

CITY COUNCIL STANDING COMMITTEE

Budget and Finance

Thursday, March 11, 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: Jeff Towne; Jim Duggan; Mary Richardson; Mike Hale; David Bain, Jr.; Melissa Teixeira; Brian Tarr; Sarah Garcia; Joseph Grace

The meeting was called to order at 6:33 p.m. (Items were taken out of order.)

1. *Unfinished Business*

A) COM2010-001 (Tobey/Ciolino) Order that the City Council Continue to Consider

Becoming a member of Essex North Shore Agricultural and Technical School District

(Continued from 01/28/2010)

Councilor Curcuru noted the Committee was finally in receipt of the School Department's 'Business Plan' as requested by the City Council at their Joint Workshop with the School Committee on January 19, 2010. The Committee reviewed the document (on file) with Melissa Teixeira of the School Committee and Assistant Superintendent Brian Tarr, attending for Superintendent Farmer and School CFO, Tom Markham. They noted the document is about the opportunities available to all kids in Gloucester; and a quality education for all. Vocational education is also key to the economic growth of the community. At the joint meeting of the City Council and School Committee on January 19th, the foundation budget was presented to the

Committee (on file). Vocational education is more expensive because of space and safety and materials requirements.

Mr. Tarr noted the percentage is standard of 25% of the population or 275 places for students.

131 students are in the Chapter 74 programs; and non-chapter 74 programs have an additional 134 students with 368 students involved all together in the Gloucester High School programs.

Councilor McGeary noted if you add in the number of students at the Voke, it adds 63 students, bringing it to over 400 students.

Mr. Tarr stated as an educator, there are so many more opportunities to get the students into a wider variety of career options with 23 opportunities as opposed to four programs currently at Gloucester High School.

Ms. Teixeira noted there was a brief analysis and cost comparison page and is in the packet showing a cost comparison of the potential of withdrawing from the school and retaining the children here.

Councilor Hardy stated she has yet to see a business plan, and the request made at the Joint Workshop by Councilor Tobey was very specific.

Ms. Teixeira stated this is what was presented to them last evening.

Councilor Curcuru noted that if this had to be a build out at GHS, which it would not be able to be done under the current circumstances.

Mr. Tarr and Ms. Teixeira spoke to the complexities of producing a true business plan and the need for a consultant to address that.

Councilor Hardy stated there is no one on the Council who doesn't feel the opportunities at the Voke aren't exceptional. She knows that there are children at the regional school who said they would transfer back but there wouldn't be enough room. We're in a difficult spot; and where are we going to get the money.

Ms. Teixeira stated that abandoning Gloucester's own vocational program is not an option.

Councilor Hardy noted the budget of \$377,000.00 for FY10, and the FY11 provisional budget is \$418,000.00; that is for a vocational director if we take on another program.

Ms. Teixeira stated the local program has been neglected and because of the decisions having to be made, this has brought the issue forward. She noted the local vocational program is chronically under funded. When the Council sees an increase in the budget, it is that it needs more funding. If you expand the programs, they need a vocational director by law. How do we even talk about expanding if we need to fix what's there.

Councilor Curcuru stated there's no way for this to be completed by May. He understands, however, the point that Councilor Hardy has made.

Ms. Teixeira stated they brought in current advisory committees to the programs and have had good dialog and have learned the reality of the programs. The result is that they have severely neglected programs. The automotive program is turning out highly employable individuals. The machine shop is starting to build back. Out of those 18 students currently, they're working with very antiquated equipment. The steering group is struggling because the vote has nothing to do with their investigating the local program. This vote is a directional indicator for this committee. They did identify areas of expansion that would have the least financial impact to the budget. It would be minimal cost to bring culinary arts on line as a Chapter 74 program. That would bring GHS to five, but as opposed to 23? They're looking at a medical program in conjunction with AGH. In these documents are the comparisons if we join the merger, with 84 students in the program the cost is \$1.4 million and is just for tuition (which includes transportation). If you talk about bringing students back and adding two or three programs on line, it would cost approximately \$1.4 million. There's about a \$60,000.00 difference. It is a matter of do you want to offer 6 programs or 23 programs to your students. We have to recognize the build out of our programs, but we would have to supply the opportunity to a student who requested to go to other vocational schools.

Councilor Hardy stated the \$1.4 million includes the transportation costs, tuition, and what else.

Ms. Teixeira noted there would be a 10% reduction in students attending the Voke next year.

Councilor Hardy asked for the total enrollment for next year.

Councilor Curcuru noted this is always about the money.

