

Budget & Finance Committee
Thursday, June 23, 2016 – 5:30 p.m.
1st Fl. Council Committee Room – City Hall
-Minutes-

Present: Chair, Councilor R. Scott Memhard; Vice Chair, Councilor Joseph Orlando, Jr.; Councilor Joseph Ciolino

Absent: None.

Also Present: Kenny Costa; John Dunn; John Dunn; Dan Smith; Mike Hale; Tony Gross; Bill Sanborn

The meeting convened at 5:30 p.m.

1. *Memo from Community Development Director re: Council acceptance of revised amount of \$60,596 for the Program Year 2016 HOME funds from the North Shore Consortium*

Dan Smith, CAO, advised the Committee that the city is in receipt of the final amount for the PY16/FY17 HOME funds from the North Shore Consortium which came in \$436 higher than anticipated which requires that the Council revoke its acceptance of the grant funds for the final correct amount.

COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend to the City Council that a vote taken by the City Council on May 10, 2016, to approve and accept anticipated HOME funds in the amount of \$60,160 be AMENDED to accept an additional amount of HOME funds of \$436 for a total of \$60,596 for the purpose of supporting the City of Gloucester's First Time Homebuyer program.

2. *Special Budgetary Transfer 2016-SBT-35 from Dept. of Public Works*

Mike Hale, Public Works Director, said that this transfer from a utility account is to ensure enough funds are on hand for coverage of police details for small paving projects, line painting, and other like DPW projects to the end of FY16.

COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-35 in the amount of \$10,000.00 from Account #101000.10.499.54110.0000.00.000.00.054, DPW-Central Services, Gasoline to Account # 101000.10.470.58415.0000.00.000.00.058, DPW-Public Property Maintenance, Paving for the purpose of funding DPW-Public Property Maintenance police detail coverage for various city road projects.

3. *Special Appropriation-Budgetary Transfer Requests, 2016-SA-26, -27, & -28 from Harbormaster*

Tony Gross, Waterways Board, said the three transfers before the Committee are to complete the funding for the retirement payout to be made to the retiring Harbormaster, and the Harbormaster's Department Senior Clerk as of June 30. The Board needs \$38,000 for the combined payouts and looked at different accounts for the funds. The contractual buyback encompasses accrued longevity, sick time and vacation time, **Mr. Costa** added.

Mr. Gross briefly reviewed that the city is allowed to charge a use fee for Dun Fudgin Boat Ramp but the fee has to go back into the ramp. The revenue and operating expenses for Dun Fudgin Stabilization Account were such that funds were available for transfer out of that account having been built up over 10 years and can legally use a portion of those funds as previously approved by the state for administrative costs. He noted the Board voted on Tuesday, June 21 to increase the funding for 2016-SBT-26 to \$11,159 from \$8,159. **Mr. Costa** advised because it is in a Stabilization Fund the purpose can always be changed.

Councilor Orlando said that this isn't money that would otherwise be earmarked for some specific need and is able to be used for the purpose it is serving now. **Mr. Gross** added that there was a period of time the Waterways Enterprise Fund was not assessed retirements, and now they are which has changed their Free Cash surplus. Previously money was sitting in just one account with no expressed purpose and not apportioned to appropriate stabilization funds, which are now in place, he said. **Mr. Costa** reviewed the various accounts created within the Stabilization Fund for specific purposes and can be used for identified specific purposes within the Fund and the

Harbormaster's Department. The Committee also briefly touched on the new Harbormaster and that the Board is awaiting the hiring of a new Deputy Harbormaster and the instituting of the recently approved reorganization of the Harbormaster's Department.

COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SA-26 in the amount of \$11,159 from Account #730000.10.996.59600.0000.00.000.00.059, Waterways Enterprise Fund, Dun Fudgin Boat Ramp Stabilization Fund to Account #700000.10.492.51100.0000.00.000.00.051, Waterways Enterprise Fund, Salary/Wages-Permanent Position for the purpose of funding retirement payouts in the Harbormaster's Department.

