

CITY COUNCIL STANDING COMMITTEE  
**Special Joint Meeting with:**  
**Budget & Finance Committee – A Standing Committee of the Gloucester City Council**  
**And**  
**Gloucester School Committee Budget & Finance Sub-Committee**  
**Thursday, February 17, 2011 – 6:42 p.m.**  
**-Minutes-**

**Present City B&F Committee: Chair, Councilor Steven Curcuru; Councilor Jacqueline Hardy; Councilor Joseph Ciolino (Alternate)**

**Absent: Councilor McGeary**

**Present Gloucester School Committee Building & Finance Sub-Committee: Kathleen Clancy, Chairperson; Melissa Teixeira, Vice-Chairperson; Tony Gross School Committee Chair, Val Gilman**

**Also Present: Councilor Verga; Tom Markham, School Department CFO; Kenny Costa, City Auditor; Mark Cole, Operations Manager, DPW; Jim Duggan, Chief Administrative Officer; Brian Tarr, Assistant Superintendent; Superintendent Appointee Richard Safier**

**The City Council Standing Committee, Budget & Finance called their Special Joint Meeting with the School Committee's Building & Finance Sub-Committee to order at 6:43 p.m.**

**The Special Joint Meeting of the School Committee Building & Finance Sub-Committee with the City Council Standing Committee, Budget & Finance was called to order at 6:43 p.m.**

**Items were taken out of order.**

**1. *Governance - Issues of communication, process, Ed Reform Act and accountability***

**Kathleen Clancy**, Chair of the Building & Finance Committee stated that this matter concerns any staff that reports for the Superintendent. The discussion segued into the deficit in the food service account. Ms. Clancy informed the Committees that their B&F Committee had requested that Dr. Connelly talk about the food deficit when their Committee meets and felt that to date an email response from Dr. Connelly (on file) has answered their questions to a large degree.

**Councilor Curcuru** and **City Auditor Kenny Costa** touched upon the DOR expectations and that Mr. Costa had been working with Mr. Markham to set the food services up with a budget per MGL Chapter 44, Section 53E which does give some flexibility. In setting up a budget his office would be able to encumber funds.

There was also a brief discussion regarding the food services recently purchased Point of Sale program and the reimbursement from the City. **Tom Markham**, Schools CFO made note of federal reimbursements that had only come in the previous week and would affect the accounting.

**Ms. Teixeira** asked if they've been reimbursed for the 20K for the Point of Sale.

**Mr. Markham** had a verbal expectation in conversation with Mr. Towne and the Mayor that the School Department would be paid back because of a commitment made last spring.

**Councilor Curcuru** stated that it was a discussion that it was a possibility. He didn't know whether that was going to happen.

This agenda item was taken up last and the School's B&F Committee Chair, **Ms. Clancy** reviewed the communication process with the City's B&F Committee to conclude the meeting.

**2. *Talbot Rink Revenue Transfer to GPS / MOU***

**Jim Duggan**, Chief Administrative Officer updated the Committees on the revenues on the Talbot Rink; that there had been discussions on this in referring to the MOU which does state taking \$75,000 out of the operating budget. He had discussed the Superintendent of Schools, Dr. Joseph Connelly and Mr.

Markham, Schools CFO, with regard to the level of revenues coming in versus expenditures. The rink shows total revenue of \$137,974.00 as of 02/17/11 (on file). They budgeted \$263,000 for revenue sources. They're looking at outstanding invoices about \$20,000 (such as ice time and the like). In addition for this calendar month there is another \$10,000. Revenue is anticipated to come in March through May. They're optimistic they'll "hit that level of revenue." Expenses are in line with the revenue which includes \$14,000 for maintenance. The revenues in the operating budget and expenses will offset, break even, it is hoped, with March, April and May (shoulder season) ice rentals. On inquiry from **Ms. Clancy, Mr. Duggan** expressed the \$75,000 was, according to the MOU to come out of the operating budget; the operating budget will have a zero budget in it. "The \$75,000 will not be in the operating budget to take out.

**Mr. Costa** also added that it is not legal to do so under Mass General Law from an Enterprise Fund.

**Councilor Curcuru** reiterated to both Committees there will be no money in the budget and that is what they have to examine.

When questioned by the School's B&F Committee member **Tony Gross, Mr. Duggan** stated they had no idea of what the expenditures were in previous years were. They'll outline exactly where the expenses are to that account this year.

**Councilor Curcuru** added the Enterprise Fund was not created to "short change" the Schools \$75,000. The idea behind setting up an Enterprise Fund is to make the rink self-supporting. The rink is actually going to break even. Their hands were tied at the beginning of the year regarding the promotion of the rink, so there was a was slow to start because they only got into the operation of the rink late in the season; with **Mr. Duggan** offering that they are in preparation for next season moving forward with promotion and capital improvements. They didn't have a handle of what was done last year in preparation for this year. There were inconsistencies on the marketing, the financial capacity, tracking of the rink. **Mark Cole**, Operations Manager for the DPW has taken over the role as Facilities Operations Manager for the rink. Those responsibilities no longer lay with the previous Rink Manager as per the agreement with Superintendent Dr. Joseph Connelly.

