

CITY COUNCIL STANDING COMMITTEE

Budget & Finance

Thursday, August 26, 2010 – 5:30 p.m.

1st Fl. Council Conference Room – City Hall**Present:** Chair, Councilor Steve Curcuru; Vice Chair, Paul McGeary; Councilor Jacqueline Hardy**Absent:** None.**Also Present:** Jim Duggan; Chris Rogers; Fire Chief Phil Dench; Police Chief Michael Lane; Kenny Costa; Jeff Towne; Bill Sanborn; Tom Markham**The meeting was called to order at 5:34 p.m. Items were taken out of order.****1. Continued Business**

- A) COM2010-027: Sullivan & Rogers – Independent Auditor’s Report (Reports on file in City Clerk’s Office) (Cont’d from 07/01/10)

[Councilor Hardy stepped away at 5:50 p.m. from the Committee Meeting.]

Chris Sullivan, Partner, Sullivan & Rogers continued his review for the Committee of the Independent Auditor’s Report, specifically the “Reports on Internal Control Over Financial Reporting, Compliance and Federal Awards Programs for the Fiscal Year ended June 30, 2009, starting with 09-16, Title I Distribution and Title I Distribution Carryover, pg. 18. Any federal grant that is greater than \$300,000.00 requires a major federal grants audit they go in and audit specific compliance requirements, etc. With 16 findings in all related to those programs, the first two, 09-16 and -17 are related to Title I and SPED grants. This finding shows up three separate times in the remaining comments because the nature of the finding required it to be a material non-compliance related to the financial statements. Also significant deficiency, a material weakness in internal control related to the program. Then there was material non-compliance related to the program. The questions of costs related to the program were maintained; the appropriate supporting documentation for salaries and wages. You either have to have time and effort reports or you have to have bi-annual periodic certifications that say a particular person worked for the program 100% of the time and should be charged to the program 100% of the time.

Councilor Curcuru recalled from the July 1st meeting that these were time card issues.

Tom Markham, CFO School Department responded that was the way they were going to solve this problem - by instituting a more thorough time card policy, this was how they were going to solve these problems. He reminded them this was for FY09. With the start of the FY11 “season”, he cautioned they will see a lot of the same things because they didn’t begin to institute the procedures until the 2nd and 3rd quarter of FY10 year. The recreation of a time sheet speaks to these matters. There will be signed time sheets from then forward.

Councilor McGeary noted that they have to be signed time sheets and that was a material deficiency.

Mr. Markham noted they had an opening of school meeting with all the principals that morning and he brought up this very issue reminding them of the audit and told them they were instituting new timesheets for all hourly employees and an entirely new system of timesheets for all grant fund employees.

Councilor McGeary inquired how many Title I employees and grant fund employees the School Department employed.

Mr. Markham responded there were a total 7 or 8, and grant funding employees in the twenties. They have more in SPED which is larger grant than the Title I grant.

Mr. Sullivan continued with the amount of salaries and wages that they have to question when the documentation isn’t appropriate, and added just because it’s a questioned cost didn’t mean it was not appropriate; but if the controls weren’t maintained and the documentation wasn’t there, there’s no option – that’s what they have to report.

[Councilor Hardy returned at 5:55 pm]

Mr. Sullivan noted that as relates to the Title I program, there were \$549,000.00 in questioned costs and as relates to the SPED program there were \$597,000.00 in questioned costs. The schedule of expenditures on federal awards consisted of almost \$5 million in FY09. Those major programs over the \$300,000.00 threshold were: Title I, SPED, school lunch program, American Recovery and Re-investment Act monies that replaced the Chapter 70 monies (also known as ARA) and the Community Development Block Grant. For FY09 there was a qualified opinion on all major federal programs related to the compliance requirements (unqualified is the best opinion available and unqualified meaning they had problems with the program) and had questioned costs. The Child Nutrition Cluster (school lunch, school breakfast), 09-18 and -19 address these. The reporting requirements related to the program weren't adhered to. The claims for reimbursements that were submitted weren't supported by the appropriate documentation. That finding was only \$2,000.00, but the internal controls surrounding that process were deficient which was why they're being reported. He felt it was a relatively simple fix. 09-20 through -22 relate to the CDBG program. This was the same issue as with SPED and Title I; lack of documentation supporting salaries and wages charged to the grant did not exist; no time and effort reports identifying the projects the employees were working on or no type of certification, leading to questioning of \$175,000.00 in salary costs. That is material to the program and is a material weakness in internal control.

Councilor Curcuru asked what corrections have been made to alleviate the situation.

Mr. Costa hadn't had a chance to review this matter to date but would do so shortly.

Mr. Sullivan noted this had only to do with documentation; whoever is there working on a specific project, they have to have the time and effort report which supports the charges related to the CDBG grant. If they weren't working full time on the program, how did they know what they're charging? You can't estimate a percentage coming from the CDBG grant and the rest estimated from another funding source. There's no such thing as an estimate when charging the CDBG grant.

Mr. Costa stated they have to document how they spend their time, whether it is CDBG, whether it's 'Home' or whether they're working on the GL side, and come up with a methodology to report it; and everyone employed under a grant will have to do this documentation.

Mr. Sullivan agreed and that it should be a weekly report. He likened it to what he does every day having to account for every minute he has to bill somewhere somehow for time allocation.

Councilor McGeary asked if there was a time sheet methodology that will be put in place.

Mr. Towne stated that was what they'll have to do.

Councilor McGeary noted that even if the grants were not over the financial reporting threshold, they should all be doing this documentation, to which both Councilors Curcuru and Hardy agreed.

Mr. Sullivan interjected that every time the City receives a federal grant, they were subject to A87 and A133 rules.

