

Budget & Finance Committee
Thursday, August 18, 2016 – 5:30 p.m.
1st Fl. Council Committee Room – City Hall
-Minutes-

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

Absent: None.

Also Present: Kenny Costa; John Dunn; Police Chief Leonard Campanello; Fire Chief Eric Smith; Sander Schultz; Donna Leete; Adam Curcuru; Larry Durkin

The meeting convened at 5:32 p.m.

1. Review of Police Department Action Plan re: Invoice Status Report on Police Details (Cont'd from 07/21/16)

Police Chief Leonard Campanello highlighted the following issues related to the action plan for outstanding invoices for police details:

- There hasn't been much luck with pressure tactics and other legal means in pursuit of businesses that are 60 days overdue on police detail invoices which totals about \$ \$33,000. At 90 days unpaid, invoices total about \$21,000 compared to that list in previous years.
- It is recommended that the city take a write-off on the total owed, and take stronger measures up front with a suggestion of interest charged on unpaid invoices in an ascending tiered system.

Councilor Ciolino expressed concerned that if a company goes to the Public Works Department to obtain a permit to open the street, or presents themselves to take out a building permit, the city is issuing permits without knowing the company has outstanding debt to the city. He indicated that a list be shared with city permitting departments so that they know to press again to obtain the monies owed to the city before any permits are issued. He pointed out the information should be shared with the Chief Financial Officer and the City Clerk's office as well so that there is better communication, and better coordinate with other city departments. **Chief Campanello** suggested that city policies and ordinance needs reviewing to determine whether denial of permits is allowed due to outstanding bills on the part of city vendors, but voiced his agreement that such an on-going and updated list should be shared with city departments and be reviewed before a permit can be issued.

Councilor Orlando expressed concern that passing an ordinance may exclude some vendors and may be contradictory. He suggested hard and fast rules could also be difficult to implement particularly with larger corporate entities. **Councilor Ciolino** asked that General Counsel review the specific related ordinance to see if it needs amending to ensure the city is able to deny issuance of a permit if a vendor owes the funds and to learn what other North Shore communities do in practice.

Kenny Costa, City Auditor, advised he had reviewed the related ordinance in the past and that in his opinion there's no teeth that go with it. He suggested that there are ways to deal with this issue. **Councilor Memhard** said a Certificate in Good Standing is a worthwhile tool to utilize and is done on a state level and in other cities and towns.

Councilor Ciolino expressed his frustration with the situation and wanted to see that something is done to lessen the impact of unpaid invoices for police details. Chief Campanello said the department is owed about \$116,000 and \$33,000 is over 60 days. A significant portion is owed by utility companies, he advised. The 90 days owed is likely going to have to be written off, he noted. From a Council viewpoint, this isn't a huge problem but one that can be managed, Councilor Memhard said, adding it is about institutionalizing a method to stop this financial abuse.

This matter by Committee consensus is referred to the City Auditor and General Counsel. A write-off for police detail invoices over 90 days past due will be developed between Chief Campanello and the City Auditor.

2. Memorandum from Fire Chief re: request to accept a grant in support of additional FEMA Assistance to Firefighters Grant (AFG) to replace outdated Self-Contained Breathing Apparatus (SCBA) and a request to provide matching funds of approximately \$40,000

Fire Chief Eric Smith informed the Committee the city was in receipt of \$323,091 for a Federal Emergency Management Agency (FEMA) Assistance to Firefighters Grant. The city's minimum match is \$32,309. This will replace all the outdated SCBA equipment. The original ask was at \$422,000. It is cut back to \$323,091 because