**Mr. Gross** asked if the rentals have been the same as last year or have they seen a decrease.

**Councilor Curcuru** noted two years prior to the City's takeover, it had lost \$45,000 which they were told by the rink manager.

**Mr. Duggan** stated the manager was responsible for it for his accounting and many other issues.

**Ms. Teixeira**, School Committee Vice-Chair and School B&F member expressed she understood through Mr. Markham that they came out with revenue after expenses.

**Mr. Markham** did note that one of the important factors from the previous years, the School Department had become increasingly dependent on certain receipts from the rink to pay other receipts in the district, particularly utilities. There is one meter that goes to the O'Maley campus for electricity. The capacity of the school district to differentiate the school and rink bills was not possible. Whether they were directly related to the rink or O'Maley couldn't be distinguished. It was hard to give an answer what was actually the give and take of revenues vs. expenses related to the actual rink operations because so many expenses were used for other non-rink expenses. It was hard to give an answer of revenues versus expenses because much of the revenue had been going to non-rink expenses.

**Melissa Teixeira** expressed it seemed the rink wasn't doing that much less in revenue and believed the rink was offering more services.

**Mark Cole**, Operations Manager, DPW stated they did pick up a little bit extra business but has no basis to judge because there is no back up data.

**Councilor Curcuru** stated they have expenditures and revenue and breaking even is their hope now.

**Ms. Teixeira** stated asked for clarification to understand why they should not have an expectation to see the \$75,000 as outlined in the MOU and what is different now.

**Councilor Curcuru** stated besides personnel, there was no accurate way to gauge the cost of the utilities for the rink or what expenses to charge to with regard to the utilities. The Enterprise account was breaking even right now. The reported previous profit shown was not "real" in the past because no expenses were being taken out on the rink.

**Ms. Teixeira** understood that Dave Anderson did a study to determine an approximate allocation of utilities for the rink and that type of process was undertaken and had some idea.

**Councilor Curcuru** stated the revolving account showed no utility costs appropriately charged. Vending machines were charged for instance also. The revenue came in but there were no offset expenses, even the hot water for the rink.

**Mr. Markham** added complicating the matter was that this was a joint account with athletics, a single revolving account, managed separately on Excel spread sheets, but a single account. So there might be high revenue from fees, there was a balancing act constantly going on. It was fair to say that the accounting of the rink's activities through the business office was just receipts. There was not a detailed accounting.

**Mr. Costa** also added that it was segregated on the ledger. It was one fund.

**Mr. Markham** stated this was why it looked like it was always a positive balance. The rink was in the black but athletics was in the red.

Councilor Curcuru stated they may break even next year. Next year they may put a rink manager in place. The rink needs at least \$500,000 in maintenance and improvements. If they can't be self sufficient they may not have the ability to run the rink. If they close the rink it would cost three teams transportation which **Mr. Cole** stated would be between \$40,000 to \$50,000/

**Councilor Curcuru** stated that's revenue that didn't include hockey teams. This money has to go into the rink.

**Ms. Clancy** reminded the City's B&F Committee the Schools based their athletic fee on the expectation of the \$75,000 for this fiscal year to keep the athletic fees at their current levels.

**Mr. Duggan** respectfully submitted that in order to run the City they base it on expenditures and revenues equaling out. They budget certain line items in order to run the City. They didn't expect with the utilities they inherited in the facilities take over for a \$260,000 shortfall on utilities for all the school buildings.

**Ms. Clancy** contended the Schools did not under budget this item and that they would be able to show that to be the case and had a schedule (submitted at meeting and on file) which she would review with them. She also stated they believed it was not \$260,000 above what was budgeted.

**Mr. Duggan** then listed the budgeting shortfalls list to date for the school facilities:

- Oil expenditure projected shortfall: \$65,000
- Electricity: \$133,000
- Gas: \$170,000

Reviewing the usage of electricity from last year for O'Maley School was \$300,000. This year only \$213,000 was budgeted. There was no gas budgeted for the Veteran's Memorial Elementary School at all. When they took on the responsibility of the school facilities, it cost the City \$150,000 to make immediate repairs in order to open the doors for the school year (mold abatements, elevator to name two). Since the opening of schools the City has spent over \$200,000 on items such as mold remediation, air quality, roof repairs, handicapped accessibility, and classrooms to be retiled, asbestos abatement.

**Ms. Clancy** acknowledged those things had needed to be done "for years." She also indicated that the School Committee had for years put forth capital budgets to address these issues; and the answer from the Administration had been "no".

**Councilor Curcuru** stated they understood that this was part of the MOU; and stated they're upholding their part in the MOU.

**Mr. Gross** and **Mr. Duggan** discussed budgeting for fuel costs and how it is done on a 3 year average.

**Councilor Hardy** contributed when the budget came to City Council they built in an escalator.

**Mr. Cole** on a question from Mr. Gross added that O'Maley spent \$310,000 the previous year on electric.

**Mr. Markham** contended it was \$278,000 spent for O'Maley.

**Mr. Duggan** stated the budget the City inherited was for \$213,000.

**Councilor Curcuru** summarized since the City took over the school facilities management at the beginning of FY11, it was \$200,000; \$25,000 of which was supplied by the Schools for the Point of

Service Food Services program. When free cash came through they put \$150,000 into the facilities account; and now fuel shortages it all adds up to a little over \$600,000 and are not complaining of this burden.

