

CITY COUNCIL STANDING COMMITTEE  
**Budget & Finance**  
Thursday, February 3, 2011 – 6 p.m.  
**1<sup>st</sup> Fl. Council Conference Room – City Hall**

- Minutes –

**Present:** Chair, Councilor Steven Curcuru, Vice Chair, Councilor Paul McGeary; Councilor Jacqueline Hardy

**Absent:** None.

**Also Present:** Jim Duggan; Kenny Costa; Jeff Towne; Fire Chief Dench; Police Chief Lane; Tom Markham; Sander Schultz; David “J.J.” Bell; Sandra Dahl Ronan; Sarah Garcia

**The meeting was called to order at 6:03 p.m. Items were taken out of order.**

**1. Continued Business**

A) Grant Application Process (Cont’d from 01/20/11)

**Councilor Curcuru** explained that all grants come forward to the B&F and all grants have to have the Mayor’s approval before they come through her report. Some are time sensitive. He thought they need to come to a resolution as to how they come forward to B&F for review. Anything that is not matching and as long as they submit the paperwork to Mr. Costa, he believed, they only have to come to B&F to accept. He expressed some concern regarding grants with matches but felt it was clear that unemployment coverage remains an issue with grant employees.

The Committee discussed the matter of what grant comes before them, what did not need to and their concern over making sure unemployment was included as part of the budget figuring on grants to be submitted. They agreed that they would look at the City ordinance governing grants and consider its revision.

**The Committee determined that if any employee is being hired as a result of the grant, then that grant application or any grant that has a match must come before the Committee for approval to apply for a grant.**

**This matter is tabled.**

B) Application #5: City Hall Restoration Committee – City Hall Restoration – Completion of the Exterior Restoration – Historic Preservation - \$185,000 (\$2.6 million) (Continued from City Council Meeting of 1/25/11)

**Jeff Towne, CFO** stated he met with the CPC on Wednesday, January 26th to discuss funding options of total loan cost; of what long-term debt funding schedule would look like to fund the City Hall Restoration project in trying to come to a compromise between what the CPC had planned originally of \$185,000/year for the debt service and his trying to shorten the length of the term of the debt. He worked out with the City’s financial advisory service for First Southwest Public Finance four different payment option plans (received at meeting and on file). Plan 4 was \$2.6 million as if they borrowed on September 15, 2011 (about the time all other City debt gets issued) and funded it over 20 years for long-term debt at rate of 4.25% (however it could be issued at other times of year dependent upon cash available). Total payment in this scenario came to about \$191,000, as close to level debt as possible, budgeted each year out of the CPA fund. The \$191,000 is *per year*. The total the City would end up paying under this scenario \$1,314,950 in interest. Total payments, principal and interest for a 20 year bond would be \$3,914,950. Plan 1 is a baseline scenario and is different because the interest rate that the financial advisor gave them was closer to 4.25% since it was done in June of last year. Originally they talked about a 3.75% interest rate. The Plan 1 theory is if they use some CPA money in order to pay down some of the bills first, so

they would lower the amount they had to borrow. Example: The first year pay \$175,000, so the \$48,500 in the interest column plus the \$175,000 comes to around \$220,000 (at 2% interest which is higher than he's been getting). He noted his interest rates in this scenario are conservative. This would be short term for two years, and then issue long term debt in September 2013. Basically, there'd be three years of principle payments, not debt related principle payments; but paying of invoices, he reiterated, then borrows in September 2013. The interest rate is higher by .5%, to 4.75%; not knowing the future markets, and again, estimating conservatively. If it comes in at 4%, his intent would still be to pay around \$215,000 a year which would pay it up that much shorter. It would take off some from the bottom line because it would be adding to principle each year.

**Councilor Curcuru** noted based on Mr. Towne's conservative figures, \$3,455,675 is the total with interest included compared to \$3,914,950.

**Mr. Towne** confirmed it would be just less than \$400,000 in interest savings. There would be three years of payments and 13 years of debt; sixteen years in total before it is done and paid for.

