

CITY COUNCIL STANDING COMMITTEE

Budget & Finance Committee

Thursday, April 19, 2012 – 5:30 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 Verga; Kenny Costa; Jeff Towne; Sharon DuBois; Nancy Papows; Donna Compton; Mike Hale; Jim Hafey; Tom Markham; Dr. Richard Safier; Tony Gross; Jim Duggan; Melissa Teixeira; Brian Tarr****Sullivan, Rogers & Co., LLC: Chris Rogers; Shaun McGoldrick****The meeting was called to order at 5:30 p.m. Items were taken out of order. Councilor Verga entered the meeting at 6:31 p.m. and left it at 7:05 p.m.****1. Continued Business:**

- A) Memorandum from City Auditor re: City's Financial Statements and City's Financial Audit Contract for FY12, FY13 & FY14 – discussion with Chris Rogers, Sullivan, Rogers & Co., LLC

Chris Rogers, Partner in the firm of Sullivan, Rogers & Co., LLC reviewed the difference in auditing procedures between the second and third year external audit under their three year contract with the City. He noted each year continues to improve which is reflected in their management letter to the Council. From a pure accounting standpoint, there was an implementation of new standards with fund balance classifications which consist of five components: non-spendable, restricted, committed, assigned and unassigned (see footnotes). In addition they included a component on the library which had previously not been reported but now is included. Their opinion on the financial statements was unqualified which is the best opinion available. The library was audited by other auditors and that their opinion as it relates to those amounts is based on the work of other auditors. From a financial statement standpoint, from 2009, the undesignated fund balance of the General Fund was in deficit, which was a little over \$600,000. After the audit this year, what would constitute undesignated fund balance is \$4.3 million which is a substantial improvement in the financial position of the City which is a tribute to the financial staff and the programs implemented to date. He pointed out the City was in dire straights when they came to do their first audit of the City. Now the City is heading in the right direction. There is almost \$2 million in stabilization funds. On inquiry by **Councilor Ciolino**, **Mr. Rogers** clarified that undesignated is defined as unencumbered, unreserved funds. On inquiry by **Councilor McGeary**, **Mr. Rogers** explained that free cash is a statutory calculation. There is no relationship between the free cash calculation that the City has from the State compared to the undesignated amount in a financial statement. The free cash calculation takes into account deficits that may exist in other funds, a reserve for overlay, receivables. It is a calculation the State comes up with. The undesignated fund balance parts of it may be free cash, parts of it may not. In perspective, since there was a negative undesignated balance in FY2009, there were no reserves set aside. Good business practice according to the Government Finance Office Association recommends a minimum of 5% of reserves set aside in the current operating budget and transfers out; but they prefer to see it get up to 10%. That is extremely difficult in today's economic climate. At the end of this year, the percentage of unassigned fund balance is almost at 7%. That further supports the fact that the city is moving in the right direction. If there are no reserves it is not looked upon favorably. It is critical to maintain those reserves. Ideally \$8-9 million would be an appropriate level. That percentage includes the stabilization funds. **Mr. Costa** reinforced they have a positive balance. In FY2010 it went to \$3.2 million and now it is at \$4.2 million. **Mr. Rogers** noted the Enterprise Funds aren't running in a deficit either which helps. There is a positive balance in the Waterways Fund and the Talbot Rink Fund has a surplus of \$39,000 and ratings agencies look at this favorably. Maintaining those positive balances is critical. **Mr. Rogers** pointed out the footnotes regarding OPEB on pages 57 and 59. There is a full accrual statement and then the General Fund and other funds. The liabilities of municipalities regarding OPEB and municipal pensions are a country-wide burden. The City is not alone in this dilemma. The new fund balance requirements and segregation of fund balances on page 61 breaks down the larger components of the fund balances. On pages 70 and 71 is required supplementary information. It covers OPEB and the pension system. **Councilor McGeary** pointed out page 10 for the difference between restricted and committed and assigned governmental funds. **Mr. Rogers** stated

there are non-spendable (permanent fund principal). Restricted amounts are when you have a third party who restricts the funds (grants for example, revolving funds). Committed amounts are set aside by the highest decision making authority, in this case the City Council. Assigned is effectively the next decision making authority which is encumbrances. Anything that doesn't fall into those four categories falls into unassigned.

Report on Internal Control Over Financial Reporting, Compliance and Federal Award Programs.

Mr. Rogers noted Pages 3 to 5 show a report on compliance with requirements that could have a direct and material effect on each major program; Page 7 is a schedule of expenditures of Federal Awards; page 10 notes to schedule of Expenditures of Federal Awards and Page 11 is the Schedule of Findings and Questions. They found no material weaknesses on the City controls. There have been material weaknesses ever since they've been reporting. Not identifying material weaknesses is the most important thing. The first year they were here his firm reported 18 material weaknesses.