Mr. Towne noted the Board of Health may be different because they hire people to do specific things like flu vaccination programs; administering the bookkeeping of that; they have a particular person who is hired to specifically for the document and billing and that's all that person does. CDBG was probably different. He believed some of the health grants had specific costs of buying the vaccines, distribution of them, charging the nurse's time. He knew that the City had billed for reimbursement of mailing costs. For wages he believed it was likely the Health Director's time that was key at the Health Department.

Councilor Curcuru noted they'd be starting late if they're not documenting their time now; and wondered who would give the directive to correct this particular issue.

Mr. Towne knew that the departments were aware of the findings, but he didn't know if the department has implemented something; and that he hadn't to date.

Councilor Curcuru felt this to be an important point and again asked where the directive to correct the documentation going forward would come from.

Mr. Costa noted there would also have to be a corrective action plan that they have to do.

Mr. Sullivan stated the response was included in the report which included the action plan in the report submitted to the federal audit clearing house. In this particular case, Sarah Garcia, Community Development Director, was aware of the comment and Sullivan & Rogers' grants compliance specialist

had various conversations about what the requirements were which helped Ms. Garcia to understand the issue. They would have had this finding also in February. At least there was a portion of FY10 that could be taken care of; and he hoped that FY11 moving forward “could be squared away”. All of these grants they’ve identified, at a minimum, will be major grants next year and will be audited again. They’ll be able to see what kind of progress was made during FY10. He cautioned FY10 will be harder than FY09; and further cautioned there was a good chance that a lot of these same types of findings would be repeated on these grants because six or eight months will have gone by. He believed FY11 will be the “measuring stick year” and posed the questions for the Committee, “did we fix what we needed to fix based on ‘09’s audit.”

Councilor McGeary felt the word should be gotten out to the department heads that they should be keeping track of the time now so when they get a form they can transfer that information.

Councilor Hardy believed she had heard even if people are on a grant and dedicated to that grant that they’re supposed to be signing a time card; and that there should be a statement on it acknowledging that their position is being paid from a grant and that they understand that the position is only good as long as the grant is funded.

Mr. Markham responded yes; but the second part of the Councilor’s supposition wasn’t necessarily the case. It’s not necessarily their employment that is ended by the ending of the grant funding. They’re employed by the district or the City; and they’re employed under a collective bargaining agreement which would affect bumping rights and a variety of things. Their position was different from their employment.

Mr. Towne added someone may be bumped if the grant money goes away.

Councilor Hardy asked what they can do to make sure this documentation happened Citywide.

Mr. Costa noted the department head should certify that the time done was true and correct.

Mr. Markham responded the time sheet should be employed by the district and by the City. And it should be initiated by the employee weekly who was the first level responsible and was the first signature on the time card acknowledging the number of hours in accordance within the specifications, and how they spent that time, on the grant. Then the supervisor or the principal’s signature from the school where they are employed appears next, that they accept the accounting of the employee’s time. Then he, as CFO, signs the timesheet acknowledging the funds are available to pay them. This was the School Department’s process – a three-signature form.

Mr. Towne stated they need a general class on A87 and A133 rules (general federal requirements) in the City. People sign up for grants all the time and have no idea what the requirements are to do that. Most people get the grants and think they have to spend the money on equipment. They don’t necessarily know that it’s federally funded; and therefore there are a whole lot of other regulations that along with it. That’s where a lot of cities fall down on that piece of it, even though they sign off on the fact these funds are subject to A87 requirements.

Councilor Curcuru wanted to know if it would limit them in applying for grants.

Mr. Towne didn’t believe it would be limiting; that they should apply for as many grants as they could that come with as few strings attached as possible. They just need to know what the criteria are in order to meet them to comply.

Mr. Sullivan stated this was an enormous problem in the Commonwealth of Massachusetts and the country. There are so many compliance requirements and not one grants administrator for the city and the schools and now you need to understand this. They see this in the field frequently. He felt a workshop was a good idea. Moving forward the City may wish to consider a new position of a City-wide grants administrator who understands how to build budgets to offset other types of costs within a grant application. If the city receives a \$1 million grant, \$10,000.00 should automatically be built in for the audit; and to make sure that the right amount of employee benefits are included in the grant. The grants need to be built in the appropriate manner. These are the hurdles to overcome for federal grants, especially for the ARA monies. When it comes to HHS grants and the ARA money the federal government is examining them more closely. Finding 09-22 is related to CDBG where there four out of the ten rehab files that they tested, had no evidence of final inspections performed. That was a compliance requirement of the program. They need to maintain that on file or have one performed if it

wasn't. The next two findings go back to the Title I and SPED distributions, 09-23 and 09-24 relates material weakness in internal controls to the payroll issue. 09-25 relates to the ARA monies, relates material weakness in internal controls also. This has to do with a period of availability for the ARA grant for last year, with Chapter 70 replacement monies. You couldn't charge off invoices that were incurred prior to April 1, 2009. When they did their audit, there were some costs that were charged prior to that date. 09-26 and -27 was discussed earlier which covered the questioned costs of \$548,000.00 and \$596,000.00. 09-28 is the actual tuition and transportation cost charged to the grant charged prior to April 1, 2009 which totaled about \$139,000. There were some other non-compliance issues that didn't rise to the level of material non-compliance regarding the request for funds submitted to the Department of Elementary and Secondary Education did not agree to the GL. That was one of the reporting requirements that anything filed should be reconciled and agree to the GL. That was related to Title 1. SPED finding on 09-30 was the same finding. There was one other related to SPED, 09-31 with the total expenditures reported on the FY08 final report included 2007 expenditures; therefore the report was filed incorrectly. This completed his report to the Committee.

Councilor McGeary asked if was fair to say if the vast majority were record-keeping issues.

