

Budget & Finance Committee
Thursday, April 23, 2015 – 4:30 p.m.
1st Fl. Council Committee Rm. – City Hall
-Minutes-

Present: Chair, Councilor Melissa Cox; Vice Chair, Councilor Bill Fonvielle; Councilor Paul McGear

Absent: None,

Also Present: Councilor Lundberg; Councilor LeBlanc; Councilor Verga; Councilor Ciolino; Kenny Costa; Jim Destino; John Dunn; Tom Daniel; Harbormaster Jim Caulkett; Tony Gross; Mary Ellen Lepoinka; Max Schenk

The Committee meeting convened at 4:30 p.m. There was a quorum of the City Council. **Councilor Verga** left the meeting at 5:45 p.m.; **Councilor Lundberg** left the meeting at 5:50 p.m., and with the departure of **Councilors Ciolino** and **LeBlanc** during the Committee's recess at 5:58 p.m. there was no longer a quorum of the Council when the Committee resumed the meeting at 6:08 p.m.

1. Memorandum from City Auditor re: City's FY13 OPEB Actuarial Valuation Report and Discussion of OPEB Liabilities with Daniel J. Rhodes, Consulting Actuary, The Segal Company

Kenny Costa, City Auditor, introduced Daniel Rhodes, Consulting Actuary for The Segal Company to present a report entitled "City of Gloucester Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2013 in accordance with GASB Statements No. 43 and No. 45" (on file) issued in 2004. He said that this is the third report that Segal has prepared for the City of Gloucester and is as of June 30, 2013. Since the previous report the actuarial accrued liability has been decreased by \$1,195,000, he noted. He said that the primary reason for this difference is due to the City changing health care providers from Harvard Pilgrim to the state's GIC. An OPEB Trust Fund has been established and approximately \$100,000 was appropriated into this account in Fiscal Year 2014, bringing the total in the account to roughly \$210,456.28. These funds can only be used for retiree health insurance. OPEB is essentially post-employment benefits, it is not pension, he pointed out. OPEB has nothing to do with pensions it was noted.

Daniel J. Rhodes, Consulting Actuary with The Segal Company reviewed page 9 of his report, a summary of the of the valuations which he discussed with the Committee and the accounting precepts behind his actuarial calculations as put forward under GASB Statements No. 43 and No. 45.

In reviewing Page 5 of his report on key valuations, he noted that in 2013, the OPEB liability was \$202,932,000 and the ratio of assets to the Actuarial Accrued Liability (AAL) is 0.05 percent funded. The Plan obligations of \$203,032,000 as of June 30, 2013 represent a decrease of \$1,195,000 from \$204,227,000 from June 30, 2011. Plan obligation had been expected to increase \$16,527,000 due to normal plan operations which consist of continuing accruals for active members plus interest on the total obligation, less expected benefit payments. The decrease was the net effect of:

- o An actuarial experience loss increased obligations by \$734,000. This was the net result of gains and losses due to demographic changes;
- o Valuation assumption and plan changes decreased obligations by \$18,456,000. This was the net result of a decrease in obligations due to 1) valuation year per capita health costs not increasing as much as projected for teachers and the adoption of the Group Insurance Commission (GIC) plans for non-teachers; 2) a change in future trend on per capita health costs based on what is likely to occur in the marketplace, partially offset by 3) an increase in obligations due to changes in the demographic assumption and 4) reflecting the excise tax on high cost health plans beginning in 2018. The addition of the excise tax in this valuation resulted in a 1.0 percent increase in the actuarial accrued liability and a 2.3 percent increase in the normal cost. (See complete set of assumptions in report Exhibit II).

Mr. Rhodes also explained the actuarial precepts as how the benefits are calculated. As funds are put into the OPEB trust fund with the accumulation of interest pay down the obligation, he said. He also

reviewed some of the GASB precepts as it relates to the accounting for OPEB. The amortization of the liability, he explained most of the liability is unfunded, and needs to be paid down over a 30 year time period. It is a calculation not unlike a mortgage, he said, so that the payments go up so that they remain a level percentage of the projected payable. The ARC payment would go up over time which total cost is just under \$13.8 million for FY14. The projected benefit payments which are the estimated cash for retirees on an annual basis have doubled, he noted.

Mr. Costa said that while the liabilities are accruing, the city is paying the liabilities under a pay-as-you-go basis and is paying its obligations.

Councilor McGeary said that while this is a financial obligation it is not a legal obligation which is why the city is making small inroads. To fully fund the OPEB liability it would be \$13.0 million, he noted. There are no state mandates yet in place, he noted. He said that the irreducible minimums should be made, but more should be done, which **Mr. Costa** expressed his agreement with. **Councilor Cox** said this report is done every two years and that Mr. Rhodes would appear before B&F again in 2017.