The second report is on compliance related to the major federal programs for the City. Their opinion on those programs is "qualified." Four programs were audited. Qualified means the grant recipients did not comply with all the requirements. The rest was a clean report. Federal expenditures were about \$6.2 million. Major federal award programs are defined as being over \$300,000. This year was SPED, Community Development Program, Title I, Child nutrition program and a Brownfield Grant and a Federal Homeland Security grant were audited. The findings are internal control related, compliance related; there are 13 different potential requirements for each grant the City received. If you have a finding that is material it automatically has to be reported as both a compliance and internal control problem. On page 12 (11-1) Dept. of Housing and Urban Development was reviewed for CDBG. The cause was internal controls were not in place to maintain the required time and effort reports. Their comment is related to the internal controls. 11-3 on page 13 shows the same structure and now is talking about non-compliance related to the Major program and explains further what was wrong and is more specific. 11-1 is a general statement. There are two issues – there was a non-compliance issues but not material to the program but there is an internal control problem because it didn't exist. It could have the agency question the problem, ask for the plan; and depending on what the non-compliance is, some are looking more in-depth than others depending on the agency. This is their third year auditing. In three years they have had 70 federal grant findings. They've only audited 32% of the City's federal grants. It is an extremely high amount of findings. This is an issue that a lot of cities and towns have. But it is bigger issue for Gloucester because of the \$6 million the City receives. Mr. Rogers expressed his belief that the City needs a City-wide grants administrator, not only for the City side but for the Schools as well. With the number of findings reported, the City needs to consider such a position; and should be all that that person does. The Committee heard from **Sharon DuBois**, Grant Coordinator speak to some of the findings issues she experienced with the CDBG grant. **Mr. Rogers** reiterated that there needs to be a dedicated staff member who knows the federal requirements in and out. The last thing the City would want is any granting agency coming back to the City questioning their use of grant funds. **Councilor Cox** stated on future funding they have the right to refuse the City based on previous findings. **Councilor McGeary** noted there were responses from department heads that had findings in the report. **Mr. Rogers** stated overall he received cooperation. There is a condensed version in the report showing an action plan which is sent to the government clearing house.

Mr. Costa said he felt the City had come a long way on financial reporting. The next step is the grant compliance. That is something his office has worked on with various departments. This is a much larger issue and he stated his office needs more support and help to deal with the grants issue. That is something he is looking to correct and would like to take the lead on to advocate for a grants compliance manager for the City and Schools. The federal compliance standards contained in circular A-33 and A-87 is overwhelming to understand. This position is in his budget for FY13.

External Audit Contract Renewal

Mr. Rogers and the Committee discussed his renewal of the external auditing contract for the next three years and the cost. This contract does not go through the RFP process as confirmed by **Donna Compton**, Purchasing Agent. The choice of an external auditor is at the recommendation and discretion of the City Auditor. **Mr. Towne** commented on Sullivan, Rogers & Co. LLC auditing services stating he has enjoyed their straightforward approach, of not "pulling punches" method, which is what the City needs. They are very reliable and available at any time. He recommended them for many years to come. They do great work and have been an instrumental guide in "turning the ship around". **Mr. Costa** agreed with Mr. Towne's comments.

Mr. Rogers stated they issue a basic financial statement. However, he suggested the city might wish to prepare a Comprehensive Annual Financial Report (CAFR). A CAFR expands the basic report by adding an introductory section and a statistical section. It is something that is looked upon as very prestigious in the financial reporting world. There is a cost to it however. **Mr. Towne** noted if you can produce a CAFR and get a higher bond rating and lower interest rate, the cost of the CAFR report will be made back quickly. **Mr. Costa** stated producing a CAFR would not be in the FY13 budget. The only item would be the end of year report in the FY13 budget. **Mr. Rogers** touched upon the student activity law of 1996. There was a new mechanism that would be in place where the treasurer holds the money. For communities that have implemented this law, they work to transition these accounts. Typically they design it so they are cost effective. This is something he and Mr. Costa have talked about but would probably not take be implemented for a year or two. It is something that needs to be done. **NOTE:** The cost of the audit will be in Mr. Costa's budget. It is in the auditor's office contract and is an administrative decision of the City Auditor who works with the Purchasing Agent to be 30B compliant. He chooses whom he is comfortable to work with.

The Committee thanked Mr. Rogers for his presentation.

- B) Memorandum from City Auditor re: Employee Conference/Training, Travel, Meals & Lodging Expense Documentation Policy

The Committee received an updated Employee Conference/Training, Travel, Meals & Lodging Expense Documentation Policy from the City Auditor submitted in their agenda packet with the requested language changes. The changes were reviewed briefly and acknowledged by the Committee. The documentation was completed to the satisfaction of the Committee; placed on file, and the matter was considered to be closed.