**Councilor Hardy** stated that the prevailing financial view is if you have borrowing to do then do it as they don't know what the future holds and thought a known at a slightly higher amount might be better than the unknown.

**Mr. Towne** in response noted Plan 2 is a variation of Plan 1 and moved to Plan 3 which shows that the total principal and interest payments would be \$3,465,000. He would only be borrowing \$2.23 million, paying \$270,000 in cash. The CPC and he are in agreement that they should borrow as early as possible. He can, under the State Qualified Bond Act (SQBA), which will take some time to get before the Municipal Finance Oversight Board (MFOB) as they do with all the City's other debt, borrow under the State's rate. If they do that, they can structure the debt differently than straight principle and interest; level debt payments. This allows him to do the same thing as Plan 1 by putting a little bit towards principle and a little less towards interest, but has to figure out how it would work. When he spoke of principle, he meant paying down the invoices and has a couple years of straight interest payments if it's qualified under the State Qualified Bond Act, and is the only way he can do that. Plan 3 is under 14 years. Answering **Councilor Curcuru's** question about the CPC's commitment, Mr. Towne related their commitment would still be about \$212,000, \$213,000 each year.

**Mr. Costa** noted the pay down of cash would also require an appropriation.

**Mr. Towne** added the pay down of cash would have a budgeted appropriation as in a normal budget process showing some going towards long-term interest on debt; some towards paying of invoices.

**Councilor McGeary** stated the \$270,000 would come out of current receipts for the CPA.

**Mr. Towne** confirmed all of it would. And in response to **Councilor Curcuru**, he noted they're saving between \$400,000 and \$500,000. He had hoped to save \$700,000 but was pleased with \$500,000; and thought the CPC can live with and have voted to try to keep the limitation of \$215,000 a year. You can only issue bonds; pay debt out of the local surcharge only. You can not pay it out of the State's matching portion. They estimated in 2011 \$427,500 out of the local CPA surcharge. This takes almost exactly half of that for this one project to issue debt. They also reserved funds to be divided, allocating \$56,000 each for Open Space, Housing, Historic Preservation and 'Undesignated'. You can only start with \$427,500 and a portion of that has to come out for those four categories.

**Councilor Curcuru** asked about Plan 2.

**Mr. Towne** explained it was a variation of Plan 1. It showed two payments instead of three toward vendor invoices. It doesn't save that much, he contended and believed they came to a good compromise on a variation of Plan 3 to try to get it under the SQBA; borrow as quickly as possible to take advantage of lower interest rates available now to the market; and structure some flexibility in the first couple of years to make sure he can pay it down so that he only borrows to repay the principal of \$2,230,000. And he confirmed he is recommending Plan 3. As he informed the CPC at their meeting last week, he can't be limited in terms of number of years he can go out; it has to do with the structure of how he can get it done; what the state will allow him to structure the debt as under the SQBA. He explained he understood what they were looking for and asked them to let him work without the restriction of a limit in years. If they wanted to do other debt issuances in the future, they have to have it come out of the local surcharge.

If they put it all towards the whole local surcharge, you won't be able to bond anything else for another couple of years through the CPA. They have to be cautious because the debt payment must come out of the local surcharge only.

**Councilor McGeary** out of the roughly \$400,000, the local surcharge each year, \$215,000 will go to the City Hall debt. They'll have to reserve another 10% each for the other areas.

**Mr. Towne** stated some of that can come out of the State surcharge as long as it's not debt. The State match could go towards those items. If you do \$56,000 for the four categories, that pretty much takes up the State match (budgeted this year at \$118,000) leaving about \$200,000 for everything else including administration, any other projects they vote on an annual basis over and above paying off the bond.

**David "J.J." Bell**, Co-Chair of the CPC stated they were fine with Mr. Towne's recommendations. They did put a term amount of less than 16 years in their vote; they were told part of the protocol was to put in a term of years and gave the example of another community who hadn't and because 20 years was assumed, and it came in with a lesser debt term, the higher amortization "guttled" their CPA fund. They recommended a term, and whatever they recommended, it was in discussion with the CFO. Their Committee felt the CFO came up with constructive suggestions. The lesson learned is that the next time they do some sort of bonding, before they get to the City Council they need to meet with the CFO, so that their bonding scenario will be informed.