Councilor McGeary said when Moody's and S&P looks at this report he asked how it might affect the city's rating. **Mr. Costa** said that Gloucester isn't the only community dealing with this issue – so is every city in the state and across the country. The city is rated “AA stable” and is not having a serious credit rating impact for the city, **Councilor McGeary** said. **Mr. Costa** said it is not a negative impact yet. **Mr. Dunn** added that if the city wasn't funding OPEB at all it would be a different matter because there are so few communities that are funding it at all. He said they are all being viewed the same way.

Councilor McGeary said he was told that funding the OPEB liability was a theoretical obligation as it presumes everyone who works for the city retires on the same day. He said it is an obligation but a rolling obligation. For the entire \$200 million falling due would essentially close the city, he pointed out, but would very unlikely not transpire. **Mr. Rhodes** said it is based on the rates at which people retire mortality tables, and other similar information. It is the amount of money that the city would need to set aside today to pay or all those future benefits as they come due 30, 40, 50 years in the future. It only reflects employees working now and those who are retired and receiving benefits at this time. Regardless, the liability continues to grow as do health costs, he noted. He said it is a real obligation but doesn't fall due on the same date. **Mr. Costa** pointed out that not only is health care costs are rising but people are living longer.

Councilor Cox asked what other communities doing about OPEB and where is Gloucester in that trend. **Mr. Rhodes** said the majority of communities have set up some kind of trust, but they're not fully funding it over 30 years, nor are they close, and are starting to identify funds to put into their trusts. As time goes on and as funding sources are identified, they put in what they can as monies become available. Very few are putting in enough to fully fund over 30 years, he said. **Councilor Cox** asked if the city stopped putting in \$100,000 because the money isn't available how it would affect the city's rating because this year any available funds will have to be put towards the snow and ice deficit. **Mr. Rhodes** said the money doesn't have a material impact on the discount rate. The rate should represent the expected return on the assets paying the benefits which he described the accounting methods involved. The more the city funds, the closer they get to the full funding target and have more assets to pay the benefits, and is the theory behind a higher discount rate, he pointed out. Over time as more money is funded they can revisit the discount rate.

Councilor Cox expressed concern about how rating agencies may view not funding OPEB for several years and would it put the city in a difficult position with them. **John Dunn**, CFO, said, “No”. The OPEB trust fund can only be used for retirees health insurance, **Mr. Costa** pointed out, and for no other purpose.

Mr. Rhodes, **Mr. Costa** and **Councilor McGeary** also discussed possible changes in future requirements where new employees would have to work longer to obtain retirement benefits and create a two-tier system. **Mr. Rhodes** said those who have to work longer for pensions and depends on the pension reform. It has yet to be implemented, he pointed out.

Councilor Cox asked if other communities are funding OPEB from free cash. **Mr. Rhodes** said they typically do, and in response to a follow up question by the Councilor he said communities don't borrow funds in Massachusetts to fund OPEB.

Councilor McGeary said there are a few communities fully funded. **Mr. Costa** said Wellesley is fully funded on the pension side and setting aside more funds for OPEB – but for the ARC, not the full liability. **Mr. Rhodes** said Boston is getting close to fully funding their ARC.

Councilor Fonvielle discussed with Mr. Rhodes what it would take to increase the discount rate for the city by a point, and **Mr. Rhodes** noted the pay-as-you-go discount rate is subjective and went into detail on the calculation and funding rates to accomplish the one-point increase in the discount rate.

Mr. Rhodes reviewed page 10 of his report and said that these numbers in 30 years will not be the same, and is assuming everything comes to fruition based on all assumptions made for the calculations which he expanded on for the Committee. **Mr. Costa** said that the new rates which are rising with the city's health insurance through the GIC are not included in this report.

Councilor Cox asked about the Enterprise Funds, which **Mr. Rhodes** pointed out were on page 11 of his report, and were noted as part of the budget. The Enterprise Funds are funding their own liabilities, using the pay-as-you-go method as is done with the General Fund, **Mr. Costa** added.

Mr. Rhodes said the accounting numbers are what go into the city's financial statements which show over time the ARC versus what is actually paid out and how that number has grown as shown on page 15 of his report which he also expanded on. He noted GASB has issued new accounting standards and will make these numbers from an accounting perspective very different in his next report. The \$200,000,000 unfunded liability will be handled differently as to how it is calculated, he noted. The ARC won't appear on the city's financial statements anymore.

Mr. Dunn, responding to **Councilor McGeary** said the number is \$200 million no matter how it is reported.

