

Budget & Finance Committee
Thursday, March 8, 2012 – 6:00 p.m.
1st Fl. Council Committee Rm. – City Hall
-Minutes-

Present: Chair, Councilor McGeary; Vice Chair, Councilor Joseph Ciolino; Councilor Melissa Cox

Absent: None.

Also Present: Council President Hardy; Kenny Costa; Jim Duggan; Jeff Towne; Mark Cole; Jim Hafey; Donna Compton; Sander Schultz; Fire Chief Stephen Aiello

The meeting was called to order at 6:00 p.m. Items were taken out of order.

1. *Presentation re: GASB 45 valuation of the city's Other Post-Employment Benefits (OPEB) obligations by Daniel J. Rhodes, Consulting Actuary, The Segal Company*

Mr. Costa stated the report was prepared in accordance with statement 45 of the Government Accounting Standards Board (GASB) for financial statement presentation. This is where Moody's sees the information in the financial statement. A city committee prepared an RFP, on January 1, 2008 and a report was prepared by Stone Consulting under GASB 45. At that time the report showed an unfunded liability \$147,790,883. The next actuary was done on 6/1/09 which showed unfunded liability of \$220,755,787. **Mr. Costa** said he is working with the CFO to find funding to do another report to put it on their next financial report for June 30, 2011. There is an OPEB Trust Fund established and appropriated \$20,000 from free cash as seed money. They also have the report from The Segal Company. There are two funding schedules that Mr. Rhodes will review, and one that is a "pay-as-you-go".

Councilor McGeary stated this is non-pension benefits for retirees of the City.

Daniel Rhodes of The Segal Company reviewed his report on GASB 45 Actuarial Valuation in accordance with the governmental accounting standards which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes. The other benefits include health insurance, life insurance and dental benefits. OPEB is a big unfunded liability that had been unrecognized. This is over and above any pension liability that city has for its retirees. This benefit has to be accounted for on an accrual basis, as it is considered a form of deferred compensation. Rather than have this expense come out of nowhere, the City should be accruing this expense, and funding for it, while an employee is working. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (i.e. a pay-as-you-go basis). There is an unfunded liability for over 30 years but there is a continued expense for current employees. Segal Company calculates the unfunded liability; a stream of benefit payments and they then determine the cost to fully fund those benefits. The cost of health insurance is included, but difficult to quantify since it is hard to know what premiums for health insurance will be in 20-30 years, he said. Once that all is determined they can figure what the liability of the health care cost is. There are the normal costs for an employee starting today; and then there is the amortization payment on the unfunded liability. Added together they constitute the ARC (Annual Required Contribution) on the city's part. The city is not required to fund the liability, but must account for it. The liability shows up in the footnotes of the City's financial statement. The net OPEB shows up also.

Page 7 of the report presented by Mr. Rhodes showed key valuation results under Section 2 which Mr. Rhodes reviewed with the Committee. If a trust is fully funded there is a higher discount rate, meaning a lower liability. The current state is the liability is not really being funded. The bulk of the expense is really pay-as-you-go; there is a discount rate that shows a return on assets, of 3.5% to 4.5%. Segal used 3.5% for its calculations. Fully funding these liabilities, present value of this liability would be about \$120 million. Since the City doesn't have the fund set up, the present value is about \$229 million. These calculations reflect a 70-80 time horizon. The higher the discount rate the lower the ARC will be. The amortization on the unfunded liability could be up to 30 years; you are allowed for an increasing amortization. It would be lower in earlier years and higher in later years. Payments are calculated to increase at 3.7% per year, which yields \$6.9 million per year in the under funded scenario and \$7.4 million in a pay-as-you-go scenario.

Page 10 has the long term projections assuming a fully funded trust after 30 years closed with a 7.876% discount rate and was reviewed.

Page 11 showed projection of annual required contribution at 30 years open (3.50% discount rate) and was reviewed.

