

CITY COUNCIL AND
CITY COUNCIL STANDING COMMITTEE
Special Budget & Finance Meeting
Tuesday, August 10, 2010 – 6:15 p.m.
1st Floor Council Conference Room – City Hall

Present: Chair, Councilor Steven Curcuru, Vice Chair, Paul McGeary, Councilor Jacqueline Hardy

Absent: None

Also Present: Councilor Mulcahey; Councilor Whynott; Councilor Ciolino; Councilor Theken; Councilor Verga; Kenny Costa; Linda T. Lowe; Jeff Towne; Michael Hale; Jim Duggan; Val Gilman; David Anderson, School Department

The meeting was called to order at 6:15 p.m. There was a quorum of the City Council.

1. Memo from Jim Duggan, CAO re: Stabilization Fund Expenditure Request (School Buildings)

Mayor Kirk spoke to the matter that the Council tap the Stabilization Fund “sounding the alarm of the importance of the work that has to get done” and the need for a funding source. Last week the Director of the DPW brought forth a list of projects (on file) and cost estimates needed to be completed prior to the August 31st opening of school for a total of \$195,500.00. There are no identified funding sources for these projects. They put forward a request to tap the Stabilization Funds and a pay back proposal. The payback proposal has two parts: 1) to repay the withdrawal by utilizing free cash. She felt it was important the Council understand while they don’t know what free cash is today, they are confident it will be positive, which is a milestone for the City, and be sufficient to cover any amount they tap the Stabilization Fund for less than \$200,000.00. 2) A contribution from the School Department to minimize the expenditure out of free cash and to reimburse the Stabilization Fund. Based on discussions that came forward since the proposal to the Council, with concerns and questions expressed by the Council, there are two other options. One would be to cut the City’s operating budget which the CFO can address those implications; and she understood the City Auditor had identified some other funding sources. She pointed out that on the Stabilization Fund, the only time this Administration had come before Council for tapping the Stabilization Fund was for \$57,760.00 to pay for the accountants that had to come in and clean up a fiscal mess in 2008. Unifund was part of that problem; but it was also a lack of discipline of financial management. They were spending money they didn’t have. There was deficit spending. There was a lack of transparency; transfers where there was no money for them. She believed the cleanest way, accounting wise, was to take money from the Stabilization Fund and backfill it with a school contribution and free cash. She felt if they start picking at line items, cutting here and there, the accounting gets “tricky” very quickly; it makes it difficult to track expenses on the City and school side; which was one of the things they were doing with the MOU (Memorandum of Understanding). It was too late for these projects to have funding sources identified. The only reason they have free cash was because of their discipline over spending. She understood the pressure is on them to spend money; but they have to be disciplined. They have to have funding sources identified. She asked for the Council’s help to fund the projects that have been defined so they can get them done and open the school doors.

Jeff Towne, CFO stated they put \$3,200.00 aside in the City Council’s reserve account during the budget process. Typically in the past they might have loaded it up with cuts that the B&F recommended to the City Council you might have thought the Administration put in the budget items that the Council thought might not have been a priority or that they may have wanted to reprioritize it for something else and put it in Department 900. There’s nothing in Department 900; there’s \$3,200.00, a key point. They’ve tapped all the funds that they can to solve all of their project deficits; their capital project deficits; special revenue fund deficits; they’ve tapped all the sale of City lands; they’ve tapped any type of donation account that

was misclassified that should have gone to a capital project; they've hit all of those items. There's no resources to tap with the exception of one capital project which Mr. Costa will address. There isn't "anything else out there". He asked them to keep in mind the Snow & Ice fund that they had freed up the debt service budget to pay down the snow & ice deficit. They're just a few weeks from school opening; there's not just this list but there's the next list for the heating systems, for \$138,000.00 as well. There is the \$195,500.00 and the \$138,000.00 that they have to come up with funding sources for. As the Mayor indicated it took a lot of daily and weekly work to "nail down" all the deficits by working cooperatively with all the City departments and the school department to get what was \$3.8 million two years ago; \$2.3 million a year ago; and now, hopefully, having positive free cash at the end of FY10. He exclaimed it took a lot of hard work to get there. As had been discussed previously in B&F, they need to have their fund balance and Stabilization Fund eventually to be up to \$4.5 million to be considered to be a healthy community in terms of a financial position. Right now there is \$1.5 million in the Stabilization Fund and whatever they end up with free cash this year. It has taken a lot of work to collect taxes; sell tax title foreclosures. Department heads have sacrificed a lot of their operating budgets in order to help fund snow & ice deficits in the past. Their efforts are paying off. They don't have the deficits that they've had; they have some positive free cash this year; and it is for emergencies, which is typically what free cash is used for. Capital project stabilization fund which he and Mr. Costa have been discussing in order to put money aside for capital work that needs to be done. The reason why the Stabilization Fund was offered up by the Administration was because this is an urgent matter with three weeks left to go before school starts. They have an \$85 million budget between the City and the schools. Both budgets are tight. They carried over for the school prepaid SPED tuitions of \$119,000.00 towards FY11 tuition, out of FY10's operating budget for the schools. He didn't know if it would help to free up some of that tuition budget. He had been unable to speak with Mr. Markham, the School Department CFO who is on vacation. Mr. Towne proposed that would be one recommendation. Another item on the list is \$20,000.00 for point of sale program for school food services. He believed this was a good resource to tap the Stabilization Fund because it will help the school food service fund stay out of deficit by making sure they're free/reduced meals are accounted for properly; to make sure the receivables are accounted for properly; to make sure people are not going into a cash hole. The Administration and the Schools agreed that it was a great resource to spend funds on. They need to move it forward so they can get the system installed for this fiscal year. They earned \$17,000.00 in interest in the Stabilization Fund to end of FY09 the end of FY10. They'd still be even in the Stabilization Fund within \$3,000.00 if they spent the \$20,000.00. Mr. Hale's new department that they transferred #368 in the schools to Department 472 has already taken a hit of \$150,000.00 because of the way they had to fund what the schools needed. Mr. Hale is trying to accommodate with the snow plowing and road and sand for the Schools that he's eaten up in his other budget. That budget has already taken a slight hit. The City's budget is also going to take a hit on pensions, and spoke of flat lining the City's pension obligation from paying it the same as they did for FY10 for FY11 because of a municipal relief bill that might pass. It was not the expected relief to them. Already they will see in the Mayor's report upcoming they're going to have to accommodate for that \$130,000.00 transfer out of the personnel department for what they were going to use for workers comp claims that are outstanding. They have to take that hit in order to pay their pension obligation. Snow & Ice is a constant reminder; they put in \$200,000.00 which was appropriate this year as they had said they wanted to bring it up to \$800,000.00 and leave it at \$800,000.00 over the next couple of years. It's \$600,000.00 now. If they tap into snow & ice they'll have to backfill it later. They haven't spent less than \$1 million in the last two years. They bumped it up purposely so as not to drain all the other city departments in order to make up for snow & ice deficits at the end of the year. They wanted to try and keep as much as they can with the departments so they can do their job with what was originally allocated. The only contingency (fund) on the City side, besides what Mr. Hale has transferred from the schools, is \$10,000.00 in the Mayor's budget. With an \$85 million budget could they tap into line items. The difficulty would be the budget was so tight when they passed the budget now it would be worse for the City to accomplish what it needs to do.