2. Memorandum from City Auditor re: City's FY2014 Basic Financial Statements -- a review and discussion with Chris Rogers, Principal, CliftonLarsonAllen, LLP and Memorandum from City Auditor re: City's FY14 Basic Financial Statements

Mr. Costa said that CliftonLarsonAllen has done the outside audit of the city for the last six years and is their area of expertise -- municipal audits. He said three reports would be reviewed, all on file-- the Independent Auditors' Report on Basic Financial Statements and Required Supplementary Information, Year Ended June 30, 2014; GAO and OMB A-133 Reports for Year Ended June 30, 2014; and Management Letter, June 30, 2014.

Chris Rogers, Principal of CliftonLarsonAllen, LLP, the city's outside auditors, made the following remarks and highlighted areas concerning his company's audit of the FY14 Basic Financial Statements. Financial Statements Overview: Field work started in November 2014, and was held up by loans receivable and the CDBG grant program. The draft report still has several items for updating, a legal letter from the General Counsel and responses from certain departments, including the library.

- o The three pages of the opinion, highlighting the second page of the three that relates to the restatement of deposition of loans that were not previously recorded. The total restatement is about \$4.5 million that affects the Governmental activities statement of net position and also in the non-major governmental funds. Because those loans weren't previously reported, they were identified as part of the audit process and then through efforts on their part and the Auditor's Office, they were able to engage that information.
- o Governmental activities, Page 14 – the Government Wide Financial Statements which are full-accrual financial statements where all the city's long-term assets, debt and obligations are considered and has a significant impact on the city's bottom line – the total net position is \$26 million. There are three components – 1) the net investment in capital assets which is about \$51 million; 2) another \$17 million is restricted for various purposes (state and federal grants, Revolving Funds, etc.); 3) and a remaining balance of a deficit of \$42 million which is directly related to the net OPEB obligation being reported over the last six years. That total amount is \$50 million on June 30, 2014 which brought the unrestricted amount down to a deficit of \$42 million. This is not unfamiliar ground for just Massachusetts municipalities but for the entire country. He mentioned that when it comes to the actuarial, GASB says you can't count assets towards the liability unless there is a true trust. The city's trust adopted under MGL 32B, c. 20 which doesn't create a trust in accordance with GASB as it needs to be a single legal entity. This then becomes a trust for gap financial reporting purposes. **Mr. Rogers** said he is making the Council aware, and the OPEB funds can't be used for anything else but for the purpose it is set up for. If the city from an accounting standpoint wanted to legitimately account against that liability which will matter in 2017 when the whole \$200 million comes on, it won't co to be used against that liability in 2017 it wouldn't count for GASB purposes. The city would have overinflated OPEB obligations because it wasn't considered an OPEB trust.
- o General Fund, Page 17: Total fund balance was about \$10 million which is shown broken into four components: about \$600,000 restricted related to debt service and OPEB; \$2 million committed to fund

- FY15 budget and continuing appropriations; \$1.4 million assigned for encumbrances; \$6.2 million unassigned remained of which \$1.9 million is stabilization funds. For gap reporting, the General Stabilization is reported as part of the General Fund. Percentage of the unassigned fund balance compared to General Fund expenditures and transfers out is consistent with the last three years and is around 6 percent which was indicated to in the medium range. Most communities are between 10 to 15 percent. Budget to actual results for the year the city had a positive variance of \$3.8 million, primarily from revenues and underspending budget expenditures by about \$600,000. Two items were over spent -- public safety overtime and state and county charges (from Fiesta).
- Enterprise Fund, Page 21 -- all Enterprise Funds were in positive positions at the end of the year.
 - Footnotes – Page 58, -- Note 8 – Long-term obligations were highlighted. Total governmental activities long-term liabilities were \$91 million. Total debt was \$38 million and net OPEB was \$50 million. Business-type activities (Sewer/Water/Talbot Rink/Waterways Enterprise Funds) was \$96 million, \$94 million of it in long-term debt and \$2 million the Funds’ net OPEB obligation.
 - Net OPEB Obligations, Page 58-62 -- Net OPEB obligations were briefly reviewed.
 - Note 15, Page 64 Highlighting the Pension Plan. The Pension System has an unfunded liability of about \$85 million which in a funded ratio was only 44 percent. The city owns about 94 percent of that total liability. Starting next year (FY15) with a new accounting standard as long as the city makes its annual required contribution based on the funding schedule there is no liability that is reported on the books. New accounting standards will bring on the city’s share of the unfunded liability which adds another \$80 million of liabilities. Instead of a \$42 million unrestricted deficit, the city would have a \$122 million unrestricted deficit. This is happening in all communities of the country.

GAO & OMB A-133 Reports:

Summary – there are two reports in this overall report – required by Government Auditing Standards which covers Internal Control over Financial Reporting and Compliance and Other Matters. The report on the Major Program Compliance Programs (Grants) and an opinion is included in this section.

