

CITY COUNCIL STANDING COMMITTEE

Budget and Finance

Thursday, January 14, 2010 – 6:30 p.m.

City Council Conference Room – 1st Floor

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

Absent: None.

Also Present: Councilor Joseph Ciolino, Chief Phil Dench, Marcia McInnis, Jim Duggan, Rose LoPiccolo, Jeff Towne, Cecilia Coraza, David Anderson

The meeting was called to order at 6:34 p.m. Councilor Curcuru introduced the new members of the Committee, Councilor McGeary, the new Vice Chair and Councilor Hardy.

Items were taken out of order.

MOTION: On motion of Councilor Hardy, seconded by Councilor Curcuru it was unanimously approved to set the time of adjournment of the meeting to no later than 8:00 pm.

1. Memo from Recycling Coordinator re: Permission to Pay Portion of Invoice from FY09 with FY10 Funds

Rose LoPiccolo, Recycling Coordinator stated that Waste Management's original invoice received on 7/16/09 for the DPW yard two roll-offs removed on July 2nd. There was only \$423.72 in carry-over money. She requested permission to take \$766.28 out of the FY10 solid waste contract budget to pay this invoice. This came in after the close of the fiscal year, and the carry over money was inadequate. Therefore, there was a need to pay this invoice out of FY2010 funds.

Councilor Curcuru noted this was an invoice that came after the close of fiscal year.

Councilor Hardy asked if this was OK to pay it out of the FY10 and if there were late fees now associated with this overdue payment.

Ms. LoPiccolo said Waste Management agreed to settle for the original invoice at the rate of \$766.28 with no late fees.

Councilor Hardy believed it appropriate to vote for its payment because there are funds available, and we are doing much better with recycling; and it's not going to hit us on the other end of the year. She felt going forward that the Recycling Coordinator knows to stay on top of such issues.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council that the invoice #1250575-0209-3 dated 07/16/2009 from Waste Management of Massachusetts having a remaining balance of \$766.28 be paid out of FY10 Solid Waste Contract budget.

2. Memo from Fire Chief re: Approval to Create a New Account

Jim Duggan said there is an issue over the past few years of an overtime line item in the budget for a specific dollar amount. The perception is this pays for the overtime to be applied accordingly to backfill for the minimum manning, a contractual obligation that we have. What is also taken out is over \$76,000 out of the fire department overtime account is mandatory training. So actually, what we all think is going towards training to backfill for that is not happening. We're only applying \$130,000. We've had conversations about separating the accounts which this does.

Mr. Towne said that the account the training is in is a 51300 series which is not a personnel account and the 51300 which why we have to keep making transfers. This is so the Fire Department doesn't have to keep doing these transfers. It's intended to be a personnel item, and it should just be budgeted in the 51300 series.

Councilor Curcuru remarked that they will budget in the next fiscal year going forward to which Mr. Towne and Mr. Duggan assured the Committee they would.

Councilor Hardy asked if all training, even straight time, will be paid out of personnel and asked if training all done on overtime or straight time.

Ms. McInnis and **Mr. Towne** explained it should all be personnel and that it's done on straight time and on overtime. The majority is done on overtime because they have to have staff to take over for the firemen in the training course either on- or off-site. If training is done in-house, it is straight time, but if it's off-site its overtime. There are contractual issues also.

Councilor Hardy said certain training is supposed to be tracked per the audit, and what is being done to track the training.

Mr. Towne said they track on the number of hours for certification purposes on each firefighter. It is not a budgetary tracking; it is independent of the budgetary process. The chief does keep track of it.

Councilor Hardy asked about transportation costs for department members attending the 13 week Massachusetts fire recruit training program; transportation is paid out of an overtime account or does the City have a transportation account; and where do we pay that out of now.

Ms. McInnis said that there is an in-state travel accounts.

Mr. Duggan said it does come out of the overtime account. The Chief can't separate it out.