Mr. Hale reviewed the current needs list to the Committee stating in July the Department of Public Works took over the facilities of the schools. They immediately set up meetings with the school principals and did tours, meeting with trades people who work for the School Department and maintenance people, to assess buildings needs and making a list. They became increasingly aware of shortfall of the operating budget to do the necessary work; \$2.8 million on the facilities side – over \$2 million is energy, utilities and payroll which doesn't leave much for maintaining these facilities. The list (on file) are immediate needs and most were unplanned for events in the budgeting process. It may seem "silly" to see toilets and toilet seats on a list like this. But when you have no stock and need to replace a significant number of toilet seats you have to look somewhere. There should be stock as well, so that when one breaks they can replace it immediately. There is no stock of toilets or parts. At the O'Maley school, the school's plumber indicated it may be the worst in the system for bathroom facilities where you have a two-lever control for hot and cold and a mixing valve to them; and there is a chance of scalding. They don't meet current codes although they're not required to replace them because of that you wouldn't want to take the chance. They looked at mixing valves that are metered that when you press the lever you get a mix of hot and cold for a metered amount of time. That's an actual cost of \$320.00 per unit to be installed by the City plumber. At that time he introduced David Anderson who works in the School Department. Mr. Hale continued that the Fuller School boiler was identified as in need of retubing in the spring which was quoted but wasn't actually budgeted in this year's budget. It is on-going right now. As early as that morning they were doing a boiler inspection at Gloucester High School and identified another boiler at that needs to be retubed before it can be operational. This list is going to continue to grow. It will go on the October list and that list will also continue to grow. It was identified last year that West Parish was not compliant with a single based prep sink in food services. That has been done. They now have a compliant sink in the kitchen. The hot water contactor at O'Maley works intermittently. There are times when the call for hot water is given and the hot water system doesn't react to the demand. They call Mr. Anderson or the plumber.

David Anderson, School Department added it was for the domestic hot water system within the O'Maley School that feeds the kitchen area and the sinks in the bathrooms.

Mr. Hale continued that it also does the rest of the school as well as the rink. The rooftop A/C unit at Plum Cove Elementary School on one of the new modulars is out of warranty; they're not sure what happened to the unit itself. The A/C unit just doesn't add cool air to go in, it controls the humidity level. With modulars, especially with humidity – the modulars expand and contract and you want to get a fairly good life expectancy out of a fairly new building. Regarding the elevator repairs at O'Maley, he spoke with the elevator repairman just before the meeting. The life expectancy is past on this elevator, as well as at Police Department and City Hall. The O'Maley elevator needed a significant overhaul to make it operational. It is the only elevator at O'Maley. It was just about \$64,000.00. It was just turned over to them and inspected by the State as of the day before. The work had to be done. They're paying it out of the work order fund now which is now depleted by \$64,000.00.

The Mayor stated it started with a total in the work order account of \$92,000.00 which leaves the account depleted now to \$28,000.00, and it is only August.

Mr. Hale stated when the accounts were first made available to the DPW and put purchase orders into the Unifund system; it became very clear there wasn't enough money available to do what they needed. He reminded the Committee that these "hits" were significant. Plum Cove School is four desks short to meet contractual obligations to faculty. Teachers need to have a "place to hang their hats"; a desk and chair. They don't have that. Apparently the modular classrooms are short of sufficient office space. The Building Inspector and the Assistant Superintendent told the school to look at options, none of which were viable due to code restrictions. The only real option was to expand the existing principal's office towards the traffic circle. It is a short-term fix which they're proceeding with now. East Gloucester Elementary School: when he toured the school with Principal Bach at the mid- to end of July, Mr. Bach showed him spots in two rooms that might be moldy. They met with a mold abatement firm who tested it the first week of August. They indicated yes there is mold. The cost to abate the two rooms, to remove the tile, clean the sub floor and waterproof it and reinstall the tiles was \$30,000.00. They are working on

some other pricing as they aren't sure how that fits into the procurement rules. They have a DCAM waiver letter written if necessary. But they're also soliciting some other quotes for mold abatement. These were unexpected costs. He will be bringing to the Mayor's attention in detail the roofs at all the schools are past their life expectancy, and is about \$7.5 million in repairs. East Gloucester has a significant leak in the auditorium, and O'Maley has them above the cafeteria. It doesn't mean there aren't more leaks in those or other buildings. Those are just two that have been brought to his attention by the principals, as well as maintenance people. He explained "this is just a band aid". There is the risk of environmental issues of mold and mildew; structural issues of the facilities and mechanical issues with electrical systems if the roofs aren't fixed. These are necessary fixes. Then there's \$20,000.00 for point of sale food services. While he recognized it was not germane to that evening's discussion, the second list is going to continue to grow (on file). Most is related to mechanical, heating, energy, cooling. He emphasized these aren't replacement systems this was just to get these systems up and running for this heating season.

Councilor McGeary asked about the food service point of sale and thought it had been in the budget for FY11.

Mr. Towne stated the food service fund is at a zero fund balance which was what they wanted them to do. The School [department] did a great job and took a \$200,000.00 deficit and reduced it almost all the way to zero in FY10. He gave the School Committee a lot of credit for it because that would have been a hit to their free cash as it had in past years as their deficits had. There's no real food service budget per se except an internal one that they have a five year plan for. They had said all along that they were going to try to find that (funding) so that it didn't hit the school food service fund. It was a legitimate expenditure of the food service fund. If the food service fund had a positive fund balance, then he would say it should come from that first. They wanted to assist them in that process, since they did get it down to zero.

Councilor McGeary asked if Mr. Markham had this in his five year plan, the point of sale program.

Mr. Towne stated this was a list of something that he wanted to have this because as he "got his feet wet", he realized there was too much work being done manually in schools of these sizes. He wanted to automate it by installing a computer software system that has greater tracking and reporting ability. He recognized that and came forward. As they were addressing the deficits, he asked if the City could help them with it. They didn't want to add to the deficit because it was just going to make the food service fund worse.

Councilor Curcuru noted that they (B&F) did recommend the City would take care of this portion. Now the Administration is putting it on this list. The Administration was going to find a funding source for this prior to this (situation). Apparently that never transpired.

Mr. Towne stated that didn't transpire by the end of the FY10.