- There was one material weakness was found related to the CBDG loan program. When CliftonLarsonAllen first started auditing the city in 2009 there were no CDBG loans recorded. There was different activity noted this year and the more they found there were loans that were deferred that weren’t being collected on to a future event occurred that had never been reported on the financial statements. They were able to identify what the loans were, the terms and what the event was to precipitate collection. It was pointed out that the grantees don’t have to pay back the loan until the property is sold or transferred. The auditors had to make a restatement of \$4.7 million. From a process standpoint, the maintaining the loan list and current reporting has to be significantly improved, Mr. Rogers said. It is more of one person being responsible for maintaining the loan program, he added, which should be updated and maintained on a monthly basis because it’s never been a part of the loan program administrative process. **Mr. Costa** said he’s worked with Mr. Dunn and the Mayor’s office to take steps to remedy the matter, and it is now going through the list, maintaining and updating it going forward. Tom Daniel, Community Development Director, said that prior to his and Mr. Costa’s tenure there was a change in the methodology and with the changeover in personnel there was a gap. He said he believed this has been cleared up. **Mr. Costa** added it was not intentional. **Councilor Verga** said the way the loans work unless the property is sold or refinanced, the grantees don’t pay back. He said there is a lien on the property, but suggested an internal audit would be helpful. **Mr. Daniel** said the loans are tracked and balances are paid off when the property transitions and isn’t an issue. **John Dunn**, CFO, said many of the loans are for housing rehabilitation to qualified borrowers. There are not payments while the loan is outstanding until the borrower sells the property or until they die and the property is conveyed. The lien is registered at the Southern Essex Registry of Deeds. They believe, he said, that all the paperwork is where it should be but somebody needs to be responsible that everything is on one database. **Mr. Rogers** said now is a good starting point and moving forward this should be a one-shot deal as a finding, and didn’t expect to see this next year as a material finding. The reason it rose to this level was the unreported amount. He said the second part is compliance, and there were no material non-compliance findings.
- Federal Awards, Pages 6-8-- the total was noted at about \$8 million. Five major grant programs were audited: Child Nutrition Cluster, CDBG, SPED, Title I, and the Capitalization Grants for the Drinking Water. There were unmodified opinions on all of the five major programs and nothing rose to a material non-compliance.
- Page 12 seven findings as relates to testing of the major programs – three findings relate to the same compliance requirement as to procurement which has to do with suspension and disbarment. It was

- explained that any time the city enters into a contract greater than \$25,000 with federal funds, the city has to verify that the contractor is not suspended or disbarred from conducting business in the United States. It was pointed out that there was no documentation or evidence that check was done. The audit did it and is an automatic finding automatically. The audit revealed that no vendor was suspended or disbarred. The responsibility is with the particular grant administrator. **Councilor Cox** pointed out that if there was a city Grant Management Auditor these grants would be monitored and such a finding would be prevented.
- Page 12 CDBG, Special Tests and Provisions -- It was highlighted that for the loan program there was not a pre-rehab inspection done in one out of three projects, but the \$22,000 was not a material to the program which it is classified as unmodified.
 - Page 13, Child Nutrition Cluster. Part of the reporting process for the city to receive free and reduced lunch reimbursements, there was 8 out of 17 of monthly meal counts tested were incorrect. Questioned costs only amounted to \$111 which is a non-compliance and is a significant deficiency. It should be done but has to be done correctly, **Mr. Rogers** pointed out. Each one of these findings is considered a significant deficiency even though it only amounted to \$111. **Councilor Cox** asked how these findings affect the city obtaining future federal grants. **Mr. Rogers** said that it could affect the city's ability to obtain grants. At the end of every audit they file with the federal audit clearing house which he and Mr. Costa sign off on. Any time there are significant findings the federal agency will ask about remediation and could audit the program. Typically agencies come out – HUD related to CDBG. He said the only time a federal agency came out that he has seen that he's audited relates to Health & Human Services and Community Development. Mr. Daniel said the finding carries forward for another year with HUD. The Housing rehab program is cleared up but was a timing issue.
 - Child Nutrition Cluster Eligibility. As part of the application process four out of the 60 applications didn't have a signature of a school official on it. The costs weren't questioned but from a process and compliance standard the applications should be signed.
 - Page 16, Capitalization Grants for Drinking Water State Revolving Funds was noted.
 - Page 17, SPED Procurement and Suspension and Disbarment as also noted.