some of the equipment requested, such as fit test equipment, wasn't critical along with the laptop to run it. The tracking equipment to locate firefighters during a fire was cut from the funding. He indicated the department will end up getting all that they need short of the testing equipment due to working with local state bid vendors who have been working hard to bid for all the equipment the department wanted, and advised it may end up costing less than anticipated. He mentioned that the Fire Chief's Association requested the department take on a piece of equipment for fit testing (to ensure a proper fit of the SCBA mask) and was bought with other grant monies. Some of the equipment the department won't own but have possession and care of and can distribute to other fire departments when they do their fit testing. He mentioned the match although pegged for the grant at \$32,220, he is asking for \$40,000 to cover the gap to get the tracking equipment which he said he considers a necessary and important safety feature for his firefighters. The match will be appropriated from the Capital Project Stabilization Fund, **John Dunn**, CFO, indicated (see Item #8 – 2016-SA-3 under City Auditor's Reports).

Councilor Ciolino asked if the match should have come from the department's budget. **Mr. Dunn** advised that both he and the City Auditor are comfortable with paying the match from the Capital Projects Stabilization Fund and that the funds will be sequestered within the specific stabilization fund. Rather than put pressure on the Fire Department operating accounts, this is the better way to do it, he indicated.

Councilor Memhard asked if there are costs associated with the training on the new equipment. **Chief Smith** said those costs were included in the grant funding. He advised the department budgets for the replacement of a certain number of pieces of equipment annually. They will only be testing the new equipment to ensure it is functioning properly moving forward for some time to come. Life expectancy of the new SCBA equipment is 15 years, he explained.

Councilor Ciolino discussed briefly with **Chief Smith** about what happens to the old equipment and learned that the old equipment value is negligible, and parting them out is not worthwhile to pursue, as they are worth barely \$150 each. If they are able to trade the equipment in, they can get something for it they will, the Chief noted and he added that Captain LoGrande engineered this grant submittal and lauded his effort on behalf of the department.

Councilor Orlando recounted that this matter touches his family deeply. In 1998 when Fishermen's Wharf went up in flames, his first cousin's husband, a Gloucester firefighter ran out of air, although continuing to fight the fire, and breathed in carcinogens which led to him dying of cancer. The money is critical from this grant and he voiced his support of the grant's acceptance by the Council. He dedicated his vote to Firefighter Mike Smith.

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 under MGL c. 44, §53A accept a Federal Emergency Management Agency (FEMA) a Fiscal Year 2015 Assistance to Firefighters Grant in the amount of \$323,091.00 for the purpose of funding the purchase for the Gloucester Fire Department Self-Contained Breathing Apparatus (SCBA).

3. Memorandum from Emergency Medical Services Coordinator re: proposal to write off uncollectible debt in the amount of \$375,901.74 and a proposal of putting the billing contract into a longer contract cycle

Sander Schultz, Emergency Medical Services Coordinator and firefighter, conveyed the following information to the Committee: It is proposed that the city model its ambulance fee schedule using the Medicare reimbursement regulations as a benchmark. In setting the ambulance service fee schedule the Council should consider the Medicare baseline, but should set the Ambulance Services' own specific fees individually as presented (on file). It is recommended that the city not increase Ambulance Service fees this year, leaving them unchanged from FY16 to FY17. The Medicare standard baseline has dropped this year by a measurable percentage, and by keeping the rates static it would amount to a tacit increase. This method has been used by the Service for over nine years. Medicare rates have decreased between FY16 and FY17. This fee schedule as presented is consistent with what is being done in the private and public sector across the Commonwealth and country. It was noted that the Ambulance Service bills out for services at Medicare +300% which is consistent with industry standards. The Fire Department's Ambulance Service's FY17 revenue projection based on the existing fees and call volume is \$1,169,706.00 with 80 percent of that comprising of Medicare and Medicaid payments whether Basic Life Support (BLS) transports or Advanced Life Support (ALS) transports.

Mr. Schultz discussed the particulars of billing with the Committee. He mentioned the average payment return per transport is \$382 although billing totals are much higher; and annual average for FY16 per billing return is \$496 but this is very new into the fiscal year and that number could rise (city fiscal year starts July 1). FY16 gross billables were over \$5 million and brought in \$1.2 million, consistent with ambulance medical billing.

