

Budget & Finance Committee
Thursday, July 7, 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 Paul Lundberg (Alternate)

Absent: Councilor Ciolino

Also Present: Councilor O’Hara (entered the meeting at 5:35 p.m.); Dan Smith; Kenny Costa; John Dunn; Dan Smith; Chief Leonard Campanello

The meeting convened at 5:30 p.m.

1. *Memorandum, Grant Application & Checklist from Police Chief re: Council acceptance of a FY17 E911 Support & Incentive Grant in the amount of \$61,795 from the Executive Office of Public Safety & Security*

Chief Leonard Campanello briefly reviewed that the Police Department is asking the Council to accept the FY17 E911 Support & Incentive Grant in the amount of \$61,795 from the Mass. Executive Office of Public Safety & Security. This is an annual grant from the state which has no match that provides funding for the department’s E911 salaries, overtime and CAD system support contract with Delphi Technologies, a contract which ensures that the department’s dispatching is up to Code. He noted that this is a reimbursement grant which in the past has had issues in seeing funds returned by the state to the city after receipt submittal, but now it is anticipated the department will have no issues moving forward.

COMMITTEE RECOMMENDATION: On a motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council to accept under MGL c. 44, §53A from the Massachusetts State 911 Department a FY17 Support and Incentive Grant in the amount of \$61,795 to provide funding for Police Department E911 salaries, overtime and equipment.

2. *Year-End Transfers not referred through Council Consent Agenda; Memo from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor’s Report*

Note: The following transfers were not referred through the Council Consent Agenda due to their being a part of the year-end fiscal alignment and are coming forward directly through the City Auditor to the Committee. It was noted the Council would have to suspend its Rules of Procedure for the B&F Committee Report at the July 12 Council Meeting in order to accept the transfers to be voted by the full Council. The Special Budgetary Transfers and Supplemental Appropriations will be presented to the Council as B&F Committee Unanimous Consent Agendas “A” and “B.”

John Dunn, CFO, presented the FY16 year-end cleanup transfers to the Committee, nine Special Budgetary Transfers and five Supplemental Appropriations, 14 in all, and is typical of any municipality.

Highlighting that one of the Special Budgetary transfers is funded from the DPW Gasoline account, he explained the following: In trying try to solve year-end deficits, if possible a solution is looked for within a particular department, but if they have to go outside to another department, monies are consolidated from that department’s available funds throughout a variety of its accounts into one departmental line. So while it appears that one line contains a large amount of money, it is actually funded from other accounts within the department, then that aggregate amount is transferred out in one lump sum -- the number that the Committee will see coming from the DPW Other-Gasoline account line is a result of a series of internal DPW transfers into that one particular account line. What leads up to the 14 transfers are probably about 50 individual departmental transfers to one account line to accomplish one transfer. Most of the transfers are being deposited into several Personnel Department accounts among all the Special Budgetary transfers. The reason is there wasn’t enough money budgeted in the Medicare/FICA line to cover all salaries paid through the year for both city and school side which come out of one account. There were two other accounts, Worker’s Compensation, which is not “Settlements” (as noted in the name of the account) but represents the cost of the 111F public safety medical bills which pays for hospitals, doctors,

physician offices, therapies, other like things because those charges are generated from Worker's Compensation or 111F cases, and those bills don't go through the normal health insurance reimbursement.

Special Budgetary Transfers:

All non-attributed commentary is from Mr. Dunn as follows:

This is a transfer within the Fire Department from a salary line to an ordinary expenditure line which is for the bill for the company contracted for ambulance collections who receive a percentage of all funds collected. As more funds were collected in FY16 than anticipated, this transfer is covering that payout.

#1: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SBT-38 in the amount of \$10,000.00 from Account #101000.10.220.51450.0000.00.000.00.051, Fire Department-Holiday Pay to Account #101000.10.220.53190.0000.00.000.00.052, Fire Department-Bill Collection Services for the purpose of covering anticipated shortfalls in the account.

This transfer is moving funds from the Registration Department to City Salary and Wages for the City Clerk's office driven by the former City Clerk's retirement, and the account needed backfilling. This also has to some degree to do with the stipend being paid to the Interim City Clerk as well, it was confirmed in response to an inquiry by **Councilor Orlando**.

#2: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SBT-39 in the amount of \$2,000.00 from Account #101000.10.163.54220.0000.00.000.00.054, Registration-Print Forms (Not Computer) to Account #101000.10.161.51100.0000.00.000.00.051, City Clerk-Salary/Wages Permanent Positions, for the purpose of covering anticipated shortfalls in the account.

This transfer is going into the Treasurer/Collector's Long Term Interest from the Assessor's Revaluation account, a program which has a three-year cycle, and that not all allocated funds were expended. Some debt was issued last year due to the fact that Gloucester's debt is very complicated. The city receives a year-end recounting from the city's financial advisory firm in July or August. By the time that is reconciled with what was budgeted, it can require some movement of funds to cover. There was additional interest paid on some issued debt which caused the account into the negative.