This matter is considered closed.

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

Councilor McGeary stated that he solicited comments from his fellow Councilors who were universally positive with Mr. Costa's performance. He expressed he was pleased with the financial teams' efforts, of which Mr. Costa is a part of along with Mr. Towne, placing the City on a more sound financial footing. It shows in the recent improvement in the City's bond outlook. He will be voting to recommend that Mr. Costa be elected to the position. On inquiry by **Councilor Ciolino**, Mr. Costa enumerated some of his goals in the coming two years. He will first work on the reorganization of the City Auditor's office. There is a need to have someone to work with the departments on the City and School sides to reduce and stop the findings in the City's external audit. Fortunately, he has past experience as he used to do these types of audits. Another goal is the Comprehensive Annual Financial Report. He wants to see the financial system converted from Unifund and has experience with that type of conversion as well. As to his accomplishments, he noted that he instituted a journal entry form when he first started with the City as it wasn't being done. The City was cutting checks to themselves which was not appropriate. He instituted an interdepartmental transaction form so there is no reason to cut a check anymore. It is an example of a good internal control. There is no need for money to leave the bank. He also pointed out that the City came off the DOR watch list as well. **Councilor Ciolino** expressed that these goals should be available to the next Council, and **Councilor McGeary** suggested Mr. Costa place these goals on file. **Councilor Ciolino** expressed they were very fortunate to have Mr. Costa in the role of City Auditor; and he does a fine job. **Councilor Cox** stated while she has been a Councilor only for a short period of time, from listening to Mr. Rogers this evening, it was clear to her that Mr. Costa is doing a fine job.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed pursuant to the City of Gloucester City Charter Sec. 2-7(a) concerning the election of the City Auditor, to recommend to the City Council the election of Kenny P. Costa as the City Auditor for a term of April 2012 to April 2014.

2. *Memorandum from CFO re: request for Newell Stadium Loan Order, with memoranda from the Administration & Newell Stadium Building Committee re: GAP Financing of the Newell Stadium Project*

Mr. Towne stated about a year ago they asked the Council for a loan order authorization of \$1.5 million for Newell Stadium which was going to be paid back through General Fund debt with the idea that the Gloucester Fishermen's Athletic Association (GFAA) would come up with \$2 million on top of the city's \$1.5 million to allow for a PARC grant which was received for \$500,000. The City was acting as a catalyst saying if the GFAA could raise the \$2 million, the City would back it up with the \$1.5 million. He likened the stadium funding to the way they structured the schools roof repair project where the money was put out up front and then reimbursed by the Massachusetts School Building Authority contribution. Some of the anticipated donations will be coming in over time (see Mayor's Memo dated April 3, 2012 on file). In order to put a contract out, the city will have to have a funding mechanism to pay the contractors up front. They will get the donations and grants and whatever else comes in over time. This is a request is to add to the \$1.5 million loan order in order to front the money and get the reimbursement through the grant, the initial donation from New Balance as well as the donation of the cash that has already been raised, totaling \$100,000 to date. He understood there will be additional funds will be presented to the City as well.