In response to **Councilor Ciolino's** inquiry, **Mr. Schultz** conveyed the following: The Ambulance Service rates are comparable to other communities, Lynn being a community of comparable size and a Fire Department-based ambulance service, but there is an issue comparing public ambulance services with private ambulance companies who typically enter into contractual situations with insurers for hospital transfers between hospitals and to nursing homes and/or to patient's homes. If an ambulance is called, the service is legally responsible to assess and treat if needed and to transport. He advised that the communities of Salem and Beverly use private contractors and are not Fire Department based services. Manchester-by-the-Sea charges significantly lower rates than Gloucester but it has to do with a Town Meeting form of government and the relationship the Town has with the Fire Department. The Town of Rockport bills for BLS transports, does a significantly lower volume of calls annually, and runs with volunteers only. Their ALS transports are by intercept with a private ambulance service.

There was a discussion about decision-making as to where a patient is transported which is typically based on a medical decision. For some medical situations the Fire Department Ambulance Service must bypass Addison Gilbert for OBGYN, burn, traumas, and for certain cardiac situations to take patients to a trauma center or to a catherization lab, for instance. If ruled in by mechanism and clinical signs patients do get airlifted. The only thing more expensive to the Ambulance Service is the mileage not the patient treatment. All the ambulance final destination decision making for a patient is always clinically based, he noted.

Councilor Orlando asked how much of the ambulance service's billing is in litigation related to who pays what to the Fire Department Ambulance Service. **Mr. Schultz** said in those cases he would be requested to provide information, and that two or three times a week he processes lawyer requests in relation to some of those situations. He suggested about 150 bills annually are in that situation, but that has never been an issue. Nothing currently being processed is written off, he assured the Councilor. He spoke to medical collection agency use in the past and that an exclusion criterion was litigation.

He further advised that as of June 30, 2016 the city's Fire Department Ambulance Service carries an outstanding Accounts Receivable (A/R) balance of \$1,677,737.86. Although most of this is current and will be collected, he said, \$375,901.74 is greater than 300 days old and considered uncollectable. He asked that the Council vote to write off an outstanding Accounts Receivable balance older than 300 days old, and considered uncollectable, in the amount of \$375,901.74 representing 276 accounts. The date of the report was June 20, 2016.

Councilor Memhard inquired if there was a recommendation longer term to adjust the service's billing amounts to more realistic levels to avoid the write-down, and at what point does a municipal ambulance service become either a break even enterprise or a profit center enterprise versus being a municipal taxpayer subsidy. **Mr. Schultz** indicated that the accounts being written off fall into two primary categories -- the first is that the payer is unable to be found -- there is no active insurance policy that can be billed, and the person can't be found and/or can't pay the bill due to a variety of circumstances. Then there are those persons that can be found but have no money. If a patient falls below the federal poverty guidelines times two they are eligible to a total write off of the bill. A payment plan can be developed to pay back the ambulance service, but he advised that has only been executed once in 12 years of his tenure. He then explained the process of making billing adjustments. He pointed out that the service can't balance bill a Medicare patient, but it can be billed to a patient's Medicare supplemental insurance if they have it. Noting that medical billing is very complicated, **Mr. Schultz** conveyed this is why a good medical billing company who stays up on the ever-changing regulations is very important.

His final recommendation was that the city writes off as uncollectible the \$375,901.74 and would bring the total outstanding debt owed to the city down to \$1,301,836.12, all of which is less than 300 days old, and most of which is current and collectable. He then briefly reviewed the city's financial hardship policy and how the department utilizes a write-off procedure, and the formulas utilized. He acknowledged he is late in forwarding his recommendation for the write off and that this does cause issues for the Auditor to some degree and will throw the annual report off. **Mr. Shultz** assured it would be on the right schedule to be presented in a more timely fashion next year.