Councilor Orlando asked which debt the deficit was related to or is it one account that debt support is paid out of. **Mr. Dunn** explained: It is one account pays for long-term bond interest for General Fund capital projects. There is debt issued in the General Fund, and the Enterprise Funds – Water, Sewer, Talbot Rink and CPA. This transfer relates to the interest payments on the General Fund.

#3: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SBT-40 in the amount of \$15,000.00 from Account #101000.10.141.57840.0000.00.000.00.057, Assessors-Revaluation Program to Account #101000.10.145.59150.0000.00.000.00.059, Treasurer/Collector-Debt Service-Long-Term Interest for the purpose of covering anticipated shortfalls in the account.

The balance of the transfers is all related to moving funds into the Personnel Department to cover the totality of the negative variances in Personnel accounts. Although these transfers will assure any deficits are covered, by the time the books are closed it is anticipated the Personnel Department's budget will still have funds remaining which would fall to the bottom line, possibly as much as \$20,000 to \$30,000.

Councilor Lundberg pointed out that these costs paid out of these Personnel Department accounts are because the expense doesn't fall to a particular department's individual account lines for whom the employees work, but are paid out of these Personnel Department accounts for the entirety of city employees.

Assumptions are made during the budget process that certain of the benefits paid to employees could possibly be charged to grants and sometimes that's not the case. Grant program parameters change where some grantors will cover certain benefits charged to it and other years it will not. The biggest impact is to city health insurance which can't be laid off. Medicare/FICA was \$95,000 and Worker's Compensation line for medical reimbursements was about \$65,000. It was close to \$165,000 that had to be transferred back into these accounts overall. It was noted that with 2016-SBT-41 that funds were available within the IT Department's budget due to projects such as the implementation of MUNIS, the city's new financial software, taking precedence and so funds budgeted for those projects went unspent due to a shift in priorities and not enough time.

Councilor Orlando declared under MGL c. 268A that given his profession as a lawyer representing clients in Worker's Compensation cases there may be an appearance of a conflict of interest, but that was not the case and doesn't impact his ability to participate in any discussion or vote on the transfers for the Personnel Department's Worker Compensation Settlements account.

#4: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SBT-41 in the amount of \$24,600.00 from Account #101000.10.155.52000.0000.00.000.00.052, Information Services-Contractual Services to Account #101000.10.152.51710.0000.00.000.00.051, Personnel-Workers Compensation Settlements, for the purpose of covering anticipated shortfalls in the account.

This transfer is from available funds within Community Development.

#5: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Supplemental Appropriation 2016-SBT-42 in the amount of \$10,000.00 from Account #101000.10.181.57000.0000.00.000.00.057, Community Development-Other Charges/Expenditures to Account #101000.10.152.51710.00000.00.000.00.051, Personnel-Workers Compensation Settlements, for the purpose of covering anticipated shortfalls in the account.

This transfer is from the Health Department to Personnel Worker's Compensation. These funds are available because of lag funds due to the resignation of the former Health Department Director.

#6: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-43 in the amount of \$30,000.00 from Account #101000.10.150.51100.0000.00.000.00.051, Health Department-Salary/Wages Permanent Positions to Account #101000.10.152.51710.00000.00.000.00.051, Personnel-Workers Compensation, for the purpose of covering anticipated shortfalls in the account.

This transfer into Personnel-Medicare Employer Match is from the Library Personnel Account where there were a variety of things concentrated in the Library's budget which left about \$21,700 available and are transferring out \$21,000.

#7: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-44 in the amount of \$21,000.00 from Account #101000.10.610.51100.0000.00.000.00.051, Library-Salary/Wages Permanent Position to Account #101000.10.152.51840.0000.00.000.00.051, Personnel-Medicare Employer, for the purpose of covering anticipated shortfalls in the account.

This is a transfer from DPW Facilities by concentrating available funds into one particular account.

#8: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-45 in the amount of \$34,000.00 from Account #101000.10.472.54000.0000.00.000.00.054, DPW Facilities-General Supplies to Account

#101000.10.152.51840.0000.00.000.00.051, Personnel-Medicare Employer, for the purpose of covering anticipated shortfalls in the account.

This funding is from DPW Other-Gasoline, and is an account that the CFO concentrated funds to one account to be transferred out (see opening statement under “Special Budgetary Transfers” by Mr. Dunn).

#9: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SBT-46 in the amount of \$35,000.00 from Account #101000.10.499.54110.0000.00.000.00.054, DPW Other-Gasoline to Account #101000.10.152.51840.0000.00.000.00.051, Personnel-Medicare Employer, for the purpose of covering anticipated shortfalls in the account.

Mr. Dunn thanked City Auditor, Kenny Costa and his staff for processing everything that gets them all to this point and that their efforts are appreciated.