Jim Duggan, CAO pointed out some members of the building committee, including Mike Carrigan, stating they have done a "fantastic job". The project is under a very aggressive examination by the building committee with a project ceiling of \$3.5 million. Richard Wilson of the GFAA has been a valuable member of the committee also with the pledges and fundraising efforts. From the beginning that unless they were able to secure gap financing that the project would be out ten years before the money would be in place. In the best interest of the City for the activities for the girls and boys sports programs it is a good investment. It is a matter of reimbursement. The Administration fully supports this. **Richard Wilson**, Village Road, GFAA President Emeritus and Chair of the Newell Stadium Fundraising Committee stated just that day they had received five pledges totaling \$1,000 up front. He expressed the belief that they're showing it can be done. Gorton's, the City's banking institutions, the City have all contributed which he found very gratifying. **Mike Carrigan**, building committee member agreed with Mr. Wilson. **Councilor Ciolino** expressed his support of this loan order, noting the total amount of the loan order would now be \$3.154 million. **Mr. Towne** stated this bond will be financed over 20 years. The debt structure will be critical as with the City Hall Restoration Project. He'll work with the GFAA and the Administration to be able to match it like any capital project with the pledges. He would structure it for a full 10 years with an option after 10 years that they can call that portion of the bond to save interest costs. He will borrow short term for two years and then determine the structure at the end of that short term interest. They will issue some long term debt, hopefully less than the \$3.154 million. They'll try to do a good combination of using cash up front but not so much that it will throw them off. They are trying to keep to the \$1.5 million. If they get another PARC grant, that will come into play so they don't borrow that money either. It will take a lot of communication and cooperation between the two groups to make this happen. He prefers the donations to come directly into the City at some time in the near future. The structure of this loan authorization allows them to take gifts and grants and state and federal aid. **Mr. Wilson** stated they have \$350,000 that they will present to the City. The New Balance donations are spread over 10 years. **Mr. Duggan** clarified there are nine more payments left on the New Balance pledge. On an inquiry by a Committee member, **Mr. Carrigan** stated they only have estimates from engineers. They can't go out to bid without the loan authorization. Within their budget they have contingencies and are aware of having to stay under the \$3.154 million ceiling for the project. **Councilor Verga**, who is the Council liaison to this committee, stated they are very cognizant of what the limitations are and what project elements stay in and out. There is an alternate list as well. The Councilors should take comfort that the work is being done in a serious manner and that his should be an example going forward of a public/private partnership. **Councilor Cox** had asked Mr. Wilson previously that if the Councilor were to approve this gap funding would the GFAA relax their fundraising and was told absolutely they would not. The Councilor was impressed with their enthusiasm and fundraising. **Councilor McGeary** asked if there was a separate fund to track this. **Mr. Towne** stated Mr. Costa set up a fund, and they've been working together. Councilor McGeary stated it is a good public/private partnership. He would be supportive of this loan order on it. There was a discussion on the language of the loan order with Mr. Towne regarding the statement insertion of, "with the approval of the City Council". **Councilor McGeary** suggested inserting the words "when required" following that statement for better clarity. **Councilor Ciolino** lauded this public/private partnership pointing to the Rose Baker Senior Center as another example. He congratulated the GFAA on their efforts. **Councilor McGeary** asked if in terms of the financing the financial team would look to do what they did with City Hall Restoration Project. **Mr. Towne** stated they have to see where the donations have come in and would reserve comment until he meets with the GFAA; but if feasible he would pursue a similar course.

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 the following Loan Order:

ORDERED: That an additional \$1,654,000 (One Million Six Hundred Fifty-Four Thousand Dollars) for a new adjusted total of \$3,154,000 (Three Million One Hundred Fifty-Four Thousand) is appropriated to pay costs of making various improvements to Newell Stadium, including, among other things, track and field facilities, a multi-purpose athletic field, spectator seating, ADA and lighting improvements, irrigation and building improvements, and for the payment of all other costs incidental and related thereto; that to meet this appropriation the Treasurer with the approval of the Mayor is authorized to borrow an additional \$1,654,000 under G.L. c44, §7(25) or pursuant to any other enabling legislation; that the Mayor is authorized to contract for and expend any federal or state aid available for the project; and that the Mayor is authorized, with the approval of the City Council when required, to take any other action necessary to carry out this project, including the acceptance of any private grants or gifts received by the City on account of this project. The treasurer is authorized to file an application with the Municipal Finance Oversight Board to qualify under Chapter 44A of the General Laws any or all of the bonds authorized by this order and to provide such information and execute such documents as the Municipal Finance Oversight Board may require; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.

3. Memorandum from CAO re: Loan Authorization for a West Parish School Feasibility Study & memorandum From CFO containing language for the West Parish School Feasibility Study Loan Order

Mr. Duggan explained this is a loan authorization to conduct a feasibility study for a new West Parish School. The step is one of several required by the Massachusetts School Building Authority in order to allow the city to qualify for a state grant to help defray the cost of construction of a new school. He said there is a need for a new school because of the condition of the current school. The city has until November to complete the necessary steps to apply for funding, but wishes to be on the agenda MSBA's July board meeting, and therefore wants to move forward with the feasibility study. Once they're able to make the submission, they will work with the MSBA's procurement process to secure a team of professionals to work with the building committee. That is part of the feasibility study. The feasibility study is the collaboration between the district and the MSBA to generate an initial space summary, document existing conditions, establish design parameters, develop and evaluate alternatives and recommend the most cost effective and educationally appropriate solution to the MSBA Board of Directors. The enrollment of West Parish is 380 right now.