**Councilor Curcuru** thought everyone seemed to be on the same page.

**Mr. Towne** stated under any circumstances it wouldn't be less than 16 years, but he has to have flexibility. They agreed that the CPC didn't want to go above \$215,000. It's 15-1/2 or 16.25 years; it's about not putting stress on what they have to take out of the local surcharge. He will come back to the CPC to update them.

**Sandra Dahl Ronan**, Co-chair of the CPC appreciated the work they did with the CFO at their meeting last week to come to this compromise.

**Mr. Towne** reminded them all that this is the first time they have gone through the CPA funding with the Committee; that there may be hiccups along the way, but they will always reach a compromise.

**Councilor Hardy** thought it interesting they're using the phrase, "general obligation bond of not less than sixteen years" instead of not more than something. She understood this was to keep the interest rate down and keep more money in the CPA fund and was a bit of reverse thinking.

On inquiry by **Councilor McGeary**, **Mr. Towne** stated he told the CPC \$215,000 is the deal. He asked they not limit them to 16 years. It would be to their benefit if the interest rate was lower.

**Councilor Hardy** asked of all the other motions to come in front of them, the last portion was to specify which fund would be coming from is there something they should put in the motion to track it.

**Mr. Costa** stated that future debt service would come out of the CPA fund which could be said in the motion.

**Mr. Towne** stated that will be a part of the budget they vote each year. That is where the \$215,000 would come out of. They will have principal and interest and will come out of a CPA fund.

**Councilor Hardy** noted at the City Council meeting they weren't allowed to increase the amount of money, she realized they should have had a precursor motion and then to have a motion for the bonding and moved the motion found below.

#### **Discussion:**

**Councilor Hardy** explained the motion was already made at City Council to advertise for public hearing for the borrowing. This would then be a precursor motion on a public hearing prior to the hearing on the borrowing for the project approval. This motion confirms their agreement with what will be done with the funds.

The Councilors had a quick discussion on process for this application and the borrowing.

**Mr. Towne** thought it was good practice to approve (or reject) the project as presented first; and agreed this should have been done first. He added if the CPC goes through the next round of applications and

has no recommendations from that round; the CPC could put more money towards paying down the debt, as an option on this bonding.

**MOTION:** On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve the use of Community Preservation Act funds by the City Hall Restoration Committee to fund on-going exterior restoration of Gloucester City Hall including architectural and engineering plans and to restore and rehabilitate the rapidly deteriorating elements of the building's exterior envelope, including the tower, the ventilators, the decorative cornice, the windows and entrance porticos for a total not to exceed \$2.6 million as presented. Further, that to meet said appropriation, the City Council shall hold a public hearing and vote relative to the appropriate authorization to borrow as in accordance with M.G.L. Chapter 44 B (Community Preservation Act) or pursuant to any other enabling legislation.

**2. *Memo, Grant Application and Checklist from Fire Chief re: Assistance to Firefighters grant award from FEMA and U.S. Department of Homeland Security***

**Sander Schultz, EMS Coordinator for the Fire Department** asked the Committee to accept the FEMA/U.S. Dept. of Homeland Security "Assistance to Firefighters Grant" for \$88,300.00. He went before the Committee in April 2010 to get and received approval to apply for the grant. The FEMA share of the grant is \$79,470; and the City's match is \$8,830. The funding mechanism for the match will go into the FY12 budget; and the federal government accepted that. He noted this grant comes directly from the federal government and is not a pass-through grant from MEMA. They have until January 1, 2012 to make that match. Assuming he gets approval, he can start spending the funds right away, and has plans to do so. In the upcoming fiscal budget they will have a line item for \$8,830.00 to pay for the match that will go into the account created by the Auditing Department; it will be after July 1<sup>st</sup> when they spend the City's money. The grant monies will be used in FY11 however, as pointed out by **Councilor Curcuro**. Mr. Schultz confirmed he spends the grant money down first, then the City funds last. The two biggest items, the monitor defibrillators will be ordered right away, and then the cardiac compression devices and then the AED's. He should have it "wrapped up" by end August 2011.