The majority of the findings are coming from the School side, **Councilor Cox** noted. **Mr. Rogers** confirmed five of the seven grant findings were on the School side. **Councilor Cox** said if they are on this list it is significant. **Mr. Rogers** said they don't have to find a questioned cost for there to be a significant deficiency or material weakness but has everything to do with the controls. When this is highlighted in the audit there should be concern about compliance and the absence of controls which he discussed with the Committee briefly. **Councilor Cox** asked if this presentation should also be made for the School Committee. **Mr. Costa** said the report has already been sent to the School Committee and spoke with Hans Baumhauer, School's Financial Director. **Councilor Cox** pointed out that it is not the School Committee the City Auditor is speaking with, and it is their responsibility also. **Mr. Rogers** said he would meet with them should they want it. **Tony Gross**, School Committee member, said the School Committee get the CliftonLarsonAllen report and reviews it at their B&F Committee. **Mr. Costa** pointed out that the city has shown improvement saying that five years ago there were 30 findings and that the city is moving in the right direction. **Councilor Cox** said the more people who know about this issue, the better in order to eliminate it. Management Letter: There are 13 comments with 11 recurring comments, one new and one repeat informational comments, with five comments removed.

- Information Technology, Page 1: There is a general IT control assessment. Included are only the high risk matters. The found deficiencies that were highlighted by the audit were reviewed. This is a new finding, **Councilor Cox** pointed out.
- Grant Administration, Page 6 was reviewed. **Councilor McGeary** noted always before the B&F Committee is the position of a Grants Administrator which remains unfunded. **Mr. Rogers** said the possibility of questioned costs and loss of grant funding is a risk. He said there are improvements from six years ago, but on average over the last three years, his audits have reported 9 to 10 findings per year. He said the reason is because of the city's decentralized grants administration. He pointed out that the audit is only looking at a small portion of the total grants in hand with the city. From the expenditure coverage standpoint, the audit covered more grants, he said, adding that typically they only cover 35 to 40 percent maximum of grant expenditures. They are sampling federal grants, he noted, and are not looking at state grants. He said a Grants Administrator is more than worthwhile as it is a protection. When not looking at administrating grants they could be looking to bring in more grants, **Councilor Cox** pointed out.
- The remainder of the Management Letter is reoccurring notes.

Councilor Cox suggested if anyone has any questions further to the presentation for Mr. Rogers to forward them to Mr. Costa.

The Committee recessed at 5:58 p.m. and reconvened at 6:08 p.m.

3. *Communication, Grant Application & Checklist from Co-Chair of the Gloucester Historical Commission re: acceptance of 2015 Survey & Planning Grant from Massachusetts Historical Commission and the Dusky Foundation in the amount of \$30,000*

Mr. Costa noted with this overall grant funding, \$15,000 is coming from the Massachusetts Historical Commission which is a pass-through federal reimbursement grant from the Department of the Interior, National Park Service, and then a 50 percent match is required as part of the grant which will be met by the Dusky Foundation for \$15,000, for a total of \$30,000. As for recording and compliance, the Council needs to accept the grants, and then he explained the accounting and that he would work closely with Mary Ellen Lepoinka, the Co-Chair of the Gloucester Historical Commission, who will be the local, designated Project Coordinator for the MHC grant. He added that the city will be fronting the money and then receive the reimbursement and be made whole. **Councilor Fonvielle** said that he understood that the Dusky Foundation would be funding the whole grant. **Mr. Costa** said that because the Gloucester Historical Commission is part of the city, the grants have to go through the city's ledgers. The compliance is important, he noted. **Councilor Cox** discussed with **Mr. Costa** and **Councilor McGeary** whether the Council should request the Dusky Foundation funds be in hand first before any monies are expended by the Gloucester Historical Commission and determined it was not absolutely necessary.

Mary Ellen Lepoinka, Co-Chair of the Gloucester Historical Commission explained the following: The Gloucester Historical Commission (GHC) has received a 2015 Survey & Planning Grant from Massachusetts Historical Commission (MHC) and the Dusky Foundation in the amount of \$30,000 for a survey updating historic resources. The grant covers about 150 property or area forms. The project will be managed through the MHC who will assist in the choice of the consultant and work with the local Project Coordinator which she has been named to fulfill. She assured that the only expenditures will be for the consultant(s) for the time they spend to create forms which are preparatory for national historic registration nominations which is a step in a longer process. A new survey is very much needed, she said, in that over the years this survey has been insufficiently funded or abandoned. She pointed out that while there are 1,400 forms filled out, only 29 properties in Gloucester are on the National Historic Register list. She said there is an educational outreach component to the MHC grant, and that the grant will start in July 2015 and end June 30, 2016. She added that during that time a professional historic preservationist(s) will document approximately 150 historically significant buildings, structures or areas.