Mr. Schultz then addressed the billing and collection service contract. He advised that the current billing service contract with Intermedix, executed in 2014 has been renewed with a one-year extension option remaining. A new Request for Proposal will be prepared. This is a \$30,000+ contract that generates over \$1 million which he would like to move to a six-year term. He expressed his recommendation for a six-year billing contract as it will enable a stronger and more robust long-term billing strategy to be adopted by the city and its billing contractor, with that contract going into effect in April 2017.

Councilor Ciolino mentioned the current medical billing firm is the same company that had a security breach early in its contract with the city and released patient information publically. **Mr. Schultz** explained that transferring from one billing company to another is very difficult, and it was about that time that this incident occurred. The city put legal language into such a contract that holds the vendor responsible, he advised. He

reviewed this incident was a breach of cyber-security perpetrated by a company employee in conjunction with outside entities. He added that the situation was caught early -- the billing company brought the federal agencies in early and identified the criminals involved. Some Gloucester patients did have information released, and in a review of the Fire Department procedures it was found the Fire Department followed procedures but that a few of the policies needed tweaking, and that nothing major within those policies was found faulty. Intermedix, the city's medical billing contractor, dealt with the situation effectively and promptly. He assured it will be a part of the review of the RFP language, especially if the Council allows the Ambulance Service to do a six year contract which is broken down into a two year contract with two two-year renewals. There are always termination clauses within the contract, he advised, and that the Purchasing Agent will forward an RFP to General Counsel if there is a question on legal language.

Councilor Orlando asked that the RFP go to General Counsel to assure that all legal aspects are covered with the RFP. Both **Fire Chief Eric Smith** and **Mr. Schultz** assured there were no financial penalties levied against the city for the cyber-security breach.

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 the Gloucester Fire Department Billing and Collection Policy as presented by the EMS Coordinator and approved by the Mayor dated July 28, 2016 and further to approve the proposed fee schedule attached to and incorporated into the policy effective retroactively to July 1, 2016.

Councilor Orlando asked that measures are taken to assure that this write-off number is reduced moving forward. **Chief Smith** said the billing company is not paid on a flat rate but on a percentage of each bill paid, and so it is incentivized to see that billing and return that billing is fulfilled.

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 write-off of \$375,901.74 in uncollectible, outstanding ambulance billing.

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 Gloucester Fire Department to seek a contract term for a six-year cycle for the singular purpose of a contract for the Gloucester Fire Department Ambulance Service billing and collection services.

4. Memorandum from CFO regarding a Loan Order request in the amount of \$675,000 to fund repairs to clarifiers at the Wastewater Treatment Plant

John Dunn, CFO advised that before the Committee is a time-sensitive loan order in the amount of \$675,000 to fund repairs to emergently repair the clarifiers at the Wastewater Treatment Plant.

Larry Durkin, Environmental Engineer, said clarifiers settle the solids (sludge), and components above the liquid level have rot. If the clarifiers fail it is a far reaching consequence. The estimated cost is \$675,000. The DPW did have the funds to order the parts and are on schedule for the replacement process of the clarifiers and advised there was a pre-bid meeting the previous day. The immediate need is to get a bypassing pumping system in. If there was a failure of a clarifier, the consequence is that were there a tropical storm or an extended duration rain event, millions of gallons of untreated sewer will enter the Annisquam River. He advised there is an action plan, and that with the assistance of the CFO he pointed out this is a good plan for the clarifiers' replacement in terms of funding. It was noted that the last major upgrades to this portion of the wastewater treatment plan was in 2006, and in 2011 underwater equipment was upgraded. The Department of Environmental Protection has been advised and that the repairs must be carried out as soon as possible, he noted.