**Mr. Costa** stated Mr. Schultz had completed the paperwork; and that this would be new equipment.

**Mr. Schultz** noted the monitor defibrillators were about \$27,000 each (for two); the next single purchase would be for two cardiac compression devices at about \$14,000 each; and the AED's about \$2,700 each.

**Councilor Hardy** asked if this was new equipment.

**Mr. Schultz** explained they have 3 Lifepak 12's (monitor defibrillators). Two are recently new. One is monophasic which is outdated technology; and that one will be traded in.

**Mr. Costa** reminded there was a form that needed to be filled out so that they can adjust their fixed assets for the City.

**Mr. Schultz** noted with this purchase the Department will have four good quality functioning monitors. The ones they're purchasing are state of the art.

**Chief Dench** stated the cardiac compression units are also new technology. New paramedics to their department had used these devices in the field in their previous positions and said these work really well. He noted Mr. Schultz had researched it, and brought the company in for a demonstration. This equipment is lifesaving equipment and is a tremendous step forward; and thanked Mr. Schultz for the work he did on this.

**Councilor Hardy** inquired if training was included in this package for new equipment.

**Mr. Schultz** stated the new monitor defibrillators are very similar to the ones they already have. The original request shows training is included. Through recommendations of their regional grant representative for FEMA, it was suggested to not put in funding for that as it would have reduced their ability to be competitive for the grant. They will do the training all in-service.

On inquiry by **Councilor McGeary** about the cardiac compression devices, **Mr. Schultz** stated the latest version they will be looking to procure has a piston that moves up and down on the chest in regular, appropriate intervals, at a consistent depth. When doing CPR any break in the compressions breaks the mean arterial pressure and then takes longer to bring that pressure back up. There is a safety factor also – in doing compressions in the back of the ambulance it can be risky to the paramedics just trying to stay in position while under way to the hospital. These compression devices are in line with the latest cardiac protocols

**Chief Dench** reiterated you get a much more consistent compression and the depth of the compression. It is better cardiac care.

**Councilor Hardy** stated since this vote regarding the Fire Department did not have salaries or payroll involved she would be able to vote on the matter.

**MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the acceptance under M.G.L. Chapter 44, §53A the FEMA and U.S. Department of Homeland Security “Assistance to Firefighters Grant” for a project total of \$88,300.00; Federal share is \$79,470.00, with a match of \$8,830.00 or 10% of the total project cost from the Gloucester Fire Department budget and is to be used for the purchase of cardiac monitor defibrillators, cardiac compression devices and AED (Automatic External Defibrillator) units.**

**NOTE:** The following matter of the **Memo from Fire Chief re: Mass Decontamination Unit (MDU) Grant in the amount of \$2,500** while not appearing on the agenda was referred by City Council and the memo was physically in the packet; and is therefore able to be taken up by the Committee this evening.

**Chief Dench** explained to the Committee this grant for \$2,500 is from the Mass Department of Public Health for the maintenance of the Mass Decontamination Unit received in 2003. There are 72 communities in the State that have this grant, and a unit (communities with hospitals). The grant also is for training between the Gloucester Fire Department and the Staff at Addison Gilbert Hospital. This year the plan is to concentrate on training with hospital staff involved in setting up the unit. If there is money left over from the training, the Fire Department will use it for allowable equipment, like the lighting they bought last year. There is no required match for this grant. He explained the type of unit, and how it is set up also to the Committee. It takes some training to utilize it appropriately.

**Mr. Duggan** appreciated the job the Chief did for resurrecting this last year and keeping it going.

**Chief Dench** stated it is one of the things you don't want to use, but it is good to have it and be ready to use it if it is needed. He assured the grant paperwork will be supplied prior to the City Council meeting.

