

Budget & Finance Committee
Thursday, November 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: Linda T. Lowe; Jeff Towne; Kenny Costa; Police Chief Leonard Campanello; Nancy Papows; Gary Johnstone; Tim Goode; Beth Godinho; Tony Gross; Patti Page; Phil Cusamano; Cate Banks; Sandra Dahl-Ronan; Deborah Laurie

The meeting was called to order at 6:02 p.m. Items were taken out of order.

1. Continued Business:

A) Memorandum from Assessor concerning Tax Classification

Nancy Papows, Principal City Assessor explained to the Committee the contents of the “Tax Classification Information for Fiscal Year 2013 (FY13)” in the Agenda Packet as follows:

Page 4 – A Comparison of Fiscal 2013 Values by Class: The total valuation for properties within the city is \$5,113,775,160. The Residential class represents 88.92 percent (\$4,547,193,970) and

Commercial/Industrial/Personal Property (CIP) class represents 11.08 percent (\$566,581,190). The total value of the property in the City is down slightly from last year. The sales analysis conducted resulted in a reduction of approximately 1 percent for the residential class as a whole. Different property types within that class decreased at different rates. The single family saw about ½ percent decrease while two-family and condos were in a range of a 2.8 percent to 2.9 percent decrease. **Councilor McGeary** asked how much of a lag time there was as anecdotally one hears property values are going up. **Ms. Papows** stated they are always a year behind the market. The assessment date is January 1st. They are looking at sales in calendar year 2011, and possibly as far back as 2010. The decrease for residential is less than in the past few years. The year before it was about a 3.65 percent decrease; and the year before that it was 2.5 percent; three years back it was a 6.6 percent decrease. This is a much more modest decrease overall. There are some sectors that have seen increases. Some land values were increased in more desirable locations whether they be waterfront or water view. There was a bit going both ways. The overall decrease is much more modest than in the last few years. Commercial/Industrial has been more stable over time; it is not as volatile. It still is seeing a small decrease. Commercial is down about ½ percent and industrial is down 1 percent. Industrial last year was 1.8 percent, and Commercial was about the same. It has declined since FY08. **Ms. Papows** suggested this is the start of the turn because they have different sectors within the residential class that have gone the other way. **Councilor McGeary** commented that values for 2012 aren’t really reflected. **Ms. Papows** confirmed it is a sales analysis. They look at the sales that took place in the year prior to the assessment date or further back depending on how much of the sales they need to use, either a one or two year timeframe. They still look forward a bit into 2012 to see where the market will be going. Sometimes they are able to use six months into that current year depending on what they had for sales. Those sales don’t actually become part of the official sales analysis which is a statistical analysis for the Department of Revenue (DOR) until next year. The DOR governs what they can and cannot use in determining valuations.

Pages 5 and 5A – Fiscal Year Parcel Counts, Values, and percent of Total Taxable City Value: The table on these pages shows the parcel counts and the assessed values of each class over time. The bottom of 5A shows the difference from last year to this year and shows the percentage of change in each class.

Page 6 and 6A – Previous Classification Factors and Resulting Tax Rate: The table shows the historic shift percentages adopted over the years. On the bottom of 6A, from FY06 through FY12 the 1.06 shift factor has been adopted.

Page 7 – Calculating the Maximum Allowable Levy: The table shows the calculation of the maximum allowable levy for FY 2013. It starts with the levy limit from FY12 and added to that is the Prop 2-1/2 increase and new growth which results in the FY13 levy limit. The Pole’s Hill debt exclusion and sewer debt shift are added to that levy limit which determines the maximum FY13 allowable levy at \$65,041,957.00. **Councilor McGeary** commented that in FY11, residential new growth was only \$433,000. **Ms. Papows** stated that is the new growth for FY13. They’re starting with the FY12 levy limit and adding whatever growth they have for FY13 to come up with a FY13 levy limit. The assessors have estimated new growth even though we are only halfway through FY 2013. The assessors go out

on inspections at the first of the year and review building permits and other records to determine new growth, which is the difference in the property values attributable to new construction, new condominiums, or if parcels went from exempt to taxable. That is all calculated at the same time they are finalizing values and then they submit that all at once to the DOR. **Gary Johnstone**, Assessor added that it is a “snapshot in time;” from one January 1st to the next January 1st. The new growth reflected there is what is realized from January 1, 2011 and January 1, 2012. Ms. Papows stated the maximum allowable levy divided by the value of all parcels results in the tax rate is a factor of 1, which is rounded to 12.71 to not exceed the maximum allowable levy. **Councilor McGeary** stated this would mean if they taxed commercial and industrial and residential at the same rate everyone would pay \$12.71 per thousand dollars valuation which Ms. **Papows** confirmed.