John Guptill, Veolia, Assistant Project Manager, noted that clarifiers are below water mechanisms which he described to the Committee and how they work (see submittal in agenda packet on loan order on file). It was noted that the last major upgrades to this portion of the wastewater treatment plan was in 2006, with the plant coming on line in 1986. Major repairs were undertaken to the underwater equipment in 2011, **Mr. Durkin** added. **Mr. Guptill** said from the manufacturer's view should be inspected annually. He indicated his staff looks at these elements every six months to identify any issues whatsoever. Corrosion has been very minimal, he pointed out. They assumed the worst of the corrosion would be on below the water mechanisms, but in fact it was above rather than below where they discovered delamination and rust that appeared extensive on Clarifiers #1 and #2. Knowing this

now, this inspection will become a part of Veolia's regular maintenance process, he advised, as these clarifiers are not as common. **Mr. Durkin** said that above the water is a much moister environment due to condensation because covers were installed.

Councilor Orlando suggested the corrosion could be related to the city's salt water content. **Mr. Guptill** said their testing didn't indicate a higher than normal water chlorides, and that this is condensation of relatively clean water and hasn't seen salt-like deposits

Councilor Ciolino inquired about the manufacturing of new clarifiers. **Mr. Durkin** said they are using the original manufacturer that will fabricate new clarifiers from existing drawings from 2006.

Councilor Ciolino asked about the impact of this new debt service. **Mr. Dunn** said he would borrow the full amount short-term in the second half of FY17 and in FY18 there will be BAN (Bond Anticipation Note) debt of 2% on the short-term borrowing. It would be in FY19 that the debt would be bonded. This will have an impact on the sewer rate in FY19, he cited, but that some debt rolls off in the meantime.

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 Six Hundred and Seventy Five Thousand Dollars (\$675,000) to pay costs of wastewater treatment plant clarifier #1 and clarifier #2 bypass and repairs, 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, Sections 7 or 8, 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 this project.

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 for August 23.

5. Memorandum from Director of Veterans Services re: Council acceptance of a donation in the amount of \$20,000 to help support critical needs of the department as outlined by department leaders

Adam Curcuru, Director of Veteran Services for the City of Gloucester, advised that the city is in receipt of a \$20,000 donation from Michael and Renee Minogue, through his company's Endowment Fund to be used to support the city's veterans' services. He said he met Mr. Minogue through the Mayor, and in a discussion with him the donor conveyed \$20,000 from a proposal Mr. Curcuru forwarded to him. He asked that the Council accept this donation so that it may be utilized to support city veterans' prioritized programs.

He outlined for the Committee that the funds will be used for purchasing a book, "Veterans' Hero's in Our Neighborhoods" for veterans to read to the city's kindergarten through second graders around Veteran's Day, and in turn, the veteran would donate their book to the classroom with whom they interact. Other items include purchases of chairs and tents for use by the Veterans' Services Department for Veterans Day and Memorial Day ceremonies, as well as doing more local events such as the Sidewalk Bazaar, and aides to assist outreach efforts. He briefly noted a few long-term plan as well noting a setting aside of money for repairs on the building whose repairs would be accomplished through a therapeutic program through the Veterans' Administration which has veterans effectuate repairs to buildings used for veterans' services.

This money will be in a donation account and is outside of the General Fund, **Mr. Costa** advised **Councilor Ciolino** who had asked about the donation's disposition, and that this fund will roll from year to year with only Mr. Curcuru having access to the account should not all the funds be spent in one fiscal year.