Councilor Fonvielle asked if the consultant would assist with the community outreach. **Ms. Lepoinka** said the GHC would like that to be the case. It is standard for consultants to get \$200 per form, she said with precedent and procedures in place. The final report is due in June 2016. The GHC members will be assisting in the project. A CPA 2011 grant was for an update on the survey planning form, she noted. Properties and areas were identified as under-represented, she said. **Councilor Cox** asked who would be tracking this grant and due to the timing of the grant, she asked how much this would cost the city. **Mr. Costa** said it would be his department that would track the grant expenditures. The grant would possibly have a free cash impact but would be minimal. **Councilor Cox** asked if it were possible to find a way to prevent a free cash hit, as the city is just the middleman for the grant.

Councilor McGeary asked if the 150 properties have been identified. **Ms. Lepoinka** said some were identified but other properties and areas of historic significance will also be identified, and the consultant will be expert at identifying new properties. It is not restricted to residential properties but can be expanded to art colonies, the granite industry and also the history of tourism and the commercial sector, she said, places that embody those themes, she said.

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 under MGL c. 44, §53A accept a federal grant of \$15,000 from Department of the Interior, National Park Service as passed through the Massachusetts Historical Commission for the purpose of supporting the City of Gloucester, MA Survey Update for Historical Inventory project.

Councilor Cox inquired if the funds from the Dusky Foundation could be tapped into first. **Mr. Costa** said that he would work with Ms. Lepoinka to put in for reimbursement. He noted for **Councilor Fonvielle** the reimbursements from the federal program could take three to four months to be received by the city.

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 under MGL c. 44, §53A accept a private grant of \$15,000 from the Dusky Foundation for the purpose of supporting the City of Gloucester, MA Survey Update for Historical Inventory project.

4. Memorandum from Harbormaster re: Waterways Board request to create a season pass for the Gloucester Harbor Launch or permitted mooring holders

Jim Caulkett, Harbormaster, and **Tony Gross**, Waterways Board Chair explained that the Waterways Board, in an effort to up ridership on the city's launch is endorsing a season's pass for the launch, for a fee of \$100, and for the launch's range. He said the Board believes this would be a cost effective alternative for mooring holders, and encourage the utilization of the launch and act as a big service to the mooring holders. It was noted previously sent to the Committee a proposed rendering of the actual seasonal pass that would be issued to a city mooring holder upon paying the \$100 fee and would be encased in plastic. **Councilor Cox** said that the pre-numbered passes will be tracked and assigned was confirmed by **Mr. Gross** and the **Harbormaster**. **Councilor Cox** asked for an update from the Board and the Harbormaster after the season concludes as to how many passes were sold and how many riders were carried by the launch service to the Committee in October.

Councilor Fonvielle asked what happens if there were six people from one vessel to be transported and the pass only covers four. **Mr. Gross** said that there would be individual payment for two adults at \$5 apiece one way and four people would be transported under the pass. Children, he noted, under 12 are transported for free. This launch only goes to harbor moorings and doesn't go beyond the Blynman Bridge, it was pointed out -- the Coast Guard restricts the launch to the harbor, **Mr. Caulkett** said. **Mr. Gross**, responding to a question from **Councilor Cox** said a season pass in the city of Salem is \$600 and that city's launch is managed privately.

MOTION: On a motion by Councilor Fonvielle, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council Amend GCO Chapter 10, Section 10-51(e) Fees by ADDING the following after the last sentence:

"A Season Pass for permitted mooring holders within the boundaries of the Gloucester Harbor Launch with a limit of four people will cost One Hundred Dollars (\$100)."

This matter will be referred to the O&A Committee for their agenda on May 4 and advertised for public hearing.

5. Memorandum from Community Development Director re: acceptance of anticipated CDBG Entitlement Allocation PY2015 & HOME Funding Annual Appropriations

Tom Daniel, Community Development Director said that this is for the annual acceptance of the CDBG and HOME Grant Funds (programs outlined in Mr. Daniel's memo on file). This year there is a consolidated planning process, and they are looking at goals and priorities for CDBG projects over the next five years which he described to the Committee. He also noted while the city wasn't successful in obtaining a lead abatement grant, they will apply again this year. He said that lead removal is an expensive process and much of the city's housing stock has lead paint. He also discussed ways affordable housing would be supported and the mechanisms for that. He highlighted several other programs funded both grants as pointed out in his memo. He noted the work of Emily Freedman, a one-year employee of the Community Development Department who has worked diligently on these grants. He pointed out on Page 4 the work for streets and sidewalks for American with Disabilities Act compliance and highlighted the programs that were brought in successfully in the downtown corridor. He also said that Railroad Avenue area is a key transit location and there is not a safe accessible path for people to get there. They will look to again work with Public Works and augment their work to move forward with infrastructure work to have a safe pedestrian path for people. He said that he, Mike Hale, DPW Director, and Gregg Cademartori, Planning Director have met recently to see how much work can get done with DPW funds and CBDG funds to get more done. With public investment in infrastructure the private sector responds, he said.