Page 8 – FY13 Tax Rate at a Factor of One = \$12.71, Shift in Tax Rate: This shows approximate tax rates that would result if they shift any of the tax levy to the CIP class. The maximum shift allowed by the State is 1.5.

Page 9 and 9A – Comparison of Levy by Class at Various Shift Factors: Pages 9 and 9A further illustrates that in addition to having the approximate tax rates, it shows the levies by class and the shift in the levy. It also shows the approximate excess levy capacity which is due to the rounding of the tax rate. It also shows the tax rates from last year with the adopted tax classification rate of 1.06.

Page 10 – Change in Tax Dollars at Various Shifts: Depending on what shift is being looked at and the property value, there are various property values there. **Ms. Papows** pointed out the shift from 1.06 last year, the owner of a \$250,000 property would save \$22.50 per year while the CIP taxpayer would pay an additional \$192.50 for a property valued at the same amount. For a property valued at \$1 million, the residential taxpayer would save \$90 and the CIP taxpayer would pay an additional \$770 annually. The average valuation of the residential class as a whole is \$364,096; the average valuation for single family homes is \$450,352.

Page 11 – Open Space Discount and Residential Exemptions. There are no parcels classed as such and the Mayor has not elected to grant either the residential exemptions or open space discount

Page 12 and 12A Residential Exemptions (Cont’d): These are explanations of the residential exemptions.

Page 13 – Small Commercial Exemption: This is a reduction in value. Other taxpayers in that class bear that burden. The higher priced parcels in the industrial class pick up the difference when they exempt a portion of their value. It results in a higher tax rate. It is a shifting within, and they have never done that as long as Ms. Papows has been with the City. It doesn’t flow over to personal properties, and it is all absorbed by commercial and industrial. It would create three tax rates. **Jeff Towne, CFO** added the Mayor would adopt this provision and she has not. **Councilor McGeary** noted the current rate is 1.06; the average single family would save about \$35. He asked what those in the CIP class would save. **Ms. Papows** stated the average on a whole is difficult because with singles there is the high end – waterfront versus the low. With the commercial where the classes are smaller it makes it difficult. The average single family was \$451,000. The median is \$330,000. On the commercial is more looking at the improved commercial parcels; and the median is \$402,000, but the average is \$730,000. She didn’t have a figure on the average commercial value.

Discussion on Setting the Tax Classification Factor: **Councilor McGeary** noted they have been running at a tax classification 1.06 for a long time. **Mr. Towne** stated the Administration thought the status quo was working and is probably what they would go with. **Councilor McGeary** stated 1.06 is six cents on the dollar. He said from his perspective it had been working well. **Councilor Ciolino** commented this is a “dinosaur” they’ve carried through the years. In good times they can charge the commercial class more when times are good to offset residential. Times aren’t good. They need to promote jobs. This is the year they need to do 1.00 to make it fair. Even if they do that, it is not fair to businesses because they don’t get all the services the residential class gets. He wouldn’t support any other tax classification other than 1.00. Now is the time they do it and “get rid of the dinosaur.”

Councilor Cox expressed agreement with Councilor Ciolino on the idea, but didn’t know enough on the consequences of changing the tax factor from 1.06 to 1.00. The idea seems fair because they want to keep jobs in Gloucester to promote business. But she expressed there was a need to understand some of the history. **Councilor Ciolino** commented it is a fairness issue. He has seen commercial declining, and they need to make it easier for businesses, when the City is offering TIF’s to Gloucester Crossing, and Gorton’s, and the average businesses “take it on the chin.” **Councilor McGeary** would support status quo because the property tax is a regressive tax. There are folks who live in \$500,000 houses and are living on Social Security, he said. Even through these savings are modest, it is a break. It is not a heavy burden on businesses. A \$1 million business pays \$770 a year. It does help those on fixed income. All of their wealth is tied up in their houses. You don’t want to force people to sell their homes. It is not a deal breaker on the high end or a “savior” on the low end, and it helps a little bit. It is a reasonable thing to do. **Councilor Cox** commented they are saving a resident \$90 but they are charging the business \$770. Councilor McGeary stated that businesses make up a smaller percentage of the total tax revenue. **Mr. Towne** noted it is per million. If you have a \$5 million business, it is five times the \$770. The significant amount of the