Councilor Curcuru stated then it went on this list and was to have been taken care of at the end of the last fiscal year. He thought it was going to be in place before school started.

Councilor Hardy wondered why it remained on the critical list.

Mr. Towne responded it remained on the critical list because they would like to start the beginning of the process. It will take some time to procure it, install the system and to train the food service workers. Mr. Markham has a quote and has all the details. He is just waiting for the OK to move forward by being told where his funding source is to purchase the system. He has to train every single staff member who's going to be taking the funds through the system. He has to also dole out the cards, almost like a credit card that each student will have that the parents will load funds on. They'll be able to track free and reduced lunches so that you won't know who those students are outwardly, protecting their privacy.

Councilor Hardy stated none of them wanted to embarrass students; but she still didn't understand why the Point of Sale system was on the critical list. She felt the schools should identify it for themselves. It should be on a wish list on the City side rather than on a critical list.

Councilor Curcuru stated it was, unfortunately, something that was a "handshake and a nod" by the City to the schools that they would take care of this. It wasn't on a wish list. This was something that was promised by the City to the schools try to install and pay for.

Mr. Towne added that this could have the potential of paying for itself over time with accountability of who owes the City money and to get exactly what they are due back for free and reduced meals. Manual accounts are difficult. This, he believed, was an investment that would reap the benefits quickly and pay for itself in a very short period of time.

Councilor Hardy asked who would reap the benefits if it does come through.

Mr. Towne stated the City as a whole, the students and the School Department. They're trying to do this in a cooperative effort with a great team approach; and they'd like better cooperation for auditing purposes. He exclaimed this would be a City gain. This is one of those things where he felt cooperatively it is a win/win for everybody. They'll get the benefit in the school food service fund, but he wouldn't have to pay for their deficits. He thought he would win in that regard.

Councilor Theken asked for an explanation what the point of sale system was for the record.

Mr. Towne stated it is a computer software program installed at each school location. As kids come in now they need to pay cash or the parents write the school a check; and they keep manual ledgers of how much each kid has in an account balance. This will be identified on the software system. Free and reduced meal students will be qualified as they are now. They will also get a card. They will swipe the same cards. You won't know whether a student is receiving free or reduced meals or if their parents loaded their card with money. The students come through the cashier will know right up front. It won't be used to deny children if somebody runs low. But, it will alert the business office they're low on funds and they can in turn tell the parents they need to re-up their child's funds. It is strong accountability software and has been around for a long time. Many school districts already have these systems installed many years ago.

Councilor Theken asked if they have the equipment.

Mr. Towne stated this is what it will pay for.

Councilor Theken stated they argued with the last school committee and they're still not getting paid back properly. She agreed this was a worthwhile investment.

Mr. Towne explained he understands the frustration with the manual systems. If he were the school CFO it's the first thing he'd do to install the system.

Councilor Ciolino asked if the point of sale system will be at each school (a PC and card reader). He didn't see how they could do that for \$20,000.00.

Mr. Towne stated they've already quoted and has it completely worked out for \$20,000.00 several times over.

Councilor Ciolino related that in retail, the minimum is \$10,000.00 with a CPU. He felt this was a real low-ball figure. You might be able to get the software, but seriously doubted obtaining the hardware also for that one price.

Mr. Towne stated Mr. Markham stated he can accomplish the whole thing for that amount of money.

Councilor Whynott inquired about the October list which Councilor Curcuru asked that they stay with the September list.

Councilor McGeary asked about the Plum Cove School with the A/C unit; did it have to be done now. Couldn't it be deferred as this is the end of the cooling season.

Mr. Hale stated they still have September and October where the humidity is going to be an issue; and it's not just about the cooling. Unless you're in a modular, there's no A/C in the elementary schools. You walk into any of the principals' offices this time of year and the windows are all open. The idea is that every day it's not in there; they lose the integrity of the modular. That's why modulars come with A/C. It is not for the comfort of the staff and students but to maintain the integrity of the structure of the modular unit.

Mr. Anderson stated if they bring a lot of fresh air in, the ceiling tiles start sagging; you'll get mold issues. The unit's fairly new and the condenser coil has a leak in it; it's out of warranty and needs to be replaced.

Mr. Hale stated this is preventative maintenance. You could let it go to the next season, but that's what got them to where they are now. You end up with larger expenses by not doing preventative maintenance schedule.

Councilor McGeary stated he didn't disagree with the general principal but asked if they could defer it in this instance.

Mr. Hale stated in the case of the two year old modular, he would recommend they act on it as soon as possible to maintain the integrity of that modular unit.

Ms. Gilman commented regarding the point of sale system, that Richard Kelleher, the food service director, was no longer with them, having resigned. That day they interviewed 5 candidates. A final candidate will be selected. She felt there was a benefit of timing right now with someone new coming in who can push forward with a new system and make progress in this. They'll be bringing in a new person who has experience in these areas. They're in the black right now.

Councilor Curcuru related he had the opportunity to sit with the School Committee's B&F Committee earlier in the evening. He clarified that where they're using the figure of \$195,500.00, but during the discussion the School Committee has been asked to find \$94,000.00, \$64,000.00 for the elevator at O'Maley and \$30,000.00 for the East Gloucester mold issue. He understood \$50,000.00 has already been transferred into the City contingency fund which was brought over when the school maintenance was shifted over. So they're actually looking for \$44,000.00 and the other \$100,000, the City will be responsible for.

Councilor Theken then asked to clarify that they were no longer looking for \$195,500.00.

Councilor Curcuru stated they're actually looking for \$102,000.00.

Councilor Theken recapped that they're looking for \$195,500.00 and the Schools will reimburse them \$94,000.00.

Mayor Kirk stated it's a cash advance. Free cash will also reimburse.

Councilor Curcuru noted Mr. Costa had some dedicated sources they may be able to use to offset this.

Kenny Costa, City Auditor thought it prudent for the City and Schools to review the general fund budget to see about any current savings. He understood it was early in the year. He reviewed City and School contingency accounts. There's \$3,200 in the City contingency account reserve and \$150,000.00 in the school contingency account and also in the new Department 472 \$50,000.00 and \$10,000.00 in the Mayor's contingency account and \$119,000.00 of prepaid tuition for SPED services. They need to find out from the schools if that would be an available source.

Councilor Curcuru stated they let Mr. Markham know about the \$150,000.00 in the contingency account. \$50,000.00 is for emergencies and \$100,000.00 of that money has been set aside for contract negotiations.

Ms. Gilman confirmed that there was a need for full Committee review of how that spending was incurred spent because eight of their contracts are up for renewal. It is very little money for that.

Councilor Curcuru stated \$50,000.00 is possibly available.

Ms. Gilman stated the School Committee's Budget & Finance Committee is looking really closely and asked her to tell the Council of the genuine concern of what money might be available. The commitment is to find that \$44,000.00 and are aware of its importance.