Ms. Teixeira strongly suggested a sit down with Superintendent Farmer. Whatever the decision is, the costs are about equal. It's about opportunity. When you speak of expanding the local program over six programs, then it becomes a different cost.

Councilor Curcuru stated the debt service comes out of the City side.

Ms. Teixeira also noted the debt service is folded into the tuition. If Gloucester continues to be members of the Voke, Gloucester would receive equipment that they no longer need or use.

Councilor Hardy stated she loves the schools but where will the money be found to pay for it.

Councilor McGeary noted that the local program build out wouldn't really be a wash. North Shore Voke is one of the most expensive vocational schools in the area, why is that?

Ms. Teixeira stated they reach out for grant money but they also want to be the best vocational schools. The tech offers a lot more programs. Other technical schools don't offer as many.

Councilor Curcuru wanted to know what recourse the communities have with these greatly increasing costs at the vocational schools.

Ms. Teixeira noted the budgets are reviewed by the State Commissioner.

Councilor Curcuru stated that the automotive shop services many citizens' vehicles at cost. The house project each year is done at cost and not to bring in revenue.

Mr. Tarr stated there are GHS students now working locally making a great contribution.

Councilor McGeary noted that he voted to raise taxes in order to fund this kind of investment. It would be short shrift not to offer this to our kids.

Councilor Curcuru noted he will change his vote for the Voke because of the new taxes.

Councilor Hardy would like to make an appointment with the Superintendent with Mr. Towne, the City's CFO to attend that meeting with her.

Councilor McGeary wanted to point out that Councilor Tobey asked for a business plan; and this wasn't it.

Ms. Teixeira stated the new regional school committee is now being formed. Gloucester is a non-vote. If the vote does go forward and not vetoed, then we would instantly have one member on their new school committee. Their district charter is now being written. We need a new appointee in by May to be a part of that discussion if we want to be involved in the new district. The projected figure is known and is in the process of being bonded.

Councilor Curcuru stated the tuition is now on the City side.

Ms. Teixeira noted it is not a part of their discussion. What people don't recognize, there is a \$1 million carried on the City side that goes to the schools. If there is any message that needs to come out of these meetings is that yes, the City does put a lot of money into education. It's not the 39% that it looks like, because the City side is carrying the North Shore tuition. It's not a part of the School Department's budget. It's well over 30%.

Councilor Hardy was pleased to see the order proposed by Councilor Tobey and Ciolino; and we owe it to ourselves to be at the table when the district is being formed to create those by-laws so as to have a say and be a part of the governing body. There is still information she would like to have, like the business plan that had been requested.

Ms. Teixeira stated they could see their build out costs could be down also because they are starting to see the possibilities of donations from businesses for the new school.

Councilor Hardy noted that the current school committee will be keeping the local Voke in place and continuing the program's improvement.

Ms. Teixeira stated that the more the local program is improved, the more likely more Gloucester students will stay locally to attend our own vocational education programs which could mean our membership costs could be less.

MOTION: On motion by Councilor McGeary, seconded by Councilor Curcuru, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 present (Hardy) the to recommend to the City Council that the City become a member of the Essex North Shore Agricultural and Technical School District.

B) Job Description of City Auditor (Continued from 02/25/2010)

David Bain, Jr., Personnel Director gave the Committee the draft job description (on file) for the City Auditor's open position and the comparative descriptions from the cities of Beverly and Lowell. Mr. Towne and Mr. Boyce conferred with him on this description. They changed it to an M10 position. The responsibilities haven't changed. They went through some of the duties and tried to consolidate them, and expanded some of them. He noted there are clear lines of what the City Auditor is responsible for. They are trying to set minimum requirements. They want to find someone who can match the qualities of the current CFO.

Mr. Towne stated the qualification is a certified governmental accountant. Ms. McInnis left with that certification.

Councilor Hardy felt it may be important to have it.

Mr. Bain stated they should have it, or "the ability to attain it in a finite number of years", and he would add that qualification.

Councilor Curcuru wanted to know how quickly this could be advertised.

Mr. Bain stated it would go out immediately. He would put the ad on the MMA. There is also an association with a website, and he would also like to put it on that website, and it will also be advertised locally.

Mr. Towne noted another addition to clarify on page 2, the 4th bullet down, "is responsible for the reconciliation of the General Ledger", which is where it should be. It is a key change and placed on purpose so there is no miscommunication.

Mr. Bain thanked Mr. Towne for his help for putting this new draft of the job description together.

Councilor Hardy was encouraged by the Administration's willingness to address the department head's and other employee's efforts to bring the salaries of the department heads on par with other communities. It is a fiscally tough time to do it, but in order to get and keep well qualified staff, it is important. We're giving it to a position, not a person. It is also a hope to retain well qualified individuals.