Councilor McGeary asked realistically what the City would do. **Mr. Towne** stated not everyone retires at the same time; but at some point in time there has to be a realistic approach. He in turn asked if other communities focused on 100% funding. **Mr. Rhodes** stated a small handful of Massachusetts cities and towns are funding the full ARC. Many are just starting to fund like Gloucester. The first step is to get the trust established, get some kind of funding and put it on the budget. As new sources of revenue are identified and committed, communities are funding by channeling through those sources. **Mr. Towne** knew there was a new state law that if an employee retires but had service in another community the city from which the employee retires could get some money from that municipal system in which the retiree had previously served, but the reverse was also true—a retiree from another city who had worked in Gloucester might require Gloucester to pay some money out. If people have a short service with the City it would help reduce its obligation. The city can reduce its liability by keeping its health costs down; putting people over to Medicare (the City requires retiring employees to do that), for instance. They could also look at Medicare Plan D, under which the city is reimbursed by the government for drug-care costs for retirees. That money could be directed to the OPEB trust fund, reducing the City's liability and would look good on its financial picture to rating agencies. **Councilor McGeary** didn't think this would be enough. **Mr. Towne** suggested they could perhaps bond a portion of their OPEB liability, but he would have to look into it. The risk to the City is if the federal government cuts out the reimbursements of Medicare D. **David Bain**, Personnel Director, discussed a possible life insurance program whereby some funds come back to the City. **Councilor McGeary** expressed that both may be worth looking into. **Mr. Towne** expressed confidence that a rating agency wouldn't lower the City's bond rating because of OPEB. The city has worked hard to keep its health care costs down, limit its OPEB liability and, realizing that it had to address the issue, is taking steps to do so. **Councilor Cox** thought the plan with the Medicare Part D would also show progress. She encouraged planning for this large liability. **Mr. Costa** reminded the Committee that the pension funding is a problem that they are actively working on actively which has to be fully funded by 2037. **Mr. Towne** stated whatever the city will need to do whatever it can do to keep costs down.

This matter is considered closed; no action is required by the Committee.

2. Continued Business:

- A) CC2012-001(Hardy) Review salary of the office of the Mayor as in accordance with City Charter, Art. 3, Sec. 3-1(c) and amend GCO Sec. 2-54 accordingly (Cont'd from 02/09/12)
- B) CC2012-005 (Tobey) Salary for Mayor be set at \$100,000 per annum for the term beginning January 1, 2014 (Cont'd from 02/09/12)

Councilor McGeary noted the Administration is in favor of this ordinance amendment. **Mr. Duggan** was in support of it as a most appropriate thing to do. He referred back to Councilor Tobey's request at the February 6th O&A meeting that the administration look at other communities and how they value the position of the Mayor; that the job has highly evolved over time. He hoped the Council would vote favorably. **Councilor Hardy** stated the Council by City Charter has to do this in the first 18 months of their term. Stating there is never a good time to give a raise, she noted the office of the Mayor deserves respect and with that comes pay commensurate with the job. A Mayor will not get reelected if the job is not being well done. They have to begin to start to pay them appropriately. She supported Councilor Tobey's order for a salary of \$100,000. **Councilors Ciolino** and Cox also expressed their support of the ordinance amendment. **Councilor McGeary** stated the Mayor is also the city manager. Gloucester is a \$100 million corporation. There was some talk of phasing this raise in, but he now believed it is appropriate to do it all at once.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to AMEND GCO Article III, Division 2 (Mayor), Sec. 2-54 Compensation by DELETING "sixty-five thousand dollars (\$65,000.00) effective January 1, 1998" and ADDING "one-hundred thousand dollars (\$100,000) effective January 1, 2014; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

- C) Comprehensive Report reflecting recommended reclassifications (Continued from 02/23/12)

Jim Duggan, CAO gave appreciation to Mr. Bain and his staff in helping to accumulate and collate the data before the Committee. He explained to the Committee that the Council in 2011 asked the Administration to discontinue bringing forward management level reclassifications singly, but rather to bring all management level positions forward together with appropriate comparisons to similar positions in other communities. The original idea was to

make the initial investment in the financial team. He took the Council's direction to bring all the rest of the management reclassifications back at once. In December it brought the information forward again. The administration had a request from the O&A Committee from the previous Council to make a more comprehensive study of non-union employee positions – those that have been reclassified and those that had not to that date. With the exception of a few managers already reclassified, the rest of the positions were last reclassified in a City-wide reclassification eleven years ago. The Personnel Director also recognized when a manager or department head was hired they stayed in a certain spot on the pay scale forever; and reclassification helped to remedy this situation. In doing the research, the City positions before them are not “cookie cutter” replicas with other communities. Also all the positions have become more complex over the years. For instance, when the Building Inspector started in that position 10 years ago the rules, regulations and codes were one-half inch thick, now they're volumes. It is the same with the Purchasing Agent, as another example. The surveys and graphs (on file) show the compensation for City positions behind other communities and should be made to be on par. He stated this is the strongest team he has seen in 22 years. The city has the strongest financial team in the state. The city is off the DOR watch list, and is cited as a model for the turnaround the City has made. Mr. Duggan also cited the precedent established in the hiring of the City Auditor. The position was reclassified at that time. As a result Mr. Costa has been a strong part of that financial team. There has been frustration also; the city lost its previous IT Director who reported to the CFO. That has been a huge void. They're trying to fill the position but are difficult to replace a quality person such as him. He also requested that the motion reflect that the positions are paid retroactively to January 1, 2012.