**Councilor Hardy** stated this also didn't have anything to do with payroll or salary with the Fire Department and could vote on it.

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the acceptance under M.G.L. Chapter 44, §53A the Commonwealth of Massachusetts Department of Public Health grant for \$2,500 to maintain the Mass Decontamination Unit.**

**3. *Memo from Director of Information Services re: permission to pay invoices incurred in FY2010 with FY2011 funds***

**Mr. Towne** stated the vendor came to them in December looking for payment on two invoices. This is a legitimate bill; but USAi.net never sent a late notice. Mike Wells, MIS Director for the City asked that this be paid even though these invoices were from January and February of last year. This work was done. It was COD on these particular invoices, but typically it is 30 days.

**Councilor Hardy** stated they're doing more business with USAi.net and asked if a policy could be given to them as to how the City processes invoices.

**Mr. Towne** related that Mr. Wells went over this with USAi.net and felt it was legitimate. He would make sure they knew of the policies of the City.

**Councilor Curcuru** concurred with **Councilor Hardy**.

**Mr. Towne** related he was aware of just one more outstanding invoice situation from Weston & Sampson for bills that were as old as ten years ago. As the CFO, he told them he wasn't interested in moving forward with a 10 year old situation, which was much too long ago. The same personnel aren't even here anymore, nor are the same financial software system even in place. However, they may still see a packet come from that vendor whom the City still does regular business.

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the payment of services from USAi.net in FY2010 to be paid with FY2011, invoice # 00044941 dated 1/29/10 for \$470.00 and invoice #00045059 dated 2/10/10 for \$641.23 totaling \$1,111.23.**

**4. *Special budgetary Transfer Request (#2011-SBT-11) from School Department***

**Tom Markham**, CFO for the School Department explained to the Committee that the following three transfers are in relationship to the MOU regarding school facility matters. The first is telephone bills for \$70,000. It was agreed specifically in the MOU there were two line items that existed in the school facilities budget and that they would remain within the jurisdiction of the School Department. The \$70,000 is for bills, the \$4,000 is for maintenance.

**Mr. Towne** stated the health insurance is coming back to the City.

**Mr. Markham** stated in both cases they would be appropriately credited and debited to make it whole.

**Mr. Costa** added the actually activity will have to have a journal entry from Mr. Markham to be charged into a new account.

**Councilor Curcuru** stated the telephone will be in the School Department budget and the health insurance would be in the City's budget.

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer (2011-SBT-11) of \$70,000.00 from Telephones, Unifund Account #101000.10.472.53401.4140.00.200.00.052 to Telephones, Unifund Account #101000.29.368.53401.4140.00.200.00.052 for payment of telephone services per the July 2010 agreement between the DPW and the School Department re: Facilities Management.**

**5. *Special budgetary Transfer Request (#2011-SBT-12) from School Department***

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer (2011-SBT-12) of \$4,000.00 from Telephone Maintenance, Unifund Account #101000.10.472.52411.4140.00.200.00.052 to Telephone Maintenance, Unifund Account #101000.29.368.52411.4140.00.200.00.052 for payment of telephone services per the July 2010 agreement between the DPW and the School Department re: Facilities Management.**

**6. *Special budgetary Transfer Request (#2011-SBT-13) from School Department***

**Councilor Hardy** asked if this was for the employees that came over with the DPW MOU and inquired how many employees it covers.

**Mr. Markham** related this covers 30 employees. It doesn't cover the individuals whose health benefits have been covered by the rink expenditures. It covers everyone who was paid out of the General Fund. **Mr. Towne** noted the rink employees' health benefits were always funded out of the rink fund. It was two full-time employees. This represents the full cost of their insurance plan whether it is an individual or family plan. The part-time person would not get health insurance. The rink personnel weren't budgeted in the School Department line item budget ever. They're going to have to figure out how to fund it.