smaller businesses would be shifted. That is a big play. The residential savings is not significant, but there would be savings to elderly, fixed income and disability. **Councilor Ciolino** stated they want to send a message that the City welcomes new businesses. It is about fairness. It is a stumbling block they put in front of these businesses. **Councilor McGeary** expressed disagreement. **Councilor Ciolino** urged boldness to bring in new jobs to the City. **Councilor Ciolino moved and Councilor Cox seconded to set the tax classification factor at 1.00.** **Councilor McGeary** stated he could not support 1.00. He could support 1.06. In the 21st century real estate is not a good gauge of wealth, he said. It is not an undue burden to business. There are services they provide. Many commercial enterprises don't get the services residences do. But it is a signal way they need to find other ways to fund City government. He can't support the motion as proposed. He offered an amendment to retain the 1.06 classification factor. He explained there are services provided to families such as public schools, but they pay more out of pocket, paying for water and sewer and other City services. It is a break they can give them. **Councilor Cox** expressed she felt that if they didn't give a break to businesses, then the residents don't have work. The savings are very modest. On the other hand, taxpayers need a break, but it won't be good enough. **Mr. Towne** reminded the Committee that everybody's taxes will go up by 2.5 percent for Prop 2-1/2 and taxes will still go up also due to CSO. Residential and Commercial taxes will go up and then there will be shift. Commercial may see an actual decrease at 1.06 now versus the 2.5 percent. Some may see level. The 2.5 percent will be there plus the shift. **Councilor Cox** asked where the Administration falls on this. **Mr. Towne** stated the Administration would look at this as Councilor Ciolino had, that this may be the year to move to 1.00. The reason why they leave it at status quo has been commercial has given that 90 percent of the property value is residential, 10 percent commercial and so 1.06 gives 90 percent a break. **Councilor Cox** expressed she would rather the businesses catch a break. **Councilor McGeary** stated it is a modest differential between the two. Those businesses are valued more than residential because the potential is there to make more money. A house is a shelter. He would not support 1.00. He asked for a second for an amendment. There was no second. The original motion was on the floor. **Councilor Cox moved and Councilor Ciolino seconded a motion to amend to the main motion of a tax classification factor of 1.00 to change it to 1.03 tax classification factor. The amendment passed 2 in favor, 1 (McGeary) opposed.** The main motion was now to set the tax classification factor at 1.03.

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 a TAX CLASSIFICATION FACTOR of 1.03 percent for Fiscal Year 2013.

- B) Memorandum from Acting Community Development Director and recommendations from the Community Preservation Committee for Round 3, FY12 Funds: Recommendations to the City Council (Cont'd from 10/04/12)

Councilor McGeary asked about the \$300,000 for Newell Stadium. Sandra Dahl-Ronan, Community Preservation Committee Co-chair, commented that there are some sensitive time issues. They don't want to deal with out of cycle applications but they voted to support them. They have some cash and can borrow a bit of money. It is not a lot. They would use their ability to bond about two-thirds of it. It will come to the full Council very shortly. **Councilor Ciolino** asked how many years an applicant has to complete a project. Ms. **Dahl Ronan** stated three years is the maximum. They want people to be ready when they come so they don't hold up money. Councilor Ciolino asked if they have had applicants that haven't used the money. **Mr. Costa** stated there was the North Gloucester Woods project that had \$2,000 left and that was re-appropriated. They are still honoring their recommendation on Brier Neck. **Councilor McGeary** noted that has a timeline. That is contingent upon several factors. They have to report back at intervals; and there is a contract with all the applicants.

Project #1 – North Shore Art Association – Window Replacement

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 appropriate up to \$15,000.00 (Fifteen Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of the North Shore Art Association Window Replacement Project at the Thomas E. Reed Building located in Gloucester's Inner Harbor in Gloucester, Massachusetts, in order to restore an historic resource. 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 – Historic Preservation Projects Fund #275011.

Project #2 – Lanes Cove Fish Shack – Fish Shack Restoration

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 appropriate up to \$20,000.00 (Twenty Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of the City of Gloucester, Building Committee for Lanes Cove Fish Shack, Lanes Cove Fish Shack Renovation in order to restore a historic resource located in Gloucester, Massachusetts. 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 – Historic Preservation Projects Fund #275012.

Project #3 – Cape Ann Museum – Preservation and Digitization of Phillips & Holloran Architectural Plans

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 appropriate up to \$10,000.00 (Ten Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of The Cape Ann Museum Preservation and Digitization of the Collection of Phillips & Holloran Architectural Plans 1894-1960 in order to restore an historic resource located in Gloucester, Massachusetts. The appropriation will be allocated to the Historic Preservation category and funded from Historic Preservation Reserves in Fund #270300. The project will be tracked in the Community Preservation Fund – Historic Preservation Projects Fund #275013.