David Bain, Personnel Director stated the city is hiring at the top of the pay scale; there is no place for new hires to go. He has to offer the top rate because that is all he has. The City is in competition with every community in the State to get the best people. They are in the process of filling important jobs, competing with the rest of the company; two public safety chiefs, an IT Director and a Personnel Director. He noted that the reclassification is about positions, not about personnel; enabling the city to hire the best possible people. **Mr. Duggan** noted that there is reorganization of the Community Development Department before the Council. The city wants to ensure that Community Development Director be a very strong professional. The city will need to be able to advertise at a very competitive scale in order to get the best, most qualified person. **Councilor Ciolino** was in agreement and would support it. **Councilor Hardy** asked about being retroactive and what was the funding source. **Mr. Duggan** stated in this fiscal year it would be free cash. He did not know what the free cash is. **Councilor Hardy** asked what the longevity of the “ladder” (steps); and how much life is in the ladder. It took 11 years to do this. How many years will it take again? **Mr. Duggan** stated no one will go to the top of the ladder within the reclassified pay scales. There will be multiple years of growth for the people in those positions. He has not had a conversation with any individual persons concerning pay because he didn't want to set up false expectations. After the passage, should it be passed then he would have the discussion with the persons affected. **Mr. Bain** stated the purpose is that it is to give the existing individuals hope. For new employees he can take a chart and show them the steps they will have to go in their range. It would defeat the purpose to start them at the top. **Councilor Hardy** and **Mr. Duggan** discussed the steps an employee would take and the calculation. **Councilor McGeary** compared top to top. It comes out to \$196,000 to free cash. **Councilor Hardy** and **Mr. Duggan** further discussed the situation with the position of Community Development Director. **Mr. Duggan** stated he is asking for the retroactive pay because this same group and information was before them in December. **Councilor Cox** stated they're already taking a couple of steps off the ladder; if they came in high on M9 and the low on M10, doesn't it minimize their ability to grow again. **Mr. Bain** stated it is more of a grafting in, and a couple of steps in the pay range may be lost. **Councilor Cox** noted that if the position skips two grades that would not be an issue. **Mr. Duggan** stated by ordinance they should be looking at these reclassifications every two year which they will task the new Personnel Director to be sure and do. **Mr. Bain** encouraged the Committee to keep the talented, hardworking staff by recognizing their value. **Mr. Duggan** referred back to Councilor Hardy's questions about the Community Development Director position. He viewed the managers as a team. He would not wish to “peel off” individual department heads. **Councilor Hardy** asked if it is the GMAA Non Managers Pay Scale increases are retroactive until January 2012; not the fiscal year. **Mr. Duggan** reminded that they brought the reclassification to the Council in December with the anticipation that it would go forward in January. O&A asked for a more in-depth analysis and include everybody. **Mr. Bain** recalled that they suggested it be retroactive at that time. There will be another increase at the start of the new fiscal year. **Mr. Duggan** also added a reminder that it is the positions that are being reclassified. There will be an additional 2% increase on July 1st; that will be built into the budget for FY13. **Councilor Hardy** asked how long it would take before they do a reclassification again. **Mr. Duggan** stated, “two years”. There is no money for it, but that the task moving forward is to continue to evaluate which is part of the ordinance. **Mr. Bain** added they do a survey through the Mass. Municipal Association every year. They have not been able to act on the results for a while, and the City is getting further and further behind other communities' rate of pay. **Councilor Hardy** voiced her concern for the

position of the City Auditor. There was a reclassification was done prior to the new City Auditor being hired. The current Auditor is part of the financial team of the City. He is their right arm for checks and balances. It is the City Council's purview to move the position currently an M10 pay grade to M11. **Councilor McGeary** noted the methodology is to put it in the budget or put it into this reclassification. **Mr. Duggan** stated they did not do this now because that position was reclassified less than two years ago. **Councilor Hardy** recommended moving the Auditor's position now. **Councilor McGeary** thought they should address that as part of the budget process and did not see the need to do it urgently. **Councilors Cox** and **Ciolino** both agreed with Councilor Hardy to reclassify the position at this time with the rest of the management positions before the Committee. **Councilor McGeary** pointed out that the Fire Chief, Police Chief and CAO are jumping two pay grades. That could mean as much as a \$20,000 raise. He did look at the comparisons and realized the Chief's salaries are a guide as it is a negotiation. He expressed concern, however, about such a large increase and of the message it may convey and asked for justification. **Mr. Duggan** stated the job description of the CAO relates to the operations of the City, 15 departments, overall responsibility for the City's budget and working with the CFO. In every sense a CAO here is a Town Manager. **Mr. Bain** stated this position doesn't exist in most places as defined by the City Charter. Most communities define it as a Town Manager. The CFO and the DPW Director also had similar pay grade increases. **Councilor McGeary** noted that the CAO is part of the financial team and agreed it was appropriate. **Mr. Duggan** also noted that the Environmental Engineer is not the City Engineer. The union has released the Environmental Engineer position and is why it is now classified as a managerial position.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Fire Chief from M10 to M12 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Police Chief from M10 to M12 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of General Counsel from M10 to M11 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of City Auditor from M10 to M11 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Chief Administrative Officer from M9 to M11 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Community Development Director from M9 to M10 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Building Inspector from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Health Director from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Environmental Engineer from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Library Director from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Personnel Director from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted in favor, opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Purchasing Agent from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of IT Director from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of City Clerk from M8 to M9 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Harbormaster from M7 to M8 effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