A document submitted to the Committee entitled "Feasibility Study Summary" was submitted by the School Superintendent, Dr. Richard Safier and reviewed by Mr. Duggan with the Committee. It is a comprehensive approach and requested the loan authorization. Dr. Safier stated they were strongly encouraged by Diane Sullivan of the MSBA. The authority deferred a decision in November; and the Board on January 25th to extend the city's eligibility period. The enrollment projection has been completed. They will be called in once they submit the second enrollment questionnaire for the MSBA to come up what the final enrollment projection is for the district and the school. Mike Hale, DPW Director, noted that the school is beyond repair. He stated the building has had questionable maintenance over the years. They can't expand on the electrical system. The heating system has been a challenge. Schools have life expectancy. It is one of the most troubled school facilities in the system. Any mechanical piece of the building is in need of replacing or significant repair. This is not the enough space to meet the needs of a modern elementary school. There are no performing arts rooms, no arts room; no conference room, no science room, no room for occupational or physical therapy, no separate library, no office or storage area in the media/library center and so on. This all impacts on scheduling; accommodating those who need nursing assistance, those students with specialized needs; and the school is in serious physical decline with access issues for students. Councilor Ciolino asked if the building committee has any consideration of reworking the building. Mr. Hale expressed it didn't make sense to rehabilitate the building. It is a problem of staff and student displacement during the time which the building is being built. There is a large piece of land on which it might be possible to construct a new building. Dr. Safier added the feasibility study comes up with three options. Councilor Ciolino noted that the loan is for \$500,000 and asked what the circumstances of reimbursement on the \$500,000 are. The Councilor was informed by Melissa Teixeira, School Committee member that upon the completion of the project, the city would be eligible for a 47 per cent reimbursement rate but that reimbursement rate could be higher if green elements are incorporated into the school design. That reimbursement would cover construction costs and the feasibility study. She noted she is also a member of the North Shore Regional Vocation Technical School board.. She knew the feasibility study at the Tech was less than \$500,000. There is control on what they look at with the study. She also noted that the reimbursement rate can go higher than 47 percent for a variety of reasons. The Tech's new facility is being reimbursed at a 50 percent reimbursement rate and could go higher. She suggested if there are concerns, they could reach out to the Tech board for more information. There were two Tech feasibility studies; the first study cost

\$280,000 and the second study cost \$265,000. **Councilor Cox** asked if they don't do this loan order, what would happen. **Dr. Safier** responded they would be "dead in the water". **Councilor Cox** commented even if they vote on this, they have to wait for the go ahead from the MSBA. **Mr. Duggan** stated they have requested an acceleration and would be on an MSBA July meeting agenda. The feasibility study would be completed based on the scope of the study. **Ms. Teixeira** stated the Tech will be three years from the feasibility study to the building completion. **Councilor Ciolino** asked if they move ahead what a school would cost. **Dr. Safier** stated Billerica just built an elementary school and it cost \$35 million. **Councilor Cox** asked if there is enough land to build at the West Parish site and was told there was. **Councilor Ciolino** asked if the feasibility study look at the demographics of West Gloucester. Are those numbers being compiled to build a school big enough to support the school? **Dr. Safier** stated the numbers have been static. There could be modified redistricting to alleviate the pressure on other schools and they may be able to bring some school choice students back to the City by having this new school, especially so close to Manchester. On inquiry by **Councilor Cox**, **Dr. Safier** stated the West Parish School is in great need of replacement. There is a long term plan; and the poor condition of the roofs were a reason why these schools were deteriorating. They are working on utilities management and could generate savings over time for the basis for supporting how those other buildings could be rehabbed. **Tony Gross**, School Committee member, noted elementary enrollment has remained pretty steady. They do not anticipate losing more students. **Councilor McGeary** asked if everyone on the west side of the canal goes to West Parish. **Brian Tarr**, Assistant Superintendent, stated they go to both sides. **Councilor Cox**, pointing to the City's designation as a "Green City", expressed the hope they would push that aspect in the construction of a new school. **Ms. Teixeira** commented that creating a "green" school might increase the MSBA reimbursement. There is a certain life expectancy to their schools. They want to stop crisis management of the school facilities and have a long term plan in place. **Mr. Gross** noted Veteran's was the last school to be rehabbed. The media infrastructure is not necessarily there but the schools are wireless. Right now they're having work done on their library center and are getting attention. **Mr. Towne** stated the sooner they borrow this, the better. However, existing debt doesn't come off line until 2016. We are not likely to see 50 percent reimbursement rates again for some time. Now is the time to take advantage of whatever grants are available; interest rates and construction costs are down and there is the MSBA reimbursement. Their bond rate would be around an average 2.5% to 3.0% for the full length of the term. The reimbursement is similar to that of the school roofs project. The city must authorize the full cost, but get reimbursed. **Mr. Costa** stated it is progress payments now. **Councilor McGeary** noted the school had filed documents with MSBA on April 9 and asked that those documents be available in advance of the public hearing for Council review. The only risk, he said, was that we would fund the feasibility study and that then the project did not go forward. He said he understood that the MSBA would not encourage the city if it was not likely to receive the grant. **Mr. Duggan** confirmed the MSBA is encouraging them to move forward. They appreciate the City's submittals early indicating this is a priority in the community. **Councilor McGeary** understood they could not build a school on the West Parish site and keep the school open. **Mr. Hale** didn't know that was true. In looking at the parcel, it is quite large. It will displace some activity. There are environmental issues which will be addressed during this process and permitted once completed. Those are permitting issues that can be overcome. **Councilor McGeary** asked about the "model school". His understanding was that there isn't actually a model yet. **Ms. Teixeira** stated an Assistant Superintendent in Burlington told her they built two schools recently and it understood there is not a model elementary school also but his elementary school is going to become that model. She hasn't verified it yet with the MSBA. **Councilor McGeary** asked if they used their model would that help to give the City a higher rate of reimbursement from the MSBA. **Ms. Teixeira** stated it would and has been done. There was a discussion with Ms. Teixeira about the model flexibility and how it might work and some of the elements involved.

