

Budget & Finance Committee
Thursday, April 5, 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: Councilor Hardy; Kenny Costa; Jim Duggan; Jeff Towne; Lucy Sheehan; Donna Compton;
Gary Johnstone; Tom Markham; Gus Martinson; Dr. Richard Safier

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

1. Continued Business:

A) Review and Recommendations for Disposition of real property re: Magnolia School House (a.k.a. Blynman School) (Cont'd from 03/22/12)

Councilor McGeary noted there is a revised RFP (dated 3/30/12 and on file) before the Committee and asked for a brief overview of the changes. **Jim Hafey**, Facilities Director stated changes were on page 10 of the RFP, language was amended as to the length of time being allowed for the Purchase & Sale Agreement is to be executed, that now is 45 days. To close the sale would now be within 90 days. There is an option to extend the close of sale for another 90 days upon agreement between the City and the buyer which reads, “upon good cause.” **Councilor McGeary** recalled the other question raised when they last met was about the square footage of the lot; and asked if they were all satisfied as to what is represented in the RFP. **Mr. Hafey** pointed out the square footage shown in the RFP is that of the building, not the entire property. On inquiry by **Councilor Ciolino**, **Attorney Mark Nestor** representing the Magnolia Historical Society (MHS) explained he was still doing his title research, but his client was pleased overall with the RFP. He extended the thanks of the MHS for the time and effort the Committee and City staff had expended on this matter. **Councilor Ciolino** expressed his pleasure in seeing this RFP finally go forward.

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 that Request for Proposal #12093 for Disposition by Sale of Magnolia School House as received by the Committee on 3/30/2012 (also known as the Blynman School) pursuant to the terms and conditions of the RFP and pursuant to the Code of Ordinances Sec. 2-3(a) (2) and MGL c. 30B be authorized by the City Council.

2. Memorandum from Administration re: Moody’s Investors Service Bond Rating Report as of 3/7/12

Jeff Towne, CFO, explained that the City was rated again with an “Aa3” Rating which is steady. It is called a “no outlook” [vs. a “negative outlook”]. It means the City is stable. (Ratings for Moody’s Investor Service go from the high end of “Aaa” then “Aa”. The “Aa” category is defined by Moody’s Investor Service as, “Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.” The City is in the second highest category at the third tier of “Aa”, the low end of the category. But, he stated the City, “still is in good shape”. **Mr. Towne** pointed out on page one of the Moody’s Investor Service Rating Action (on file), it was noted there was: “Failure to address long term pension and OPEB obligations.” The City’s OPEB (Other Post Employment Benefit) liabilities are admittedly high (\$220 million), he said. The Mayor is bold in asking for an upgrade each time; but the City has to do a significant, steady planned approach towards financial policy and then execute the plan, especially in dealing with some of the City’s liabilities and debt in order to obtain a higher rating. He anticipated the City staying at an “Aa” rating for a while. **Mr. Costa** agreed. **Mr. Towne** stated Moody’s wants to see financial policies, and that is what to the city will work on in the next year. It is having a plan and that you accomplished it and going in the right direction and staying with it for a while that is important, he said, barring new economic development in the City. There isn’t much more the city can do beyond what it has already done at this point. **Mr. Costa** commented that the city’s situation is common in many other surrounding communities. Many communities are only just establishing their OPEB Trust Fund. Gloucester did so already and is starting to fund it, albeit slowly. **Mr. Towne** added the rating agencies really want to see financial policies such as what is done with free cash, for example. Then following those policies would be important. The agencies want to see a plan and that the municipality follows it. For the City’s next rating, the city intends to go with Standard & Poor’s Rating Service to compare its findings with

Moody's Investor Services. He stated his belief the City could get a good rating, and noted that a rating costs the City about \$8,500 each time it is done. **Councilor McGeary** noted the Mayor's memo (dated March 19, 2012 and on file) terms the recent bond rating as "favorable"; and asked if that was her word or that of a rating service. **Mr. Towne** explained it is favorable that the City maintained the rating and that the negative outlook was taken off in the fall; but the official rating is now "no outlook". It could be coined as a "positive" outlook.