Ms. McInnis said the reason they can't separate it out is that they couldn't pay travel out of the payroll system. The payroll system is driven by hours; so if it's a non-hour charge, it would have to go through the warrant.

Councilor McGeary noted that in the case of Aiello's reimbursement it's all straight hours, there's nothing about transportation. The fact that the Chief wants to include transportation - you can't really do that because transportation is based on mileage, and it really should not be there.

Mr. Towne said if he's paying for the time to travel not reimbursing them for gas to take their own vehicles that should be in the account for the training. If it's the travel time he's paying them for, if that's what he means for transportation costs, the travel time is appropriate out of personnel.

Councilor Curcuru asked how it was written in their contract, and they're being compensated for their mileage. This may be just time.

Councilor Hardy asked if the firefighters take City vehicles or their own personal vehicles.

Mr. Towne said they prefer City vehicles be used.

Councilor Hardy said if they take their own vehicle, they're going to be looking for transportation costs.

Mr. Towne agreed.

McGeary said if it's out of the personnel account it should be called Travel Time rather than Transportation if it's going to be taken out of the personnel account.

Mr. Towne said the idea is to create the account by this vote, and they won't allow any charges if they aren't appropriate to go in there and will get answers to the Councilors by their next meeting of the City Council.

MOTION: On motion by Councilor McGeary, seconded by Councilor Curcuru, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to create a new account under "Personnel" to be called Salary/Wage-Overtime-Training.

2. Memo from Fire Chief re: Special Budgetary Transfer Request (#10-19)

Mr. Duggan said this is taking money from the training account into the regular overtime account taking effect as soon as the Council votes it.

Mr. Towne said the Chief wants to take this from training work overtime to shift work overtime.

Ms. McInnis noted the Special Budgetary Transfer Request had been amended with the new account number and will be valid upon the City Council vote.

Councilor McGeary said these types of transfer are the old way of doing things. This is ending a past practice and by creating the account will stop this practice.

Ms. McInnis asked Chief Dench if he was going to put money into the account for the rest of the year. He said this was the last one. This finishes it for this fiscal year. The new account structure is where it will go into. This is the last transfer of public safety into the overtime. This finishes the training funds for the Department for the year. Going forward it will be a budget item. She pointed out this was a new process for the Fire Department.

For the record the names of the 3 firefighters are: Deputies Aiello, McRobb and Aiello.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget and Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to approve the Special Budgetary Transfer Request (#10-19) from Fire-Public Safety Program Unifund Account #101000.10.220.53060.0000.00.000.00.052 to Fire Dept. Salary/Wage-Overtime Unifund Account #101000.10.220.51315.0000.00.000.00.051 to pay for 3 firefighters for various courses they attended in the amount of \$2,262.67.

4. Two Special Budgetary Transfer Requests from Inspectional Services

(#10-17 and #10-18)

Councilor Curcuru stated that at the request of Ms. McInnis, City Auditor that these two special budgetary transfer requests be removed from the agenda.

Ms. McInnis explained this is a brand new fund just established for vacant buildings. This is a brand new fund just established for vacant buildings. It is a revolving fund and the revenues and expenditures must be in the same fund. This is the first time they used this fund and inadvertently they charged the money into the general fund, when in fact they wanted to move the money from the revolving fund into the General fund. It is a correcting journal entry from the DPW General Fund expenses and put the expenditures to this fund where they belong. It is not a budget transaction; it is an actual transaction.

MOTION: On motion of Councilor Hardy, seconded by Councilor McGeary, it was unanimously approved allow the withdrawal of Special Budgetary Requests from Inspectional Services #10-17 and #10-18.

5. CC2010-001 (Tobey/Ciolino) Order that City Council continue to consider

Becoming a member of the Essex North Shore Agricultural and Technical

School District

Councilor Hardy stated earlier in the day members of the City Council and the School Committee made a site visit to the North Shore Technical High School. And on Tuesday, January 19, 2010 at 7:00 p.m. in the Gloucester High School library there will be a joint workshop between the City Council and the School Committee on the Essex North Shore Agricultural and Technical School District. She would like to see the matter of CC2010-001 continued to the next meeting of the Budget & Finance Committee.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, it was unanimously approved to continue the matter of CC2010-001 (Tobey/Ciolino) Order that City Council continue to consider becoming a member of the Essex North Shore Agricultural and Technical School District to the next meeting of the Budget & Finance Committee on January 28, 2010.