Project #4 – Magnolia Historical Society – Archives Manager

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 appropriate up to \$5,000.00 (Five Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of the Magnolia Historical Society-Magnolia Historical Museum Archive Digitization in order to restore an historic resource. The appropriation will be allocated to the Historic Preservation category and funded up to \$2,802 from Unrestricted Reserves in Fund #270000 and funded by up to \$2,198 from the Unreserved Fund Balance in Fund #270000. The project will be tracked in the Community Preservation Fund – Historic Preservation Projects Fund #275014.

Project #5 – Maritime Gloucester – Restoration of Marine Railways and Buildings

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 appropriate up to \$20,300.00 (Twenty Thousand, Three Hundred Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of Maritime Gloucester's Preservation and Restoration of Marine Railway Mill Building at Maritime Gloucester in order to restore an historic resource. The appropriation will be allocated to the Historic Preservation category and funded from Historic Preservation Reserves in Fund #270300. The project will be tracked in the Community Preservation Fund – Historic Preservation Projects Fund #275015.

Councilor Cox declared that although her husband is on the Board of the Phyllis A. Marine Association, Inc., she is able to vote on this matter as there is no financial gain with this vote, nor will it affect her vote.

Project #6 - Phyllis A. Mast and Hull Restoration – Restoration of Stanchions, Planking, & Rail Caps

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 appropriate up to \$25,415 (Twenty-Five Thousand, Four Hundred and Fifteen Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of the Phyllis A. Marine Association, Inc., to restore the Phyllis A. which is a Historical vessel berthed in Gloucester, Massachusetts, to use the funds towards the rebuilding of stanchions, planking and rail caps from waterline in order to restore

an historic resource. The appropriation will be allocated to the Historic Preservation category and funded up to \$25,172 from Historic Preservation Reserves in Fund #270300 and up to \$243 from Unrestricted Reserves in Fund #270000. The project will be tracked in the Community Preservation Fund – Historic Preservation Projects Fund #275016.

Project #7 - Friends of Good Harbor – Preservation of 70 – 74 Thatcher Road

Councilor Cox would vote in favor on the off chance they are able to find the funds to save the marsh. **Councilor McGeary** stated the Friends of Good Harbor now will hear in late autumn for the LAND grant. **Mr. Towne** asked if the Friends are not going to do this, he would want to know, because he would be going out to do the short term borrowing in late January, early February. Councilor McGeary understood that if the LAND grant falls through, they will come back in another CPA funding cycle. They remain hopeful for the LAND grant.

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 appropriate up to \$150,000 (One Hundred Fifty Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of the Friends of Good Harbor, Inc. acquiring approximately six (6) acres of property located at 70-74 Thatcher Road, Gloucester, Massachusetts, upon the condition that the expiration of the Award shall be June 30, 2013, or at the expiration of the Purchase and Sale Agreement, whichever occurs first. The appropriation will be allocated to the Open Space category and funded up to \$42,472 from the Open Space Reserves in Fund #270100, and funded up to \$107,528 from Unrestricted Reserves in Fund #270000. This project will be tracked in the Community Preservation Fund – Open Space Projects Fund #271003.

Project #8 – Gloucester Community Development Department – North Gloucester Woods appraisals and survey

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 appropriate up to \$15,000 (Fifteen Thousand Dollars) from the Community Preservation Act Funds as recommended by the Community Preservation Committee, for the purpose of hiring certified appraisers and surveyors to determine fair market value of privately-owned properties or easements deemed critical to the preservation of continuous trail system and open space area in Gloucester's North Woods area prior to acquisition as required by law. The appropriation will be allocated to the Open Space category and funded from the Open Space Reserves in Fund #270100. This project will be tracked in the Community Preservation Fund – Open Space Projects Fund #271004.

Mr. Costa commented there was no community housing to be funded in this year's round of CPA funding. That money will be rolled into the next year. He also pointed out that the fund account numbers are in the motions so if the funds come back to the City, they will know into which fund the money should be placed.

2. Memorandum, Grant & Checklist from Police Chief re: Grant in the amount of \$17,202.25 from DEA

Police Chief Leonard Campanello explained that this is a grant for their detective assigned with the DEA Task Force under an agreement which allows the detective to work in conjunction with the DEA Task Force that serves other communities as well as Gloucester. The DEA reimbursed this year \$17,202.25 of this detective's overtime expenses. This costs the City nothing. It has in the past resulted in large amounts of seizures that the City has used for law enforcement purposes which he said was a good deal all around. In response to **Councilor McGeary's** inquiry, **Chief Campanello** said the detective reiterated the detective is assigned to the Task Force and works his normal 40 hours in and outside of Gloucester. When he is working overtime with the DEA outside of his 40 hours which is paid by the City, the City is reimbursed for the overtime salary. **Councilor McGeary** asked had the Chief had the opportunity to review the paperwork on the grant who informed him he had and that it was in order.