Mr. Gross said this is coming out of a mutli-purpose General Stabilization Fund in the Enterprise Fund and described some of the past transfers from this account to support projects such as the management audit and creation of engineering plans. **Mr. Costa** noted monies were set aside, \$9,000 last year and \$9,000 this year for the anticipated retirement payouts, and said it was good planning on the part of the Waterways Board.

COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SA-27 in the amount of \$18,000 from Account #760000.10.996.59600.0000.00.000.00.059, Waterways Enterprise Fund, General Stabilization Fund, to Account #700000.10.492.51100.0000.00.000.00.051, Waterways Enterprise Fund, Salary/Wages-Permanent Position for the purpose of funding retirement payouts in the Harbormaster's Department.

Mr. Gross said this transfer is directly out of Retained Earnings. There is only \$182 left in Waterways Retained Earnings after this transfer, **Mr. Costa** advised. **Councilor Memhard** said between the three transfers it covers the liabilities for the retirement payouts in the Harbormaster's Department.

COMMITTEE RECOMMENDATION: On a motion by Councilor , seconded by Councilor , the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SA-28 in the amount of \$9,000 from Account #700000.10.000.359000.0000.00.000.00.000, Waterways Enterprise Fund, Retained Earnings ("Free Cash"), to Account #700000.10.492.51100.0000.00.000.00.051, Waterways Enterprise Fund, Salary/Wages-Permanent Position for the purpose of funding retirement payouts in the Harbormaster's Department.

4. *Memo from CFO on behalf of Environmental Engineer re: loan order request of funding for Phase 2 Sewer Conveyance Upgrades at the Gloucester Ave. & Breezy Point Sewer Pump Stations*

Councilor Orlando noted under MGL c. 268A that he lives on Breezy Point Road, but that he has no financial interest and will participate in the discussion and vote on this matter.

Mr. Hale said he is requesting funding for the Phase 2 Sewer Conveyance Upgrades at the Gloucester Avenue and Breezy Point Sewer Pump stations out of 29 pump stations. Note: The financial breakdown of the Loan Order is: \$150,000 for Engineered bidding documents; \$1,000,000 for construction; and \$150,000 for Construction Administration for a total of \$1,300,000.

Last summer the DPW applied to the MassDEP (Mass. Dept. of Environmental Protection), and it has been selected under MassDEP's Final 2016 Intended Use Plan for financing through the Clean Water State Revolving Fund (CWSRF) loan program. The city was then made eligible for that funding. The CWSRF financing consists of low interest loans normally 10% principle loan forgiveness as Gloucester is an Environmental Justice Community. CWSRF financing is applicable for construction and construction administration costs but not engineering bidding documents. The city, without any contingencies, applied for \$935,000 to the CWSRF loan program. The city must, however, appropriate the total project amount.

The funding is for two pump stations -- the city has 29 total all varying in age. He showed the Committee a large 3-ring binder noting it was the last full assessment done on the pump stations done in 2009. He mentioned the DPW rehabilitated the Beacon Marine Pump Station; the Commercial Street pump station is new. It was noted that Breezy Point is a smaller station, and Gloucester Avenue is much larger. For those two pump stations, the ratings on their mechanical components are poor, and it is all mechanical equipment. Structural elements are also affected

from sewer gasses which cause them to degrade. He noted the city will be entering into a new operation and maintenance contract with a vendor but their responsibility is not capital projects, and what is proposed is capital upgrades of these pump stations. He said they will see more coming forward in the next five years.

Mr. Hale shared photographs of the Breezy Point pump station with the Committee as well as Gloucester Avenue (on file with the DPW).

Mr. Hale recounted for the Committee that the Phase 1 Sewer Conveyance Upgrades is the U.S. Department of Commerce Economic Development Administration (EDA) Blackburn Industrial Park Sewerage Conveyance Upgrades which was 50% funded by the federal EDA and 50% by the city.

Responding to an inquiry by **Councilor Ciolino**, **Mr. Hale** said the Gloucester Ave. pump station is directly across from Scott, and is a brick building. Breezy Point is a buried station with fencing around it. **Councilor Orlando** advised Breezy Point only has four homes and it is located after #2, between #2 and #3.