Ms. Coraza asked if a cost/benefit analysis for the new Vocational School District versus expanding the local vocational programs – has it been done.

Councilor Curcuru said the School Committee and City Council are still in the determination process, still gathering information, and this is what the joint meeting is about. There is a Steering Committee that is working on just this issue.

Mr. Towne said numbers have not been crunched yet.

Councilor Curcuru said this is a broad area that they have already been in discussion.

Ms. Coraza said she is talking specifically about the financial analysis of keeping one open while joining the other, etc.

Councilor Hardy stated that documentation by Superintendent of Schools, and she'd be pleased to forward it to Ms. Coraza.

Mr. Anderson expressed his frustration that after all that's been gone through of the possibility to expand to the High School. He thought that the idea had been dropped regarding the expansion of the local program.

Councilor Curcuru said nothing has been dropped; it's an ongoing discussion right now.

Councilor Ciolino said he and Councilor Tobey said they brought this forward so the issue wouldn't die. The process is going through the new School Committee and City Council.

6. Memo from CFO re: "Water Boil Order Emergency" Appropriations Request

Jeff Towne, CFO for the City of Gloucester said as his memo indicated, his key factor in trying to pull this all together in terms of the final numbers, is that they were so close to the October November timeframe when thought they could satisfy and settle the tax recap to get their free cash certified, that the Mayor was looking for financial solutions. Mr. Towne noted the Water Department had a healthy fund balance and wanted to wait until they got it certified to be able to determine whether they could use any of it first because he didn't want to use the stabilization funds. That is really the only fund balance they have if something happen that hits the City hard. The certification of the free cash of the Water Department is in paragraph 3 states that it was \$995,765. They have more than that in retained earnings that is reserved for other purposes. The key is this being an enterprise fund; it is supposed to be self-supporting. Therefore costs associated with anything having to do with the Water Boil Order, in his opinion, should be totally coming out of the Water Department. This should be totally coming out of the water department. It is an opportunity where we don't have to increase rates to pay for it. This is when they were talking about setting fund balances in case of emergencies. This is one of those reasons why it's important to do this. It's important to have a healthy fund balance in case of emergencies, although he doesn't like to use it up at once.

Councilor Curcuru asked is anything left.

Mr. Towne said about \$100,000+ left. Its revenue that comes in for certain purposes, for construction purposes, etc. This is retained earnings that DOR says we can use if we needed to for appropriations.

The one line that changed between the times he wrote the memo originally was the line that's in the 4th paragraph that says "... a portion will be reimbursed to the General Fund for personnel and supply costs." There are costs in the General Fund now for personnel and supplies that DOR recommends we transfer all those expenses to the water fund. For instance, they have Fire Department overtime, and DPW overtime costs that are in the General Fund now that were charged because of the water boil order. Before they started changing things back and forth, they spoke to Mr. Griffiths, the City's account representative to the DOR. They asked what is the easiest way to appropriate the funds out of free cash and show them appropriately with DOR when they do their tax recap next year. His suggestion was to appropriate the entire amount for the costs associated with this in the water fund, and any costs associated as a direct result of the Water Boil Order Emergency should be shown in the water fund. So he said his clarification question was: we are taking Fire Department overtime and take it out of the General Fund and put the overtime in the Water Fund. He would have left the Fire Department overtime there. In the DOR's opinion, this is the cleanest way to track the expenses associated with the Water Boil Order Emergency to keep it in all in one fund. If the Council agrees, they will use retained earnings to fund those expenditures; and they will change the associated costs into these line items.

Councilor Curcuru wanted to know if there more costs incurred.