Councilor McGeary took this to mean that they move up through 8B. **Councilor Hardy** asked what the difference is between an 8 and an 8B. **Mr. Bain** stated it is a matter of money.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Confidential (5) from 7-8A to 8-8B effective January 1, 2012; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

The Committee recessed at 8:12 p.m. and reconvened at 8:15 p.m.

- D) Memorandum from CAO re: acceptance of donation of a vehicle to Gloucester Emergency Management (Cont'd from 02/23/12)

Deputy Chief Schlichte expressed his appreciation to Councilor Hardy asking for an assessment of the van which Mr. O'Hara wished to donate to the City for use by Civil Defense/Emergency Management. The assessment showed this was not a vehicle the City would be able to use at this time. The Deputy Chief would speak with Mr. O'Hara and thank him for his thoughtful generosity but inform him of their not being able to accept is proffered donation of a van. **Councilor Ciolino** noted a communication received from Mark Cole, Assistant DPW Director (on file) that the van was looked over by the City's mechanic and not recommended to be accepted. **Councilor McGeary** asked a letter be sent to Mr. O'Hara thanking him for his generous offer.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 0 in favor, 3 opposed to recommend to the City Council to accept a donated 1985 Chevrolet P-30 Van, Model CP-3144, VIN#1GCJP3338931 from James W. O'Hara, Jr. of O'Hara Industrial Services LLC under MGL c. 44, §53A-1/2 for the purpose of use by the Civil Defense Department.

3. Memorandum from General Counsel re: Pavilion Beach Easement Agreement

This matter was placed erroneously on the B&F Agenda as it was not referred to this committee but rather just to the O&A Committee; therefore the matter was not taken up by the Committee.

4. Special Budgetary Transfer Request (#2012-SBT-18) from Treasurer's Office

Mr. Towne explained this transfer is for Detective Kenny Ryan's pro-rated longevity that was paid out in 2012 as part of his last paycheck (he retired at the end of the year). They are authorizing the transfers in order to backfill the Police budget so there is no shortfall.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-18) \$854.79 from Personnel, Retirement Buy Backs, Unifund Account #101000.10.152.51970.0000.00.000.00.051 to Police-Investigations, Sal/Wage Longevity, Unifund Account #101000.10.212.51400.0000.00.000.00.051.

5. Special Budgetary Transfer Request (#2012-SBT-19) from Treasurer's Office

Mr. Towne stated this was also intended to deal with the same situation as above.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-19) \$7,329.82 from Personnel, Retirement Buy Backs, Unifund Account #101000.10.152.51970.0000.00.000.00.051 to Police-Investigations, Sal/Wage Perm Pos, Unifund Account #101000.10.212.51100.0000.00.000.00.051.

6. Memorandum & relevant information from Assistant Director of Public Works re: permission to pay two invoices for services procured without a purchase order in place

Jim Hafey, Facilities Manager explained that the two invoices (on file) before the Committee because a purchase order was not in place at the time the goods and services were procured happened under to separate emergency conditions. The first was for the removal of the chimney at City Hall which was unstable, ahead of an impending

hurricane in August 2011. There was an insurance settlement. **Mr. Towne** stated the city has a \$2,500 deductible on the policy; and the balance was paid by the insurance company. They wanted to wait for the insurance money to come in first.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to pay Invoice #355987 from Boston AmQuip LLC for services rendered August 26, 2011, for the removal of the City Hall chimney at a cost of \$2,960.50 without a purchase order in place.

The second invoice for which no purchase order was in place was from December 2011 for parts and materials from Salem Plumbing Supply needed to fix sewer line break at the East Gloucester Elementary School. The pipe runs underneath the front steps of the school. Lines had to reroute inside the basement which required a lot of materials. The DPW did have an open P.O. with Salem Plumbing, but the amount of materials ran much more than anticipated. Salem Plumbing was the only supply house that had the necessary materials on such short notice. If the department hadn't made the emergency repairs on the weekend (done with City labor), the school would have had to have been shut down for several days to make the repairs.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to pay Invoice #S1875149.001 dated 12/19/11 from Salem Plumbing Supply for goods purchased to repair a sewer pipe break at the East Gloucester Elementary School at a cost of \$3,220.58 without a purchase order being in place.