Councilor Hardy stated Mr. Towne mentioned that the School Department prepaid SPED tuition.

Mr. Towne responded they prepaid \$119,000.00

Councilor Hardy continued that they prepaid that from the previous year for FY11 tuition.

Mr. Towne replied they're allowed to carry that over by MGL to spend up to three months of tuition money.

Councilor Hardy expressed so that they don't "repeat the sins of the past", why wasn't that money used to pay down some of the infrastructure problems they see now. They knew they had an elevator problem. They knew there was a mold problem. Why weren't those monies used to address these situations that we find ourselves in now and wouldn't be looking for so much money.

Ms. Gilman understood that the elevator issue and the mold issue were not planned expenses; and they weren't aware that they needed doing before the beginning of school.

Councilors Hardy and Curcuru disagreed saying that it had been a problem for years.

Councilor Hardy asked before they prepay FY12 tuition can they look at that money as to what their expenses will be next year in order to redirect the money to school infrastructure problems. She asked if

this was an avenue they should be looking at before next year. Before they prepay SPEC tuition they should look at it.

Mayor Kirk asked for clarification from the City Auditor if the transaction had been completed. Is there a way to pull it back.

Mr. Costa stated it's been carried over to FY11 in the carry over process. It's already been spent. But you're still required to budget twelve months worth of prepaid SPED tuition. He's looking to the Schools to see if there will be any savings. He did notice that in FY10 they did pay off some of the school food service deficit, about \$70,000.00 in one transaction and to see what can be done; any budgets available in that account.

Councilor Hardy asked as related to snow and ice that they were pretty sure they were going to get a good amount of free cash certified; could they borrow this money from snow & ice and backfill free cash and snow & ice on the other end.

Mr. Costa didn't believe so. He looked at the Snow & Ice report that's submitted to the DOR. There is the original budget with a supplemental appropriation added to the line. There's not a line in there to transfer out of the snow & ice. DOR frowns upon it. He would look into it for the Council.

The Mayor stated there are certain restrictions on some snow & ice categories because it's a special category. It is the only thing you can deficit spend. Once you set it at a certain level once you show that track record and you cut it there are conditions that apply. There are certain reporting requirements with DOR. It would be doubtful you could borrow against that and backfill later. It would be cleaner to borrow against the Stabilization Fund and then replenish it. That's where they get into the accounting problems of trying to trace expenses when they're doing transfers that are temporary only to backfill later.

Councilor Curcuru stated there is no other accounts that have \$200,000.00 other than salary and payroll. He asked if the \$50,000.00 in the contingency account was available

Mr. Towne stated that's now in the Department 472 account (newly created from the merger of the school and city maintenance functions). The whole fund for what the schools were originally budgeting to what Mr. Hale ended up with; they added \$75,000.00 for the facilities manager. And they cut \$75,000.00. There's really a \$150,000.00 difference if the school had kept that and kept going with what they would have in their budget versus what Mr. Hale has. It's already down. As Mr. Hale stated, there is very little amount that isn't electric, utilities and personnel. The schools had very little disposable cash for spending of ordinary and maintenance things.

Councilor Curcuru thought it would be October for the certification of free cash at the earliest.

Mr. Towne stated it would be likely December.

The Mayor noted an example of the quantity of funding in some accounts. Of the \$50,000.00 contingency that came over in the facilities budget, that \$50,000.00 is down to 0 because that is where the elevator was charged to. The work order account which is the maintenance fund for the work that needs to be done day in and day out has a total budget is \$92,000.00. It's been expended down it's now a balance of \$66,000.00. If they were to take that and zero that out, there's no capacity to do any work for two months. Now you start poaching from Mr. Hale's work order account which is even smaller, and you have an accounting nightmare because you're trying to track the school expenses as well as City expenses and no specific item is enough to cover the magnitude of it; taking \$5,000.00 here and \$10,000.00 there. The cleanest thing is to tap stabilization; understand what the schools can contribute; and then replenish it with free cash.

Councilor Curcuru asked if they're sure of the free cash 100% because you're never sure; it pays to be conservative. Is there a contingency plan if this falls through.

The Mayor stated all the work they did with the Chair's help, in the weekly meetings tackling deficits, and putting the pressure on the School Department to get the food service deficit to zero. they don't anticipate any deficit exposure. They don't have a lag in borrowing, capital projects that you haven't spent money that you borrowed for and to throw it into the free cash deficit. They don't have that. There is no known deficit sitting out there.

Mr. Towne added just the ladder truck of \$100,000. Even backing that number into the free cash estimate, he was confident they'll have the free cash.

The Mayor stated they know where their revenues and expenses are. It is a calculation at this point because you've limited all the detrimental factors which took three years. They know what the detrimental factors are. They're confident it's positive and sufficient to cover the amount. If there's not and they need a contingency, they'll do what they do. They'll then hunt and peck, put in a spending and wage freezes as they do in an austerity mode.

Councilor Ciolino what about the property they sold for property taxes (owed to the City); wasn't that money supposed to fall to free cash.

Mr. Towne stated it did and was part of their calculation. They took in \$277,000.00; but because some of that was paying off receivables, they netted \$100,000.00 that dropped to the bottom line free cash because they needed to pay off the receivables first.

Councilor Ciolino stated there was an expectation this money will be available.

Mr. Towne replied that they collected between sale of the property at end of FY09 and the work the real estate law office and the tax collectors office has done, they've collected well over \$2 million since the start of that timeframe. That activity wasn't being done up until that point in time. They were taking people to tax title; but they didn't have that mechanism – the help of the real estate tax attorneys to aggressively go after the owed taxes. He speculated they were “pushing” \$2.5 million and holding the line on if you don't need to expend it, it drops to the bottom line which has helped free cash and an accumulation of many things. He's confident they're going to have it, but until DOR signs off on it, it doesn't exist.

Councilor Curcuru asked what Mr. Towne's thoughts were about tapping the Stabilization Fund.

Mr. Towne responded since he “walked in the door”, his goal was to get the fund balance of the stabilization fund to \$4.5 million for the City to be on the low end of a healthy community. He stated he really doesn't want to have the Stabilization Fund or free cash tapped nor did he want to see Mr. Hale not be able to do anything with his operating budget. He stated they should tighten their belts as much as possible, but they have to do something to pay for it now. Tapping the Stabilization Fund knowing they're going to put it back is a strong option to him. If he had an extra \$200,000.00 in contingency and was sitting there, he would “hit” the contingency first and then free cash and then stabilization; that would be his preference. With the ordinary budgets the way they are and operating budgets on the City side, and is starting to become familiar with the schools budget. The city side is so tight this year, and they start whacking it, especially in light of the \$130,000.00 in pensions, they'll be in tough shape soon, not May and June, that by October they would be in tough shape and would hate to start the year that way.

