

Budget & Finance Committee
January 22, 2015 – 4:30 p.m.
1st Fl. Council Committee Room – City Hall
-Minutes-

Present: Chair, Councilor Melissa Cox; Vice Chair, Councilor William Fonvielle; Councilor McGeary
Absent: None.

Also Present: Kenny Costa; Jim Destino; John Dunn; Assistant Police Chief John McCarthy; Tom Daniel; Noreen Burke; Max Schenk; Gregg Cademartori; Matt Coogan

The meeting was called to order at 4:35 p.m. Items were taken out of order.

1. *Special Budgetary Transfer Request (2015-SBT-28) from Police Department*

Assistant Police Chief John McCarthy explained that this is a transfer from the Police-Uniform Stipend account to the Miscellaneous Special Officer Supply account which is used for the K-9 supplies and kenneling for \$1,500. The reason for the surplus in the Uniform Stipend, two officers are allowed to take either compensatory time or a stipend and both chose compensatory time. Councilor Cox said she had no recollection of a discussion during the FY15 budget review as to the need for money in this line item. Assistant Chief McCarthy said kenneling is the issue in that the two officers assigned to care for the department's two K-9's kennel the dogs in their home, but the dogs are sent to specialized private kennels when the officers go on vacation.

MOTION: On motion by Councilor Fonvielle, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2015-SBT-28 in the amount of \$1,500 from Account #101000.10.211.51490.0000.00.000.00.051, Police Uniform, Specialty Positions Stipend to Account #101000.10.211.54290.0000.00.000.00.054 Police Uniform, Miscellaneous Special Office Supplies, for the purpose of funding purchases for the upkeep and supplies of the Police Department's K-9 unit.

2. *Special Budgetary Transfer Request (2015-SBT-29) from Police Department*

Assistant Chief McCarthy explained that this transfer from a one-time contractual account to Police Administration, In-State Travel for a police officer's travel expenses for the recent funerals of two New York Police Officers killed in the line of duty. He explained that these five officers went on their own time, but the Chief wished to reimburse the officers for some of their travel expenses they incurred.

It was noted by the City Auditor, Kenny Costa that no further transfers will come from the Police-Administration, Contractual Incentive Pay account as it was now too depleted. He also discussed the creation of an out-of-state travel account for the Police Department, and that no changes need to be made at this time as he could make a journal entry to remedy the current situation.

Councilor Cox expressed she was impressed that five officers stepped forward to go to the New York funerals.

MOTION: On motion by Councilor McGeary, seconded by Councilor Fonvielle, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2015-SBT-29 in the amount of \$500 from Account #101000.10.210.51500.0000.00.000.00.051, Police-Administration, Contractual Incentive Pay to Account #101000.10.210.57100.0000.00.000.00.057 Police-Administration, In-State Travel for the purpose of reimbursing a police officers' travel expenses.

3. *Special Budgetary Transfer Request (2015-SBT-30) from Public Health Department*

John Dunn, CAO, said this transfer is to funding the first year of a three-year electric vehicle lease for three vehicles that will cost \$4,500 a year which he termed akin to a rental. The vehicles will be used by the Public Health, IT, Building and Community Development Departments. Tom Daniel, Community Development Director, further explained that this is an example of collaboration among the departments at the City Hall Annex, with Public Health and Inspectional Services as the primary users of the vehicles. He noted the contribution of Senior Planner, Matt Coogan's and his efforts to help the city meet the Green Community objective, of which the city is a part of that state initiative, for a 20 percent reduction in the city's energy consumption. He pointed out Mr. Coogan secured a grant

the previous year on behalf of the city, for electric vehicles. This Nissan incentive came forward, and while the grant was termed as, "great," the Nissan incentive is essentially almost at no cost to the city with the savings in energy consumption. Two charging stations will be installed at no cost to the city. He noted other grant funding that was secured to support the municipal energy consumption included \$250,000 last year through the Green Communities program went to an oil to gas boiler conversion at the O'Maley Innovation Middle School as well as purchasing the city's street lights for \$1 from National Grid that isn't changing the city's energy consumption right now but is netting \$160,000 in savings annually. It puts the city in a position to move forward to convert all the street lights to LED streetlights which will generate a reduction in energy consumption as well. He highlighted these initiatives as well saying they, too, were a result of Mr. Coogan's work to achieve the 20 percent objective. He noted that the three electrical vehicles are part of that energy reduction initiative by the city and at the same time helps the Annex departments overcome the issue of very old inefficient vehicles with the oldest vehicles dating back to 2000 with several more rated low fuel efficient.