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 to accept a grant from the United States Department of Justice Drug Enforcement Administration (DEA) FY13 Organized Crime

Drug Enforcement Task Force for \$17,202.25 reimbursing the City Of Gloucester Police Department (GPD) for overtime by a GPD officer.

3. Memorandum from Police Chief re: permission to pay invoice for services procured without a purchase order in place

Chief Campanello stated this is an invoice for which a P.O. was not pulled at the time of the charge because of a thunderstorm, it was an emergency situation. From his understanding of past B&F meetings, the Chief acknowledged he was cognizant this is something that is not the norm or looked upon favorably. This particular situation occurred in July during a thunderstorm and troubleshooting had to be done and had to be paid for. The process wasn't fully complied with at the time. He asked the Committee to approve the payment for these without a purchase order in place. **Councilor McGeary** asked if the Chief was fully familiar with the purchase order process which **Chief Campanello** said he was but that he was not on the job with the City when this incident occurred.

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 invoice #R 921048 dated 7/25/2012 by PASEK Corporation, Boston, Mass., for \$265.00 from the FY13 Police Department budget without a Purchase Order in place.

4. Memorandum from Harbormaster regarding fee increases recommended by Waterways Board

Tony Gross, Waterways Board chairman, explained that during research into the Waterways Board separation of funds, they found the City was perhaps a bit behind in its mooring fee schedule. They found other areas were realizing more income from their fees than Gloucester. Their income and expenses were just at a balanced budget in the last few years. Approximately \$3,500 only fell to the bottom line last year. They are getting more aggressive in certain areas of operations. They recognized the critical need for more patrols up the Annisquam River toward Wingsheek beach on the weekends. Speeding on the Annisquam River is of particular concern. Also, the city's patrols are not heavily staffed during the day in the summer. In the mornings it is just the Administrative Assistant and the Harbormaster during the day. Later in the afternoon someone else comes on. No one is out patrolling all summer during the morning hours. If Gloucester is going to become a busier port there will need to be a greater presence on the water. The Waterways Board will hire part-time assistants and need to fund that. Much of that benefit goes to moorings. There are 1,056 moorings, 846 are permitted to residents and 210 are permitted to non-residents. The 10A float permits are the floats that do not require a license under Chapter 91. The floats are bottom anchored only, have no pier or piling, and are under the jurisdiction of the Harbormaster and are annually renewed. There are 113 of them.

Chairman Gross said it has been quite a while since the mooring fees were raised. He pointed out the comparison of mooring fees of nearby communities submitted for the agenda packet (on file). The new fees would place Gloucester in the middle of the fees charged by nearby communities. The board needs increased revenue in order to increase patrols. There is also a proposal to provide a launch service, which the board would need to staff. There is a startup time before the fee that would be charged for the service would cover the cost. The board would have to absorb some of that service cost during the startup phase. The new fees would be \$6.00 per foot for residents and \$8.00 for non-residents. The board requested a ruling on the legality of charging different rates for residents and non-residents. The proposal was reviewed by Suzanne Egan, General Counsel. In a Law Department Memo submitted and on file dated March 9, 2010 she said the different rates are allowed by law. There was a federal case, "LCM Enterprises, Inc. v. Town of Dartmouth, 1994, 14 F.3d 657 which found that since the town demonstrated that non-residents did not contribute to the revenue of the general fund and some municipal services paid out of the general fund were used to operate and use the moorings, then a different fee can be charged." People who use city moorings do use services paid out of the general fund – public safety response, roads used to access moorings, and other municipal services, for example. As a result, the Board is confident with legal precedent that they can do this. Waterways Board annual revenue budgeted in FY13 were \$107,000 for moorings. Out of that, there was \$67,000 for residents and \$29,000 for non-residents. Under the proposed fee increases, revenue would increase for resident moorings to \$99,000 and to \$38,000 for non-residents. The total difference would be \$41,140. **Councilor Ciolino** pointed out next year the Waterways Board is planning on starting up a launch boat service which makes these moorings more valuable, and said that justified the increase. There is a dangerous situation on the river, and he said the only way to solve it is to have one boat in the harbor and one boat has to be in the river. One patrol boat can do both areas. They need another boat and need to hire someone to patrol the river. He expressed the belief this will