The Mayor stated if they had free cash from last year right now that's where they would go for these one time expenses. (Mr. Costa interjected free cash lapses on June 30th and they'd have to wait until the next year.) Her point was the reason they want free cash as a goal was that it gives them financial flexibility without undermining the rest of their fiscal responsibilities. They don't have the cash right today so they look to the Stabilization Fund. Next year when they're sitting there with a project list they can go to free cash without tapping stabilization. They're not there yet but are on the brink of that turn around.

Councilor Verga explained that historically about the prepayments to SPED. He spoke of a few years ago when six students were coming into the district that cost \$700,000.00. Within three months they had a couple more students and ended up with 8 or 9 students, and put them up over \$1 million. The prepayment argument, which he stated it was exactly that, an argument was that the School Department can under State law legally prepay SPED tuition and was sort of an insurance policy. All it takes is one more kid coming in and puts you in a pickle. If you pull that out, then it would most likely be coming back to them before the end of the school year. He hoped the Committee and the Council keeps the full spirit of what they're trying to do. While these specifics might be new to some of them, the whole condition of the schools should be no surprise to anyone. The Mt. Vernon report of 2003 identified over \$100 million in deficiencies in all of their buildings. Year after year the School Department and School Committee would submit a capital request budget along with their operating budget and were told there was no money to do these things. They need to look no further than City Hall and the Police Station as to what happens with a lack of preventative maintenance. He supported handing things over to Mr. Hale

and the DPW because he thought it was a great thing. Of the eight years he was on School Committee, for five of those years they had no facilities manager. They need someone to look at this day to day **Councilor Curcuru** stated they knew this was coming down the line. They have three more lists to come. He understood what Councilor Verga was saying.

Councilor Verga stated the end result is they want safe buildings for students and their employees. If they have to borrow from the Stabilization Fund to do it, he would be for it.

Councilor Theken asked what's happening with SPED with regard to students who no longer live here anymore, and they're paying for them still – they're last known address was Gloucester. Have they done anything to track these children, and it's a lot of money.

Mayor Kirk responded that a few years ago the School Committee put together an in-district program as an alternative to the Landmark School which has tuition of approximately \$40,000.00. It's been really successful; now they're staying in district in a program that's delivering the same level of service. One of the things she's requested is a review of all the SPED contracts because she has to sign them. She imposed criteria for those contracts and strengthened the language in the contract. There had to be a dollar amount associated with the SPED purchase order (there'd never been one before) and to put a clause in there so if there's an absence greater than 10 days the school district doesn't have to pay the tuition. They're working on that and is on the radar screen. Superintendent Joe Connelly hasn't been briefed yet.

Councilor Theken didn't want to take away from the SPED program and didn't want the children to suffer and shortchange them. She also asked for a definition of free cash for the record.

Mr. Towne explained that free cash is a calculation starting with the unreserved fund balance which is; for example, in a business you have net income, profit. In simple terms it's the accumulation of profit each year; say you have more revenues than expenditures in one year. There is \$1 million in unreserved fund balance. From that the DOR will take away any deficits, any shortfalls in the accounts, any appropriation deficits, capital deficits that are over expended. They start whacking you for the negative things. If you have prepaid assets on the books. They start with the unreserved fund balance, and they go through and say you can't spend this because it's not available, and they end up with a net amount. You have an amount you can do something with. It's not needed to cover a hole or a gap. It's unrestricted.

Councilor Curcuru asked if it expires at the end of the fiscal year.

Mr. Costa stated you have to appropriate it as of June 30th and you have to wait for the free cash to be certified. You recertify it so you can use it again.

Councilor Theken noted her concern that at O&A they did the facilities manger position. Now Mr. Hale has a \$150,000.00 deficit or under or low budget.

Mr. Hale stated they budgeted the facilities manager position into this budget.

Councilor Theken stated they're "borrowing this money for a month" in October, and wondered why, if they don't have a facilities manager at this time, they couldn't take that salary money now and put it towards this situation.

The Mayor felt it would be going "down the road" of transferring small amounts of money in order to backfill later. It would be "messy and the lag money would only amount to \$10,000.00 at most.

Councilor Theken asked when they did the CSO project and some City employees were having their pay split out three ways, charged against the CSO project, water and sewer. The tax money that is upcoming is supposed to alleviate some of the DPW budget because they would be able to pay people out of that; and did they have extra to cover the \$150,000.00; or would they be stuck in a "hole" and have to come before them again and say that they have no money.

Mr. Hale believed the Councilor was referring to the Stormwater utility which would be a separate enterprise account which would be a separate account from water or sewer.

Mayor Kirk suggested the Councilor was referring to the recently passed debt exclusion.

Councilor Theken recalled Mr. Hale telling them he could write off some of his employees' salaries to the CSO project.

Mr. Towne stated that would begin in FY12. It would not be of help this year.

Councilor Theken asked about Chapter 70 monies.

It was discussed amongst those present and the Committee that these monies were specific to education reimbursements by the State and were expected to be cut further and were not of use for this purpose.

Councilor Curcuru noted if the certified free cash doesn't exist, it will be up to the Administration to find the funds.

The Mayor stated it would be like a mid-year cut.

Councilor Theken stated, "finding it and then when someone says you have to lay off four teachers instead but you already took it out to pay back the Stabilization Fund – they've done this before." She didn't want them coming back in several months and say they don't have the money and lay off four teachers; and tell Committees they don't have the money and never repay it.

The Mayor responded that Gloucester has lost millions of dollars in State aid over the last 2-1/2 years; local revenues have plummeted. With the exception of one person who went voluntarily into retirement they've not laid off staff. She noted the City's austerity program of spending freezes, wage freezes, protection of services. They try to get a bit creative with financing, but there is no threat of a layoff. "That is not within the realm of possibility." Her Administration had not done that yet.

Councilor Curcuru noted they're talking about \$100,000.00; not the whole \$195,500.00.

Mayor Kirk added it was \$195,500.00 minus \$50,000.00 out of contingency, and minus the \$44,000.00 from the schools.

Councilor Theken reminded the Administration that when they go before the Council not to say they're not paying it back right away.

Mayor Kirk interjected that "right away" means by the end of the fiscal year.

Councilor Theken counseled they simply say what is needed, and they have to do it. "It's a rainy day and everything else is leaking."

Councilor Curcuru believed no one was disagreeing with that description.

The Mayor stated the Administration thinks that it's important (as to how the monies would be paid back). They want to show a payback plan.

Mr. Costa noted the rating agency frowns upon using stabilization money; and they want to see a plan as to how the monies would be replenished as well.

Councilor Hardy asked once free cash is certified, conservatively, what they thought that amount would be.

