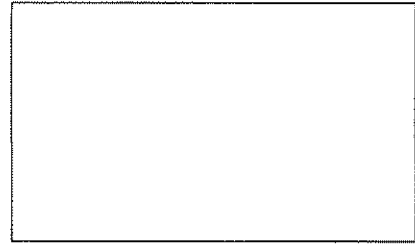


GLOUCESTER CITY COUNCIL CALENDAR OF BUSINESS
SPECIAL CITY COUNCIL MEETING
WEDNESDAY, MARCH 17, 2010
6:30 P.M.
COUNCIL CONFERENCE ROOM, 1ST FLOOR,
CITY HALL
COUNCIL MEETING #2010-008



FLAG SALUTE & MOMENT OF SILENCE

AGENDA

ACTION

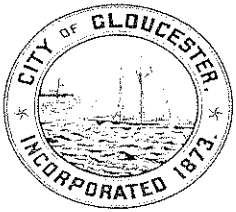
1. PH2010-012: Loan Order #10-02A: Loan Authorization in the amount of \$3.9 million
2. Other Business

COMMITTEE REPORT

B & F 03/11/2010

Linda T. Lowe, City Clerk

NEXT REGULAR CITY COUNCIL MEETING, March 30, 2010



GLOUCESTER CITY COUNCIL 2010 PUBLIC HEARING

PUBLIC HEARING NUMBER: PH2010-012
SUBJECT: Loan Authorization for \$3,900,000 for Improvements to the City's Water Treatment Plants and Distribution System

DATE OPENED: 03/17/2010
CONTINUED TO:
CONTINUED FROM:
COMMITTEE MEETING B&F 03/11/2010

LEGAL NOTICE LEGAL NOTICE

PUBLIC NOTICE

The Gloucester City Council will hold a public hearing held on **Wednesday, March 17, 2010, at 6:30 pm** in the Council Conference Room, 1st Floor, City Hall, relative to the following Loan Order:

Ordered that \$3,900,000 is appropriated for the purpose of making improvements to the City's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to \$3,900,000 and to issue bonds or notes thereof under Chapter 44 of the General Laws and/or Chapter 29C of the General Laws or any other enabling authority; that such bonds or notes shall be general obligations of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer, with the approval of the Mayor, is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

At the public hearing all interested persons will have the opportunity to be heard.

By Vote of the City Council
Linda T. Lowe, City Clerk

GT - 3/10/2010

(Continued from 01/28/2010)

Mr. Towne explained to the Committee this is a line item put in Mr. Hale's budget because there are so many ACOP's outstanding because we are not in compliance. We budget so it won't hurt the DPW budget. They had only one item that was fined and that was in the water fund that they took out in the Boil Water. They still had the \$30,000 that was fully budgeted for. That's the reason. The transfer to fund one of those deficits they've been working on in the Thursday morning meeting. This deficit has been holding since beyond 2006. They have been working on almost 50 deficits that Mr. Towne and Ms. Richardson, inherited from a long time ago. They are meeting weekly to work with the City side and the School side and ideally be done with this by the end of the year.

Councilor Curcuru asked if there will be a mechanism to prevent this from happening again.

Mr. Towne stated as reconciling the General Ledger monthly should be in conjunction with a monthly meeting between the Auditor's office and his office. If the department managers have knowledge of where their funds are they can help to manage their own funds. Once they are caught up they will be easier to manage going forward. We have updated the security system within Unifund which will knock these items down. It has worked because departments have asked for funding and been told to first find the funding source and then they can go forward.

Councilor Curcuru asked are these policies and procedures being put in place.

Mr. Towne said they met with a technical writer for that very thing. They will go through as much as possible, and pass this department to department. They're working on it. That's the hardest thing to do is to document the policies and procedures. We're considered a high risk because we don't document. We have the reasons and good practices, but we need those procedures documented. It should be a listing of policies to be adopted and then practiced.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the approval of SA-2010-05 for the transfer from DEP Assessment Unifund Account #610000.10.450.56820.0000.00.000.00.056 to Unifund Account #610000.10.992.59600.0000.00.000.00.059 to close a deficit fund balance in Fund #291039 for \$1,398.35.

2. *Emergency Request: DPW request for increase of loan authorization for Water Treatment Plants re: DEP Consent Order #09-5D008*

Mr. Hale discussed with the Committee the of need to increase the loan authorization for the Water Treatment Plants as relates to the DEP Consent Order #09-5D008, requesting an additional \$3.9 million for Babson, Klondike and West Gloucester. The overage is overestimating the condition of the facilities. They were in deplorable condition. The price difference of what they anticipated was great. Everything they based off of was the original \$4 million and \$2 million for the distribution system. They couldn't buy components even to make some parts function. They couldn't salvage much of the chemical process. With the work that they're doing with proper preventative and routine maintenance can last up to 20 years. This is significant. So many key components need to be replaced. They can't do that amount of work and still be in compliance. They didn't have the luxury of time. 1A and 1B are successful projects to date. They are behind for a number of reasons. They anticipated awarding the contract March 15th and is now extended to the 22nd. Fortunately it's been a rainy February and March and is at 98% capacity at West Gloucester. They drained Babson down to 28% and is up to 78%. They still have enough time to meet the July 1st deadline. There is the potential to lose two weeks. If they only lose two weeks, they have a good supply of water. They'd be at 68% on June 1st. They've done the work at the gatehouse was done quickly. The Phase 2 work is at Babson, West Gloucester and Klondike. The chloramines are the secondary disinfectant process. The bulk of water treatment is chemical. You can filter it, but you have to add chemicals.

Councilor McGeary stated what is wrong with the chemical process that needs to be fixed.

Mr. Hale stated they add coagulants to separate organics and drop the iron out of the water and then it goes

through filters.