Mr. Sullivan felt it was more related to internal controls and the understanding of the compliance requirements. It can be taken care of immediately with the appropriate record keeping being put in place and will help to make it a non-issue in the second half of FY10 and all of FY11.

Councilor Curcuru felt it sounded as if it was just putting the necessary procedures in place.

Mr. Sullivan agreed and thought it appeared from what Mr. Markham had said that the process he's put in place for the payroll is totally appropriate. He felt if everybody maintains it and does what they're supposed to do; it will be a non-issue in FY11 and perhaps part of FY10.

Councilor Curcuru emphasized they were going to put policies in place soon to govern this aspect of recordkeeping.

Mr. Markham noted the School Department had. When they began the audit in the fall of '09, he had begun putting some policies into book form. Some were in recognition of "having a crystal ball well polished that day" of an expectation of where they would eventually be. None of the things, as noted in the grantee's response of the audit, was a denial. He added regarding the ARA funds for FY08, while he was not employed by the Gloucester School Department at that time, there was a very frenzied period when the funds were awarded and received and had to be spent within about a 45 day period. While the districts and cities were glad to have the money, there was very little guidance.

Mr. Sullivan concurred stating DESE published and posted some wrong information on their website.

Mr. Markham responded they got guidance that they could charge back to the day the president enacted the law, February 17th or so. All of the charges Mr. Sullivan were referring to were incurred between February 17th and April 1, 2009. He didn't believe the Gloucester school department did anything untoward.

Mr. Sullivan noted that there had been a reliance on something posted on the DESE website. It didn't matter what the DESE posted. It was the federal requirement that mattered, and was always what it comes back to even if it is being passed through the State.

Mr. Towne stated that the former City Auditor and Former School CFO spent a great deal of time to research to make sure they were the right types of expenditures; and it was the timing when the expenses were incurred. He knew this in fact. The former City Auditor specifically stated what could be charged that had been incurred and to what should be appropriate by category. He felt strongly the attempt was there.

Mr. Costa offered that it wasn't a question of allowable expenses.

Councilor McGeary suggested that perhaps since the School Department already had time sheets that worked for their grants; it could be used as a model for a unified one for the City, speeding up the process.

Mr. Towne believed they could talk at the manager's meeting to make sure the time keeping is done properly when all key City department heads are there to make sure the timekeeping is being done properly and that they're working on that.

Mr. Sullivan thought the City was six months away from cleaning it all these matters up from discussions he has had with Mr. Costa and Mr. Towne. The whole issue previously was the lack of the review of the General Ledger (GL). That caused so many of the problems that had been wrong from a financial reporting standpoint.

Both **Mr. Costa** and **Mr. Towne** explained they are doing it daily now.

Councilor Curcuru asked if it (reconciling the GL) was stopped because of the software problem.

Mr. Towne stated in Data National they did it monthly. When they switched over to Unifund, they didn't have a receivables package. They didn't even get revenue statements for the first two years. They couldn't even print it out. That was for years. He could only imagine what the former City Auditor went through. They struggled for at least two years. He knew they closed three years at once because they got the ability to do it, and then improved each year. In 2007 through 2009 it would have been all the more reason to balance to make sure if you couldn't rely on the reports coming out. He would have dug deeper he believed.

Councilor Hardy recalled the City Council was told

Mr. Towne believed they never should have switched without backup and maintained Data National until they knew the system was functioning.

Mr. Sullivan stated he did see a light at the end of the tunnel and as soon as they're on a monthly and daily cycle; and that they are current, so they'll always have good financial information. He reminded them they went 9 or 10 months in FY10 with nothing being reviewed. There was a good year of activity that needed to be delved into, and some has been done to date. As soon as that process gets implemented, on a monthly cycle, a daily cycle, and all of the information that's a year old has been reviewed, and you're current in doing that, you'll always have good financial information. It's always a challenge when you're behind there is still the daily work to do. He believed in the next 9 to 12 months the City would be in really good shape.

Councilor Hardy felt the financial team was in place for the schools and city side and for the B&F, all working in the same direction to do what it takes to make it work.

Mr. Towne related when he first came to his position with the City, it was in tough shape. He told the Mayor it would take 24 months to fix and manage the GL. They're still fixing and getting there. Month end close procedures will be put in place so that his staff has procedures which will become much easier over time for them to accomplish.

Councilor Curcuru asked when Mr. Sullivan would come in next.

Mr. Sullivan was doing preliminary work with the retirement system. They had a day scheduled for this week to wrap it up. The gentleman who was running the retirement system was let go. They will reschedule to get that done.

Mr. Towne noted between himself and Mr. Costa they tried to set up a meeting with the DOR to know what the constraints would be on the City. He believed the DOR was much more comfortable with where the City was now. Their hope was that the DOR would relax some of those constraints imposed the previous year. His and Mr. Costa's goal was to get as much done as they should on their financial statements and have them ready to be audited. It was distracting to City staff, and Mr. Sullivan and his auditors to keep "jumping in and out". They'll set a preliminary date, push to be ready by it; and hand the auditors everything at once, as opposed to their giving 30% of what they needed by the time they came in for the audit the last time. He noted the problem was they came in November 2009; and November scheduling is difficult for Mr. Sullivan.

Mr. Sullivan acknowledged the DOR was a critical issue, and they couldn't let that go. It may be a few weeks before they'll know if those constraints are still on the City as relates to getting at least a draft audited financial statement before the City's recap can be certified. If that were the case, he assured the Committee they would figure it out. He spoke to Mr. Costa and Mr. Towne about that they want timely audited financial statements. He cautioned if they come in too early will they come up with another 30 findings and what does that say. You may have made progress but it wouldn't show in an audit report. Why not get caught up through 6/30/2010. It doesn't matter what FY10 looks like as of that day; what matters from his perspective is the trial balance that he gets. As long as they're presenting their audited

financial statement that it's accurate and correct. He emphasized "that is what matters at the end of the day". These are things to consider if they do have to have an audited financial statement out by the middle of December, there's probably going to be more findings if than if they didn't start December. If the constraints are removed for the free cash certification and the tax levy certification, just take that into consideration when they are trying to get the final audit done.