Mr. Duggan said this is all they have.

Councilor Curcuru asked if the City was still dealing with the water issue – there are going to be more costs incurred with this.

Mr. Towne said no they have estimated all the invoices that have come in associated with that timeframe. You'll see there's a contract bill in there for the vendor, United Water in the memo from Mr. Duggan that came late to you (on file)

Mr. Duggan said he listed the totals of the invoices only for them. The Councilors can certainly look at the invoices which they can make available to them.

Councilor Curcuru wondered if there are any more costs being incurred because of this boil water emergency. He understood we were still incurring them. He understood the City was still going through a process with regard to the Babson Reservoir.

Mr. Towne said there is the bond authorization just done going to pay for anything like the repair of the Babson Reservoir.

Councilor Curcuru asked if the loan is paying for any of these incurred costs.

Mr. Towne said no, that will be paying for the repair and construction. He went on to say that there might be more mailing costs associated with the Boil Water Order Emergency. They drew the line at these expenditures if there is something more they will have to go to the regular operating budget.

Councilor Hardy asked are all of the accounts for personnel used from different departments going to be reimbursed as a result of this

Mr. Towne said the expenditures will be removed and put back into their budgets as soon as the City Council approves it and as soon as the City Auditor makes the transfers and the adjusting journal entries.

Ms. McInnis said these are budgetary transfers. They will increase the budgets and add them to the enterprise fund by that amount. They will take the actual expense and deduct them from the department and add them to the enterprise fund. So with this transfer their budgets will be made whole.

Councilor McGeary said so therefore their expenses will go down to which Ms. McInnis stated yes.

Councilor Hardy asked if it required another vote of the City Council.

Ms. McInnis responded no.

Councilor Ciolino asked Mr. Towne how would this affect water rate.

Mr. Towne said it will not.

Councilor Ciolino asked Mr. Duggan what responsibility does the former contractor United Water have in this matter.

Mr. Duggan initiated a clear notification to the insurance agent that the City is looking for reimbursements, and they are going after United Water's insurance. A letter was sent earlier this month to their president saying they're responsible for the expenditures the City has incurred. We have a \$71,000 payment due to them and will be withheld until this is settled.

Councilor Ciolino asked where the reimbursement would go once it is received in.

Mr. Towne said it would go into the revenue of the enterprise account.

Councilor Curcuru asked about the fines levied on the City by the State because of the Water Boil Order Emergency.

Mr. Towne said there is a \$15,000 fine is part of the \$848,000.

Mr. Duggan said its part of the \$30,000 out of the Mayor's office. There are milestones to be met. If we don't hit those milestones, there will be more fines if not. He reassured the Councilors that the hit the milestones.

Mr. Towne stated that the City has met the milestones so far.

Mr. Duggan said he was notified that day that a second invoice came into the DPW from the DEP that we haven't paid our fine yet a day or two ago.

Councilor Hardy said to Mr. Towne and Mr. Duggan that the City Council doesn't meet again until February 2nd to vote on this. She wondered if this would be a problem within the timeline and would it cause problems with the DEP. She noted she wouldn't want to see the City pay a penalty on top of the fine.

Mr. Duggan said they talk with DEP weekly in a scheduled conference call; this week's call will be on the 15th. They will make the DEP aware of the City Council schedule and because of the holiday and the State Election.

Ms. McInnis said the State can expect their payment within 24 hours of the Council's vote.

Mr. Anderson said at the water clarification meeting, Mr. Hale mentioned they were starting put a proposal for a brand new water treatment plant. Has that begun?

Mr. Duggan said clearly we understand that needs to be done. That won't begin to be built for at least another three to five years. Steps need to be taken aggressively towards that. Mr. Hale is looking at what a new plant's capacity needs to be and what goes into planning and scope to build that building - he has a strong understanding of what has to be done. It is a long-term plan.