There was a discussion on whether the funds could be spent on the repair of the city-owned building on Emerson Avenue that houses the Veterans Services Department. **Councilor Ciolino** suggested that the funds shouldn't be used to repair the building, the city should repair it. This is a generous donation, he noted, and Mr. Minogue, he further suggested, didn't seem receptive to these funds being used for building repairs. **Mr. Curcuru** said his understanding was slightly different. **Councilor Ciolino** also encouraged Mr. Curcuru make a prioritized

list to submit to the Council regarding use of free cash for improvements on the building. **Councilor Memhard** asked that the donor's letter outlining the way in which the funds were to be utilized be forwarded to the Committee and to recheck with Mr. Minogue to ensure he was on board with Mr. Curcuro's plans to use some of the donation to immediate building repairs. **Mr. Curcuro** advised there is a possibility that this could be a recurring donation. **Councilor Memhard** reiterated the suggestion that Mr. Curcuro run by the donor any possible use of the funding that may not be strictly used for outreach services -- that the city has an obligation to maintain its buildings and Veterans' Services shouldn't be leaning on a donation such as this to fulfill the city's role and responsibility.

Councilor Orlando said he appreciated that the donation was stated in such a way that the parsing out of the funding is in the hands of Mr. Curcuro to use where he sees the greatest needs for veterans services. **Mr. Curcuro** added he plans to advise the donor of funds being spent to get his feedback in order to instill trust in the choices that are being made. **Mr. Dunn** pointed out that the donor wasn't totally specific in his letter, but did say that, "...applications and services associated with the Veterans' Services, especially repairs to the Veterans' clinics, maintenance to all veteran sites and other uses as designated through the Director of Veterans' Affairs of the city of Gloucester." He conveyed that the letter isn't saying specifically what to spend the donation on, although he did give several examples, and is leaving it up to Mr. Curcuro as to how the funds are spent. **Councilor Memhard** reiterated that the city has an obligation to maintain its facilities and that the donation shouldn't be leaned on to fix the building and push aside the city's obligation.

Mr. Costa reminded the Committee that the Council can't change the purpose or add restrictions to the donation, that its role is to accept the donation or not.

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 under MGL c. 44, §53A to accept a donation of \$20,000 from Michael and Renee Minogue for the specific purpose of supporting the City of Gloucester Veteran Services as delineated by the Director of Veterans' Affairs of the City of Gloucester.

6. Memorandum from President of Light Up Mattos Committee re: Council acceptance of a donation in the amount of \$4,000 to cover the remaining monies needed to secure a bid contract for the lights at Mattos Field

Patti Amaral, member of the Light Up Mattos Committee asked that a \$4,000 donation be accepted to cover the remaining monies needed to secure a bid contract for the lights installation at Mattos Field. The contractor, Annese Electrical Services, Weymouth, Mass., is the lowest bidder for the project, she advised. The \$4,000 is necessary to move forward.

Councilor Orlando, noting that Mattos Field is very important, and he voiced his support to accept the donation.

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 under MGL c. 44, §53A accept a donation from the Light Up Mattos Committee of \$4,000 for the purpose of completing funding for the installation of lights at Mattos Field.

7. Memorandum from Director of Human Resources re: Reorganization Plan for Executive Office of Mayor

Donna Leete, Personnel Director, reviewed the following: The Executive Office of the Mayor reorganization (job descriptions and organizational chart on file) is formulated to improve customer service and improve communications throughout the city with a focus on constituent services, the different branches of government of which the Council is included. This reorganization includes the realignment of the duties of the Chief Administrative Officer, adds a new position of Director of Communications & Constituent Services, and changes the position of Secretary to the Mayor from a Pay Grade 5 to a Confidential Secretary which carries a Pay Grade of 8B. In the past they were fortunate to have two particularly dedicated individuals in the roles of CAO and Executive Secretary who put in countless, long hours every day very long every day, about 80 hours per week for each individual. She voiced her concern is that such schedules aren't sustainable -- that they have to stay focused on the service and the best structure to deliver those services for better efficiency and communications.