7. *Two Memorandums from Chief Financial Officer re: appropriation request from CPA funds for the City Hall Restoration Project and recommendations to rescind bond authorization*

Mr. Towne explained that he has been working with the Community Preservation Committee (CPC) to pay a portion of the City Hall restoration project up front, rather than through borrowing by using the CPC's annual appropriation of \$215,000. Last year the Council voted \$215,000 out of that fund and reduced the loan authorization by that amount immediately afterwards so as not to borrow as much because the costs incurred were paid in cash. This is the second and last part of this approach. The city bonded the remainder effective the day of the meeting. The CFO is requesting to fund the \$215,000 out of existing CPA funds; and transfer that to the capital project. His memorandum (on file) explains it more fully, doing the same as they did last year. The very next motion asks that the Council rescind the like amount from the remaining loan authorization which started at \$2.6 million, which is now at \$2.385 million would be further reduced to \$2.170 million which is where they will actually bond from, taking advantage of the rate structure now; which was a deciding factor. This turned out to be very advantageous funding in this manner. The CPC is in agreement with this as part of their program. **Councilor McGeary** stated by rescinding it they're saying this is the top. **Mr. Towne** further clarified by taking the vote to rescind, it makes it a cleaner method and is an advantage to the City. Rescinding the authorization lowers the City's GSPAR which is a schedule of any not borrowed but authorized funds adding to the City's capacity and is considered a negative by the Moody's Rating Agency in that if the authorization is left on the books, it looks as if it could be borrowed later. The CPC will really be spending more money on the project than they originally authorized. They would have spent \$430,000 with the \$215,000 and \$215,000, but not have had to pay interest on that amount. He still has the authority to borrow the higher amount. There would have been a net impact on the higher dollar amount which the city does not want. He informed the Committee they should vote to appropriate before they vote to rescind.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the full City Council to appropriate \$215,000 (Two Hundred Fifteen Thousand Dollars) from the Community Preservation Act funds, as recommended by the Community Preservation Committee, for the purpose to pay costs of remodeling and making extraordinary repairs of the Gloucester City Hall Building, 9 Dale Avenue, Gloucester, Mass. for the historic preservation purposes under the Community Preservation Program. The appropriation will be allocated to the Historic Preservation Category and funded from unrestricted reserves in Fund #270000. The project will be tracked in the Community Preservation Fund – Capital Projects – Historical Preservation – Fund #346000.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the full City Council to RESCIND a vote taken on February 10, 2011, as follows;

“ORDERED: That \$215,000 of the \$2,385,000 that was originally authorized to be borrowed pursuant to an order of this Council approved on February 10, 2011, and amended by a vote of the City Council on June 28, 2011, for the purpose of paying costs of reconstructing and making extraordinary repairs to City Hall, is hereby rescinded and of no further force or effect.”

Mr. Towne gave a synopsis of what the results would be if the Council follows the committee’s recommendation. If the city had borrowed the full \$2.6 million, at a rate originally estimated at 4.5%; but instead used the rates under which the money was borrowed today, it to fund the loan would have taken 16 years to pay off and incurred \$690,000 in interest. If they did it based on the \$215,000 maximum payment of principal and interest per year it would have been paid off in 15 years and incurred \$643,000 in total interest over the life of the loan. The structure of the loan today with the pay down of the two \$215,000 amounts and the \$200,000, the city borrowed short term last year. This year the remaining amount of \$1.970 million and went to long term. In the fall he will go to long-term borrowing on the \$200,000 with everything else that is there. They needed the \$200,000 on top of the \$215,000 in order to get the architectural design under way. Mr. Towne didn’t want to over borrow because he knew the construction wouldn’t start until the spring. The amount borrowed today is \$1.970 million. They have seven years at 2%; five years at 3% and one year at 4%, which structure he characterized as “phenomenal”. They got a premium, taking their net interest borrowing costs down to 2.2% and pay it back over 13 years. UBS, the bank who the City is borrowing from, paid the City up front so they could pay down their borrowing costs. The result was the interest costs, originally projected at \$693,000 would be around \$460,000. The savings on the loan is about \$250,000 in interest costs over the life of the loan, and will be paid three years earlier in one scenario and two years earlier in another scenario. That will allow the CPC to use the money not required in the out years for other projects. It is almost a \$1 million savings because they can use their funds sooner. He commented he had never seen interest rates this low. They were also able to get these same rates for water projects and for the CSO project. He issued \$14.3 million in debt at those low rates. Some of the water is a little bit higher because of the structure, but it is still within the 2%-4% range. Furthermore, the City got four competitive bids as well, according to **Mr. Costa**. **Mr. Towne** noted that last year they got two competitive bids, by comparison. More people are interested in buying the City’s bonds, he said. **Mr. Towne** stated this was a good plan that came to fruition which is what they will be pointing out to Moody’s when they next speak to them, as it allows them to put money back into the community reinvestment; to pay some in cash, to borrow less money and to show what they can do to reinvest in the community – and it worked.