help relieve that situation and urged the Committee to vote it. **Councilor Cox** asked about the issue between definition of taxpayers and residents. **Mr. Gross** acknowledged that there are those who are property owners who pay taxes and are therefore considered tax payers. **Councilor Cox** stated the language created fairness in the ordinance and expressed appreciation for the submitted fee comparisons of surrounding communities. **Councilor McGeary** asked for an update on the purchase of a launch. **Mr. Gross** noted the vote to move forward on the launch will be taken at the December Board meeting when they cancel the search for a used launch boat which has been unsuccessful to date. **Councilor McGeary** then asked had the Board mapped out the budget for the additional patrol. **Mr. Gross** assured they had but didn't have those figures at hand. However, he said they believe it will cover much of the cost of hiring another part-time Assistant Harbormaster. He pointed out the 10A float permit fees are a smaller portion of that budget. It is a fee per float per square foot, and not as to how many boats can tie up to a particular float. He gave the example of the Annisquam Market which has a 10A float system; it is very large and they run a business there. Right now it is \$50 per year for the 10A float permit. They charge the same fee currently for dinghy floats with a maximum size of 12 feet. A mooring at \$4.00 per square foot and had a 20 foot boat, it would be figured by linear feet (length on the deck; not included are bowsprits) not square feet in measuring the length of a vessel.

MOTION: On motion by Councilor Ciolino, seconded by Councilor Cox, the Budget & Finance Committee voted 3 in favor, 0 opposed recommend to the City Council that under GCO Chapter 10, Waterways Board, Sec. 10-51 (e) Fees that the Fees for personal moorings shall be charged by length of vessel at the rate increasing from four dollars (\$4.00) to six dollars (\$6.00) per foot for Gloucester residents and taxpayers, and increase the rate of six dollars (\$6.00) per foot for non-residents to eight dollars (\$8.00) per foot.

Mr. Gross explained he was not at Monday evening's O&A meeting, but the Board was represented by Cate Banks and Patti Page. At that meeting one Councilor raised a question about the incremental fee increase by the square footage breakdown which prompted some thought about the fee structure. They were charging \$50 for everyone, whether it was a 300 square foot dock or a 15 square foot dock. Above a certain size, the permit has to go out to public hearing for the permit renewal, annually. **Cate Banks**, Waterways Board member, added that it is not the size, but whether 10 or more boats are tied to the float which then is defined as a marina. **Mr. Gross** stated the Board felt the fee structure was inequitable and gives no incentive or encouragement for folks to move to Chapter 91 float license. It was more the fairness issue that a dinghy owner shouldn't pay the same price as a much larger vessel owner would. They came up with originally a fee structure that went from 0-199 square feet with a fee of \$100; 200 to 299 square feet at \$150; and moving up \$50 with each 99 square-foot increment with a fee cap at \$350. After making their presentation at the O&A Committee on Monday and having fielded questions from Councilors about the incremental square footage charges and a suggestion that it may not be entirely equitable, at the Waterways Board meeting Wednesday night, the Board agreed they would go with square footage, as all their permits are in square feet. Just as with moorings, the fee would be size-dependent. The previous evening, they made a new motion (submitted and placed on file) to remove all incremental square footage increases and go to 50 cents per square foot up to a maximum fee of \$350. The anticipated revenue would decrease about \$3,000 with the new fee scheme. The increase previously proposed would have raised an estimated additional \$11,600 in fees for 10-A floats. This new proposal will raise fee income to an estimated additional \$7,985. **Ms. Banks** indicated that this is estimated as seven floats are currently being investigated and there may be increases. Fee income will be \$3,615 less than with the flat incremental increase.

The Committee discussed with **Linda T. Lowe**, City Clerk who was called into the meeting at 6:26 p.m. on a question of procedure on how to manage approving a new fee scheme for 10A floats and reconciling the fee scheme approved at O&A on Monday for 10A floats; and what it would take to make both motions coincide. With the assistance of the City Clerk it was determined that the Waterways Board should return to O&A to propose the changed fee structure for 10A floats and have O&A re-vote the matter. Since B&F was strictly looking at the fees from a financial perspective, they could vote on the amended fees as presented this evening. **Ms. Lowe** then left the meeting at 6:28 p.m.

Councilor Ciolino expressed concern that O&A had passed a motion regarding an ordinance amendment; and that B&F was only reviewing the dollar amounts. But that the O&A motion stated the advertisement for public hearing was dependent upon the B&F Committee's approval of the fee structures. **Councilor McGeary** and the **Clerk of Committees** confirmed it was pending action of the B&F Committee. **Councilor McGeary** stated the best way was to vote for the Board's new fee structure for 10A floats and that the Board would go back to O&A to ask them to also approve the new 10A float fee structure. This way at public hearing, the legal motion matches the financial

motion. He was comfortable with the Committee acting on the Board's new proposal and having the Board go back to O&A to sort out the problem.