**Councilor Curcuru** thought it was budgeted in the rink enterprise fund.

**Mr. Towne** stated if someone changes their health insurance coverage, they would have to look at it again.

**Mr. Markham** stated the retirement that occurred of one rink personnel in December was the only change.

**Councilor McGeary** calculated that it would be about \$9,000 for 30 employees as the City's contribution to their health insurance premiums which **Mr. Markham** confirmed was \$269,000 as the Councilor thought which was 75% of the total.

**Councilor Hardy** asked what percentage employees pay.

**Mr. Markham** replied it was 25%.

**Councilor Hardy** reiterated this did not include the two people from the rink.

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer (2011-SBT-13) for \$269,566.65 from Health Insurance, Unifund Account 101000.29.384.51703.5200.00.200.00.051 to Personnel, Employee-Health Ins, Unifund Account #101000.10.152.51750.0000.00.000.00.051 for payment of employee health, dental and life insurance for former School Facilities Department staff per the July 2010 agreement between the DPW and the School Department re: Facilities Management.**

**7. *Memo from Police Chief and Fire Chief re: adoption of MGL Chap. 31 §58A pertaining to hiring Full-time Police and Firefighter positions***

**MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to refer the matter of the Memo from Police Chief and Fire Chief re: adoption of MGL Chap. 31 §58A pertaining to hiring Full-time Police and Firefighter positions to the Ordinances & Administration Committee.**

**8. *Giusti & Hingston & Co. discussion re: The 11 findings from the City's Agreed Upon Procedures Report on the End of Year Financial Report as of June 30, 2009***

**This matter is continued to February 17, 2011.**

**9. *Food Service Deficit Discussion***

**This matter is continued to February 17, 2011.**

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

**Mr. Duggan** reviewed the Snow and Ice deficit feeling they were over by \$314,000, but **Mr. Costa** contended it was \$464,000 not including the two day storm this week. **Mr. Duggan** informed the Committee that the previous week they submitted a claim to the State from the declared State of Emergency for January 12 and 13 storms. The plateau is \$8.2 million statewide to trigger federal funds.

The City submitted a total of \$163,000, which was a rough estimate. The government agencies would then come back asking for specific numbers if that threshold is met which he believed it would.

**Councilor Hardy** knew the Snow & Ice account is the only account that is allowed by the DOR to run in deficit and thought they have to approve it.

**Mr. Costa** stated they did have to authorize to allow for it.

**MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to accept the provisions of M.G.L. Chapter 44, §31D snow and ice removal, emergency expenditures not to exceed an additional \$900,000.**

**Councilor Hardy** asked if the Food Services in the School Department could run in a deficit.

**Mr. Costa** stated no. He can't allow them to deficit spend.

**Councilor Curcuro** stated that discussion would come up at their February 17<sup>th</sup> meeting.

**Councilor Hardy** asked about Worker's Comp with the Police Department.

**Councilor Curcuro** stated it was the Treasurer that needed to take care of it. It will work and is an administrative matter.

**Mr. Duggan** also spoke to the Veteran's account which was underfunded. They're going to need to close the gap in the Veteran's account and some overtime accounts as well in the budget. They'll take it from within. That is why there is a hiring freeze. Any mid-year hires will be frozen. Also noting that part of the MSBA roof project is to put a team forward to for project review; he requested the Chair of B&F on the City Side be a part of the project team. This is the team that will watch over the OPM and the building design, for all intents and purposes a building committee. Other appointed members are Superintendent Connelly, Mr. Towne, Kathy Clancy, School Committee B&F Chairwoman, and himself. This is just for the five roofs project of the MSBA

**Councilor Hardy** assented in her role as Council President, and would make that announcement at City Council.

**A motion was made, seconded and voted unanimously to adjourn the meeting at 8:05 p.m.**

**Respectfully submitted,**

**Dana C. Jorgenson**  
Clerk of Committees

**DOCUMENTS/ITEMS RECEIVED AT MEETING:**

- **Financing Plans for the \$2.6 million for the CPA funding of the City Hall Restoration loan (Item #1 B)**