Mr. Anderson said his concern is that in an ideal world if we were putting the \$6 mil towards the water treatment plant and not a band aid. Why wait until something else fails. Its \$2 million here; \$2 million there; but none going towards a new treatment plant. Preliminary proposals should be gathered now. This is where the City fails in long-range planning.

Councilor Curcuru said the City doesn't have a choice. The DEP is telling the City what to do.

Councilor McGeary said some of this \$6 million is going towards long term fixes. He agrees we should be doing some planning

Councilor Curcuru said it's not so simple. It means that all the piping from the other reservoirs needs to be piped over. There are no raw water lines going that way. Do you build one massive plant or do you build two smaller filtration plants. There's no easy decision.

Mr. Anderson said bring in consultants now, and see what you can do to plan for this now.

Councilor Ciolino said Mr. Anderson is right to a large degree; but there is a drop dead time to get Babson operational. The DPW is focusing all their resources on this. Then after that Mike Hale can then refocus on the long-range planning. They can't handle any more work than we are giving them at this time, even the planning stages

Ms. Coraza asked if there were engineers on staff.

Mr. Duggan said there is an environmental and civil engineer on staff.

Councilor Hardy asked if supplemental appropriations get numbered.

Ms. McInnis said the one before you does not have a number assigned to it. They should have another numbering sequence in the fiscal year for them. This will be the first one numbered in this fiscal year, although there have been others preceding it.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, voted 3 in favor, 0 opposed to recommend to the City Council that the special budgetary request for a supplemental appropriation 2010-SA-01 by the Department of Public Works to fund the costs associated with the Water Boil Emergency”. The funds will be appropriated from Retained Earnings, Unifund Account Number 610000.10.000.35900.0000.00.000.00.000 to the following Water Department appropriation line items:

Sal/Wage OT	610000.10.450.51300.0000.00.000.00.051	\$ 92,099.00
Contractual Services	610000.10.450.52000.0000.00.000.00.052	\$711,750.00
Postage	610000.10.450.53450.0000.00.000.00.053	\$ 9,100.00
Supplies	610000.10.450.54000.0000.00.000.00.054	\$ 12,075.00
Chemicals	610000.10.450.54520.0000.00.000.00.054	\$ 3,500.00
DEP Assessment	61000.10.450.56820.0000.00.000.00.056	\$ 15,000.00
Equipment Replacement	61000.10.450.58700.0000.00.000.00.058	\$ <u>4,476.00</u>

Total: \$848,000.00

7. Report from City Auditor re: Accounts Having Expenditures Which Exceed Their Appropriations

Ms. **McInnis** stated that these are from December and many of them are resolved. On the December 3, 2009 report all items are taken care of. On the December 18, 2009 report, for the water enterprise account, it will be made whole when this transfer is made.

Councilor Hardy thanked Ms. McInnis for the usefulness of the report. She noted with the water enterprise account it appeared to have a discrepancy on account numbers on the cover page and on the spreadsheet on Wage/Overtime to which Ms. McInnis said it was a typographical error.

8. Other Business

Ms. McInnis brought up the Snow and Ice accounts. She said indications are we will be coming in a little bit under by \$500,000 or \$600,000 from last year's record-breaker. We spent \$1.4 million last year. If our averages hold true it will be about \$900,000. However, the Farmers Almanac said it's supposed to be a snowy winter, and it is typically heavy in February. We're tracking pretty close to 2008. In 2009 it was an unusual year. If the weather is kind, we'll hopefully get in at \$900,000. We're 185,000 overspent in total. Our individual line items have some expended and some are over-expended. Salt and snowplow contracts are what drive the budgets.

Mr. Towne said last year the Council had to take a vote to allow Snow and Ice to be overspent legally.

Ms. McInnis said the Council should be doing that now. The reports before them are before December 18th. They were over-spent at the last storm, which they are allowed to do legally. The other deficits are not legal deficits.

Councilor Hardy said that she wanted a memo sent to the Council regarding the snow and ice overages.

The meeting adjourned at 7:30 p.m.

Respectfully submitted, Dana Jorgensson, Clerk of Committees