

**Budget & Finance Committee**  
Thursday, May 21, 2015 – 4:30 p.m.  
1<sup>st</sup> Fl. Council Committee Rm. – City Hall  
**-Minutes-**

**Present: Chair, Councilor Melissa Cox; Councilor Paul McGeary**

**Absent: Councilor Fonvielle**

**Also Present: Kenny Costa; Jim Destino; John Dunn**

The Committee meeting convened at 4:31 p.m.

**1. *Grant application & checklist from Council on Aging to accept a FY15 Formula Grant from the Executive Office of Elder Affairs***

**Jim Destino**, CAO, explained that this is an annual grant the Council on Aging receives. **Councilor McGeary** pointed out that the proposed use of the grant funds will support the salary for the Senior Center Clerk, partial salary for an Outreach Social Worker, a salary supplement for an Art Coordinator and a part time salary for the Activities Assistant, as had been done in the previous fiscal years.

**MOTION: On a motion by Councilor McGeary, seconded by Councilor Cox, the Budget & Finance Committee voted 2 in favor, 0 opposed, to recommend that the City Council accept under MGL c. 44, §53A, a Mass. State FY2015 Formula Grant Allocation from the Mass. Executive Office of Elder Affairs for a total of \$59,232.00.**

**2. *Grant application & checklist from the Community Development Dept. & DPW re: acceptance of a Department of Conservation & Recreation (DCR)-Blynman Canal Repair Construction Seed Money from the DCR Division of Waterways (Seaport Advisory Council)***

**Mr. Destino** explained that the Mass. Executive Office of Energy & Environmental Affairs, Department of Conservation & Recreation through the Seaport Advisory Council has awarded the city a \$200,000 reimbursement grant totaling \$200,000 which was awarded in October 2013 but was not sent to the Council for acceptance. He advised that work starts June 1 at the Blynman Canal. These funds were used to pay for engineering and permitting but are not associated with the Stacy Boulevard seawall repair project. **Councilor McGeary** noted that Seaport Advisory Council money will now come under the auspices of MassDOT which **Mr. Costa** confirmed. It was also noted by **Mr. Destino** that the city will see substantial movement on the seawall project for Stacy Boulevard very shortly, and it is anticipated a great deal of progress on the project will be made throughout the summer.

**MOTION: On a motion by Councilor McGeary, seconded by Councilor Cox, the Budget & Finance Committee voted 2 in favor, 0 opposed, to recommend that the City Council accept under MGL c. 44, §53A, a Blynman Canal Repair Construction Seed Money grant (P14-2883-G04 (3943)) from the Mass. Executive Office of Energy & Environmental Affairs, Department of Conservation & Recreation through the Seaport Advisory Council for \$200,000.**

**3. *Memorandum from Mayor regarding two matters pertaining to the FY16 budget: (1) Administration's Capital Plan Funding & Free Cash Distribution Policy; (2) Request from Administration to link approximately 30% of the revenue received from Hotel/Motel excise tax to the Tourism Commission budget***

**Mr. Destino** said the Administration is asking the City Council's endorsement of the policy for Capital Plan Funding and a Free Cash Distribution Policy which they believe is a sound fiscal policy overall. He said by putting these policies in place it will allow the city to start to plan for capital projects by setting money aside in the Capital Projects Stabilization Fund and not have to use General Fund monies to pay for them but rather paying for them with Department of Revenue (DOR) certified free cash. A Building Maintenance Stabilization Fund will need to be established by vote of the City Council this fall. The formula the Administration believes to be appropriate for free cash distributions to the Stabilization Funds is: Capital Stabilization Fund 40 percent; Building Maintenance Stabilization Fund 20 percent; General Stabilization Fund 10 percent and the remainder as unreserved free cash 30 percent. He added that as far as bond rating agencies are concerned they will also view such a fiscal policy as

sound financial planning, and that the Funds can be leveraged for grant matching funds for city capital improvement and building projects.

**Councilor McGeary** said as a set of principals it is fine, but it wouldn't be appropriate to codify these policies into ordinance. He pointed out that in a year where ultimately the city will need \$2 million to cover the Snow and Ice deficit, what happens to these fiscal policies. **Mr. Destino** confirmed the Administration's view that the Council is the funding authority along with the Mayor's representation of putting these policies forward. He said that if at any point both the Mayor's office and Council agree there is a need for emergency funding, it is a prerogative of the Council to vote it through the Mayor's submittal, especially with needs in the city whether school or public safety needs. He cited that unreserved free cash over the last five years was a total of \$20 million and had that money been distributed to the Stabilization Funds, they would be much further down the road to being able to pay for those projects with cash at hand. He advised that this is only the beginning and that he and CFO, John Dunn, will be putting many sound fiscal policies in addition to the ones now before the Council for endorsement. He reiterated this is the kind of action that bond rating agencies such as Standard & Poor's and Moody's endorse and only helps the city's bond rating.

**Councilor Cox** said she really liked the fiscal policies put forward by the Administration but expressed concern that because of the Snow & Ice deficit being amortized over the next couple of years, that the Administration wouldn't be able to start this policy right away. **Mr. Destino** said they'll start the policy but continue to look at it and take care of the city's obligations. He noted that this policy saves for the city's future and they can't turn their backs on it by saying there is an emergency. This is to put forward to have the City Council on board, he said.

**Councilor McGeary** said when the policy is in place the Administration will need to give a good reason for veering away from it. He pointed out that this Snow and Ice deficit is self-limiting. **Councilor Cox** also noted that there was a lot of free cash used to support the Fire Department's budget in FY14 and FY15. **Mr. Destino** said department managers, including the Police, Fire and School Departments been told this year that there are no more Supplemental Appropriations in FY16. If they have budget issues during the fiscal year they will have to manage with what has been allocated through the FY16 budget.