Mr. Towne noted Mr. Costa only started June 21st; and they worked together to close the year out and start it up. They cleaned up a lot of the deficits, but they still have all the positive funds with no activities to work through and shouldn't be a "big deal" for auditing purposes. They have more ARA funds this year, more debt schedules, more subsidies with the ARA funds this year; there are more internal loan notes than they had last year. He believed they wouldn't even have this conversation next year. Now they have to do the disclosure for bond rating. He has \$20 million of debt coming up September 8th and 17th, a portion of each. They've got the closing the year, balancing the records and daily work in the current periods. There's a lot of activity; and this is their slow season. They are tackling it systematically. They have the right team.

Councilor Hardy asked if Mr. Sullivan would be the conduit to the next audit.

Mr. Sullivan assured the Committee he'd be the partner in charge of the next audit.

The Committee recessed at 6:35 p.m.

The Committee reconvened at 6:50 p.m.

- B) Request from Ad Hock Newell Stadium Bathroom Committee re: remaining monies from Mass Electric mitigation fund (Continued from 06/17/2010)

Mr. Sanborn noted Mr. Towne had found the monies in question, \$55,599.00.

Mr. Towne related that Mr. Costa was convinced that the money was 'sitting' there but wants to make a few more checks into the matter to be sure the money was all truly there for the purpose of what it was deposited for. He got the back up for the initial deposit. He was thinking they can go forward but wants to be proving out to the penny that this was "the first one he's blessing from an old balance.

Councilor Curcuru noted they're not spending it too soon.

Mr. Sanborn related that the Mayor had appointed a Newell Stadium Ad Hoc Committee.

Councilor Curcuru stated they'll be using City funds at some point and should make this a Building Committee and not an ad hoc Committee which can't use City funds. It must be a sworn-in committee.

Mr. Sanborn noted it was a 134 project; a vertical project; therefore, the construction of a new stadium would be a DPW project. The bathrooms are separate. If the money is used towards the bathrooms, they'll have to be a DCAM certified project and will require a building committee to use it.

Councilor Curcuru felt this made his point.

Mr. Sanborn responded the ad hoc Committee would meet the following Thursday and try to get it back on track, stating they had a lot of good people doing a lot of good things but in a lot of different directions. This would allow them to have a centralized advisory group that would know everything that was going on and create a 'game plan' to move forward. He believed the committee's appointment to be a good thing.

Councilor Curcuru stated as a City Councilor he couldn't sit on an ad hoc committee; but he could on a building committee. He reiterated that in the long run they should create it as a building committee; it could be the same members; but it would allow him to join that committee.

Mr. Sanborn agreed they needed a building committee in order to move forward with the bathroom construction, whether or not the money is coming somewhere else. Once they put City funds into the bathrooms, then it becomes DCAM certified project. If that happens, then the \$55,599.00 in essence becomes about \$35,000.00. The price will go up because you have to look at the real costs of the bathrooms will be; it goes out to bid. All that kicks in because you have to look at the total cost of what the real cost of what the bathrooms would be.

Councilor Curcuru felt they could do it for \$100,000.00.

Mr. Sanborn stated once you do the DCAM certification, whatever the real cost is, not that you get volunteers to come in and do it. It would be the actual costs if you hired a contractor to do it. That's the cost that will govern the project. If you got all of the volunteers together to put the bathroom up and did it for \$99,000.00 that is a real cost. But the certification process will look at and say, it was put in for only \$99,000.00 because you had volunteer help. What, then, was the value of the volunteer help? That will put it over the \$100,000.00 limit for DCAM certification. Once you get into that process, the money is used up on expenses. He believed that was what they needed to figure out. He reiterated he agreed they needed a building committee to build the bathrooms. Whether the GFAA funds are going to support it, or whoever is going to put the money up; because it's on the City property, it should have a building committee which can still control the process.

Councilor Hardy asked why a City Councilor couldn't be on an ad hoc committee.

Councilor Curcuru was informed through the Mayor's office he could not sit on the ad hoc Committee. That was fine, but it still needs to be an official building committee.

Councilor Hardy noted that the ad hoc committee can be pulled off at City Council and be formed into a Building Committee.

Councilor Curcuru noted the money was there, and they're not putting it anywhere.

Mr. Towne stated they know it's there and identified. Mr. Costa would make sure it's good and then they'll know the funding source, what fund it sits in and they can rely on it to do some planning.

Councilor McGeary asked what some of the things Mr. Costa could find to change the bottom-line number.

Mr. Costa responded they'd have to go through all the deposits and all the donations look at their purpose, or what the revenue sources were for those funds.

Councilor Curcuru noted they had previously documented that \$50,000.00 was used for viable expenses related to the stadium, and all was transferred out properly when they last discussed this matter.

Councilor Curcuru noted that Mr. Towne made a good point that it's been there since 2002.

Mr. Towne asked what they can do to spend the money out of the donation account.

Mr. Costa didn't know how broad it was when originally accepted. If it was earmarked for the bathrooms, then the Council doesn't need to vote on it.

Mr. Towne noted Mr. Costa has to make a game plan so that the ad hoc Committee will know what they have to do – a road map as it were, of what to do when they need it.

Councilor Hardy asked what they are doing this year with the stadium with the start of the football season.