Mr. Gross pointed out they send out mooring and 10A float permit renewals in December and want to have these increases approved by then. **Councilor Cox** pointed out it takes 30 days for an amendment to the Code of Ordinances to go into effect. It has to be advertised, and they have to back to O&A on the 10A float permit fees. **Ms. Banks** commented the change in the fee structure for moorings was more important. In a discussion by the Committee, **Mr. Gross** and **Ms. Banks**, that there was an urgency to put the mooring fees in place in time for the December billing cycle as the increased income would be the means by which to fund another part-time Assistant Harbormaster for patrolling the Annisquam River. If the new fees are not in place in time for the 2013 billing cycle, they would have to look to other means to finance the hiring of additional staff. **Ms. Banks**, responding to an inquiry by **Councilor Cox** on how the new fee structure for 10A floats may be received by the public, pointed out with the new structure there will likely be a few float owners who will not be pleased by the fee increases, but they would probably be marinas who have large float systems. In most cases, there will be no issue; in fact some float owners will actually be paying less.

MOTION: On motion by Councilor Cox, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed recommend to the City Council that under Chapter 10, Waterways Board, Sec. 10-51 (e) Fees that the Fees for 10A floats shall increase from \$50 per season to 50 cents per square foot up to a maximum of \$350.00.

Councilor Cox left the meeting at 7:35 p.m.

5. Presentation by City Auditor & City Treasurer Re: Certified Free Cash for General Fund & Enterprise Funds for Fiscal Year 2012

Kenny Costa, City Auditor and **Jeff Towne**, CFO briefed the Committee on the certification of the City's Free Cash for Fiscal Year 2012, which was received from the state Department of Revenue on Monday, November 5th. The total amount of certified Free Cash is:

\$4,849,638 in the City's General Fund
 \$1,718,715 in the Water Enterprise Fund
 \$1,971,986 in the Sewer Enterprise Fund
 \$ 518,891 in the Waterways Enterprise Fund
 \$ 118,856 in the Talbot Rink Enterprise Fund.

Mr. Costa outlined the major components of the city's General Fund Free Cash as follows:

Free Cash as of "July 1, 2011"	\$3,265,440.00
Free Cash appropriated in FY2012	<u>(2,508,478.00)</u>
Remaining Free Cash from "July 1, 2011"	\$756,962.00
Add: Actual Fiscal Year 2012 revenues exceeded revenue budget	2,728,453.00
See below for highlights of favorable and (unfavorable) revenue types:	
Tax Liens	1,007,000.00
Daily Parking Fees	311,000.00
Sale of Foreclosed Property	309,000.00
Motor Vehicle Excise	265,000.00
Local Meals Tax	169,000.00
Trash Disposal Fees	112,000.00

Building Permits	91,000.00
Deferred Real Estate Taxes	90,000.00
Penalties and Interest collected on Tax Title	77,000.00
Legal Fees collected from Tax Title	63,000.00
Premiums from Bond Issuance	62,000.00
Medicare reimbursement for retirees	56,000.00
Health Permits	45,000.00
Fire Departmental Fees	41,000.00
Municipal Lien Certificates	37,000.00
Penalties and Interest collected on RE and PP Taxes	36,000.00
Penalties and Interest collected on Excise Taxes	32,000.00
Season Parking Fees	29,000.00
Charter School Tuition Reimbursement	(430,000.00)
Ambulance Charges	(25,000.00)
Fiscal Year 2012 Budgeted expenditures not spent by City Departments	2,240,341.71
Add: Net decrease in Overlay Reserve from FY11 to FY12	147,949.00
Subtract: Net increase in carry over purchase orders from FY11 to FY12	(605,073.00)
Subtract: Reserve from Overlay Surplus for FY13 Budget	(270,000.00)
Subtract: Net increase in Free Cash deficiencies from FY11 to FY12	(149,130.00)
Add: Close Old Tax Escrow Reserve to Fund Balance	135.00
Free Cash as of "July 1, 2012"	\$4,849,637.71

Councilor Ciolino noted that he had heard from many constituents that the amount of free cash was excessive. He said he was concerned that many worthy projects or initiatives that might have been funded were cut from the FY 2013 budget that might have been included if the estimate of revenues and expenditures had been closer to the mark. He particularly mentioned the Sawyer Free Library as a city agency that might have benefited from a better forecast.