8. *Memorandum from EMS Coordinator and applicable material regarding a funding request for a new ambulance*

Sander Schultz, EMS Coordinator explained this is a request to fund a new ambulance. He recounted the recent history of the department’s ambulances, making note of a new Horton/International on order that is expected to be in service in June. The department had a 1993, a 1997, a 2002 and a 2009 ambulances prior to this request also. However, the state ambulance inspector took their 2002 ambulance out of service for structural deficiencies last year. That left the 2009 ambulance as their primary front line vehicle. That ambulance is in good shape. However, the two remaining ambulances-- the 1997 and 1993-- are in very bad shape. They ambulance to be delivered in June is much like the 2009 with smaller chassis and is more fuel efficient. The Fire Department has been able to document revenue loss to the department due to ambulances being out of service because mechanical failure. The problem is that even in June with the new ambulance, there will be no primary ambulance backup. Even new machines have down time; and the spare ambulances are in very tough shape. The ambulance inspector indicated in May of last year he would be unlikely to allow the 1997 to continue on the road. The 1993 drives better than the 1997 but is not configured for proper operation. The crews can’t put their firefighter gear on it, for instance. He proposed if they get the funding, they get the new ambulance ordered; which would put the newest ambulance in service in about six months time; then the department will be able to rotate the three ambulances as primaries and keep the 1993 licensed, bringing the department back to four ambulances. With two essentially new ambulances, there would be pretty much zero down time due to mechanical failure. The 2009 ambulance had a large portion of its purchase price paid for by Gloucester Crossing (as a part of an agreement with the City), according to **Mr. Towne**. The request is also to use funds from the Capital Projects Stabilization Fund, a fund established by the

Council for such purchases. **Councilor McGeary** asked where this purchase leaves the balance of the Capital Project Stabilization fund. **Mr. Towne** stated that would be the whole amount now in the fund. He spoke to revenue lost by the City from all the down time with vehicles out of service due to mechanical failure and that it made more sense to stop putting money into a vehicle that will only last until June. It will drain the account, but they will see some proposals coming from him through the Administration how they can fund things like this through free cash and the General Funds. **Councilor McGeary** asked if they can find a predictable revenue stream, could they use some of that for the Stabilization Fund. **Mr. Towne** stated they'd have to have staff on those ambulances, not just the fact that the ambulances are up and available. Most importantly, it is not what they're gaining; it's not what they're losing. The department will be setting up a core preventative maintenance program; and the city is looking to do this with all its assets. **Councilor Ciolino** expressed his support of the newest ambulance. However, he also expressed concern for the staffing of these ambulances. Acting Fire **Chief Stephen Aiello** stated they have trouble keeping two ambulances in service because of the mechanical issues. They keep breaking down; they're old. They need reliability in their equipment. This new ambulance will go a long way to keeping two in service at all times. **Mr. Schultz** stated this also helps them with surge capacity, as during the Fiesta, and various large road races. They'll be able to put three ambulances on the street; and could even go to four if they need to. Four ambulances, in his opinion, is the minimum they have to have. Each ambulance is staffed with two paramedics. **Councilor Cox** pointed there is a six-month window before the ambulance comes in. Expressing her concern, she stated the department could lose the 1997 ambulance before the 2012 ambulance arrives in June. They could, even conceivably, be down to two vehicles by the time new ambulance comes in. **Chief Aiello** stated best case scenario they have four paramedics on duty to staff the two ambulances. For special events, like the Run Gloucester road race, the Fiesta, they put at their expense the third ambulance on the road. If it is a for-profit organization, that organization pays for the ambulance. **Mr. Schultz** stated there is a significant spike in call volume during Fiesta, and a third ambulance would be enormously helpful. **Deputy Chief Schlichte** stated the old vehicles have a tremendous impact on running a shift. He commented after driving both of the oldest vehicles that were he a patient riding in the back, he would prefer the 1993 ambulance. He supported Mr. Schultz's effort to upgrade the ambulance fleet. He suggested that the old ambulance, when it can no longer be used for ambulance service, that it could be repurposed for other City uses. **Councilor Hardy** addressing the funding source, said that she would want some funds left in the Capital Projects Stabilization account to keep it open and give some incentive to put money back into it. She suggested \$10,000 be left in the account by transferring in \$10,000 from free cash. **Mr. Duggan** stated that was acceptable to the Administration. **Mr. Towne** stated if it could come from the operating budget he would identify funds even in the insurance line, and would rather not dip into free cash. He would write a transfer and put it through to put back the funds into the Capital Project Stabilization Fund. It was determined that noted since this matter was under consideration by the B&F Committee, they would be able to vote a transfer for the \$10,000 from free cash to the Capital Projects Stabilization Fund Since to be considered by the Council at their March 13th meeting. **Councilors Cox** and **Ciolino** expressed their endorsement of the purchase of the new ambulance.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council, in accordance with MGL Chapter 40 Section 5B, to appropriate \$227,772.92 from Fund #850000, Capital Project Stabilization; and those funds are to be placed in a new Fund #850001, Capital Projects - Fire Department - Ambulance- specifically for the purchase of one (1) new Horton/International ambulance for use of the Gloucester Fire Department.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-26) \$10,000 from Treas/Coll, Prop Insurance Gen Liab, Unifund Account 101000.145.57420.0000.00.000.00.057 to Cap Proj Stab Fund-Transfer in from Gen Fund, Unifund Account 8500000.10.991.49700.0000.00.000.00.040.