Councilor Cox spoke to Mr. Daniel about Keolis' possible rehabilitation of the Gloucester train station and asked that Matt Coogan be brought into the process and suggested this could be a good partnership. There has been no forward movement with the Railroad Avenue zoning work, Mr. Daniel noted, as it is a workload management

issue but is on their list. The zoning work related to the harbor plan has to be done and is a state requirement and takes priority over the Railroad Avenue area which is in the work plan for later in the year, he said.

Councilor McGeary said there was some thought to take a thorough look at zoning through the P&D Committee and said he believed that there was state money for transit housing and development and didn't want to see that wait especially for the Railroad Avenue transportation corridor. **Mr. Daniel** said it is his trying to keep Railroad Avenue on everyone's mind and has wanted to see that project to improve the Railroad Avenue corridor move forward, but other urgent city needs have had to take priority. It is not being forgotten he assured, and progress has to be made. **Councilor Cox** offered her support to move forward on the Railroad Avenue project. She asked if there was anything that the CDBG or HOME funding could do to support that area's buildings for their improvement that could be applied for by landlords that have housing units. **Mr. Daniel** said 51 percent of the units have to be moderate to low-income, and is an opportunity for investment of HOME Grants.

Councilor McGeary said once the funds are accepted it is up to the Administration how the program funding is spent which **Mr. Daniel** confirmed.

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 under MGL c. 44, §53A accept federal grants in the amount of \$618,141 for the Community Development Block Grant Program from the U.S. Department of Housing and Urban Development for Program Year 2015 and the HOME grant from the North Shore HOME Consortium for PY2015/FY2016 in the amount of \$63,091.

6. *Addendum to Mayor's Report: Memorandum, Grant Application & Checklist from Community Development Director re: City Council acceptance of a grant in the amount of \$50,000 from the Seaport Advisory Council*

Mr. Daniel said this money came in last June but never went through the process of being accepted by the Council. **Mr. Costa** confirmed that this funding is with the city, and that the funds have to be accepted to place the money into an account to be spent. The grant funds will be used to implement the zoning work needed for the DPA and for the East Gloucester waterfront which was identified in the approved Municipal Harbor Plan, **Mr. Daniel** said.

MOTION: On a motion by Councilor Fonvielle, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council under MGL c. 44, §53A accept a grant through the Executive Office of Energy and Environmental Affairs from the Massachusetts Seaport Advisory Council for \$50,000 for the purpose of implementation of the city's Municipal Harbor Plan – Project P14-2883-G27 (3974).

7. *Memorandum, Grant Application & Checklist from the Community Development Department & the Department of Public Works re: U.S. Economic Development Administration Public Works & Economic Adjustment Assistance Grant for the Blackburn Seafood Processing Cluster*

Mr. Daniel explained that: The Community Development and Public Works Departments are seeking permission to apply for a U.S. Economic Development Administration's (EDA) Public Works and Economic Adjustment Assistance Grant of \$555,500 with a project total of \$1.111 million to support infrastructure work at the Blackburn Industrial Park, including replacement of two old pump stations and some sewer work. The most the city can ask for is 50 percent of the total project cost from the EDA, and the city would provide 50 percent of the project funding (\$550,000) -- the funding for the match would come from the Water and Sewer Enterprise Funds. The result of the project would generate more revenue because of Gloucester Seafood Processing having opened up operations utilizing more city water and sewer. In other words, annual proceeds from new water and sewer fees are estimated to total \$600,000 a year (as per the city's Environmental Engineer, Larry Durkin as noted in Mr. Daniel's memo on file) ensure that the city's match can be funded without impacting water and sewer rates. The grant funding is tied to job creation and outcome, he noted, and are all competitive grants. With Gloucester Seafood Processing starting up operations with new jobs coming on line that makes the city more competitive for these grant funds.

The infrastructure work benefits the industrial park as a whole also. There are two sites yet to be developed at the industrial park and the future job development could be possibly realized from those sites.

Mr. Daniel noted an error in his memo which spoke about the Mazzetta Company creating 400 jobs. He clarified that the 400 jobs includes Mazzetta Company plans to create approximately 125 permanent and 100 seasonal jobs (seasonal means over a nine-month period) for residents, and the remaining 175 jobs are projected for

the undeveloped sites which he said was a valid number. This project focuses on continuing Gloucester's regional importance as a seafood processing center in conjunction with Gloucester's longer-term strategy of becoming a center for maritime innovation, he noted.

Councilor Fonvielle asked about the progress by Mazzetta Company's building and opening. **Mr. Daniel** said they are occupying the plant. They are doing fish processing as well as lobster processing and have been in a hiring mode but didn't know where they are in their process.