Councilor McGeary echoed that sentiment, noting that there were significant needs for the schools and in keeping open fire stations that might have been further addressed.

Asked about the more than \$1 million in tax liens that were not forecast, both **Mr. Towne** and **Mr. Costa** stated that the amount is usually offset by the fact that not all real estate and property taxes are collected. Typically the shortfall is right around the figure that is collected on taxes due from prior years, so, in effect that amount is cancelled out elsewhere in the budget, though that doesn't appear in the free cash calculation. They noted that significant amounts of free cash are due to the weather—both the lack of snow, which resulted in a near \$300,000 savings in snow removal expenditures vs. budget, and the extremely warm summer, which resulted in more than \$300,000 in additional beach revenue. Both observed that it would be imprudent to depend on the weather always being so favorable.

Mr. Towne conceded that both the local meals tax and the increased revenue from trash disposal fees might be revisited as part of the budgeting process for FY 2014, as there is now a solid history on which to forecast. As to unspent appropriations, **Mr. Towne** was asked about the \$495,210 in unspent Ban Buydowns by his office was more of a timing issue than a real savings. He said that he makes a determination based on the financial markets on whether or not to finance debt on a short-term or long-term basis. Currently the market has favored short-term financing, so this item was not spent. **Mr. Towne** said he is constantly watching the market and often has to move

quickly to secure the best borrowing rates for the city. **Councilor McGeary** observed that, in addition to the \$495,210 in unspent appropriations in the Free Cash calculation, more than \$357,000 from various accounts in the Treasurer/Collector's office had been used at the end of Fiscal Year 2012 for special budgetary transfers to other departments. He observed that the budget for borrowing should be examined closely in the FY 2014 budget cycle. Both **Councilor Ciolino** and **Councilor McGeary** reiterated their concerns that by being overly conservative in estimating revenues, the result was that valuable services to city residents were needlessly reduced, and that they hoped to see a more accurate projection of city revenues in FY14. **Mr. Towne** said he didn't like to use the phrase "more accurate" in terms of projected revenues, but would prefer more or less conservative as a way of characterizing the projections. He noted that because the revenue estimates are projections, it is misleading to refer to their "accuracy," as there will always be unknowns.

Councilor McGeary noted that he had seen the Mayor's initial recommendations for allocation of the Free Cash for FY13. Of the initial recommendations, he noted, several had to do with upgrading heating and ventilation systems at the city's schools, and had to be hurried in order to be completed before the heating season. He said he would favor expediting those requests. Another first-round request was for more than \$600,000 to replenish the stabilization fund for monies that were used in the initial budgeting for FY 2013. **Councilor McGeary** said he was not opposed to using the money that way in principle, but that he would want to see that recommendation in the context of all other recommendations for allocation of free cash for FY 2013.

On the matter of stabilization funds, **Councilor McGeary** asked why last year's unallocated free cash of more than \$700,000 was allowed to fall to the bottom line of the General Fund rather than being set aside in a stabilization fund. **Mr. Towne** explained that if the money is in a stabilization fund, the interest earned on the money must be kept within the stabilization fund, rather than in the general fund. He conceded, however, that interest rates are so low now, that it really isn't a significant amount of money and that the unallocated free cash could be put in a stabilization fund if that were the will of the Council and the Mayor.

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

Mr. Costa briefly reviewed and discussed his report with the Committee.

A motion was made, seconded and voted unanimously to adjourn the meeting at 8:38 p.m.

**Respectfully submitted,
Dana C. Jorgenson
Clerk of Committees**

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- Documents submitted by Tony Gross, Waterways Board Chairman:
 - A) Law Department Memorandum dated March 9, 2010 from Suzanne P. Egan, General Counsel re: Waterways regulation of whether the City of Gloucester may charge separate fees for non-resident moorings;
 - B) 10A Float Permit Fees vote by Waterways Board dated 11-7-2012
 - C) 10A Float Permits Survey dated December 7, 2011
- Documents submitted by Kenny Costa, City Auditor:
 - A) Department Of Revenue (DOR) Definition and Recommendations on "Free Cash";
 - B) GFVOA Best Practice re: Appropriate Level of Unrestricted Fund balance in the General Fund (2002 and 2009) Budget and CAAFR Background and Recommendations
 - C) Email dated November 5, 2012 from DOR Local Services re: Notification of Free Cash Approval – Gloucester with breakdown of Free Cash Calculation
 - D) Memo from City Auditor regarding accounts having expenditures which exceed their Authorization and Auditor's Report