Supplemental Appropriations:

The first four appropriations are all due to the same reason – as Chief Campanello explained briefly, the E911 Grants that the Police Department receives every year since 2007 from EOPSS only covers certain expenses and EOPSS reimburses those expenses on a lag basis. The process entails that charges go in to the state, the city closes the year on June 30 and the city is still asking for its reimbursements from EOPSS. EOPSS as much as a year or two later they’ll inform the city they’re not reimbursing a particular expense and now the city is stuck leaving the city with what is termed a “permanent deficit.” The only way to solve that deficit is to transfer in from available funds on the General Fund side. Funds were going to be transferred in from available accounts in the Police Department, but there would be so many internal departmental transfers that it wouldn’t have been optimal. The issue of these deficits will be solved by funding them out of Free Cash. It is anticipated that when the books close on FY16 that there will be just the same amount flowing out of the Police Department to the bottom line and “reimburse” Free Cash for FY16.

Councilor Orlando asked if this will be an annual occurrence. **Mr. Costa** explained in 2012 the Police Department charged health insurance to this account and then learned that health insurance wasn’t a reimbursable expense. He said there was no “re-do” which he learned when he asked EOPSS if the city could resubmit corrected reimbursement paperwork. But it is a one-shot deal and the request was denied. This is essentially the city’s match as part of the grant, unfortunately, he said. **Mr. Dunn** added that even though these grant accounts are in permanent deficit that if things were settled up on a timelier basis then these expenditures would have been transferred out of this fund back into the Police Department. Either way the General Fund would have incurred this expense (for health insurance). The only reason there is the extra funds in Free Cash is because the city didn’t have to match these funds at that time. The state has been traditionally behind for years in reimbursements for the E911 grants, **Mr. Costa** said, due to short staffing by the state. Going forward the city’s submissions are going well, he said.

#1: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SA-29 in the amount of \$11,708.11 from Account #101000.10.000.35900.0000.00.000.00.000, General Fund, Fund Balance Undesignated (“Free Cash”) to Account #291123.10.991.49700.0000.00.000.00.040, FY12 State 911 Training Grant for the purpose of funding a permanent deficit in the grant fund.

#2: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SA-30 in the amount of \$16,951.21 from Account #101000.10.000.35900.0000.00.000.00.000, General Fund, Fund Balance Undesignated (“Free Cash”) to Account #291133.10.991.49700.0000.00.000.00.040, FY13 State 911 Training and EMD Grant for the purpose of funding a permanent deficit in the grant fund.

#3: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council

approve Special Budgetary Transfer 2016-SA-31 in the amount of \$8,666.68 from Account #101000.10.000.35900.0000.00.000.00.000, General Fund, Fund Balance Undesignated (“Free Cash”) to Account #291136.10.991.49700.0000.00.000.00.040, FY14 State 911 Support and Incentive Grant for the purpose of funding a permanent deficit in the grant fund.

#4: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SA-32 in the amount of \$4,236.75 from Account #101000.10.000.35900.0000.00.000.00.000, General Fund, Fund Balance Undesignated (“Free Cash”) to Account #291138.10.991.49700.0000.00.000.00.040, FY14 State 911 Training and EMD Grant for the purpose of funding a permanent deficit in the grant fund.

This is within the Water Enterprise Funds transferring \$170,000 out of available Free Cash going to one particular account that has to be redistributed. This is a result of a conversion of interim loan notes for \$4.5 million with the Clean Water Trust (CWT) to permanent bond debt. That triggered in interest payment and also a payment for administrative fees that come up as a result of that conversion. This happens because the CWT decides at a particular point to convert a group of communities’ interim loan notes to permanent debt and municipalities aren’t always cognizant in May or June that the CWT the following January. There would be enough in various Water Enterprise expenditure accounts to cover about \$130,000 of the overall \$170,000 needed, but the clerical work to get to that point would be immense -- it is better to transfer from Free Cash. It was pointed out that there will be about a \$40,000 free cash hit to the Water Enterprise Fund.

Mr. Dunn said that the Clean Water Trust is a good program and worthwhile for the city. They are able to lock in very low rates. He pointed out this matter is all contained within this one enterprise account.

Councilor Memhard said when the city shifted the debt service expense to the tax base for the Water Enterprise Fund as a one-time event that was just a source of funds that doesn’t affect any of the actual debt service. **Mr. Dunn** said when the Council voted to shift the water debt, the vote was for a specific amount of debt. Any debt that converted to permanent debt in the future was not included in that vote. Any dollar amount beyond the original vote for the debt shift would require a recommendation through the Mayor’s office and for the Council to vote on. It is unlike the CSO debt on the Sewer Enterprise Fund where that initial Council vote said that they were transferring out all CSO related debt regardless of when it occurs.

#5: COMMITTEE RECOMMENDATION: On motion by Councilor Orlando, seconded by Councilor Lundberg, the Budget & Finance Committee voted 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer 2016-SA-33 in the amount of \$170,000.00 from Account #610000.10.000.35900.0000.00.000.00.000, Water Enterprise Fund, Fund Balance Undesignated (“Retained Earnings”) to Account #610000.10.450.59450.0000.00.000.00.059 Water Enterprise, Debt Service, Bond Issuance Costs for the purpose of covering unanticipated Clean Water Trust Bond Issuance costs related to the bond debt.

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 6:05 p.m.

Respectfully submitted,
Dana C. Jorgensson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING: None.