Mr. Sanborn noted at the end of the football season the bleachers at Newell Stadium will be out of certification, and the field will have to be closed down. They can play on the grass, but no one will be able to be in the bleachers. They've put money into them over ten years, but they're beyond where they are safe. There are no more band aids left to make them appropriately safe. They've put \$120,000.00 over 10 years. He did not believe they would collapse. His main concern was that the railings are in bad shape, and he believed they'll fail particularly those at the back. He doubted they would fall down on their own. But with so many people leaning on the back railings, it was more likely they would give out in that manner.

Chief Lane asked if there was a blueprint in hand to replace them.

Mr. Sanborn noted there were preliminary drawings by Gale Associates. The plans show what the new stadium will look like; new track; a synthetic field; new bleachers. It moves Leslie O. Johnson Road back so they can move the bleachers back. They're about to hire Gale Associates for plans sufficient to go to permitting. If they get the go-ahead, they'll be ready to just about go out to bid. They're now beginning their fundraising with the hopes to raise enough money to start phasing the stadium in to completion.

Councilor Hardy inquired where the gate receipts go for Newell Stadium.

Councilor Curcuru noted the receipts go to the Athletic Fund and the concession stand is run by the boosters.

Councilor Hardy asked the Committee to make a formal request to find out gate receipts for the stadium for all sports and other events, as well as the Talbot Rink; if they are not charging rent for the use of the refreshment stand, what is that reasoning. If they are charging rent what is it and who is paying it.

Mr. Towne stated the funds for the gates come to the General Ledger. They are not charging rent to the boosters for the concession stand.

Councilor McGeary noted typically the boosters endow the athletic fund.

Mr. Towne also agreed they should ask for the information.

Mr. Sanborn would like to know how much money is given back to the athletic fund also.

Councilor Curcuru stated the request would be put in writing.

2. Memo from City Auditor regarding accounts having expenditures which exceed their authorization

Mr. Costa reviewed for the Committee the documentation on those accounts having expenditures which exceeded their authorization (documentation on file received prior to the start of the meeting). There are two accounts that are actually over that are and are a matter of reclassification of expenditures. These are old expenditures. It's a timing issue with the new DPW Department Account creation. The second page is the projected deficits. He felt they would clean up by themselves. The other deficits they're working with the departments to find out why they're projecting a deficit.

Councilor Hardy asked if the list had grown since the last list was presented to the Committee.

Mr. Costa stated no.

Mr. Towne asked they not cross years on the chart. He noted the projection on the Mayor's salary/wage has a transfer this evening. There are two others, one for legal and one for personnel. He went through several others with the Committee noting they have many already being taken care of or in the process of being resolved.

Councilor Curcuru took note of the two items to do with the School Department under School Function Code.

Mr. Towne thought it was a matter of transfers to alleviate the situation.

Mr. Costa answered Councilor McGeary's question of School Function Code that it was a matter of making an internal transfer to cover their shortfall. This was used more for their end of year reporting. They charged the expenditures to 470 for the first month and now the expenditures are still sitting there.

Mr. Towne wasn't sure the 472 made sense to him because those funds should have a surplus there. He also wanted to look into the Tourism Commission. He noted the three transfers that evening that will fix several items on the list were missed step increases. They fixed three internally and two that they have to fix by transfers. He projected many of these issues would correct themselves over time. These are just projections but are good tools for the department heads.

Councilor Hardy thought the projections were a great tool.

3. Memorandum regarding the upgrade of the Director of Public Works pay grade

Mr. Towne reviewed for the Committee the recent changes as noted previously the centralization of the City and School Department's maintenance function, as well as the Director of Public Works' many accomplishments, his background and certifications. He believed it to be one of the toughest jobs in the City, especially with a reduced staff. The DPW Director was now taking on the responsibility of the rink, the Waste Water and the Water Treatment and more. He believed the position should be at the same grade level that the CFO/Treasurer/Collector with all the responsibilities. It is the biggest non-police/fire department that the City has ever seen. The responsibilities have increased vastly over the last two years. The City has so many unique issues that demand a great deal of time, initiative and creativity to solve.

Councilor Curcuru thought one year contracts for City employs to be counterproductive.

Mr. Towne stated having the security of a job that was under contract for more than one year yields many benefits, foremost to keep the good employee in place, but also reassures a Department's employees. If

that person is not living up to expectations it can be handled appropriately despite having, say, a two year or three year contract in place.

Councilor Hardy suggested that they aren't willing to give up the initial confirmation, but that to have them confirmed every year was too much, in her opinion. This would necessitate a change in the City Charter which was being worked on this year in O&A if this was to change.

Mr. Towne believes no one would object to coming for an initial confirmation and even again for the third year to review for the Council to ask them what have they accomplished; and commend them for a job well done, or not. He believed departments would feel strengthened by having their heads be there in place for more than a year; and that the position of DPW Director is one of the most important to the community. The Auditor, CFO, Community Development is important, but DPW affects every single thing that is done in the City; and that was why the Administration wants the position to move forward and upward in grade. He referenced a list compiled by Mr. Duggan of salaries in comparable communities with the Committee; the average salary coming to \$108,533.00. But he noted that some of the communities really didn't compare in their issues and road miles, etc. He urged them to look at the DPW's operational and capital issues to be handled coming up that are significant, managing the consultants, the ARA funding, the staff. There are three ARA projects for waste water. He also noted that the Administration budgeted the average salary on the comparables list in the FY11 budget. He related that if the Mayor feels it should be more than the average, there was money within the budget to accommodate it.

Councilor Curcuru made note of the many employees over the years that have left due to the lack of money.