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 amending of the auditor's job description which includes an increase in the pay grade from an M8 to an M10 along with the verbiage as submitted by the Personnel Department.

C) Addendum for Mayor's Report: Special Budget Transfer Request Forms (2010-SA-05)

(Continued from 01/28/2010)

Mr. Towne explained to the Committee this is a line item put in Mr. Hale's budget because there are so many ACOP's outstanding because we are not in compliance. We budget so it won't hurt the DPW budget. They had only one item that was fined and that was in the water fund that they took out in the Boil Water. They still had the \$30,000 that was fully budgeted for. That's the reason. The transfer to fund one of those deficits they've been working on in the Thursday morning meeting. This deficit has been holding since beyond 2006. They have been working on almost 50 deficits that Mr. Towne and Ms. Richardson, inherited from a long time ago. They are meeting weekly to work with the City side and the School side and ideally be done with this by the end of the year.

Councilor Curcuru asked if there will be a mechanism to prevent this from happening again. **Mr. Towne** stated as reconciling the General Ledger monthly should be in conjunction with a monthly meeting between the Auditor's office and his office. If the department managers have knowledge of where their funds are they can help to manage their own funds. Once they are caught up they will be easier to manage going forward. We have updated the security system within Unifund which will knock these items down. It has worked because departments have asked for funding and been told to first find the funding source and then they can go forward.

Councilor Curcuru asked are these policies and procedures being put in place.

Mr. Towne said they met with a technical writer for that very thing. They will go through as much as possible, and pass this department to department. They're working on it. That's the hardest thing to do is to document the policies and procedures. We're considered a high risk

because we don't document. We have the reasons and good practices, but we need those procedures documented. It should be a listing of policies to be adopted and then practiced.

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 approval of SA-2010-05 for the transfer from DEP Assessment Unifund Account #610000.10.450.56820.0000.00.000.00.056 to Unifund Account #610000.10.992.59600.0000.00.000.00.059 to close a deficit fund balance in Fund #291039 for \$1,398.35.

2. *Emergency Request: DPW request for increase of loan authorization for Water Treatment*

Plants re: DEP Consent Order #09-5D008

Mr. Hale discussed with the Committee the of need to increase the loan authorization for the Water Treatment Plants as relates to the DEP Consent Order #09-5D008, requesting an additional \$3.9 million for Babson, Klondike and West Gloucester. The overage is overestimating the condition of the facilities. They were in deplorable condition. The price difference of what they anticipated was great. Everything they based off of was the original \$4 million and \$2 million for the distribution system. They couldn't buy components even to make some parts function. They couldn't salvage much of the chemical process. With the work that they're doing with proper preventative and routine maintenance can last up to 20 years. This is significant. So many key components need to be replaced. They can't do that amount of work and still be in compliance. They didn't have the luxury of time. 1A and 1B are successful projects to date. They are behind for a number of reasons. They anticipated awarding the contract March 15th and is now extended to the 22nd. Fortunately it's been a rainy February and March and is at 98% capacity at West Gloucester. They drained Babson down to 28% and is up to 78%. They still have enough time to meet the July 1st deadline. There is the potential to lose two weeks. If they only lose two weeks, they have a good supply of water. They'd be at 68% on June 1st. They've done the work at the gatehouse was done quickly. The Phase 2 work is at Babson, West Gloucester and Klondike. The chloramines are the secondary disinfectant process. The bulk of water treatment is chemical. You can filter it, but you have to add chemicals.

Councilor McGeary stated what is wrong with the chemical process that needs to be fixed.

Mr. Hale stated they add coagulants to separate organics and drop the iron out of the water and then it goes through filters.

Councilor McGeary stated then this is a required enhancement. Mr. Hale agreed and explained the process further and why they need to modernize the process.

Mr. Hale said they had to open up Babson in the summer no matter what. There were so many broken pieces the assumptions were flawed. To make the facility operational this summer they need this additional money. There are screens that prevent solids getting into the plant, and there are none at Babson. The gates at the Haskell intake structure had the divers evacuating because it was so unsafe. They haven't been maintained. There was illegal piping.

Councilor McGeary stated his concern the City is buying a very expensive band aid.

Mr. Hale stated this is getting up and running and buying extra time.

Councilor Curcuru stated as soon as Babson done, West Gloucester is rehabbed, what are we looking at.