Mr. Costa didn't know but felt it would probably be positive. That was what he was seeing and appeared to be the trend.

Councilor Hardy reframed by asked what free cash could be on the high side.

Mr. Towne stated high side over \$1 million.

Councilor Hardy then asked what he thought conservatively it would be on the low side.

Mr. Towne quipped \$195,500.00.

Councilor Hardy stated that if they feel confident that they'll get enough money certified as free cash, she wanted to know what they were thinking and to share it with the Committee.

Councilor Curcuru commented they hadn't closed the books yet; they're still working on it.

Mr. Costa confirmed that was the case and that they were still going through the deficits to figure out if they were timing deficits, or were they permanent. The dust hasn't settled yet from FY10. They need more time.

Councilor Hardy stated what if they rounded it up to \$196,000.00 and asked what the Administration's plan is to use the free cash; and what could they use it for – legally what are they allowed to spend it on.

Mayor Kirk stated they can use it for any municipal purpose. They would never use it for operating expenses as those are recurring. These one-time expenses on the project list qualify under the criteria they would establish as a City. They would be on a budgeted path with free cash each year; they would want to budget \$300,000.00 a year to bring the Stabilization Fund up and show that trend to create a healthy balance.

Councilor Hardy stated that it is legal to use free cash to reimburse the Stabilization Fund. And the Stabilization money can only be used for one-time uses, not recurring. Not for salaries or anything like that.

Mr. Costa added and it is legal to do so, but did not recommend it.

Mayor Kirk stated that her Administration would not do it but reminded the Committee that previous administrations, during troubled times in 2003, 2004, 2005; one-time money was used to supplement the school budget and probably used to patch the City budget.

Councilor Hardy looked at MGL Chapter 40, Sec. 5(b) which says you can't use stabilization money for anything you can't normally borrow. You can't borrow for salaries.

The Mayor stated you'd reduce the debt line item; you'd make it work.

The Mayor stated they wouldn't do that, though. They have not used one-time money to balance the budget despite the loss in millions of dollars in revenues.

Councilor Hardy asked why they haven't borrowed for this \$195,500.00.

Mr. Towne stated these are repairs and maintenance related items and aren't capital items. In order to borrow long term, they have to have a useful life that would "tie out" to the debt. The next list for \$138,000.00, several of those items if not most of them could be borrowed long term. That could go towards capital; but again, it's the timing of it. If those have to be done by October, they have to do it in Council, have a public hearing, get it back and borrow it. As soon as he gets it, he can go out and borrow short term. But it is a timing issue similar to the situation with I4-C2. He gave the example that if Mr. Hale needed to get the expenditures done by September 25th, it is August 10th now. By the time it gets out, if they don't have special meetings and there's a vote to not reconsider and it's voted down no; they could do that. There's the 14 day publication notice. So it is a timing issue for the October 1 (deadline).

Those would be his concerns on the second list as to whether or not they could physically get it done. They have September borrowing already in process; there are things they could get moving on; but it would be a timing issue also as to whether the Council would be amenable to speeding that process up.

Councilor Whynott noted they're asking about one specific job with lag money. Have they looked at all open positions to see if they could find other lag money.

Mr. Towne responded he was unaware of any other lag money that exists presently. They hired a policeman, and a paramedic; they've only got one part time position and the City engineer just left. They could cobble together \$5,000.00 to \$10,000.00 through that too. They have an \$85 million budget. They could put together hundreds of thousands of dollars to make that work; but that would be taking from what they would typically use to pay snow & ice; to pay other things. It was not something they wanted to have to do in August at the start of the fiscal year. If it was May, that would be another matter.

Councilor Whynott commented that based on the conditions of all the buildings and based on 2.5% per year, he felt the only way out for the City was debt exclusion and believed it would come to that.

Councilor McGeary asked about alternatives to the Stabilization Fund only because Mr. Towne and the Mayor have repeatedly said it's important to us, when do you go before Moody's and when does the City get its bond rating.

Mr. Towne stated any time they do any major borrowing it would probably go before Moody's. They already did a lot of their borrowing on Mr. Hale's items to Mass Water Pollution Abatement Trust Fund. He thought they probably would not be reviewed until next summer that Moody's would come back. They could have the City do a review as early as September. The Stabilization Fund, the free cash, all of that would be estimates at that point in time.

Councilor Curcuru noted they're coming forward with capital projects in excess of \$10 million.

The Mayor spoke to the bond rating in 2009; they "were boiling water". They had two rating agencies come into the City and say, "what the heck is going on", asking how much was it (the "Boil Water" issues) going to cost them; how much would it take and how are you going to pay it back. Based on the strength of the City which had improved so dramatically from a financial standpoint, they were able to say they thought it would cost about \$800,000.00. It is an emergency. It's not budgeted, but they think they will have free cash to cover it. The bond rating of the City did not suffer because they had the financial management and management team in place with a plan. To go with a guaranteed payback,

they're (the Administration) not worried about it. The Boil Water Order is telling with regards to the infrastructure. Things happen. They have to be disciplined about not letting the projects get ahead of them by letting them get started without a place to pay for them. Or as soon as they know they have to be done with no funding source they are having this conversation. That's "how they have to roll with this". That's what Moody's will look at. They're not going to look at that you needed that money from Stabilization; they're going to look at how you managed it.

Councilor McGeary stated a decrease of \$100,000.00 or \$200,000.00 does not materially affect our rating.

Councilor Ciolino stated they're going to look at how you're going to pay it back.

Mr. Towne stating their trend is looking "marvelous" compared to what the trend was looking like in the past. The City is rated with a negative outlook at present and said his goal was to get the negative outlook removed. They might not go up a grade in their rating; but hopefully, they're not under a negative outlook. Gloucester Crossing was done. They still have good collections. They collected all that extra tax money. They'll probably have a positive fund balance this year. All those things are so much better than a year ago and the year before that.

(**Councilor Theken** left the meeting at 7:30 p.m.)

Councilor McGeary asked if they looked at reprogramming existing capital borrowing authorizations.

Mr. Costa didn't know there was one in the GHS energy management that was \$26,000.00. There's not a lot of money out there; but this is a capital project. The items that were brought forward are all ordinary maintenance, so they have to find like type projects. That is a 20 year project. They'd have to find another building improvements type project.

Councilor McGeary noted they did say something about the retubing of the boiler at the high school.

Mr. Hale stated there's a rooftop unit involved and other items.

Councilor McGeary responded then it would be better left alone. He then asked how much salt and sand was on hand right now.

Mr. Hale stated they probably have 700 tons of salt, good for three days.

Councilor McGeary noticed there was one line item in snow & ice of \$150,000.00 and suggested if they hit that instead of Stabilization they'd still be over last year's snow & ice budget by \$100,000.00.

Mr. Hale stated they spend \$350,000.00 annually on salt.