9. Memorandum, Grant Application & checklist from Emergency Management Director re: Emergency Management Grant to mitigate Poplar Street flooding from FEMA's Hazard Mitigation Grant Program

Deputy Chief Miles Schlichte, in this role as Emergency Management Director, came before the Committee for permission to apply on behalf of the City for a Federal Emergency Management Agency (FEMA) Hazard Mitigation grant to correct the City's long-standing flooding issue along Poplar Street. This is a competitive grant passed through the Massachusetts Emergency Management Agency (MEMA) for \$1 million with a 25% match of \$250,000

some of which can be in-kind, with the rest in cash with a deadline for submission of April 2, 2012. He has been working in concert with Mike Hale, DPW Director, to put this grant application together. He pointed out the submitted cost/benefit analysis to the City totaled \$487,663.70, of which \$150,000 was estimated residential and business damages in the affected area for the 2006 Mother's Day flooding event (on file); the cost benefit ratio came out to 2.03. This hazard mitigation project would tie in with other on-going flood mitigation work at the Mill Pond, calling the Poplar Street mitigation project as "missing piece of the puzzle". He noted the PowerPoint presentation (on file) showing the information on the Alewife Brook. The catch basins on Poplar Street are undersized and cannot handle the large volume of water when there are large rain events. The project is to put in appropriate sized culverts to handle the flood waters. It will be about a \$1 million project. If approved, FEMA will pay 75% and the City is to match 25%. A part of that City match will be in-kind. Mike Hale, DPW Director had informed the Deputy Chief that about \$100,000 will not be in-kind. **Councilor Ciolino** stated if the City is successful and be awarded the grant, they can choose to accept it or reject it. The **Deputy Chief** stated they can't submit the application if the City will not commit to the 25% match. It is a required part of the application. It is a three-year grant to do the work. They're not saying the 25% has to be put up now. They're saying the City has to be willing to invest that money within that three year period of the grant. It will be a significant amount of time before they hear whether the grant is awarded. This is something that goes to MEMA first, then passed to FEMA. It could take 8 months to a year or so before there is a decision. The City is in competition with many other communities. **Councilor Ciolino** asked how they would come up with the \$100,000 match, since the DPW Director thought that his department could have up to \$100,000 in kind. **Mr. Towne** also asked who calculated the \$1 million figure for the project. **Deputy Chief Schlichte** stated Mr. Hale came up with this number. The Deputy Chief described to the Committee the flood area from a photographic rendering in his power point presentation (on file) and where the mitigation would take place if they are awarded the grant; and why it would not create other problems once the flood mitigation project was completed. It was his understanding that the Conservation Commission and the State have already given their approvals. This project is just increasing the capacity of the infrastructure to handle water run off volume. **Councilor Hardy** asked about Popular Park and the two culverts replaced there. She said it was very difficult problem to maintain clear culverts in this area due to regulatory issues. **Deputy Chief Schlichte** stated the Conservation Commission part of the application will be completed pending approval of the Committee and the City Council. The agreement is that if this goes through the process, the City agrees then to pick up their share. This is to address the five drainage points in order to stop the flooding. As part of this project, Mr. Hale is prepared to do the Alewife brook project also. The **Deputy Chief** couldn't say it would relieve all of the catastrophic flooding but it would greatly improve the situation overall. **Councilor Ciolino** stated his support for the application to be submitted. **Mr. Towne** asked about any assessments to homeowners. **Deputy Chief Schlichte** stated that would not be his purview. **Councilor McGeary** spoke with **Mr. Duggan** about a conversation with Mike Hale that they're looking at \$50,000 to \$75,000 in engineering services in-kind but did not have the labor numbers. **Councilor McGeary** then asked if they were to bond this, could it be debt exclusion. **Mr. Towne** stated it would be on the General Fund and would not be eligible for debt exclusion. Mr. Towne said he would meet with Mr. Hale, Ms. McMahon, Assistant to the Deputy Chief and the Deputy Chief to discuss the financial particulars. It was confirmed that it is a \$1 million project; and it is an all or nothing proposition.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to permit the Emergency Management Director to pursue a FEMA Hazard Mitigation Grant to be passed through MEMA for \$1,000,000.00 (One Million Dollars) with a 25% match of \$250,000.00 (Two Hundred Fifty Thousand Dollars) consisting of in-kind services and cash.