The committee thanked both the CFO and the auditor for their efforts and received the report into its records.

3. Memorandum from CFO for the Gloucester Public Schools re: reimbursement for services procured without a purchase order in place

Tom Markham, School Department CFO, explained the School Department is requesting a reimbursement for Gus Martinson, a Gloucester High School teacher. In the fall Mr. Martinson, through his outside connections, had an opportunity to receive donations from MIT Lincoln Lab facility in Billerica for high quality lab, classroom and office equipment and furniture. There was a short window of opportunity to make a decision on the access to these goods for the school district. The only hitch was that they had to pick them up. With permission of the School Department Mr. Martinson rented a truck. They attempted to reimburse Mr. Martinson through common reimbursement procedure backed with receipts. It was met with opposition in the Auditor's Office, however. He and Mr. Costa had a "functional/productive" conversation about it. There was no rental company that would take a purchase order. Mr. Markham said the department looked for a company who would take a purchase order for a truck but could not find one. There were three trips to Lincoln Labs in Billerica overall. The DPW provided a pickup truck and driver and a small trailer, which was used for one of the trips. After a discussion with Mr. Costa and CAO James Duggan, a P.O. was opened for Mr. Martinson to get an appropriate sized vehicle. The third trip to pick up the equipment was done under an open P.O. but it was not processed until after the rental had been completed. **Councilor Ciolino** expressed his understanding that it was an excellent opportunity and the city had to act quickly, citing the example of when NOAA was moving to a new building and decommissioning an entire building's worth of office furniture, much of which came to the City of Gloucester offices and schools. **Councilor McGeary** asked if they had looked into the use "P-cards" (purchase cards) in the City's name for these kinds of purposes where credit has to be fronted, putting a limit in place, rather than an employee putting their funds at risk when there is an urgent need. **Mr. Costa** stated he and the CFO and Purchasing Agent have had discussions looking into a P-card or credit card. They're thinking of utilizing that for travel for the Mayor's office for airfare. They could discuss opening it up to other items. **Mr. Towne** clarified it would be one card held by either him or Mr. Costa. He did not want to give a P-card to each department. It is one more thing to be monitored; it raises the question of whether the purchase order system would be effective. Further, would they then tell department heads they could spend up to \$1,000 on the P-card and always reconcile after the fact. Unless they were going to have a very detailed discussion and keep it limited, he would not recommend giving a P-card to every department. **Mr. Costa** spoke to other communities such as the Town of Lexington that issue 70 P-cards across the town. The Town of Newton only issues two P-cards because they're concerned about security. **Mr. Towne** could see one under the control of the City and one being issued under control of the Superintendent of Schools office with a limit of, say, \$1,000; but there would need to be a strict policy in place around the purchase order policy. **Councilor Ciolino** asked Mr. Towne and Mr. Costa to put a proposal together to begin the discussion with the Committee. **Mr. Costa** stated in the meantime he prefers to put the purchase order in place to reserve those funds. By doing so, the City also saves on the sales tax, he noted. **Councilor McGeary** added that should be done even if it is after the fact, so they can track the funds. **Councilor Hardy**, referring to comments on Mr. Costa's role in this process by Mr. Markham, stated that the way in which Mr. Costa handled the situation, it is his job; he is following policy; and it is the law. The City Auditor is doing what the law says, and what he is charged to do. There is a process governed by law, and the Council expects him to do that. **Councilor McGeary** stated if they do develop a P-card policy it has to be under tight strictures for emergencies, and be carefully monitored.

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 pay \$504.97 (Five Hundred Four Dollars and Ninety-Seven Cents) to Gus D. Martinson, for an extraordinary reimbursement for the procurement of services of a rental box truck to transport donated classroom supplies and furniture outside of required procurement procedures of MGL Chapter 30B of the Uniform Procurement Act.