Councilor McGeary commented they actually spent \$311,000.00; but stated, again it was to pay back. They're going to be paying it back whether it comes from Stabilization or sand and salt. He wondered if it would be wiser, on the off chance that they're delayed or the free cash isn't as good, to take it from someplace where they can deficit spend if they had to and not end up with a hole in the Stabilization Fund.

Mr. Towne referred to the calculation the Mayor referred to earlier, once you have a budget established and you reduce that budget in the following year, for example, you can't deficit spend the amount you reduce it by. There is a calculation issue.

Councilor McGeary commented that even though if they pulled that \$100,000.00 they'd still be above the FY10 appropriation.

Mr. Towne responded as Mr. Costa had mentioned earlier, there's not even a line item on the form for snow & ice in order to even remove it. – that was the question they were trying to follow up on with the DOR. They bumped snow & ice up \$200,000.00 and thought it would be an easy solution to refund it in there; but both he and Mr. Costa felt it was not a wise solution or possibly not even allowed. They need to check on that to make sure.

Councilor Hardy reiterated the Council was asking for an answer on that.

Councilor Mulcahey asked what part they are asking them to vote on. Is part a transfer and part from the stabilization fund?

Councilor Curcuru stated it is \$195,000.00 minus the \$50,000.00, minus the \$44,000.00.

Mr. Towne added technically they'd need budgetary transfers to come before the Council. It comes out of the Stabilization Fund then you have to transfer back.

Mr. Towne looked at the \$50,000.00 out of Mr. Hale's budget and says, now he has nothing and he's starting the year with nothing for contingencies. They're putting him in the same spot where he's already short on that issue. He would rather do the whole \$195,500.00 and then refund it back in.

Councilor Curcuru responded really what will be refunded is \$150,000.00 back into the Stabilization Fund; but you're going to end up with the \$44,000.00 from the schools.

Councilor McGeary noted the total of \$195,500.00 regardless where it comes from, assuming free cash comes through and you'll make the \$195,500.00 good in the Stabilization Fund, even with the Phase 2 things coming from the schools.

Councilor Curcuru stated that was going to be a different piece.

Mayor Kirk clarified that assuming the free cash and assuming the School Committee votes to reduce from some line item (in their school budget).

Councilor Curcuru commented that wasn't definite yet as they hadn't found a dedicated source as of yet.

Both **Councilors McGeary and Curcuru** commented although they (the School Committee) want to.

Councilor Ciolino stated between the School Committee, the Mayor's office and the City Council, they are taking a leap of faith and work together to give them \$195,500.00 and that money is going to be repaid by the School Committee and by free cash. Also, if the free cash doesn't materialize, they heard from the Mayor in the meeting that they'll have to cobble whatever the money is to pay it back. The end result is the money from the Stabilization Fund is going to be paid back. That's what they need to be concerned about. The issue that hadn't been brought up was that if there was "a nickel more" of free cash that they should be talking about putting that money into the Stabilization Fund.

Councilor Curcuru didn't think there was a question of that. They, as a Committee, would not be doing their job if they didn't try and exhaust all the possibilities at this point in time, which was what they were doing there now. He suggested to his fellow Committee members that they not take a vote at this meeting. They should find out about the snow & ice with the DOR; do their site visit and convene another meeting.

Councilor Hardy noted some time ago she and Councilor Tobey had asked about the status of reestablishing and putting into place the Capital Improvements Advisory Board. She felt it was evident they need to start bringing new people, former members, and use the wonderful tool they have in that Board

The Mayor stated new appointments would be coming forward in her next Mayor's Report. They've identified four new "citizens who answered the call" to participate on that Board. It will then be fully staffed and engaged. She had set the requirement that it had to be staffed; they can't just let them founder. The CFO has to support them in conjunction with the City Planner. They need to take it seriously; and they're at that point that they're ready to so. When they're spending capital money on mandated projects they flounder because there is no input there from the DEP standpoint. She assured the Councilor she would see those appointments coming forward.

Councilor Hardy asked about the lessons learned and what steps are they taking to ensure the neglect of the past doesn't happen again. She asked Mr. Hale if he had any "stop gaps" and failsafe types of situations in place.

Mr. Hale responded he did but thought saying "fail safe" was difficult. He felt one of the biggest gaps has been middle management. He noted Councilor Verga saying of his 8 years on the School Committee, five of those years were without a Facilities Manager. They haven't had a City Facilities Manager. Mark Cole, DPW Operations Manager, does that kind of job along with a lot of other things. When he first started with the Department, and there were four operations managers, there are two now. For most of his tenure, there's been one. The lack of middle managers means there's no one going between the Administration and "the boots on the ground people", like the Dave Andersons who see these things deteriorating. So the capital forecasts aren't going to be as accurate as they need to be. You have to have that middle management there. They have to report back through their chain of management and it has to

get to the Administration. He hears the School Committee saying they brought forward a lot of these capital plans, but lack of a middle manager on the school side was the big hole as well on the City side. Once that position is established good preventative maintenance, good capital planning, you'll start to see them get "on the back side of the curve". Citywide, not just the schools, it's a deep hole. This building (City Hall) itself has a lot of deficiencies. He noted at Public Works, his green roof on his garage leaks every time it rains and holds water for five days. He was amazed how they had gone down a path of no preventative maintenance. It's all been crisis management. He reiterated he believed it was staffing levels, not the fellow who's doing the work but middle management to bring the matters forward.

Councilor Hardy asked about staffing levels and the Mayor's comment about staffing the Capital Improvements Advisory Board. When they have the Facilities Manager on board, what were the plans for him to have staff and how to house that staff.

Mr. Hale stated they'll be in his building with access to all their clerical staff and a quasi-clerical person that came over with the merger. That person has been doing a lot of purchase orders. That person knows the system. This is not a school facilities person but a City-wide facilities person. It will be useful to bring that person into that whole mix.

Mayor Kirk felt she couldn't make the point enough, and noted a lesson learned that there is a bit of a culture clash between the schools and the way they "run the show" in the City. They don't spend money they don't have. They don't deficit spend. They don't start projects that don't have a funding source. They're disciplined. That's part of the issue so when they got the list and some of the projects had been initiated, and assumed to be done. Mr. Hale raised the question what was the funding source; and the response was they didn't know. There are big questions there for the School Department. Some of this is "bubbling up" to the School Committee, which spoke to Mr. Hale's statement about middle management. This was as much a surprise to them in many ways in the specificity and the urgency.

Councilor Curcuru confirmed to the Committee that was the case at the School Committee Budget Meeting.

Councilor Mulcahey asked before the City took over the school maintenance, if that hadn't happened; the schools would have opened with all these problems with no one the wiser. Who was going to say anything? Who would have made the call on the school(s) opening?