Councilor McGeary who understood that this matter was about the position itself, made note that the person currently performing the job as DPW Director was phenomenal. He also noted that the communities on this list don't have the issues Gloucester has. Watertown doesn't have miles and miles of roads, for example. Springfield may have been a better comparison. The City needs a good person in that position.

Councilor Hardy would have liked to see one of the comparables the number of road miles in these communities because so much has to do with the streets – the water, the sewer, the infrastructure. A better comparison such as that would be helpful to the City Council. She added, as tough as the economy was, that all the years they've invested in these employees, the City needed to keep them in place. She hoped the economy would turn around in order to do more for more departments.

Mr. Towne added that when you get good quality people, you get good quality results. Paying people with the experience and education; and the Gloucester experience and education is "priceless".

Councilor Curcuru stated they could look at how much money you save in the long run.

Mr. Towne stated due to the current DPW Director's efforts with his consultant's help and with his help, they saved \$2 million in principal payments on ARA funds. The Director has had a "lion's share" of that work to make sure it is done properly; that it complies with all the ARA requirements. This was due to the Director's pushing these projects and having them shovel ready when they needed to be. He stated it wasn't just the \$2 million saved, but a savings on the interest as well.

Councilor Curcuru asked if this pay grade increase, should it pass would be retroactive.

Mr. Towne believed by City ordinance, takes effect 31 days after a vote of the City Council. He understood the Administration would want to put it back to July 1st. There is a question on how that can happen, which he believed would require some research on the matter. They did plan on trying to do it as of July 1, 2010. The DPW's salary is split between three different areas within the Department.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to amend the Gloucester Code of Ordinances, The Personnel Ordinances, Appendix C., Compensation, Appendix B to change the pay grade for the position of Director of the Department of Public Works from M10 to M12.

4. *Grant Application and Checklist from the Council on Aging for a Formula Grant Allocation FY2011*

Councilor Curcuru noted he had spoken to Mr. Duggan on the matter.

Councilor Hardy asked for the original information from the link and the Auditor needs it as well.

The matter is continued to September 9, 2011.

5. *Special Budgetary Transfer Request (#2011-SBT-3) from the Legal Department*

Councilor Curcuru noted for the record that the "SBT" number noted in the Mayor's Report had to be changed due to an inputting error. Therefore, #2011-SBT 3 from the Legal Department was therefore changed to 2011-SBT-6; that #2010-SBT-4 from the Treasurer's Department is changed to 2011-SBT-7; and that #2011-SBT-5 from the Personnel Department is changed to 2011-SBT-8.

Mr. Towne explained that this transfer from Legal Consultations to Sal/Wage Perm. Pos. was to cover a shortage in the permanent salary account as the salary account was budgeted incorrectly.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer (2011-SBT-6) for \$772.13 from Legal Consultations, Unifund Account #101000.10.151.53140.0000.00.000.00.052 to Sal/Wage Perm Pos., Unifund Account #101000.10.151.51100.0000.00.000.00.057.

6. *Special Budgetary Transfer Request (#2011-SBT-4) from the Treasurer's Department*

Jeff Towne, CFO explained to the Committee there was an error in calculating full-time pay for FY11 in this line item for the Mayor; and therefore would correct it by using lag monies from not instituting an in-house lock box system. He would make up that difference.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council the transfer (2011-SBT-7) for \$2,479.56 from Treas/Collector, Sal/Wages Perm Position, Unifund Account #101000.10.145.51100.0000.00.000.00.059 to Mayor, Sal/Wage-Perm, Positions, Unifund Account #101000.10.121.51100.0000.00.000.00.051.

7. *Special Budgetary Transfer Request (#2011-SBT-5) from the Personnel Department*

Mr. Towne reminded to the Committee that they had hoped the municipal relief bill for 2010 would allow cities and towns, which it did, to go forward and flat-line the appropriation that was in FY10 for FY11. They were banking on doing that. They had \$189,000.00 difference. They put money in the Water and Sewer Fund because it was rate structured. They put in an increase based on their increase in wages in the budget. The only flat line they were really doing was in the General Fund. That came out to \$130,000.00. The municipal relief bill did pass in July. It said that anybody who had an actuarial valuation as of January 2009 or later could flat line to FY10. Their last actuarial valuation was January 2008. Therefore the City didn't qualify for it. As they had said during the budgetary process, they would take it from their line item for vacation/sick leave benefit payouts; and as they always have, find it through lag money if they need it. They put the money there specifically for the purpose of vacation/sick leave filings because they want to be able to fund that so when people leave they didn't have a huge hit on the departments that have to wait to hire somebody and create lag by a delay in hiring people. They put money in that budget; and now they're taking it out from there. They still have money in that line item after the transfer. They took it out of workers comp settlements. They had \$250,000.00 because they

have a number of people off from various departments, not 111F people. If they had to settle and move people off workers comp because if they stay on for a certain number of time, they pay that for life. Their goal is to get people to settle with the City, because no one is filling their slot. So they have people that they're paying, but they don't have people doing work because they're out on worker's comp. This was to provide enough money to help Ms. Egan to do what she could. This was one thing that the Mayor had said if they could get free cash that they would like to try and restore.

Councilor Curcuru recalled during the budget process how Mr. Towne was adamant they not take any portion of this money for other purposes.

Mr. Towne responded the reason why he was adamant they need to still do this was to get people back to work. He felt it was hard enough to be short staffed due to budgetary constraints, not hiring back people when they leave. When people are on worker's comp it is a similar situation. It is unfortunate a worker is out hurt; but at the same time, departments need staff to perform needed service, and felt this was a way in which they could do that. He reiterated he was adamant. They were looking for a place where it wasn't needed necessarily right now. Ms. Egan can work towards settling those people out and when free cash is certified, they'll replenish it with the Council's approval and then they'll do their settlements. They still have \$120,000.00 to do settlements. They'll structure them so that it doesn't hurt from a timing perspective. He explained he had done this for another community and had ended up saving a great deal of money by settling out and get people back to work.