She noted that there is a financial impact to the reorganization, and anticipates absorbing the cost of the proposal in the FY17 budget. There is some lag before filling the permanent CAO position and cover the Executive Secretary and Director of Communications --\$70,732 was budgeted (Grade 8B Step 12 AFSME pay scale), and the

annual salary proposed would be \$74,761 but the net cost increase in FY17 is \$73,602, and shadows the GMAA pay grade of M8 Step 5 position. None of the Mayor's staff are members of unions because positions are considered "confidential" which **Ms. Leete** conveyed in response to an inquiry by **Councilor Ciolino**. She added that in looking at the demands and comparable responsibilities in the organizational structure, the position grades out with the GMAA scale, in looking at the educational and experience requirements, accountability and independence of action, and indicated she is comfortable in this recommendation.

Councilor Orlando explained that he understood the shake up in the Mayor's office is necessary and that there is a need for more constituent services, and the person who ultimately replaces the Mayor's secretary, will start at a lower rate. **Ms. Leete** advised that the Mayor hired a secretary as a confidential clerk. Under the reorganization that position will revert to the Confidential Executive Secretary title which comes with a pay grade of 8B, Step One or \$45,748. While \$37,500 was budgeted in FY17 for the Confidential Clerk title, it needs to be recognized that the implementation of the salary increases for the Executive Secretary and the Director of Communications & Constituent Services won't occur until October 17 should the Council vote affirmatively on the reorganization, thereby creating a lag in budget funding. However, she indicated the additional \$7,500 for the Executive Secretary salary which is higher than budgeted for will be a concern for next year's Mayoral budget. **Councilor Orlando** said the reorganization is a good idea but the funds for FY17 are less than needed. **Mr. Dunn** said \$37,500 was budgeted on an annual salary of \$45,000 but the person was brought in later and so is not a full 12 month period. As explained by Ms. Leete because of the timing and the turnover with the CAO that they don't think they will need any additional budgetary funding in FY17. **Councilor Orlando** expressed his understanding that the budget to replace the former Executive Secretary would come in at a lesser cost because the former Executive Secretary was receiving a salary of Grade 8B, Step 12.

Councilor Ciolino pointed out that there is lag money for this year and noted there was money transferred out of Personnel's budget to make up the difference for the new CAO to shadow the former CAO. It may take three months to get a new CAO, he suggested. **Mr. Dunn** advised it will take a while to hire a new CAO, and that a new CAO will likely come in a bit lower than what the current CAO was making who is now moving to the position of Community Development Director. Between hiring someone at a lesser rate and the delay in their hiring should account for the FY17 funding and work out financially. He indicated that there will be an appropriation to cover the payout for sick time, vacation and longevity for the former CAO and Executive Secretary coming forward.

Councilor Memhard clarified what the city's obligations are such that the financial commitment and obligation is more than just the salary because it includes the contractual benefits package in light of a new position. **Mr. Dunn** agreed there will be health benefits that will apply so there is an impact but he pointed out that health benefits overall is \$13 million to the city annually. The city's total pension assessment is \$8 million annually, and he advised no vesting is done until an employee is with the city for 10 years. If these employees leave the city's employment they get their contribution back. There won't be sick leave buyback, and the longevity incentive isn't triggered until an employee has been on board for five years, and then there is a tiered system for those outlays the longer employees stay with the city. These benefits are fixed and out of the Council's domain, **Councilor Memhard** pointed out as they are contractual obligations. He expressed he wanted to make sure if the Council approves the reorganization, it is with eyes wide open as to the short and long-term financial obligations being created by this action. **Mr. Dunn** added the full-time city employees, and in Massachusetts, carries not only their salary but on average 33 percent of the salary is carried in benefits, not including obligations of the employers share of unemployment, worker's comp, FICA, etc. **Ms. Leete** added that it is a good point about the cost of adding a new position. In the case of the Mayor's reorganization plan, the budgeted number of positions stays the same – there were four positions before the reorganization, and it remains four positions with the reorganization, and they've accounted for the contractual benefits.