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 the following Loan Order:

ORDERED: That the City of Gloucester appropriate the amount of Five Hundred Thousand (\$500,000) for the purpose of paying costs of a feasibility study to consider alternative renovation/reconstruction options for the West Parish School, located at 10 Concord Street, including the payment of all costs incidental or related thereto, and for which the City of Gloucester may be eligible for a grant from the Massachusetts School Building Authority ("MSBA"), and said amount to be expended under the direction of the School Building Committee. To meet this appropriation the Treasurer, with the approval of the Mayor is authorized to borrow said amount under and pursuant to MGL Chapter 44, or pursuant to any other enabling authority. The City of Gloucester acknowledges that the MSBA's grant program is a non-entitlement, discretionary program based on need, as determined by the MSBA, and any costs the City incurs in excess of any grant

approved by and received from the MSBA shall be the sole responsibility of the City. The amount of the borrowing authorized pursuant to this vote shall be reduced by any grant amount set forth in the Feasibility Study Agreement that may be executed between the City and the MSBA.

FURTHER ORDERED: That the Treasurer is authorized to file an application with the Municipal Finance Oversight Board to qualify under Chapter 44A of the General Laws any or all of the bonds authorized by this order and to provide such information and execute such documents as the Municipal Finance Oversight Board may require for those purposes; **AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.**

The Committee recessed at 8:01 p.m. and reconvened at 8:07 p.m.

4. Memorandum from Grants Administrator re: Program year 2012 CDBG and HOME grants and request Acceptance of anticipated total for both grants in the amount of \$833,546

Sharon DuBois, City Grants Administrator, explained to the Committee that there is extra income in the budget but there is a \$100,000 cut as of July 1, which is a national cut. Grants are down about 28 percent compared to two years ago. HOME also received a huge cut. The program income will be allocated to the sub-grantees. There are only a few people who didn't get funded. They do have the maritime loan program which needs to move along or there will be a time limit issue in CDBG. They did have a successful economic development program which was the water shuttle. There has been some outreach, and there is a new business development website. It will take more economic development. They have \$100,000 in the fund. There is an application process and Ms. DuBois looks to see if it meets the CDBG criteria and with some applications occasionally being forwarded to Boston for clarification. The majority of applications go through her and the Community Development Director. On inquiry by **Councilor Ciolino** regarding who didn't receive funding, **Ms. DuBois** explained, as an example, there was someone who wanted to do a water taxi business, but the business plan was weak and couldn't show enough funding on the business owner's part. The ultimate decision maker on who receives grants is the Mayor who also has the ability to adjust the final funding number. **Councilor Cox** asked how these applicants who receive funding are held accountable. **Ms. DuBois** stated the grantees are required to make quarterly reports, and that data has to be submitted on a form and is included in their contract. The project managers do monitor them and go out to see that the funding is being utilized properly. **Councilor Verga** asked about the first-time homebuyer program. **Ms. DuBois** stated the program does extremely well. The maximum amount that can be approved is \$10,000. **Councilor Verga** disclosed he is a real estate agent, and has had clients take advantage of this program which he felt was an asset to the community.

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 under MGL c. 44, §53A the acceptance of \$833,546.00 for the Community Development Block Grant Program from the U.S. Department of Housing and Urban Development for PY2012 and the anticipated HOME grant for PY2012 from the North Shore HOME Consortium in the amount of \$67,679.00.

5. Supplemental Appropriation Budgetary Request (#2012-SA-8) from the DPW

Mr. Hale explained that highway force account is from road opening fees. This last project they ran short on police details. He need to reimburse the fund. This is for the normal paving of public streets.

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-SA-8) of \$10,000.00 from the Highway Force Account, Unifund Account #294015 to Public Services Paving, Unifund Account #101000.10.470.58415.0000.00.0000.00.058 for funds needed for paving and for police details associated with paving for the remainder of FY12.

6. Special Budgetary Transfer Request (#2012-SBT-29) from the DPW

Mr. Hale explained they have incurred additional costs for forestry this year. There is a fair amount of forestry work that has to be done and is contracted out as there is no longer a forestry division of the DPW due to budget cuts over the years, as well as staffing cuts. This transfer for the DPW from Facilities to Public Service will cover

shortages for this spring due to the excessive amount of tree work done to the end of this fiscal year (Note: the facilities division is the buildings and public services encompasses everything else.)