Responding to several concerns voiced by **Councilor Cox** regarding the lease itself, Mr. Coogan explained there is a mileage cap, but based on fuel consumption history he said that the cap wouldn't be reached. **Mr. Dunn** added that issue could be reviewed at the end of each year. The issue is historically the cars' usage won't meet the mileage cap, but they will be sure to do a review, and rotate the vehicles if one has higher mileage that vehicle will be the last to be used at the time. Mr. Daniel said all city vehicles are tracked by the DPW which is done on an annual basis.

Mr. Coogan explained to the Committee the bid process for the vehicle leases and that an area dealership in Milford specializes in these leases but hastened to add that service is not done in Milford. The vehicles are made in America, he noted, and the cost is \$1,500 per car per year.

Noreen Burke, Public Health Director, from whose department the first year funds come out of, said the full-time Public Health nurse resigned in late summer but she continues to work part-time until a new full-time nurse is found, and this created the availability of the lag funds. **Councilor Cox** expressed concern that should a full-time nurse is hired that it would leave the department very tight for funding the full-time salary until the end of the fiscal year which she and Ms. Burke discussed. **Ms. Burke** expressed she is optimistic that she can make it work. It is anticipated that a new full-time nurse will not be hired at the immediate nearby due to the pool of candidates currently available under improving economic conditions.

Mr. Dunn said the money for the second and third year of the lease will be looked to be contained the FY16 and FY17 budgets. He reiterated Ms. Burke's statements regarding lag funds. The monies are available in the Public Health Department, and he reminded that it is a one-year commitment and will be distributed within the other user departments for the second and third year of the lease.

Councilor Cox said by not using the three oldest vehicles, fuel consumption will be a cost savings as well as maintenance costs compared to the new vehicles.

Councilor McGeary added that going forward the savings should offset most of the costs of the lease annually and literally becomes a free ride, to which Mr. Dunn also added his agreement. He discussed with the Committee that two of the three oldest vehicles will likely be retired. **Mr. Destino** noted it is the DPW's purview to use the third vehicle as they see fit or release it as that department is responsible for the city's fleet. **Mr. Coogan** pointed out that there is a fuel efficient policy that the city follows as a Green Community. The Crown Victoria's in the fleet are retired Police cruisers and wouldn't likely be reused if there is another vehicle available with high fuel efficiency.

Mr. Daniel added that through the Nissan incentive they were able to get two charging stations and the third will come from a grant. The vehicles will be stationed at the Annex where there will be two double-headed charging stations and perhaps eventually one at City Hall. **Councilor Cox** expressed concern about putting a permanent fixture like a charging station at the Annex as it is leased space and **Councilor McGeary** asked about charging station security overnight. **Mr. Coogan** suggested there is a way to turn the charging stations off and that per the grant the charging stations do not have to be open to the public 24 hours a day. **Mr. Dunn** said the charging stations are able to be moved. There will be electrical work and a pad involved but assured they can be moved. **Councilor McGeary** didn't object to the public access but also expressed concern for them being secure at night.

MOTION: On motion by Councilor Fonvielle, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council approve Special Budgetary Transfer 2015-SBT-30 in the amount of \$4,500 from Account #101000.10.510.51100.0000.00.000.00.051, Public Health, Salary/Wage-Permanent Position to Account #101000.10.510.52830.0000.00.000.00.052, Public Health, Rent/Lease Vehicles, for the purpose of funding the first year of a three-year operating lease for three electric vehicles.