Councilor Orlando expressed concern that the new position of Director of Communications & Constituent Services would be paid the same amount that the former Executive Secretary was being paid, plus the Pay Grade for the new position at M8 is higher by about \$4,000 which is the starting pay and will likely rise. **Ms. Leete** said the original classification of Executive Secretary is a misnomer for the job that position is doing and what the needs of the Mayor's office are, and the title, position and job duties of the Director of Communications and Constituent Services are more in line with the needs of the Mayor's office. **Councilor Orlando** suggested this was why there was a higher pay grade associated with the position. **Mr. Dunn** pointed out that the position entails travel extra, longer hours which is another justification for the management pay grade. **Councilor Orlando** asked that the budgeting be done up front because in difficult financial times it is not easy to justify creating and financing new positions. He did voice his support of the Mayor's reorganization.

Councilor Ciolino said that with the advent of immediate social media and the demands it places on the Mayor's office, it requires change, and this reorganization is necessary. Good customer service is always important this action will ensure continuing good service, he noted. **Councilor Orlando** added this is a good investment.

Councilor Memhard expressed concern that in the short term the people now in the office are fulfilling the CAO's role in the interim, but the building of the 2018 budget has to be developed and important on-going projects need shepherding, along with union negotiations and asked how those issues are being addressed. **Mr. Dunn** said that negotiations with at least one bargaining unit are on-going. He advised that he, Donna Leete, and Chip Payson, General Counsel, is involved consistently -- that there will be outside counsel brought in for negotiations with public safety unions. He added that he has developed 20 municipal budgets in his experience, and has worked with former Gloucester CAO's Jim Duggan and Jim Destino. **Councilor Memhard** offered that with a new Council has a strong private sector background, and anything they can do to help strengthen the position of the city with the bargaining units he encouraged the Administrative staff to turn to the Council to the extent that their legislative role will allow.

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 in connection with the Executive Office of the Mayor's Reorganization Plan Amend the Personnel Appendix A and B of Section 4 of the Personnel Ordinance designated as Appendix C of the Gloucester Code of Ordinances with an effective date of October 17, 2016 as follows:

1. That Appendix A, Classification Plan, be amended by adding the title of the position of "Director of Communications & Constituent Services;"
2. That Appendix B, Compensation Plan, be amended by setting the compensation for the position of "Director of Communications & Constituent Services" at the pay grade level of M8.

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 accept the Executive Office of the Mayor Reorganization Plan based on the chart and new job descriptions as submitted to the City Council on August 9, 2016 in accordance with the City Charter Sec. 7-2 with an effective date of October 17, 2016.

This matter will be advertised for public hearing.

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

"City Match" of the FEMA Assistance Firefighters Grant of \$40,000 - Memorandum from Fire Chief re: request to accept a grant in support of additional FEMA Assistance to Firefighters Grant (AFG) to replace outdated Self-Contained Breathing Apparatus (SCBA) and a request to provide matching funds of approximately \$40,000

Mr. Costa explained that in order for the Fire Department to match the grant funds accepted by the Budget & Finance Committee for recommendation to the Council that funds will be needed to be transferred from the Capital Projects Stabilization Fund to a special account for the Fire Department in order for the match to be paid out. This will require a vote of the Council to suspend its Rules of Procedure in order to take up this appropriation and to vote on it at the August 23 Council meeting.

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 2017-SA-3 in the amount of \$40,000 from Account #760001-596006, Capital Projects Stabilization Fund, Transfers to Trust Funds to Account #760010-585011, Capital Projects Stabilization Fund, Firefighting Equipment for the purpose of funding the purchase for the Gloucester Fire Department Self-Contained Breathing Apparatus (SCBA).

Mr. Costa then reviewed briefly his reports with the Committee (on file).

A motion was made, seconded and voted unanimously to adjourn the meeting at 7:35 p.m.

Respectfully submitted,
Dana C. Jorgenson
Clerk of Committees

DOCUMENTS/ITEMS SUBMITTED AT MEETING:

- **Reports of the City Auditor dated 08-18-16**