities they looked at for the salaries reviews recently had populations of 25,000 to 34,000.

Councilor Curcuru recalled it came up at Council.

Chief Dench thought no matter what cities they picked out, they'd have seen the same results; but saw the point of a set number of cities.

Councilor Verga didn't think the fees were untoward, noted the lack of change, for instance with the open burning permit at \$15.00.

Chief Dench stated they never did charge for plans review. They couldn't do them before. They would tell them to build it and inspect later. Lt. Aiello is now doing it on his duty and in some cases in his off-duty time to get their product better. They should be charging for plans review. It is a huge task.

Lt. Aiello stated for Gloucester Crossing he "spent hundreds of hours reviewing" it with no fee involved. He also noted he'd spent approximately 8 hours reviewing the Lorraine Apartment plans with no fee.

Mr. Towne offered that for all the fees, the planning review takes considerable time for someone who is adding something to their system to make sure the City can protect.

Councilor McGeary asked would it be legal to have fees go up or down depending on property value.

Councilor Verga noted there is one based on square footage on the first page of the proposed schedule. He would support these fees as they are and for them to look at plan review, particularly with the bigger projects with a tiered system or an hourly system with a cap.

There was a brief discussion as to how better structure the plan review fee and was determined that when the matter comes before the Council the Fire Department would present a tiered structure for that process.

MOTION: On motion by Councilor McGeary, seconded by Councilor Verga, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommends to the City Council the adoption of the Fire Department fee schedule as presented AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

- C) Memorandum from Community Development Director re: Acceptance of Seaport Advisory Council grant funds in the amount of \$500,000.00 (Cont'd from 11/10/10)

The matter was continued to the December 2, 2010 meeting.

2. *Letter and documentation from Deputy Fire Chief Aiello re: enactment of ordinance to bill for Certain Fire Department responses*

The Committee discussed with Deputy Fire Chief Aiello his proposal for an ordinance to bill for certain Fire Department Responses as outlined in his letter to Mayor Kirk (on file with attendant back up documentation). He also pointed to the management audit from MRI. The Administration tasked them to move forward on these recommendations and they require funding to do so. Their equipment is expensive and is used and needs to be replaced. He stated that this process has enabled municipalities across the country to maintain, and in some cases, actually expand the level of service their residents have come to expect. Massachusetts mandates supplemental insurance coverage for Fire Department responses

on all structure and vehicle insurance policies. Yet if the Fire Department doesn't bill the insurance company for its response, the funds set aside and remain with the insurance company. He proposed the GFD enter into an agreement with a billing company for billing services. On Fire Department responses such as motor vehicle accidents, structure fires, or hazardous materials incidents, the FD will collect the responsible party's insurance information and forward it to the billing company. The billing company then bills the insurance company for the Fire Department response. The Fire Department would then have electronic access to an account set up by the billing company that would enable them to monitor bills that have been sent out, payments that have been received, etc. The billing company is paid either by retaining a portion of the revenue collected or by adding an administrative fee to the bill. There is no out-of-pocket expense for the responsible parties, as only the insurance company receives a bill. Revenue collected would be set aside in a revolving account to be utilized by the Fire Chief as he/she sees fit. It is estimated that conservatively revenue could be \$60,000.00 annually in reimbursements (this number was based on old data; with new reporting methods that revenue estimates would increase). Two municipalities on the North Shore already have this recovery process in place, Wenham and Andover. This would help pay for training for officers, public education in the outskirts of the City and replacement of equipment. Right now the money stays with the insurance companies. This allows them to access these funds with no expense to the homeowner or vehicle owners. He noted sixty percent of motor vehicle accidents in the City are caused by out-of-towners.

Chief Dench noted, after a brief discussion with Councilor Verga and Deputy Chief Aiello of the definition of negligence with regard to a motor vehicle accident or a fire, that person who caused the motor vehicle accident; their insurance company would be charged the fee from the Fire Department. Upon inquiry from **Councilor Verga**, **Lt. Aiello** explained they would get the insurance information, in the case of motor vehicle accidents, from the Police Department. In the case of a structure fire, the Fire Department incident commander is responsible for obtaining the homeowner insurance information.

Lt. Aiello explained to **Councilor Curcuro** that the \$60,000.00 estimate was based on last year's calculation of 170 motor vehicle accidents, and 40 to 50 billable structure fires, several hazardous materials incidents; motor vehicle fires, things of that nature.

Councilor Curcuro stated as this would be another reinvested fee to the Fire Department, how would this be set up; and as it was an estimate, how would they determine how much would go back to them.

Mr. Costa confirmed it has to be the General Fund.