4. Grant Application & Checklist from Senior Center Coordinator re: FY12 Service Incentive Grant in the Amount of \$6,100

Lucy Sheehan, Senior Center Coordinator, informed the Committee this request is for a formula grant acceptance by the Council. She noted these formula grants are getting harder to obtain, and the City was fortunate to receive this one. It is an excellent opportunity for the City to put another staff member in place at the Senior Center. The grant funds one 19-hour-per-week position of Volunteer Coordinator. The part-time employee hired under the grant will combine the Activities Coordinator responsibilities with those of the Volunteer Coordinator in order to assist the Senior Center in expanding its programming outreach to other City senior residences until the end of June 2012 (when the funding would run out). She said she has already applied for funds for the next two years. If further funding is awarded, she would look to keep this position and continue the center's outreach program expansion.

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 accept under MGL c. 44, §53A from the Massachusetts Office of Elder Affairs a formula grant for \$6,100 to be used for purpose of the Volunteer/Activity Coordinator salary.

5. Special Budgetary Transfer (#2012-SBT-28) from Department of Public Works

Mr. Towne stated this is out of the Facilities contract service account, which funded the outside service for cleaning and would be used to help fund a portion of the permanent salaries for the retained custodians. Part of the deficit occasioned by the decision to retain the custodians in lieu of outside cleaning services has already been defrayed. There will be a third transfer to do with a contract settlement and to clean up any remaining small deficits.

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-28) \$50,000 from Facilities Contract Services, Unifund Account #101000.10.472.52000.0000.00.000.00.052 to Facilities Permanent Positions, Unifund Account #101000.10.472.51100.0000.00.000.00.051 for the purpose of eliminating the existing deficit in the Facilities Department salaries budget account.

6. Addendum to Mayor's Report re: Special Budgetary Transfer Request (#2012-SBT-27) from City Council

Mr. Towne explained this transfer is necessary to pay for the chairs for the Council chambers as well as the Clerk of Committees' desks in the auditorium and in the City Clerk's office, along with two new chairs for each of those desks. **Councilor Ciolino** questioned the dollar amount. **Mr. Costa** noted the Council President submitted this dollar amount. They can move funds out again if the entire request is not expended.

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-27) \$22,500 from City Council Office Supplies, Unifund Account #101000.10.111.54210.0000.00.000.00.054 to City Council, OFFICE EQUIP-FURNISHINGS, Unifund Account #101000.10.111.58710.0000.00.000.00.058 for the purpose of purchasing office chairs, tables and other furnishings.

7. Memorandum from City Auditor re: City's Financial Statement Audit Contract for FY12, FY13 & FY14

This matter is continued to April 19, 2012.

8. Memorandum from City Auditor re: Employee Conference/Training, Travel, Meals & Lodging Expense Documentation Policy

Mr. Costa reviewed his documentation regarding Employee Conference/Training, Travel, Meals & Lodging Expense Policy (as submitted and on file). **Councilor McGeary** stated it is standard business practice, but expressed his concern that \$41.00 per day for meals is not much of an allowance out of town. **Mr. Towne** agreed stating it is a concern of everyone. This is to just get a policy started to get it in place. He commented Mr. Costa's portion is about policies surrounding reimbursements; and the Mayor's portion is about the dollar amount of the reimbursement allowed. **Mr. Costa** explained his policy on reimbursement procedures basically piggybacks on the

Mayor's policy. This was requested by many departments so they know in writing what is needed from them to get reimbursed. This policy also lays out what can and can't be reimbursed. **Mr. Towne** expressed concern about the wording of the last paragraph of the document. **Mr. Costa** commented he worded it to make sure the policy is taken seriously, as it is Massachusetts General Law. **Councilor Hardy** agreed that it is only quoting the law. The Committee, Councilor Hardy, Mr. Towne and Mr. Costa engaged in a discussion on the last paragraph's use of language. **Councilor McGeary** was in agreement as was **Councilor Cox** that the language could be softened and offered several suggestions to Mr. Costa. There was also a brief discussion about reimbursements for modes of transportation as well and definitions of same.