**John Dunn**, CFO, said that specific to the Fire Department in FY15 there have been so many firefighters injured on duty that there was no choice but to use overtime to keep outlying stations open and created a 'perfect storm' of a situation, and it was a very unusual situation. **Councilor Cox** said prior to their current situation, the Council was told that free cash was going to supplement the Fire Department's new contract and that this was the second year of that two year supplementation. **Mr. Dunn** said it is hoped that is exactly how it would work out. He highlighted that even though they are reserving these funds, the money still stays in the General Fund fund balance, which is what the rating agencies are looking for. **Councilor McGeary** said that if they vote money goes into Capital Stabilization the Council can vote to take it out with a 2/3 majority of the Council should there be an urgent capital need. He expressed that he liked the fact that the funds have to be removed by a vote of the Council which gives everyone time to really think through the use of the funds and the actual need. The funds should be tied into the capital plan of the city so if there are needs and priorities they will be funded on a regular basis, **Mr. Destino** said.

**Councilor McGeary** spoke of a two-tiered system for funding capital project--fire trucks and other smaller capital outlays and capital projects such as schools and treatment plants for instance. **Mr. Destino** said that in the current lending environment with interest rates so low, he would bond fire trucks, and lease other heavy equipment as there are good options for lease to own particularly for DPW vehicles. They could use the funds but wouldn't suggest that it be used for those types of items.

**Mr. Destino** said he looks at the Capital Projects Stabilization Fund to be used for schools, public safety building. **Mr. Dunn** said one thing they can potentially do over time, as debt runs off, they may need to back fill as they issue debt for a new project there could be a gap for two years, that can be filled by using Stabilization Fund funds, and in the third year they may not need it any longer. **Mr. Destino** said he thought about different thresholds on the low end of city needs, but ended up taking it out to leave flexibility on what is really needed. Money is so cheap now in terms of interest rates, in most cases it is almost the same as paying cash, **Councilor McGeary** pointed out.

**Councilor Cox** spoke about a stated commitment by the previous Administration that the revenue generated through the wind turbines was to have been set aside for a public safety building which has not happened. **Mr. Destino** said the wind turbine money is falling short of expectations and is at this time General Fund revenue. **Councilor McGeary** said the fact that \$100 million has been spent on water and sewer maintenance over the last few years, such a Building Maintenance Stabilization Fund is a good thing.

**Mr. Destino** touched on the percentages saying that he thought that the General Stabilization Fund at 10 percent was appropriate and that the Capital Stabilization Fund needed more of a boost than the new Maintenance

Stabilization Fund. **Councilor Cox** said the percentages were fine, and five years from now they could change that policy if it was appropriate to meet needs at that time.

**Mr. Destino** said as to the funds from the locally adopted excise tax on hotels and motels, approximately 30 percent will be used to fund the city's Tourism budget although not this year, it will be on-going and they can plan for it. Part of this proposal was meeting with all the tourism satellite groups in the city and making sure they were all on board, which they are, he said. **Councilor Cox** said by funding Tourism this way it will be appropriate moving forward. Estimated revenue is \$475,000 for FY16 from the hotel/motel excise tax. Because there hasn't been a transition yet to a new entity for tourism, the FY16 budget is pegged at \$150,000 for the department.

**MOTION: On a motion by Councilor McGeary, seconded by Councilor Cox, the Budget & Finance Committee voted 2 in favor, 0 opposed, to recommend that the City Council endorse the policy for the use of certified free cash summarized in the Administration's memo entitled, "Capital Plan Funding & Free Cash Distribution Policy." The percentages set forth in the policy are approximate. The policy proposes to allocate certified free cash as follows:**

- **Capital Stabilization Fund 40 percent;**
- **Building Maintenance Stabilization Fund 20 percent;**
- **General Stabilization Fund 10 percent**
- **Unreserved free cash: Remainder funds 30 percent.**

**MOTION: On a motion by Councilor McGeary, seconded by Councilor Cox, the Budget & Finance Committee voted 2 in favor, 0 opposed, to recommend that the City Council endorse the policy of allocating approximately 30 percent of the city's share of Hotel/Motel excise tax revenue to support the city's tourism efforts.**

**4. *Special Budgetary Transfer 2015-SBT 43 from Auditor's Office***

**Mr. Costa** said that in order to fund a deficit in the City Council, Salary/Wage Part-Time Position account, he was able to fill the funding gap with money remaining in his department's Sick Leave Buy Back Incentive line item as it was less than budgeted to make this account whole. The Committee thanked Mr. Costa for locating the funding for the deficit.

**MOTION: On motion by Councilor McGeary, seconded by Councilor Cox, the Budget & Finance Committee voted 2 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2015-SBT-43 in the amount of \$959.00 from Account #101000.10.135.51920.0000.00.000.00.051, Auditor, Sick Leave Buy Back, to Account #101000.10.111.51250.0000.00.000.00.051, City Council, Salary/Wage Part-Time Position, for the purpose of fully funding the City Council, Salary-Wages Part-time Position account for the remainder of Fiscal Year 2015.**

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

**Mr. Costa** reviewed his reports (on file) with the Committee briefly and updated the Committee on the Snow and Ice deficit which is now at \$3,483,343.82 and that there may be a couple of more invoices but that this number is about it.

**A motion was made, seconded and voted unanimously to adjourn the meeting at 5:24 p.m.**

**Respectfully submitted,**

**Dana C. Jorgensson**  
**Clerk of Committees**

**DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.**