Councilor Curcuru inquired how many City employees were out on worker's comp currently.

Mr. Towne had last heard the number was approximately 7 or 8 total. This did not include 111F which are handled differently. Police and Fire have a different worker's comp program. This is the DPW and city employees other than Police and Fire. The School is separate and has their own worker's comp program.

Councilor McGeary asked if it was a lump sum payment to the employee and then the person releases their claim on the City. They then come back to work or find something else to do.

Mr. Towne stated that was correct; and noted if they're still going through rehabilitation or physical therapy, they stay on worker's comp. But if there is a time and place where they say they're not coming back to work and the City reasonably expects they're not going to come back to work, that is when they look to negotiate a settlement. If they wish to stay on worker's comp, it's "their deal". There are very specific negotiations that go on.

Councilor Curcuru asked if the City actively monitor those people out on workers compensation.

Mr. Towne stated yes. He noted he got a bill from the Chair of the Pension Board for the month of August for interest for \$857.40 which is for the full month which he felt was not going to get done; so if he transfer that he might charge him interest; but if he can get this paid relatively quickly, because this is the only line item within that line item, he asked the Committee to consider making a friendly amendment to add \$227.47 to wrap the matter up.

Councilor McGeary accepted the friendly amendment.

Councilor Hardy announced that in order to avoid any appearance of impropriety, she would abstain from voting stating her husband serves on the board of the Gloucester Contributory Retirement System.

MOTION: On motion by Councilor McGeary, seconded by Councilor Curcuru, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Hardy) abstained to recommend to the City Council the transfer (2011-SBT-8) for \$131,519.47 from Personnel Workers Comp Settlements, Unifund Account #101000.10.152.51710.0000.00.000.00.051 to Pensions, Regular Pensions, Unifund Account #101000.10.911.51860.0000.00.000.00.051.

8. Memorandum from Fire Chief re: Permission to spend \$35,935.40 from Fire Stations – Design and Repair Accounts for Repairs

Chief Dench was asking to spend \$35,935.40 out of an account initially designated for Ladder 2 repairs then over to building repairs. It was part of the \$300,000.00 that was designated to do floor drains and other things in the station. This final portion was going to epoxy the main apparatus floor. He felt that the floor drains worked and saw no value in spending almost \$36,000.00 epoxying the main apparatus floor.

Councilor Curcuru noted the money was given to the former Chief and there was some issue about it. **Chief Dench** wasn't aware of the issues that may have surrounded the money initially but had about \$36,000.00 in the account. He hadn't planned on doing much work in the station as there had been a possibility of getting a new station built, but since a new station did not appear to be on the horizon, he has issues that need to be resolved in order to save the City money by making the building a little bit tighter by fixing all five overhead doors in the station. There are large gaps on the sides of them leaving the station bays wide open to the weather which need to be kept heated because of the apparatus. He submitted photographs of the doors showing the gaps where they were wide open to the weather (presented and on file) As in past winters, once they put the heat on, the bays are heated also, and it goes out the doors, and is a waste of money. He got prices to get them repaired, new weather stripping, tune them up. The prices range between \$5,000.00 and \$6,000.00. The Plymovent system was done some time ago to improve the air quality in the building; those tubes are duct-taped. Some of the piping was put in 21 years ago; much is rotted off and pulls apart easily. The price was about \$23,000.00 to \$24,000.00 to make the necessary repairs. Together these two repair projects will use up the money in the account. Since they anticipate being there at least 3 to 4 years more, these were necessary repairs. He believed this to be money well spent. There was a letter from the Building Committee recommending the use of the money, instead of the epoxying floor.

Councilor Curcuru noted this was a re-allocation of funds.

Mr. Towne stated the technical aspects this was the approximately \$36,000.00 remains. Because there was no public hearing, when they did the \$50,000.00, they would still have to go to the City Council to refer it out to public hearing and have the public hearing. They can get it done before winter and rush it through. Because he had made representations to the Committee that they had spent the difference out of the \$50,000.00, they had cleaned that up. He wanted to make sure the Committee understood that originally they were going to lapse that appropriation and rescind the remaining portion of it when they were talking about the \$100,000.00 (the \$100,000.00 was in reference to a previous situation on a ladder truck that was a similar situation where they had to go to a public hearing in order to move forward with the borrowing). This would be presented through the Administration as an energy saving matter and a maintenance/repair matter. While none of them wished to spend any more money on that building, these were necessary and would save fuel and electric costs to the City, heating especially. It is also a safety issue with the air quality for the firefighters housed in the station. If they want to do this, they'd have to hold a public hearing and vote to reappropriate those monies just as they did with the \$100,000.00 loan authorization recently.

Councilor Hardy commented that the air quality in the building was very important; they have firefighters who sleep there in the overnight shifts. She also asked if the boilers and the heating system were known to be running appropriately.

Chief Dench stated the heating system was up and running and acceptable. The people who put it in kept their promise and did a great deal of extra work at the end of the last heating system. They had to run new pipes. There were return lines that were rotted (which no one saw because they were underground) which was why the heat wasn't circulating throughout the building properly. He also noted that Door #5 would be replaced. They'll save the panels that are good from it and use them on some of the other doors.

Councilor Hardy noted as to the floor; the heating was more important than the squeegeeing the water to get to a drain in the floor. She felt this was common sense and thanked the Chief for not spending more money on something as the epoxy for the floor where they're not going to be at the Central Station for any anticipated great length of time. These two systems have to be maintained for the firefighter's safety and for energy savings. She would vote in favor of this.