**Ms. Clancy** stated this rink revenue was a way to keep their athletics fees low for students and parents; and why it is that much more sensitive than other aspects of their budgets.

**Councilor Curcuru** stated they took \$150,000 from the City's Snow & Ice accounts to open the schools.

**Mr. Markham** reiterated point of service came out of the contingency account.

**Mr. Gross** asked for an accounting of these numbers and others discussed that evening.

**Mr. Costa** stated they could get it to their Committee.

**Councilor Curcuru** noted the \$150,000 from free cash. They put it into the facilities account which he termed was "grossly underfunded", referring to utilities costs.

**Ms. Clancy** went over the utilities schedule from FY08 through this year with both Committees (on file).

**Mr. Markham** added this was the original budget and thought it was the most appropriate budget before transfers.

**Councilor Curcuru** stated their B&F Committee never saw these numbers until last year when they saw a detailed budget.

**Mr. Markham** stated that was the first year they put a budget in the Unifund system and was compliant with all other City departments' submitted in April 2010 to the Mayor's office.

**Councilor Curcuru** noted this is what they used, those existing numbers and brought it all over.

**Ms. Clancy** stated the purpose of the document is to show there is good faith budgeting to pay for utilities as well as the rink and they made their budget work.

**Councilor Curcuru** stated there was quite a bit of money spread out since school started. He understood they're looking for \$75,000; and they don't want to renege on that.

**Ms. Clancy** thought the rink taken over by the City could be better managed.

**Councilor Hardy** believed that to be the case.

**Councilor Curcuru** stated if they borrow the money to do the rink properly, it would be about \$175,000 a year to pay the debt for the loan.

The Committees spoke of the dehumidification system and the history of attempting to replace it.

**Councilor Hardy** asked if it is legal to take the money that isn't there.

**Mr. Costa** stated "no".

**Mr. Gross** asked if the Schools ask for the MOU back what happens to the enterprise fund.

**Mr. Costa** stated it is in place for 3 years. The DOR will certify it as negative earnings and has to be raised through taxation or it will have to be subsidized by the General Fund. He had never seen any community he's audited in the past that an enterprise fund and a revolving fund can co-exist. It is as if you are running as a business.

**Ms. Clancy** stated they can provide a comparative analysis.

**Councilor Hardy** asked why they didn't get that information from the Administration to make the decision to start a revenue account.

**Councilor Curcuru** stated they were paying things out of the rink and never had expenditures other than payroll, and several others because you could not truly see what the revenues and expenditures really area.

On **Ms. Clancy's** inquiry, **Mr. Cole** stated they copied last year's school budget and put it in this year for the rink. They gave them line item expenditures from the rink.

**Councilor Curcuru** stated when the enterprise fund was created they had to come up with the figures.

**Mr. Markham** stated the business office played a minor role in the past including last year.

**Ms. Teixeira** believed that until the utilities are divided, in actuality, they can't tell what the real numbers are.

**Mr. Duggan** confirmed the meters to separate the rink from the O'Maley School utilities would go in the following day. He asked if the School Department would make up the budget shortfalls.

**Ms. Clancy** stated the MOU is taking the schools as is.

**Ms. Teixeira** stated that they have to make it work.

General discussion ensued amongst the two Committees on the subject matter.

No motions were taken on this matter by either Committee. However, it was concluded that there would be:

- A full accounting of what was spent since the City took over the school facilities;
- Projected shortfalls, and
- Utilities used in kilowatts and gallons.

This information was to be shared by both Committees as soon as it is made available.

### ***3. Status update on day-to-day Operations of Facilities MOU***

It was noted by the participants the MOU was for two years and then expires.

### ***4. Formatting of the FY12 School Budget***

**Mr. Markham** confirmed that the budget will be presented in the same format as for FY11 which was done through Budget Sense and was in sync with the City's format.

### ***5. Possible Filing of Home Rule Petition re: Early Retirement***

**Ms. Clancy** on behalf of the Building & Finance Committee was not prepared to speak to this topic at the time.

**A motion was made, seconded and voted unanimously to adjourn the Special Joint City Council Standing Committee of Budget & Finance and School Committee's Building & Finance Committee meeting at 7: 57 p.m.**

**A motion was made, seconded and voted unanimously to adjourn the Special Joint School Committee's Building & Finance Committee and City Council Standing Committee of Budget & Finance meeting at 7:57 p.m.**

**Respectfully submitted,**

**Dana C. Jorgensson**  
Clerk of Committees

### **DOCUMENTATION/ITEMS SUBMITTED AT MEETING:**

- **Gloucester Public Schools: School Utilities Report from FY08-FY11 submitted by Kathleen Clancy, Chair, School Committee Building & Finance Committee**
- **City of Gloucester Talbot Rink Operating Statement to date.**