10. Two Memorandums from Emergency Management Director re: summarizing budget transfer requests from Special Reserve Account to the Civil Defense Department & Special Budgetary Transfer Requests: #2012-SBT-20, #2012-SBT-21, #2012-SBT 22, #2012-SBT-23, #2012-SBT-24, #2012-SBT-25

Deputy Chief Schlichte went through his documentation on his requests for each transfer. Touching upon the insurance matter, he noted signing is a waiver is not enough for a Community Emergency Response Team (CERT) volunteer, who would not be covered under the Good Samaritan law. If a CERT volunteer is assisting during an emergency event or an activity under the direction of the Emergency Management Director the city needs to have liability insurance. He also mentioned it is federally mandated that they must take pets with their owners in a City emergency shelter and that created the need for pet food. There is a designated area for this at the Fuller School. **Councilor Hardy** spoke to the issues surrounding the Fuller School and what are allowable uses there. She

expressed concern that she didn't want to see an investment in the school if it would no longer be useable for whatever reason. **Deputy Chief Schlichte** pointed out all of their supplies is portable. Using any functional school doesn't work, however. Because of the configuration of the electrical system at Fuller, they would still be able to leave the part of the school that houses the EOC open on an as needed basis. **Councilor Hardy** asked if the Administration was examining this problem. **Mr. Duggan** stated there is an ongoing discussion. **Councilor Hardy** thought they were going to wait to do anything with regard to Emergency Management until the new Chief was on board. **Councilor Ciolino** clarified that they were holding off on the renaming and reorganization of Civil Defense to Emergency Management until a new Chief was on board; and he expressed the need for moving forward with the stocking of the EOC as it is an "insurance policy" for the City. **Mr. Duggan** noted what the Emergency Management Director is doing is the right direction for the operation of the EOC, wherever it will be located in the City. They still need to stock it. He assured that for the renaming and reorganization of that department, they will wait for the new Chief.

Lettering for three trailers and a truck:

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-20) \$1,500.00 from Special Reserve, Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Civil Defense Contractual Services, Unifund Account #101000.10.291.52000.0000.00.000.00.052.

MRE's (Meals Ready to Eat) for EOC:

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-21) \$2,851.00 from Special Reserve Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Civil Defense, Contractual Services, Unifund Account #101000.10.291.52000.0000.00.000.00.052.

Copier, tables & chairs, laptop and portable printer for EOC/EMD:

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-22) \$5,569.00 from Special Reserve Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Civil Defense, Office Equip-Furniture, Unifund Account #101000.10.291.58710.0000.00.000.00.058.

Liability Insurance:

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted in favor, opposed to recommend to the City Council to transfer (#2012-SBT-23) \$5,569.00 from Special Reserve Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Treas/Coll-General Insurance, Unifund Account #101000.10.145.57400.0000.00.000.00.057.

Replacement video projector head and tools for EOC:

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-24) \$1,400.00 from Special Reserve Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Civil Defense, Repairs & Maintenance Sup, Unifund Account #101000.10.291.54300.0000.00.000.00.054.

Pet supplies for shelter as mandated by FEMA:

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to transfer (#2012-SBT-25) \$300.00 from Special Reserve, Contractual Services, Unifund Account #101000.10.900.52000.0000.00.000.00.052 to Civil Defense, Supplies Unifund Account #101000.10.291.52000.0000.00.000.00.052.

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

And Auditor's Report

Mr. Costa reviewed his reports (on file) with the Committee with input by Mr. Towne.

Respectfully submitted,

Dana C. Jorgensson
Clerk of Committees

ITEMS/DOCUMENTS SUBMITTED AT MEETING: None.