Mr. Towne explained even if they instituted it now in the General Fund they would have to wait until next fiscal year (FY12) in order to appropriate money. If they estimate \$60,000, he would conservatively estimate \$50,000.00; the Administration could choose to increase their appropriation by that amount which would be the reinvestment into that department. If it was fire prevention, and they raise another \$50,000 for that, the fire prevention budget would increase by \$50,000. The Fire Department is a function of the General Fund.

Chief Dench interjected when they first began this they called it revenue recovery because they were speaking of generating revenue. They're now looking at it as cost recovery. He gave the example if they were at a motor vehicle accident and had to use the 'Jaws of Life', there is a cost that comes with operating that piece of equipment. There is a replacement value.

Councilor Curcuro expressed he didn't have a problem with this; but that since they were going off of an estimate, how they were going to base it.

Mr. Towne stated the key was the mechanics of how this was going to be done.

Lt. Aiello introduced Peter Haddad of Intermedix, a third party billing company who had been a helpful resource during their research phase, and is also looking to solicit the City for the business if it is accepted and goes forward. They would do an RFP for the billing. The billing company would keep a percentage of the fee collected which was figured into the estimate of revenue.

Councilor McGeary thought it seemed reasonable but asked if someone was it by an uninsured driver.

Mr. Haddad stated that was up to the discretion of the City as to whether they would write that off, or if invoices would be processed to the uninsured driver who would be in violation of the law, even if they were from the State of New Hampshire which requires financial stability backing their liability.

Councilor Verga stated there is no percentage to the billing company.

Lt. Aiello stated the way the reporting is done; on every incident they respond to they are required by law to do an incident report. Intermedix can communicate with them electronically with their incident reporting system; and they can send the information to them weekly, and they would then send the bills.

Councilor Verga stated they could recover revenue and be saving time on reporting they have to do anyway because this saves a step.

Mr. Duggan wanted to know what happens with bad bills; the insurance company doesn't pay; are they going to bill over a certain rate.

Lt. Aiello stated they would figure out the value of say, a pumper, its depreciation each year; and figure out what it costs to respond to each call. For instance they send 3 pumpers, a ladder truck and a rescue truck plus equipment; and a fee would be to support the replacement value of that piece of equipment and bill accordingly. If the homeowner or vehicle owner had only \$500.00 in liability coverage, they would accept that; even if they sent them a bill of \$2,000.00.

Mr. Towne added they would write off the rest as they do with the ambulance; and **Chief Dench** added they're still ahead as the company will only get their percentage out of the \$500.00; with **Councilor McGeary** noting it didn't hurt the credit of the person who didn't pay.

Lt. Aiello responded to Councilor McGeary's query that the insurance company and the billing company negotiate how much they get paid. The homeowner and vehicle owner would never see a bill.

Councilor Verga asked if any neighboring communities do this type of billing.

Deputy Chief Aiello stated the towns of Andover and Wenham, and Quincy already do and that Beverly is in the exploration phase and likely to institute this form of billing; and noted the State of Texas has been doing it for 20 years. He reiterated that homeowners and vehicle owners don't even know it is being billed.

Police Chief Lane and **Mr. Haddad** briefly discussed Police Department collections which Mr. Haddad stated his company did not do it and did not recommend it as there was always a risk of an accusation of skewing the judicial process.

Councilor McGeary stated some insurance companies pay better than others.

Mr. Haddad stated ambulance transports are electronically oriented and generated. With insurance companies, in this instance, it is a more labor-intensive task as you are dealing with an adjuster. The collection rate is not 100% with some negotiation involved.

Councilor Verga noted currently their collection rate is zero. If the City gets paid the company gets paid.

Mr. Haddad stated they know up front what the claim is.

Lt. Aiello expressed that the matter would need to be referred to O&A for an ordinance change; and that he would contact Suzanne Egan, General Counsel to obtain draft language to bring to the O&A Committee for their review.

MOTION: On motion by Councilor McGeary, seconded by Councilor Verga, the Budget & Finance Committee voted 3 in favor, 0 opposed recommended the referral to the City Council Standing Committee of Ordinances & Administration to bill for certain Fire Department Responses.

3. *Memo and Grant Application from Police Chief re: permission to apply for Automated License Plate Reader Grant*

Police Chief Michael Lane explained to the Committee that only the department had learned of the existence of a competitive grant offered by the MA Executive Office of Public Safety and Security MA (EOPSS) offering applicants funding towards an Automated License Plate Reader (ALPR). The technology, two cameras that are angled down to license plates which goes into the cruiser laptop and goes to the Registry to check the registration of cars. It allows for police to check up to 1,000 vehicle registration plates per hour at up to 70 mph for their status, searching for unregistered vehicles, uninsured vehicles, unlicensed operators, revoked or suspended licenses, etc. The technology is not that new.