Councilor McGeary stated then this is a required enhancement. Mr. Hale agreed and explained the process further and why they need to modernize the process.

Mr. Hale said they had to open up Babson in the summer no matter what. There were so many broken pieces the assumptions were flawed. To make the facility operational this summer they need this additional money. There are screens that prevent solids getting into the plant, and there are none at Babson. The gates at the Haskell intake structure had the divers evacuating because it was so unsafe. They haven't been maintained. There was illegal piping.

Councilor McGeary stated his concern the City is buying a very expensive band aid.

Mr. Hale stated this is getting up and running and buying extra time.

Councilor Curcuru stated as soon as Babson done, West Gloucester is rehabbed, what are we looking at.

Mr. Hale stated the DEP will conduct sanitary surveys annually. There was 25 pages submitted saying they couldn't believe what they're seeing. They were dealing with chlorine gas safety. They have to make sure the contracts are being fulfilled; vendors are fulfilling their end of things. This isn't it. This is a capital investment now. There is Phase 3. There's another \$6 million of work that has to be done. Paint is peeling off on the inside of the Plum Cove holding tank. Bond Hill is 7 million gallons of water. The water sits for extended periods of time with no mixing; Blackburn is the same. It is on-going. The original \$6 million was \$4 million for West Gloucester and the balance dedicated to the distribution system. They're waiting for a final state permit and are ready to go on that.

Councilor McGeary asked about the tunnel.

Mr. Hale stated they procured engineering services. Part of the Essex Avenue design money was to investigate this tunnel and to find solutions. There could be horizontal drilling, taper off a line, replace it. They've been in the tunnel and need to get back in there with National Grid to coordinate efforts to get the most logical solutions going forward. They'll range in price and scope and anticipate the report will be ready by spring. It's a 100 year old point of failure.

Councilor Hardy asked about debt limit.

Mr. Towne said this would be borrowed through the trust. He would do short term first depending on the going rate. This will be combined with the \$6 million.

Councilor Hardy asked if it would be one or two loans.

Mr. Towne stated they just need to be sure the order says "add to".

Councilor Hardy asked how we would pay it back.

Mr. Towne said it will all be on water.

Councilor McGeary asked approximate annual cost.

Mr. Towne responded he would have to look it up and it would start at year 4.

Mr. Hale stated that this is SRF eligible, at least the first part (stimulus money), close to 21% principal forgiveness.

Mr. Towne stated it is a combined greater savings. We'll pay closer to \$8 million and save the interest on the \$2 million savings.

Mr. Hale stated that this is probably close to 40% of the water is debt service. There is not a good system to pay for repairs.

Councilor Curcuru asked if the budget was being increased.

Mr. Hale stated they don't put a lot of capital costs in their budget. They had a \$3.9 million authorization that was unspent. Part was spent on West Gloucester. They knew they had it, and so there wasn't a perceived need to increase the capital budget. It is not the best system to throw everything onto the rate. We need to look at more creative ways to pay the debt. We don't have enough customers. We have a very small user base and a huge network of pipes. There's no way of doing this without crippling the enterprise funds. He invited the Councilors to tour the work being done.

Mr. Anderson spoke of giving a break to core businesses who are taking a bite from the water rates. He noted the situation at Cape Pond Ice.

Mr. Hale stated it's never too early to start planning and looking at feasibility studies for a future building of a new treatment plant and for other improvements.

Mr. Anderson encouraged Mr. Hale to look at hiring a consultant and formulating a plan for the future.

Mr. Hale noted whenever facilities are built, you look at population projections. Lots of studies have been done about water routing. They did a needs analysis. Everything in these reports happened this summer. The distribution system is in great need.

Councilor Hardy stated if you had a magic wand where would you locate and what would be looking for.

Mr. Hale noted it would likely be the West side, close to the river.

Councilor Hardy asked should we be looking at land as it becomes available.

Mr. Hale stated they need a full-blown study. They have to do a river crossing. They know each side doesn't have enough to sustain all. You want it close and at a narrower point, like at Centennial Avenue and come up at Essex Avenue. It's \$40 to \$50 million to put in a new water treatment plant.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the following Loan Order:

That up to an additional three million nine hundred thousand dollars (\$3,900,000.00) be appropriated in addition to the previously for the purpose of making improvements to the City's Water Treatment Plants and Distribution System including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow up to an additional three million nine hundred thousand dollars (\$3,900,000.00) and to issue bonds or notes thereof under Chapter 44 of the General Laws or any other enabling authority; that such bonds or notes shall be general obligation of the City unless the Treasurer, with the approval of the Mayor determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer, with the approval of the Mayor, is authorized to borrow all or a portion of such amount from the Massachusetts Water Pollution Abatement Trust ("Trust") established pursuant to Chapter 29C and in connection therewith to enter into a loan agreement and/or security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or the financing thereof; and that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

3. Two Special Budget Transfer Requests (#10-22 and #10-23)

Mr. Towne explained to the Committee that they went through the Veteran's budget last year. The new veteran's agent has been doing hard work to identify areas that need funding to assist to provide the remaining portion for the total needed to maintain veteran services for the rest of the year. They are not over budget and predicted they would be in a deficit position by the end of the year and are doing this in anticipation of it. This fund is already in deficit. This will still cover the funding. Once it is in the fund they can transfer between funds.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer #10-22 of funds from Unifund Account #101000.10.942.56200.0000.00.000.00.059 to Veteran's Services, Medical Unifund Account #101000.10.543.57720.0000.00.000.00.057 in the amount of \$12,358.00.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer #10-23 of funds from Treasurer/Collector, Property Insurance-Gen. Liability, Unifund Account #101000.10.145.57420.0000.00.000.00.057 to Veteran's Services - Contractual Services, Unifund Account