[Councilor McGeary arrived at 6:40 p.m.]

Councilor McGeary felt it was a good use of money.

Mr. Towne noted the procedure would be to refer this out to the City Council and then have a public hearing for the loan authorization. It wouldn't have to come back to B&F since they took the matter up now. They have to follow the posting requirements for a loan authorization. He urged its posting as soon as possible in order to have the loan authorization done and the repairs made by the start of the heating season. He felt they have to advertise for public hearing. This is different because they haven't borrowed the money; and therefore, if you haven't borrowed the money, you have to hold the public hearing. The money hasn't actually been borrowed yet. It is not really a re-authorization of monies. Because they haven't borrowed short- or long-term on this money, that's the issue. He would write up the loan authorization and that the amount should be rounded up as he can only borrow only in \$1,000.00 increments.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to ADVERTISE FOR PUBLIC HEARING to consider a loan authorization that will authorize an appropriation for the purpose of repairs to the City's Fire Stations totaling up to \$36,000.00 and for the Treasurer to borrow said amount and to issue bonds and notes pursuant to M.G.L. C44 and further to authorize the Treasurer to file an application with the appropriate officials of the Commonwealth of Massachusetts to qualify under M.G.L. C44A these bonds.

9. Memorandum from Police Chief re: approval to pay EMT expenses incurred during FY2010 with FY2011 funds

Chief Lane asked for the Committee's approval for the Police Department to use FY2011 funds to pay expenses incurred during FY2010 starting in late January and for Officers Genovese and Trefry who have just completed their Emergency Medical Technician (EMT) class and State practical and written exams. As a matter of practice, the Police Department does not pay for any part of the EMT course for their officers unless the officer passes and receives State certification. He had submitted all documentation regarding these expenses through the Mayor's Report (on file). The total funds are \$15,612.00 in FY10. These funds have been budgeted as an expected expense in the FY11 budget.

Councilor Curcuru asked if they spoke about this during the budget season.

Mr. Towne recalled a debate about when the funds are paid out. It's where they pay for courses; until they get certified then it becomes the City's responsibility to repay the officers. If they aren't certified, they do not get reimbursed.

Chief Lane noted the actual final was on August 5th when they passed their written exam.

Mr. Towne could argue they are really FY11 expenses. It's not a prior year bill. It's their prior year bill, but it's

Councilor McGeary noted the officers are paid overtime.

Chief Lane related that they tally all the overtime up and what they would have earned in FY10. It's their overtime.

Councilor Hardy asked if they backfilled their positions.

Chief Lane stated no.

Councilor Hardy asked if it was less expensive.

Chief Lane noted they were at a lesser rate as they were new. They attended North Shore Community College's program. It is a program certified by the State. He felt these officers were sharp and passed the first time. They are now EMT-Basic certified.

Mr. Towne stated they're not liable for the costs unless they pass the tests and become certified. It could argue it both ways whether or not a motion was needed for these funds to be accessed.

Chief Lane noted the hours were worked in 2010.

Mr. Towne asked if it was contractual.

Chief Lane stated yes.

Councilor Curcuru noted they don't really have to vote this.

Mr. Towne stated by voting a motion, the Committee can clarify it. It can't be denied because of a contractual obligation; and therefore, this type of expenditure didn't need to be voted on going forward.

Councilor Hardy reiterated for the record that North Shore Community College is certified for these courses and is a fully accredited educational institution with the State of Massachusetts.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to approve the Police Department to pay \$15,612.00 from FY2011 funds for the EMT training expenses that occurred in both FY2010 and FY2011 with certifications having been incurred in FY2011.

10. CC2010-058 (Ciolino) Amend Gloucester Code of Ordinances §9-1 and §9-2(A)

This matter was continued to September 9, 2010.

11. Monthly review with CFO, Jeff Towne re: Trust Funds

This matter was continued to September 9, 2010.

Councilor Hardy noted a few items that didn't reach the Mayor's Report in time to be referred to the City Council that Councilor McGeary would like to present something so they could put it on the City Council agenda for referral back to B&F. Because they only have one meeting of the City Council in September, this was a very short window of opportunity, so if they can make the recommendation in Committee and read at the Committee Report portion of the City Council meeting, it could be referred back to Budget & Finance in time to meet the deadline.

MOTION: On motion by Councilor McGeary, seconded by Councilor Hardy, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to consider referring to the exploration of the Massachusetts School Building Authority Green Repair Grant Program for the purpose of making repairs to the schools back to the Budget & Finance Committee in order to take action.

Councilor Hardy also made note of the upcoming Tax Classification. The Mayor's Report had no mention of the tax classification yet; and because, again, the Council only meets once in September, she wanted to make a recommendation to the City Council to be read out of the Committee Report on Tuesday evening that this matter come back to B&F so that they can begin to address tax classification by referral and invite the Principal Assessor and anyone else who might need to come in to address it with the Committee. It needs referral back to B&F. They have to advertise twice in October for public hearing for October.

MOTION: On motion by Councilor Hardy, seconded by Councilor McGeary, the Budget & Finance Committee voted 3 in favor, 0 opposed to recommend to the City Council to consider referring the matter of Tax Classification back to the Budget & Finance Committee in order to take action on it.

A motion was made, seconded and voted unanimously to adjourn the meeting at 8:17 p.m.

Respectfully submitted,

Dana C. Jorgenson
Clerk of Committees

DOCUMENTATION/ITEMS SUBMITTED DURING MEETING:

- **Photographs of the bay doors at the Central Fire Station and of the Plymovent tubing submitted by Fire Chief Phil Dench**
- **Memorandum regarding the Massachusetts School Building Authority Green Repair Grant Program from Mike Hale, DPW Director to Jim Duggan, CAO**