Councilor Memhard asked what the lifespan of a newer pump station is. **Mr. Hale** said Gloucester Avenue is an above-ground station. It is about 80 years old, and was constructed as WPA projects. He briefly described some of the various structures for pump stations around the city briefly. He said this is a staged program, and that these are two of the higher priority stations for replacement identified in 2009. On inquiry by **Councilor Orlando**, **Mr. Hale** said that all the pump stations not yet replaced or having had capital investment in recent years is in need of replacement due to deferred maintenance. He added that routine maintenance is always conducted. The Beacon Marine station had to be replaced more emergently and so jumped the list, which is why these two pump stations are only coming forward now, **Mr. Hale** said. He said that with proper maintenance this capital investment should last about the same, 80 years. There are no regulated overflows except for those in the inner harbor, **Mr. Hale** advised on an inquiry by **Mr. Gross** through the Chair.

COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council authorize the following loan order:

Ordered: That the City of Gloucester appropriates One Million Three Hundred Thousand Dollars (\$1,300,000) to pay costs of improvements to the Gloucester Avenue and Breezy Point Sewer Pump Stations, including the payment of all costs incidental or related thereto. To meet this appropriation the Treasurer, with the approval of the Mayor is authorized to borrow said amount under and pursuant to M.G.L. Chapter 44, Section 7(1), or pursuant to any other enabling authority. The Mayor and any other appropriate official of the City are authorized to apply for, accept and expend any and all grants or gifts that may be available to the City to pay costs of the projects.

Further Ordered: That the Treasurer is authorized to file an application with the Municipal Finance Oversight Board to qualify under Chapter 44A of the General Laws any or all of the bonds authorized by this order and to provide such information and execute such documents as the Municipal Finance Oversight Board may require for these purposes.

This matter will be advertised for public hearing.

5. Memorandum from Building Inspector re: request one-time relief for \$70,000 annual spending cap on the Secure Vacant Buildings line item to secure the "unsafe and dangerous" Fuller School site

Bill Sanborn, Building Inspector, conveyed to the Committee that the Fuller School is now declared by him being vacant with utilities having been shut off in its present unsecured condition is an unsafe and dangerous building (as described under Mass. State Building Code 8th edition, "Unsafe Structure," the city's Zoning Ordinance, and the 2009 International Building Code (IBC) 116 UNSAFE CONSTRUCTION -- see Building Inspector letter to Mayor dated May 31 on file).

He said that in order to secure the building it is necessary to raise the cap on the Vacant Building Revolving Fund so that the city can secure the building to prevent any break-ins, which have been an issue of late, and in an effort to ensure public safety it was necessary to properly secure the building now. The school is almost completely secured, he advised with the windows and doors are all boarded up to stop access.

Councilor Ciolino added transients are breaking into the building, and the police did a sweep to get people out. The building wasn't boarded up previously, just locked. **Mr. Sanborn** said that up to recently the DPW had been using a portion of the building for storage but is now out of the building.

Councilor Orlando asked about the status of the Fuller School sale. **Mr. Smith** advised the matter was still under negotiation.

Mr. Sanborn, responding to an inquiry by **Councilor Ciolino**, explained the following: The Vacant Building Revolving Fund came about that when the economy took a downturn about five years ago, his department looked into ways to protect real estate values because if one building starts to fall apart, it brings an entire neighborhood's value down and inhibits residents' ability to obtain financing. The idea of this very successful program is to clean up a property to make it look like it still belongs in the neighborhood rather than boarding it up if it can be helped. The city had to tear down a home on Columbia Street and on Warner Street that were in very poor condition. If the building is vacant and nothing done in 6 months by the owner it goes onto the Vacant Building List and the property owner is assessed a \$500 fee the first year; the second year is \$1,000; the third year is \$1,500. For commercial buildings a percentage is added onto the fee by square footage.

Mr. Sanborn said the program works very well and generated fees are used quickly. When the property is sold and transfers, any money spent by the city has to be paid back as the city puts a lien on the property, he advised. He said if a bank forecloses on a property, it is an issue where it takes about 2.5 years for the bank to become the owner. He said banks are in the finance business not property management business, and bank owned properties are an issue which the Committee briefly discussed with **Mr. Sanborn**.