Mr. Hale stated the DEP will conduct sanitary surveys annually. There was 25 pages submitted saying they couldn't believe what they're seeing. They were dealing with chlorine gas safety. They have to make sure the contracts are being fulfilled; vendors are fulfilling their end of things. This isn't it. This is a capital investment now. There is Phase 3. There's another \$6 million of work that has to be done. Paint is peeling off on the inside of the Plum Cove holding tank. Bond Hill is 7 million gallons of water. The water sits for extended periods of time with no mixing; Blackburn is the same. It is on-going. The original \$6 million was \$4 million for West Gloucester and the balance dedicated to the distribution system. They're waiting for a final state permit and are ready to go on that.

Councilor McGeary asked about the tunnel.

Mr. Hale stated they procured engineering services. Part of the Essex Avenue design money was to investigate this tunnel and to find solutions. There could be horizontal drilling, taper off a line, replace it. They've been in the tunnel and need to get back in there with National Grid to coordinate efforts to get the most logical solutions going forward. They'll range in price and scope and anticipate the report will be ready by spring. It's a 100 year old point of failure.

Councilor Hardy asked about debt limit.

Mr. Towne said this would be borrowed through the trust. He would do short term first depending on the going rate. This will be combined with the \$6 million.

Councilor Hardy asked if it would be one or two loans.

Mr. Towne stated they just need to be sure the order says "add to".

Councilor Hardy asked how we would pay it back.

Mr. Towne said it will all be on water.

Councilor McGeary asked approximate annual cost.

Mr. Towne responded he would have to look it up and it would start at year 4.

Mr. Hale stated that this is SRF eligible, at least the first part (stimulus money), close to 21% principal forgiveness.

Mr. Towne stated it is a combined greater savings. We'll pay closer to \$8 million and save the interest on the \$2 million savings.

Mr. Hale stated that this is probably close to 40% of the water is debt service. There is not a good system to pay for repairs.

Councilor Curcuru asked if the budget was being increased.

Mr. Hale stated they don't put a lot of capital costs in their budget. They had a \$3.9 million authorization that was unspent. Part was spent on West Gloucester. They knew they had it, and so there wasn't a perceived need to increase the capital budget. It is not the best system to throw everything onto the rate. We need to look at more creative ways to pay the debt. We don't have enough customers. We have a very small user base and a huge network of pipes. There's no way of doing this without crippling the enterprise funds. He invited the Councilors to tour the work being done.

Mr. Anderson spoke of giving a break to core businesses who are taking a bite from the water rates. He noted the situation at Cape Pond Ice.

Mr. Hale stated it's never too early to start planning and looking at feasibility studies for a future building of a new treatment plant and for other improvements.

Mr. Anderson encouraged Mr. Hale to look at hiring a consultant and formulating a plan for the future.

Mr. Hale noted whenever facilities are built, you look at population projections. Lots of studies have been done about water routing. They did a needs analysis. Everything in these reports happened this summer. The distribution system is in great need.

Councilor Hardy stated if you had a magic wand where would you locate and what would be looking for.

Mr. Hale noted it would likely be the West side, close to the river.

Councilor Hardy asked should we be looking at land as it becomes available.

Mr. Hale stated they need a full-blown study. They have to do a river crossing. They know each side doesn't have enough to sustain all. You want it close and at a narrower point, like at

Centennial Avenue and come up at Essex Avenue. It's \$40 to \$50 million to put in a new water treatment plant.

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 following Loan Order:

That up to an additional three million nine hundred thousand dollars (\$3,900,000.00) be appropriated in addition to the previously for the purpose of making improvements to the City's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to an additional three million nine hundred thousand dollars (\$3,900,000.00) and to issue bonds or notes thereof under Chapter 44 of the General Laws or any other enabling authority; that such bonds or notes shall be general obligation of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer, with the approval of the Mayor, is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

3. *Two Special Budget Transfer Requests (#10-22 and #10-23)*

Mr. Towne explained to the Committee that they went through the Veteran's budget last year. The new veteran's agent has been doing hard work to identify areas that need funding to assist to provide the remaining portion for the total needed to maintain veteran services for the rest of the year. They are not over budget and predicted they would be in a deficit position by the end of the year and are doing this in anticipation of it. This fund is already in deficit. This will still cover the funding. Once it is in the fund they can transfer between funds.

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 transfer #10-22 of funds from Unifund Account #101000.10.942.56200.0000.00.000.00.059 to Veteran's Services, Medical Unifund Account #101000.10.543.57720.0000.00.000.00.057 in the amount of \$12,358.00.