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-29) \$20,000.00 from Facilities Contract Services, Unifund Account #101000.10.472.52000.0000.00.000.00.052 to Public Service Contract Services, Unifund Account #101000.10.470.52000.0000.00.000.00.052 to fund spring projects (tree work, grass cutting) and port-a-potty rentals.

7. *Special Budgetary Transfer Request (#2012-SBT-30) from the Treasurer's/Auditor's Office*

Mr. Costa explained to the Committee that the \$4,400 will fund the audit by the external auditor on the Port Security Grant (which was just over \$300,000). This is a change order. Mr. Rogers informs Mr. Costa for this change order, which is a set fee; and they have to do a purchase order to fund it.

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-30) \$4,400.00 from Treasurer/Collector, Debt Service, Principal/Debt, Unifund Account #101000.10.145.59100.0000.00.000.00.059 to Auditor, Prof Audit Services, Unifund Account #101000.10.135.53130.0000.00.000.00.052 for Outside Auditors to perform one additional federal grant audit pursuant to the Single Audits Act, OMB Circular A-133 & A-87 (Homeland Port Security Grant).

8. *Special Budgetary Transfer Request (#2012-SBT-31) from the Treasurer's/Auditor's Office*

Mr. Costa stated this is to update the OPEB actuarial as of June 30, 2011; it was last done in 2009. It needs to refresh those amounts. It is a financial statement disclosure.

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-31) \$15,000.00 from Treasurer/Collector, Debt Service, Principal/Debt, Unifund Account #101000.10.145.59100.0000.00.000.00.059 to Auditor, Contractual Services, Unifund Account #101000.10.135.52000.0000.00.000.00.052 for OPEB Actuarial Services per GASB 43/45 as of June 30, 2011.

9. *Special Budgetary Transfer Request (#2012-SBT-32) from the Treasurer's/Auditor's Office*

Mr. Costa explained this transfer is to fund an office aid position in his office through June 30, 2012. Additional assistance is needed to file executed contracts and paid invoices for all City/School Departments. They're behind on the filing. They're sharing a person with the City Clerk's office. This will allow him to have all the City Auditor's paperwork in order when Mr. Rogers and this team comes to do the audit in the fall. A former part-time employee is may be available for this temporary 19.5 hour part-time job which ends June 30th when the job ends.

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-32) \$1,750.00 from Treasurer/Collector, Debt Service, Principal/Debt, Unifund Account #101000.10.145.59100.0000.00.000.00.059 to Auditor, Sal/Wage-Temp Position, Unifund Account #101000.10.135.51200.0000.00.000.00.051 to fund Office Aid position through June 30, 2012.

10. *Recommendation for disposition and lease of the Witham Street Parking Area – 99 Thatcher Road*

Nancy Papows, Principal Assessor stated this lease has been \$6,500 for the last three years. Gary Johnstone, Assessor came up with a reasonable figure based against what the property could be leased for. He worked in conjunction with Mark Cole, Assistant DPW Director. If that parking was retained for the City what kind of revenue would the City get for those spaces as overflow beach parking and looked at a three year cycle. Mr. Cole provided the number of days for week days and weekends. Those daily figures were 45 cars on the weekend and 25 cars during the week were multiplied by what they charge out-of-towners for the day. That is \$17,875 over three years and rounds to roughly \$6,000 which is close to what has been charged for the lease for the last three years.

This was done with the absence of actual data. They could have a commercial appraisal done which would look at other communities. It is a different approach but would also entail a significant cost. **Dennis Dyer**, owner of the Good Harbor Beach Inn, stated he does need the parking for the inn, and would be in trouble without it. The figure is fine with him and would appreciate this lease for three years. Ms. Compton stated it doesn't have to go out to bid because it is under \$25,000. **Councilor Ciolino** asked what Mr. Dyer pays for taxes on the hotel. **Mr. Dyer** responded over \$20,000. They would have to shut down without the parking spaces. **Councilor Ciolino** expressed this is in support of a business that provides jobs to the community and was in favor of the lease agreement. **Councilor McGeary** thought that was a good operation and added his support.

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 approve the disposition by means of a lease as provided in the Lease Agreement #12131 for the Witham Street Parking Area at 99 Thatcher Road between the City of Gloucester and the Good Harbor Beach Inn Corp., pursuant to the terms and conditions as stated therein. Said term is to be a three year term from May 1, 2012 to April 30, 2015.