Mr. Costa pointed out the cap on the Vacant Buildings Revolving Fund is being raised by \$45,000 to cover the costs of securing the building (invoice on file). **Mr. Hale** said there are still a lot of assets in the building that will have to be removed. Asbestos and pervasive mold is in the building, he said, in response to an inquiry by **Councilor Orlando**.

Councilor Ciolino expressed his concern spending any more money on the Fuller property, but that it is essential that the building be made secure to prevent any further damage or possible harm putting the city at risk.

COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend that the City Council accept under MGL c. 44, Sec. 53E-1/2 an amendment of the expenditure limit of the Vacant Building Revolving Fund from \$70,000 to \$115,000 in Fund #293019, the use of the fund is for securing vacant buildings. The authorized officer of the Fund is the Building Inspector. The fund is credited from fees/charges; the expenditure limit is \$115,000; the fund balance is the available balance, and there are no restrictions to the Fund.

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

Mr. Costa explained that this is buyback of accrued vacation time for the DPW Director. **Mr. Smith** said these are two extremely dedicated employees who just don't and in most cases can't take vacation time because of the demands of their positions and are at risk for losing it. He pointed out they come in early, stay late, attend meetings in the evenings and come in on weekends, with Mr. Hale responding to infrastructure emergencies, storms. He said it would be unfair to penalize good employees who are doing their job. He said both Mr. Hale and Mr. Costa have been told the city prefers that they use their vacation time. He reminded the Committee that his pay is split equally between the Water and Sewer Enterprise Funds and the General Fund and will be equally deducted \$3,777.77 and this will all come out of FY16 funds which are available.

Mr. Costa advised his total is 26 hours of vacation time for \$1,500 and will all be paid out of his department's FY16 budget.

Councilor Ciolino said he would not oppose these vacation time payouts -- Mr. Hale works 24/7 and Mr. Costa has been consumed by the MUNIS conversion, but he expressed his concern that by taking this action that other managers could come forward and claim the same circumstances and expect a payout. **Mr. Smith** said that could happen in the future, but he advised that they started union negotiations, and they've said they want people to take their vacations and not intentionally save their vacation time for the purpose of cashing it in. He said these kinds of payouts only occur within narrow parameters. He gave the example of a short-staffed department where that may be a situation where a manager would have to do more than usual for an extended length of time, and it would be at his discretion to take this sort of action. He said he is speaking with the Human Resources Director to see if they can institute certain triggers to ensure that employees take their accrued vacation.

DPW Director Vacation buyback

COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-36 in the amount of \$5,000.00 from Account #101000.10.470.51100.0000.00.000.00.051, DPW-Public Property Maintenance, Salary/Wages – Permanent Positions to Account # 101000.10.421.51100.0000.00.000.00.051, DPW-Admin, Salary/Wages – Permanent Positions for the purpose of funding the Salary/Wages – Permanent Position account through June 30, 2016.

City Auditor Vacation buyback

COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Ciolino, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-37 in the amount of \$400.00 from Account #101000.10.135.53130.0000.00.000.00.052, Auditor, Professional Audit Services, to Account # 101000.10.135.51100.0000.00.000.00.051, Auditor, Salary/Wages – Permanent Positions for the purpose of funding the Salary/Wages – Permanent Position account through June 30, 2016.

IMPORTANT NOTE: The B&F Chair will have to advise the Council at the June 28 meeting that the above two matters for Council action didn't come through the Council's Consent Agenda and as such will need to call for a suspension of the Council's Rules of Procedure in order to take up two financial action items related to the Public Works Director's and City Auditor's Vacation Buy-Back payout. The Council President will ask for a vote of assent by the Council and then the two matters can be brought forward for Council vote.

Mr. Costa then briefly discussed the reports on accounts having expenditures which exceed their authorization and the Auditor's Report with the Committee.

A motion was made, seconded and voted unanimously to adjourn the meeting at 6:25 p.m.

Respectfully submitted,
Dana C. Jorgensson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- Memo from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor's Report dated 23 June 16