Councilor McGeary said Mazzetta would be able to begin operations without the infrastructure improvements. **Mr. Daniel** said the work needs to be done regardless. With Mazzetta coming on line this work needs to be done sooner, he noted, because of the demands that company's water and sewer use will make on the current industrial park infrastructure. Without the new jobs being created they couldn't have moved forward on applying for the EDA grant. He said it was a 16 month city project, in response to Councilor questions.

Councilor Cox said that with similar infrastructure projects, noting the Fort Infrastructure Project now on-going, that there are usually are a lot more repairs and replacement of pipes that are anticipated with improvement projects and asked if the grant and matching funds will cover the overall project expenses given possibly similar unforeseen circumstances. **Mr. Daniel** said if the city is successful for this highly competitive grant with a pool of a large numbers of applicants, it is all the money the city will receive from the EDA. He noted that Public Works would be able to comment as to the complexity of the work and their expectations for this project. He said the engineering firm of Weston & Sampson developed the scope and cost estimate on the project. He noted that the project is narrower in scope than the Fort Infrastructure Project. **Mr. Costa** added that the start date for the grant is July 1, 2015 and end date is December 31, 2016 according to the grant documentation.

Councilor McGeary asked if the grant doesn't come through would the city proceed with the project regardless. **Mr. Daniel** said the work still needs to be done, and then the project would then go back to Public Works to determine their capacity and timing. Responding to a follow up question by the Councilor, **Mr. Daniel** confirmed one of the undeveloped properties is located across from the National Oceanographic and Atmospheric Administration (NOAA) building. These are the only two undeveloped sites in the industrial park, he said.

Patti Page, 3 Tidal Cove Way, said this grant is billed as a public/private partnership but appeared that it was public/public money, that being the EDA grant funds and the city's matching funds. She noted the Commercial Street/Fort infrastructure project by way of comparison, and said she understood the hotel owners put in engineering costs and some project costs that she said seemed to benefit them as well as the whole Fort area. She asked why Mazzetta wouldn't be responsible to some of the funding, even a token amount, if this was a public/private partnership. She said that she understood the industrial park needs the infrastructure improvement if it can be a benefit for future development there. She recalled for the Committee that she had campaigned on behalf of processors for with the authority to represent them for a similar project on Commercial Street and that public/private partnerships for such infrastructure projects were an oddity, and that they had looked at MassWorks grants to cover part of the costs. She pointed out that the processors were willing to contribute as a private piece of the overall project cost and couldn't make any headway with the city. She highlighted that when the Mazzetta Company came to Gloucester, the perception is, indicating this was from her perspective, that developer, Sam Parks is provided with Tax Increment Financing as hotels are, but that the seafood processing business on the Fort were disadvantaged because they are already established business entities. She asked where the private buy-in resulting from this grant.

Mr. Daniel said the EDA grant application is not a public/private partnership in the sense of a private party puts money into a city project. He said that if there wasn't the private investment coming into the city the EDA would not consider the city's grant application. He added the partnership is that there is a private firm is developing jobs by investment in their facility in the city. He made clear that this grant and project is not comparable to the Fort Infrastructure Project. The public/private piece is about the job creation and not about the specifics except for the infrastructure itself, **Councilor McGeary** reiterated. **Mr. Costa** noted the match comes from the Enterprise Funds and is handled separately.

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 Community Development Department to apply for a U.S. Economic Development Administration's Investments for Public Works and Economic Development Assistance Grant for a total of \$555,500 for the purpose of making infrastructure improvements in the Blackburn Industrial park to allow expansion of the Cape Ann Seafood Processing Innovation District Project.

8. *Memorandum, Grant Application & Checklist from Public Health Director re: acceptance of grant in the amount of \$3,500 from the National Association of County & City Health Officials (NACCHO)*

Max Schenk, Manager-Environmental Services for the Health Department, said this grant is an annual grant the city has received now for several years and is unchanged in nature -- which supports the work and helps to expand the capacity of the North Shore Medical Reserve Corps volunteers which the city is the lead regional coordinator for. This grant coordinates the volunteers with medical skills in times of regional emergency, it was noted. The plan this year is to coordinate strike teams, he noted. Emergency dispensing site management, shelter management and triage site management. The money is matched only with in-kind with existing staff time. Any money not used rolls over to the next fiscal year. This is the fourth year this grant has been received by the city, he said.

Councilor Cox stated under MGL c. 268A, she is a volunteer member of the Medical Reserve Corps but has no financial involvement with the organization and can vote on the acceptance of the grant.

MOTION: On motion by Councilor McGeary, seconded by Councilor Fonvielle, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend to the City Council that under MGL c. 44, §53A to accept a federal grant of \$3,500 from the National Association of County and City Health Officials (NACCHO) to provide funding to expand the capacity of the North Shore Medical Reserve Corps (MRC) volunteers.

9. *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 7:35 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.