Mayor Kirk stated it was one elevator in O'Maley. With the mold issue, teachers would not go into those classrooms unless they were remediated. Some of the other things become a standards issue meaning the Plumbing Inspector saying these toilets are unacceptable as per his visual inspection. But the schools might say, they're good for this year, we can get by. They may have let some things go so they wouldn't have to absorb that expense and asked Mr. Hale if that was a fair characterization.

Mr. Hale agreed that it was and spoke to school not opening stated you can't have the only handicapped accessible lift in a school not functioning. Talking with maintenance people from the High School, he found they spend, generally, their whole operating budget on vandalism repairs; never getting above that baseline. "Whatever they see today, it's as good as it gets". When someone breaks it they replace it. He felt that was going to change, also. They're at a point where they can encourage a culture with the principals where they can bring that level up so they can have facilities that have better maintenance programs to them.

Councilor Whynott felt it seemed the first thing that was always cut is maintenance money. We have to do a better job of budgeting for it.

Councilor Curcuru stated they'll have a baseline by the end of the year now that the City has the responsibility in terms of what they're looking at in terms of cost of fuel, overall maintenance.

Mr. Hale stated he agreed but that was why he was being very cautious when spending on the schools so they can separate those lines so they can build a facilities budget next February or March that's realistic. They were given this budget and didn't know "what's thin, what's thick; it looks like it's all thin". He believed they would have a good baseline coming into the next budget season.

Mr. Towne met with a company to look at the lighting and motion detectors for the High School; and it's a very deep project in terms of costs; but National Grid is willing to take in about \$92,000.00 as a gift; do a 0% two-year loan to the City and pay it back over the utility bills. Then the City would end up having

to kick in an amount of money also that they would end up paying. The repayment schedule is supposed to be around four years of energy savings. There are also those types of things that not only are there the maintenance, of fixing things, but improving their energy management. He noted as Councilor Verga had mentioned in the past, this was the next one they're going to tackle. There are 1,800 lights they want to change out for better and more efficient lighting. There's that program that they haven't broached yet, also. It could be a very good program for the City, perhaps not this year, but in the future years it could be good for the City. They may come back to start speaking about these kinds of programs for energy savings.

Mr. Costa stated in the community where he worked previously, they had a contract with Honeywell for an energy saving contract. He agreed there were those types of opportunities.

Councilor McGeary asked about MGL Chapter 40 sec. 5(b) of Ms. Lowe and where they stood. He recalled she had found something in old Council minutes that showed they had adopted it.

Ms. Lowe noted the inquiry was on the stabilization laws, MGL Chapter 40, sec. 5(b) and had a difficult time finding any reference to that. Councilor Tobey thought it was created in 1995, and she found the actual vote back in the spring of 1995; and the first transfer in which was free cash in May of 1995. That meant it was locally adopted (MGL C40§5B). Auditor Costa also asked her to check for the local acceptance of MGL C40§5B.

Councilor McGeary referred to the school building use fund (MGL C40§5B).

Mr. Costa stated that could be another potential funding source.

(Councilors Verga and Whynott left the meeting at 7:50 pm)

Councilor McGeary asked if they could tap that fund.

Ms. Lowe stated that the last paragraph in that law says something about "accepting this proviso" which refers to whether or not a balance in the fund drops to the general fund or rolls over so to the School Department account year to year.

Mr. Costa finished that you could keep the monies in that fund; but if you don't vote for it, it is posted to the general fund at the end of the fiscal year.

Councilor McGeary stated they don't know where they stand if the City locally adopted that.

Ms. Lowe reiterated they don't know if the City locally adopted until you prove that you don't know if you can retain it and it would fall to the bottom line at the end of the year.

Mr. Costa stated you have to find the law that says, "yes you can keep that money" in the fund.

Councilor Hardy asked what they had been doing with it year after year.

Mr. Costa responded they had been rolling it year to year. It should be closing to the general fund, approximately \$70,000.00 in FY10.

Mayor Kirk stated the School Committee has pre-committed that fund to pay an entire salary and part of another salary. That will be another \$70,000.00 hit If it turns out that fund can't be used to pay salaries which was what it appeared to be, "there's some clean up". This is part of that financial discipline.

Councilor Hardy wished there were more School Committee members present to listen to what they were trying to help them accomplish.

Councilor Curcuru stated the School Committee wanted to be recognized for their ability to help fund this problem. She also asked about vandalism.

Mr. Hale stated that the new superintendent was adamant about having accountability and gave the example of the football locker rooms.

Councilor Hardy felt they should be pleased with the actions the City Council, the DPW and the Mayor's office has taken to prove they're going to do a good job by taking this over.

Councilor Curcuru encouraged all to go down to the high school to take a look around the grounds to see how good it looked now; that it hadn't looked that good in many years.

Councilor Hardy spoke to vandalism and what was going to be done to prevent vandalism in the schools in the future to the schools in the City of Gloucester.

Mayor Kirk felt the School Committee had to take that up as a policy question there to put in place consequences and implement it through the principals. She didn't know off-hand what the policies were on vandalism and the behavioral consequences.

Mr. Hale stated the new superintendent was adamant about vandalism and its prevention. The cleaning staff was talking about the vandalism to the boy's athletic locker room. They had just redone the hinges and put a drop ceiling in. Three days later the football team ripped all the tiles and webbing down from the drop ceiling and tore the locker room doors off. It was passed off because it wasn't a Gloucester team (that caused the damage).

Councilor Hardy felt there should have been a police investigation. Something should have happened. It should have been on the record; that this was caused by a visiting team and they should be held responsible. There should have been action taken.

The Mayor stated Superintendent Connolly has flagged this as unacceptable.

This matter was continued to a Special Budget & Finance Meeting on Tuesday, August 17, 2010 at 6:00 p.m. in the first floor Council Conference Room.

Councilor Hardy took up the matter of the Community Emergency Response Team (CERT) grant application just referred to the Committee at the Special City Council meeting due to the nature of the deadline being August 20th; with the application having to be submitted via U.S. Mail (all documentation related to this grant is on file). There is no match and doesn't commit the City to any program. This will be monitored by the CFO, and the Auditor's office; and that there was a question out to legal as to whether CERT volunteers are "Special Municipal Employees"; and once they get the award they'll come back before the City Council.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommended to the City Council to grant permission to the City's Chief Financial Officer to act as fiscal agent for the Gloucester CERT program and to make application to MEMA who is soliciting proposals from the Commonwealth's Citizen Corps Partner Programs (CCP) for participation in the FY2007 and 2008 Citizen Corps Reimbursable Formula Grant Program. The purpose of said grant program is to foster program development and strengthen Commonwealth CCP capabilities through the allocation of federal funds.

A motion was made, seconded and voted unanimously to adjourn the meeting at 8:00 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

DOCUMENTATION/ITEMS SUBMITTED DURING MEETING: None.