Salem has had them for three years; and had come up with 212 unregistered motor vehicles cruising the streets and having the cameras which link to laptops in one year bringing in \$21,000.00 to their General Fund. It's not downloaded to a server; it "pops" out a citation. He explained one unregistered plate leads many times to other things. The use of the ALPR system is for official law enforcement operations only. MA EOPSS has made available a total of \$300,000.00 for this grant which requires a 20% "in kind" or soft match. The grant application deadline is November 29, 2010. He anticipated they would know on or around January 7, 2010 of the award, if any.

Councilor Curcuru noted an example of an expired leasing company sticker. It would flash up confirmed by the registry, and the reason for a revocations (most due to insurance company non payment), a citation would be written.

Chief Lane stated in testing a system in on one of the GPD cruisers, within 15 minutes they got 3 hits. He made note that they can't do anything on private property. Salem Police chose not to site for uninsured which is \$300-\$400 per violation. In addition to their registrations, it can run sex offenders; tow and holds, as two examples.

Mr. Duggan asked if parking enforcement personnel could use them.

Chief Lane stated that they could not due to the nature of the situations. The technology, if they get the grant, would be placed in the downtown cruiser where officers can be proactive; and thought it would be and make use of it. The cruisers have laptops and are running their own plates now and are using the technology. This is cutting-edge technology. Salem has seen their motor vehicle citations go up 20%. The public was made aware of the new program, and is a requirement of the grant, by a press conference and articles in newspapers.

Mr. Duggan assured this new revenue resource would be reinvested into the Police Department.

Chief Lane stated a 2-camera system is \$17,000; three-camera system is \$19,000.

Mr. Costa noted that the grant is for the equipment alone. He recommended the City purchase this equipment even if they don't get this grant, as it does produce revenue.

Chief Lane noted that there is a 20% in-kind (soft) match. There are many ways to do that. He noted some of the requirements around implementation will go to the in-kind match requirement being filled easily.

Councilor McGeary stated they can stop people on a public way on this alone.

Chief Lane confirmed that was the case; and they can randomly run plates.

Councilor Curcuru stated this would be an estimate of revenue.

Mr. Towne felt he would be conservative the first year about how much revenue could be brought in; and then the appropriation can increase in the second year when they know what kind of revenue they can expect.

Mr. Duggan stated they're exploring putting towing out to bid which will help that portion of the revenue with the tickets and towing. Donna Compton, the City's Purchasing Agent is reviewing it now for a request for qualifications.

MOTION: On motion by Councilor McGeary, seconded by Councilor Verga, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to permit the Gloucester Police Department to apply for the FY2011 Automated License Plate Reader Grant of up to Three Hundred Thousand Dollars (\$300,000.00) from the Massachusetts Executive Office of Public Safety with a 20% "in-kind" (soft) match.

At 7:30 p.m. Mayor Carolyn Kirk, with permission from the Chair, joined the meeting, to make an important announcement to the Committee:

Mayor Kirk stated her office, the City Auditor's office, the CFO, the members of the Council having been through a great deal in the last several years, announced this day was a historic day in the last 20 years. The City has turned a corner and has positive free cash in the General Fund of \$1,992,293.00. It is the second highest free cash of the last 20 years, only outpaced in 1998, "the boom of the boom years."

“The bottom low was -\$3.8 million.” This past year, they put their “shoulder to the wheel”; at the weekly 9 a.m. free cash meetings and noted Councilor Curcuru’s participation in that meeting from January to June where they “hit hard” how are they were funding a particular deficit, etc. She noted the School Department stepped up, with Tom Markham (School CFO) and the Superintendent participated. She made note of over the past several months how Mr. Costa helped put them “over the edge” by pulling the paperwork together and gotten them “over the hurdle” with the DOR who could not believe the turnaround in the City.

Mr. Costa stated the feedback [from the DOR] was very positive and complimentary to the City. He had explained that it was a banner year; that they all worked together as a team; everyone pitched in and was a great accomplishment for the City.

Mayor Kirk recognized Mr. Towne and his detail orientation. “No deficit was too small for him to chase”. She noted the positive cash free cash balances in Water, Sewer and Waterways; however, she cautioned they need to continue to keep their financial guard up. The Administration would be putting forward a savings and spending plan. They do need to appropriate some free cash for some purposes this year and will work with the Council President to figure out how they get that before the Council, hopefully before the Council meeting on Tuesday to have it referred out to B&F out of this free cash; “a significant savings component and a small spending component.”

Councilor McGeary thought Mr. Towne’s goal is to maintain around \$2 million in free cash.