11. Addendum to Mayor's Report re: proposed reorganization plan of the Treasurer & Collector's Department

Mr. Towne explained to the Committee, as per his memo to the Mayor indicates (on file), in the last 12 months his department has experienced a retirement and layoff of two key employees. The Mayor asked him to do the best he could with less. He has had three employees on the Treasurer/Collectors side shouldering the work of four employees for some time now, and they have been working without a classification since last June. Also to his staff's credit, they cleaned up the space; everything is in its place and archived properly which was a very large undertaking. They instituted an electronic check system. The money gets in the back quicker and safer. On the Treasurer's side of the office there are only himself and the Financial Analyst. They are in the process of hiring a new bookkeeper now. That position will stay the same in the reorganization. He expressed the need for a bigger picture, high end accounting and treasurer staff member which is why he is changing the Assistant Treasurer's role into the Assistant CFO/Treasurer/Collector so he can focus on the betterment projects that needs attention which has languished and is a very big project. He also wishes to stay focused on ambulance revenues which have experienced low collections. He needs to spend more time on the structuring of the city's debt. That takes a significant amount of time to do right. There are arbitrage issues to take care of. He needs to focus on the "big picture". The Assistant CFO/Treasurer/Collector will take care of the day-to-day operation of the department. The staff will understand he will be making the calls as to what has to be done; but it will go through the Assistant CFO/Treasurer/Collector. Reiterating that on the collection side three people are doing the work of four, **Mr. Towne** stated the Senior Account Clerk is doing everything the Principal Account Clerk did. The two staff members act as collection specialists, one is paid by the General Fund and one salary is split 50:50 with the water and sewer enterprise funds. He enumerated the many duties these two employees have now that there are fewer personnel. He pointed out that they are more proactive in collections and are yielding results in a remarkable way by educating their customers, for instance. It was **Mr. Towne's** contention that these two staff members are not being remunerated appropriately and should be paid for the increase to their jobs.

On the Treasurer's side **Mr. Towne** stated nothing is changing; but the Administration and the union were talking of restoring an AFSMCE position. They've agreed to fill that position, having a position in City Hall that is a "roaming" staff in City Hall, giving this person to Purchasing several days a week; he would use this person one day a week; and this person may be able to be used by other departments such as the City Auditor and the City Clerk; but the point is to keep them in City Hall. The job descriptions which are new or changing are on file. He pointed out the Fiscal Analyst is doing the Title V betterments and with that comes a \$10,000 a year stipend. That will be rolled into the upgrade and will pay for a portion of it. Regarding the hiring a Principal Account Clerk the City Council voted to increase the Municipal Lien Certificate fees and demand fees to assist in that hiring and to help fund the position. They will collect about \$50,000 in fees in FY13; and that will help to pay for the Collections Specialists who is paid out of the General Fund, as well as the Senior Clerk. The new clerical position will be doing very basic work with a pay grade of Grade 5 AFSME. **Mr. Towne** stated his belief that the funding sources the Council has provided will work well to assist in the funding of this reorganization. **Councilor McGeary** and **Mr. Towne** discussed the overall employee costs of the department and about the importance to retain the team of employees in place now. **Mr. Towne** indicated his department has reached a tipping point with regard to workload and staffing, and wishes to see this reorganization enacted as soon as possible, as he considers the staffing situation as emergent.

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 the CFO Reorganization Plan based on the chart as submitted to the City Council on April 10, 2012 in accordance with the City Charter §7-2 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, in connection with the CFO Reorganization Plan to recommend to the City Council to Amend the Personnel Appendix A and B of Section 4 of the Personnel Ordinance designated as Appendix C of the Gloucester Code of Ordinances as follows:

- 1. That Appendix A, Classification Plan, be amended by changing the title of the position of “Assistant Treasurer/Collector” to “Assistant CFO/Treasurer/Collector”;**
- 2. That Appendix B, Compensation Plan, be amended by setting the compensation for said position of “Assistant CFO/Treasurer/Collector” at the level of M8; 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, in connection with the CFO Reorganization Plan to recommend to the City Council to amend the Gloucester Code of Ordinance, The Personnel Ordinance, Appendix C, Compensation, Appendix B to change the pay grade for the position of “Senior Account Clerk” from a Grade 6 to a Grade 7; 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, in connection with the CFO Reorganization Plan to recommend to the City Council to Amend the Personnel Appendix A and B of Section 4 of the Personnel Ordinance designated as Appendix C of the Gloucester Code of Ordinances as follows:

- 1. That Appendix A, Classification Plan be amended by adding a new position of “Collection Specialist”;**
- 2. That Appendix B, Compensation Plan be amended by setting the compensation for said position of “Collection Specialist” at the level of Grade 7; AND FURTHER TO ADVERTISE FOR PUBLIC HEARING.**

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

Mr. Costa briefly reviewed his reports with the Committee.

A motion was made, seconded and voted unanimously to adjourn the meeting at 9:17 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- Feasibility Study Summary submitted by Dr. Richard Safier, Superintendent of Schools
- Witham Street Parking Lease History submitted by Donna Compton, Purchasing Agent