This matter is continued to April 19th for informational purposes only.

9. *Communication from Business Manager of the North Shore Regional Vocational School District re: FY13 Preliminary Budget Summary*

Mr. Towne made note of the receipt of the Communication from the Business Manager of the North Shore Regional Vocational School District re: FY13 Preliminary Budget Summary. The FY13 Total Assessment to the City is \$967,781.

The committee received the information into its formal record.

10. *Grant Application & Checklist from Emergency Management Director re: Emergency Management Performance Grant in the amount of \$6,000*

Deputy Chief Miles Schlichte, and Emergency Management Director explained to the Committee that this grant he is applying for is from the Federal Emergency Management Agency (FEMA) through the Massachusetts Emergency Management Agency (MEMA). Council permission to apply is required because there is a match, even though the match is in-kind in that MEMA is allowing 60 percent of the Deputy Chief's hours as Emergency Management Director to be used to cover the match. MEMA recognizes the investment of the City in Emergency Management and recognizes the hours spent by the deputy chief as the in-kind match. The money will be used for electronic media items for the Emergency Operations Center at the Fuller School. **Councilor Hardy** noted in the description it might be possible to view some of the cameras that are currently seen only at the Police Station, especially those facing the harbor during a severe weather event. **Deputy Chief Schlichte** stated it was technically possible. **Councilor Hardy** encouraged the Deputy Chief to work with the maintenance company and the Police Department and to communicate this information to them making sure of the security of the feed. **Deputy Chief Schlichte** explained he had an informal conversation with Lt. Aiello of the Police Department on that matter. It was the Police Department's suggestion that he have access to some of these camera feeds at the EOC; and the process is still under informal discussion. **Councilor McGeary** clarified that the new equipment should work in sync with what is already in place. **Deputy Chief Schlichte** added that the equipment in this grant would not fund the camera feed equipment; rather it is for in-house projection and viewing news stations.

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 allow the Emergency Management Director to apply for a FFY2010 US Department of Homeland Security/Federal Emergency Management Agency Emergency Management Performance Grant to be passed through the Massachusetts Emergency Management Agency in the amount of \$6,000.00.

11. *CC2012-019 (Hardy) Election of City Auditor pursuant to the City of Gloucester City Charter Section 2-7(a)*

The Committee discussed the process for the review and election recommendation of the City Auditor. **Mr. Towne** stated he found it a pleasure to work with Mr. Costa. Mr. Costa has brought high level of integrity and professionalism to the office, and quality accounting that this community needed, Mr. Towne said. He added that he always respects Mr. Costa's opinion, and they work very well together. He said that Mr. Costa was an "incredible asset" to the community that was so urgently needed at the time of his hiring. He noted he had been on the City Auditor selection committee, telling the Committee the city could not have done any better than what they have with Mr. Costa. **Councilor McGeary** agreed and especially appreciated Mr. Costa's quality of 'sticking to his guns'. It

is a hard thing to do, but it is important, he said. **Councilor Ciolino** expressed they should follow the same procedure as the O&A Committee (with its review and election recommendation for the City Clerk) and undertake a review of Mr. Costa's performance. **Councilor McGeary** instructed the Clerk of Committees to email the City Council for their questions, comments and concerns regarding Mr. Costa's review to be sent to him directly.

This matter is continued to April 19, 2012.

**12. *Memo from City Auditor regarding accounts having expenditures which exceed their authorization
And Auditor's Report***

Mr. Costa reviewed and discussed his reports (on file) with the Committee.

A motion was made, seconded and voted unanimously to adjourn the meeting at 7:09 p.m.

Respectfully submitted,

**Dana C. Jorgensson
Clerk of Committees**

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.