4. Administration's supplemental budget requests from free cash:

- 2015-SA-11: Funds to replenish Mayor's contingency fund (\$10,000) (Cont'd from 01/08/15)

Councilor Cox mentioned the history report of the account for FY15 to date (on file) as requested from the last B&F meeting. This is an additional \$10,000, confirmed by both Mr. Costa and Mr. Dunn, above the \$10,000 budgeted to the FY15 budget for this line item bringing the total budget for this fiscal year will now be \$20,000. There would be about \$11,200 remaining once the transfer is made.

Mr. Costa said a lot of the charges to the credit card account were trips by the Mayor to national conferences. If there was an event in Boston, there are some charges to pay for things such as entry fees. There were several receptions held through the Mayor's office also. Advertisements were also funded that came in the last minute that account for some of the expenses in the Gloucester Times account.

Mr. Destino said this is a discretionary fund and assured it will not be abused. Any leftover funds will fall to the bottom line he pointed out. **Mr. Costa** said conference attendance for himself and several Councilors were paid out of this account as well.

Councilor Fonvielle suggested the transfer be reduced to \$5,000. **Councilor Cox** said in talks with the Mayor she learned that morale is low, and that there may be some initiatives for city employees paid from this account. **Mr. Destino** further discussed several small initiatives that will take place and be funded from the Mayor's contingency fund. **Councilor Fonvielle** said such initiatives should be from within the Personnel Department's budget line items, and **Councilor Cox** added her agreement. There is an employee recognition account, **Mr. Costa** and **Mr. Dunn** confirmed. **Mr. Destino** said visitors have come into the Mayor's office from foreign countries, as well as dignitaries, and it is appropriate to offer modest mementos of their visit. **Mr. Dunn** added that part of the credit card bills were related to the Mayor's Japan trip which wasn't entirely paid for by the corporate sponsors. He explained that in the other two communities he served such an account had been funded to at least \$15,000 to \$20,000 for coffees, Chamber of Commerce events, advertisements in fundraising magazines and each year was used in its entirety. He reminded the Committee additional funds were put into this account at the end of FY14.

Councilor Cox said that she is expecting this money will be used in an appropriate manner and would vote in favor of the full \$10,000 as a show of good faith and that the account had not been used as expected as it has never been budgeted more than \$10,000 annually and not depleted previously in such a manner. **Councilor McGeary** pointed out that \$10,000 is one-one hundredth of one percent of a city's annual budget which he termed as a reasonable discretionary fund for the CEO of a \$110 million corporation to have at her disposal.

MOTION: On a motion by Councilor McGeary, seconded by Councilor Fonvielle, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2015-SA-11 in the amount of \$10,000 (Ten Thousand Dollars) from the General Fund-Undesignated Fund Balance ("Free Cash"), Account #101000.10.000.35900.0000.00.000.00.000 to Mayor's Office, Contingency/Emergency, Account # 101000.10.121.57800.0000.00.000.00.057 for the purpose of paying unforeseen expenditures in the Mayor's Office.

- 2015-SA-18: Funds to be set aside for future purchases of Chromebooks by the Gloucester School Dept. (\$150,000) (Cont'd from 01/08/15)

Mr. Destino said that there is a Special Education needs shortfall in the School Department of at least \$500,000, of which the city is obliged to fund. The Mayor has every intention of funding the Chromebook program going forward, he said, and noted that these Chromebooks don't have to be purchased until the middle of the summer. He said the Administration would like to pull this transfer back while accounts are swept to close the mandated funding gap and meet the School Department obligations.

Councilor McGeary said he would not object to the transfer from Free Cash for the purpose of the Chromebook purchases at this time. He pointed out this is an important, vital educational program and will take the Administration at their word to bring this matter forward because he said he didn't want to see this go by the wayside. **Councilor Fonvielle** also endorsed Councilor McGeary's sentiment on the matter. **Mr. Destino** said the Administration understands the sentiment of the Councilors. If the Schools agree to put this in the FY16 budget so that the 8th graders in September have the Chromebooks he would be agreeable. **Councilor Cox** said she would still want her questions answered as to the computers' security, insurance and how the first-year funding went forward from the School Department adding that it is important to apprise the Council of the program's progress and safeguards.

MOTION: On a motion by Councilor McGeary, seconded by Councilor Fonvielle, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council permit the Administration to withdraw 2015-SA-18 without prejudice.