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 transfer #10-23 of funds from Treasurer/Collector, Property Insurance-Gen. Liability, Unifund Account #101000.10.145.57420.0000.00.000.00.057 to Veteran's Services – Contractual Services, Unifund Account #101000.10.543.52000.0000.00.000.00.052 in the amount of \$7,642.00.

4. *Special Budget Transfer Request (#10-24)*

Mr. Towne stated the item is a deficit is in a special revenue fund called Donations-Library, deficit was in 2008 an adult education item, which the Library Director has come up with funding for. They said they had surplus stipend from the Acting Children's Librarian and offered it to help eliminate this deficit. This should be a supplemental number. It can be sent back to the Committee.

By unanimous consent the Committee continued the matter to the next meeting.

5. *Stormwater Utility Fee*

By unanimous consent, the Budget & Finance Committee continued the matter of Stormwater Utility Fee to the next meeting of 03/25/2010.

6. *Letter from Mayor Kirk to Congressman Tierney re: FY2011 Appropriation Forms*

Ms. Garcia stated she was hear to discuss the letter but stated she would meet with Councilor Tobey who requested further information. This was put together to bring the issues to a broader audience. This was to put it on Congressman Tierney's awareness.

Councilor Hardy asked about keeping abreast of grants that are coming through available to the City.

Ms. Garcia stated Steven Winslow was keeping a great eye on such things. She clarified the role of Sharon DuBois, Grants Administrator to the Councilors. Everyone's job relates in Community Development.

Councilor McGeary asked who had input into the letter.

Ms. Garcia noted the City Department heads who were involved, such as Joe Rosa, Jim Caulkett, Steve Winslow, and others as well.

Councilor McGeary wondered if Councilors were solicited for their ideas.

Ms. Garcia stated this was the first time they had submitted to Cong. Tierney's office and found that other projects could be submitted and had only a week to submit. These ideas come from concepts that have been around for a year, two or three. There is always the question of how to include everyone in the process. Sometimes they're moving too quickly on these things, and it is great that you read what is in your packets.

Councilor Curcuru thanked Ms. Garcia for her time.

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

Ms. Richardson reviewed the submitted documentation (on file) with the Committee. She explained the Personnel Unemployment Insurance, \$12,442.00 is due to the City from the School and are costs since December of 2009 and have yet to be reimbursed. And the Unemployment Office charged the City for an employee's unemployment expense and that will be credited from them.

Councilor Curcuru asked if Unifund will be used to do the detailed budget for the Schools.

Mr. Towne noted they haven't talked about that yet. They also spoke about Medicare expenses. They have been getting it back from grants. They were talking about putting the school food service fund self supporting and get it out of deficit first and trying to work it into the FY11 budget. Now that he has gone through a full year, it is a much larger budget for the schools than it is for the City. They put a lot of it together.

Councilor Hardy asked if we have the ability to see their transfers.

Mr. Towne said they can see their budget changes, if they do the transfers.

Councilor Hardy wanted to know where there paper trail is.

Mr. Towne said according to the DOR it is one line item, "schools". That's why they don't have to do transfers like we do.

Councilor Hardy stated there is no accountability.

Mr. Towne stated you will see the transfers change things from category to category. You get 12 categories within one service. Expenditures are tracked and it doesn't appear they do the detailed budgetary transfers. He doesn't know how much they track within the scope of the budget.

The Councilors then had a discussion of the difficulties of having a detailed reporting of the school budget with Mr. Towne and the perception that there is something that's not being said or revealed.

Mr. Towne suggested that if folks are on the list that the departments be asked to provide an explanation to the Auditor's office so that they can be cleaned up and have answers for the Councilors.

Ms. Richardson noted they are contacted by her department. The Councilors asked Ms. Richardson to ask them for an explanation and how they intend to address it.

Councilor Curcuru asked why Workman's Comp is still being carried.

Mr. Towne stated they put it on the wrong form and sent it back. They'll send it back and it will take most of it down.

Councilor Curcuru asked about the Snow and Ice deficit.

Mr. Towne stated that deficit that if they have to fund any of it in the current year because they don't have an identified source, they will look at savings in several accounts, in savings and short-term debt, and can tackle some of this, but he would rather tackle it all together and carry it to a line item in FY11. This is \$600,000 less than last year's deficit. They're talking about adding \$400,000 to this next year.

8. *Update from CFO/Treasurer's Office on FY10 Budget*

Mr. Towne discussed with the Councilors the trash bag revenue account. He gave the Councilors a revenue report and then reviewed it with them (on file).

9. Other Business: None

It was motioned, seconded and voted unanimously to adjourn at 9:45 p.m.

Respectfully submitted,

Dana Jorgenson

Clerk of Committee