Mr. Towne stated their goal was more focused on a combined Stabilization and Unreserved Fund balance of \$4.5 million. They started with \$1.5 million for Stabilization and try to put \$1 million from their collection efforts this year, and maybe some surplus; and each year after to add an additional \$500,000 to free cash and unreserved so that combined it would be \$4.5 million. That is on the low end of the spectrum of what he, Mr. Costa and the Government Finance Office Association of the United States would say is a healthy combination.

Mayor Kirk stated that is over five years. At the most recent bond rating review, they made a promise, if they could fulfill, that the target amount over five years in those distributed amounts between “now and then; that it didn’t all have to be in the bank immediately. There is five years to “hit that goal; they have to show progress.”

Mr. Towne stated they “nailed” their prediction. They hedged a little bit but were confident going into the meeting with Moody’s in September that they would hit that estimate. They want to know they have a plan and doing something about it and the plan is succeeding; which they did, and believed it would go a long way to removing their negative outlook and are hoping they will get it removed as well as an upgrade.

Councilor Curcuru thought considering where they were the previous year, it was an “amazing dollar swing,” and that they should be a little bit more encouraged.

Mr. Towne stated it was a \$6 million swing in two years.

Councilor McGeary thought it to be “remarkable” to have turned it around that much.

Mayor Kirk also noted it was also a collections effort. The City had become “far too lax” in its collections; it wasn’t fair to the people paying on time as well as the pressure it was putting on the budget and loss of services into the community.

Councilor Curcuru thought most people appreciated their going after the people that don’t pay for some time for their water and sewer and felt they didn’t hear too much about that currently.

Mr. Towne added the recommendation by Mr. Duggan for the collections company they used has made a big difference. The DOR administration also deserved credit as they stopped the City from being allowed to continue the status quo of how they were doing business. He recounted how the Mayor, when he was first hired, told him they were going to improve their relationship with the DOR administration who have helped them through their deficits in the Sewer Fund; the free cash deficit in the General Fund. They gave them a plan as well and the DOR held them to it. D’Ambroiso LLP has helped them to collect over \$2.5 million back taxes and he felt they couldn’t have done it without them. The tax payers who were in arrears to the City, he believed were thankful because they are caught up; they’re saving 16% interest annually; and now they’re current and their mortgage companies are making sure they stay current. In a

year or two they'll see that they can afford more things for their families because they're not paying 16% out on back due taxes.

Councilor McGeary stated these were "yeoman's efforts", cautioning most of the "low hanging fruit" is gone. There won't be this kind of upsurge in revenues by aggressive collections in years to come.

Mr. Towne stated that was in their original plan and estimation.

Mayor Kirk noted the boom years of growth. They're budgeting on \$550,000-\$600,000 of new growth per year. If they hit an upturn in the market, the free cash becomes your growth driving that. Hopefully, the economy has hit that corner.

Councilor Verga wanted a snapshot of what is still owed and when do they write it off.

Mr. Towne stated they never stop collecting and all the interest that goes with it. Each year they still have the tax title process. They're caught up, and only behind one year. Four years in two years is a lot to deal with. It's saving the taxpayer 2%. They'll continue to do the tax title process. There was \$2.5 million in outstanding principal, another \$2.5 million in interest when he first started. They've collected a lot of principal and added more tax titles to them but overall receivables are lower. He estimated it was probably \$750,000 to \$1 million. \$2.5 million also included water and sewer collections. They did a two-prong approach; their tax collections for this; their part-time person who starts December 1st will call water and sewer accounts daily, especially their high volume customers. It is a continuous process. He still has some low hanging fruit, but it is much smaller.

Councilor Verga asked if there were any properties in the pipeline.

Mr. Towne stated on December 13th that will go to land court. There is a couple at this stage. They don't have nearly anything like some of the neighboring towns and cities. They try to set up payment plans. If they're at land court, they're not at the stage where payment plans are going to work. He's only foreclosed on one property that was residential; three or four that were land only. Councilor Curcuru's attendance was appreciated by him and by the Mayor and felt the approach was important for coordination between the Council and the B&F Committee.

Councilor Curcuru complimented the departments in finding the funding in their budgets and not having touching the Stabilization Fund.

4. Memo from City Auditor regarding accounts having expenditures which exceed their authorization

Mr. Costa reviewed his reports submitted prior to the meeting (on file) with the Committee noting a few small deficits.

A motion was made, seconded and voted unanimously to adjourn the meeting at 7:55 p.m.

Respectfully submitted,

**Dana C. Jorgenson
Clerk of Committees**

DOCUMENTATION/ITEMS SUBMITTED AT MEETING: None.