5. Overview and Discussion of FY14 Tax Recap by City Auditor and CFO (Cont'd from 01/08/15)

Mr. Costa reviewed the Tax Recapitulation documentation for Fiscal Year 2014 and acknowledged the team effort to prepare the annual documentation by his department, Mr. Dunn, his staff and Nancy Papows, Principal Assessor. Some matters he highlighted and discussed with the Committee with Mr. Dunn and Mr. Destino participating were:

- A review of the calculations to determine the city's Tax Levy Limit and the Maximum Allowable Levy.
- A breakdown of Appropriations and Authorizations through the City Council and Offset Receipts, Enterprise Funds and Community Preservation Fund which includes Revolving Funds and Borrowing Authorizations documentation is for budgeting purposes and shows the maximum amount that can be raised by through taxes also including the city's debt exclusions. Charges for services and Departmental Revenues are also contained in the document, "Local Receipts Not Allocated;
- Charges and Revenues (see discussion noted below);
- Tax Rate Recapitulation shows Amounts to be Raised, Estimated Receipts and Other Revenue Sources and a Summary of Total Amounts to be Raised and Total Receipts from all Sources;
- Tax Rate Summary, which is similarly as explained each year by Principal Assessor, Nancy Papows during the Tax Rate discussion and public hearing.

There was a brief discussion on the scheduling of a public hearing on the impact of the water debt shift with Mr. Destino and the city's financial team, it was noted that **Councilor McGeary** in his role as Council President would look at the Council's schedule and work with the Administration to determine a time for a public hearing in the coming weeks. Addressing remarks made by **Councilor McGeary**, **Mr. Dunn** confirmed valuation issues will be addressed to some degree to make clear that values don't move in lockstep, nor do single or multi-families and condominiums. He also noted that neighborhoods change also, and an increase of sales in a neighborhood affect valuations as well, and has a future effect. **Mr. Costa** said there is a line in the tax recap set aside for the abatements, this year \$390,000 and he explained that several years there were times that overlay surplus has been used for snow and ice deficits.

Local Receipts were reviewed for FY14 that the DOR also reviews to complete FY15 including the hotel/motel tax revenues that come back to the city from the state as well as the meals tax. It was also discussed that there should not be too large of an increase anticipate from departmental revenues each year. **Mr. Destino** briefly discussed the meals tax with the Committee and the city's revenue which shows the impact of tourism in the city, and a possible earmarking of funds from the city's meal tax revenue for the Tourism Commission, but that no conclusions were reached during the meeting. Auto excise revenue was touched upon also. Wind turbine revenue year to date was noted to be ahead of last year, and \$300,000 was budgeted which should be met. Kilowatt hour production is ahead of last year, and the kilowatt per hour rate has increased. Although the city is reimbursed at a higher rate, whatever the city consumes is paid at a higher rate, **Mr. Dunn** pointed out. National Grid sends the city a check and then the city in turn sends a check for the other 80 percent to Equity Partners, the company that owns and operates the wind turbine. It was termed as a unique situation whereas most of the municipal agreements for wind turbine energy are based on crediting municipalities for kilowatt hours produced.

There was also a brief discussion on Proposition 2 ½, and it was learned that a Proposition 2 ½ initiative can simply be utilized for funding the purchase of a fire department ladder truck by putting it forward as a referendum which, once approved by the city's voters, would sunset and doesn't become part of the levy as the debt goes away similar to the CSO Debt Shift and Water Debt shift – it is temporary. **Mr. Costa** submitted a document entitled, "Levy Limits: A primer on Proposition 2 ½, a Mass. Department of Revenue-Division of Local Services (placed on file) for the Committee to review.

For more information regarding the Tax Recapitulation, please go to:
<https://dls.gateway.dor.state.ma.us/gateway/Public/WebForms/Login.aspx>

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

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

A motion was made, seconded and voted unanimously to adjourn the meeting at 6:05 p.m.

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

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- “Levy Limits: A primer on Proposition 2 ½, a Mass. Department of Revenue-Division of Local Services document submitted by Kenny Costa