

**Budget & Finance Committee**  
Thursday, October 20, 2016 – 5:30 p.m.  
1<sup>st</sup> Fl. Council Committee Room – City Hall  
**-Minutes-**

**Present:** Chair, Councilor R. Scott Memhard; Councilor Joseph Ciolino; Councilor Joseph Orlando (entered the meeting at 5:45 p.m.)

**Absent:** None.

**Also Present:** Mayor Sefatia Theken; Councilor O’Hara (entered the meeting at 5:37 p.m.); Kenny Costa; John Dunn; Mark Cole; Harbormaster T.J. Ciarametaro; Dan Smith; Sal DiStefano

**The meeting convened at 5:30 p.m.**

**Note:** Agenda Item 1.B. Memorandum from Economic Development Director re: National Fish & Seafood Inc. Tax Increment Financing (TIF) recommendation out of order. All other items were taken in the order they appeared on the B&F agenda.

**1. Addendum to Mayor’s Report of 10/11/2016:**

A. Special Budgetary Request: 2017-SBT-5 from CFO re: Transfer from Police Department

**John Dunn**, CFO, explained that this is a transfer for \$60,000 from Police Administration salary line into an account established for legal activities for the contracted investigations. He said the \$60,000 is a high estimate but they want to make only one transfer and so this is a number he and General Counsel are comfortable with.

**Councilor Ciolino** expressed he understood they want all the expenses to come through the Police Department and asked that they focus on lag money. **Mr. Dunn** agreed saying that this is what they wanted to capture within one account.

**Councilor Memhard** thanked the Mayor and the team for their effective handling of the recent issues with the Police Department.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Ciolino, seconded by Councilor Memhard, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Orlando) absent, to recommend that the City Council approve Special Budgetary Transfer 2017-SBT-5 in the amount of \$60,000 from Account #0121051-511000, Police Admin.-Salaries to Account #0121052-530010, Police Admin.-Legal Services for the purpose of funding Police Investigations.**

B. Memorandum from Economic Development Director re: National Fish & Seafood Inc. Tax Increment Financing (TIF) recommendation

**Mayor Sefatia Theken** explained that as a City Councilor for 13 years she made clear she was not in favor of the city giving Tax Incentive Financing (TIF) breaks to local businesses but that she changed her mind then the state started assisting the businesses, provided that a local TIF was granted to be used as the stepping stone to more assistance from the state. She said that her Administration is trying to promote its working waterfront and its branding, “Gloucester Fresh,” in order to keep the city’s working waterfront working. She pointed out that because the city’s water rates are high, higher than surrounding communities, many businesses are finding it harder to run manufacturing facilities in the city and noted that one such affected company is Mazzetta, a fish and lobster processor. And while the city has partnerships with TIF’s in place for companies such as Mazzetta, and that they offer assistance to existing companies in the city to continue, sometimes it becomes easier for these companies to just leave. It is a situation she said that she was determined to change. She said what is in front of the Committee is a TIF for the National Fish & Seafood; a company employs many local people through its manufactory on East Main Street in the Americold building, as well as its administrative offices on Parker Street. National Fish is known for its Matlaw brand of seafood, stuffed clams and scallops and other products. The company is a partner with the city’s Gloucester Fresh program and the city’s seafood shows. Keeping a company such as National Fish in the city is important in that it keeps the city vibrant and economically viable through the employment of local people.

**Mayor Theken** advised the Committee that in order for National Fish to move forward to obtain assistance financing from MassDevelopment, the state needs to know that the city supports the company -- it is time for the

city to step forward and help this company stay in the city. This TIF is worthwhile, she said, and she asked that the Council support it.

**Councilor Memhard** welcomed National Fish & Seafood, Inc., owner, **Jack Ventola**, thanking him for a recent tour of the manufacturing facility which he noted was eye opening as to how well it was run, as to its world-wide reach impact on seafood markets and sources. **Mr. Ventola** reviewed that the company was started in 1979 and the business has changed through the years. He noted they employ upwards of 250 people with 28 million pounds of seafood processed through their plant last year alone; use 60,000 to 70,000 pounds of breadings daily, producing 15,000 to 20,000 boxes a day of product. They have improved that facility at about \$300,000 to \$400,000 a year to hold it up because it is an old facility, built in 1960. Americold is now a real estate trust through Atlanta, GA, and not locally held. He advised he has been with the company since 1991 and **Todd Provost** whom he introduced is the new President, he acknowledged Mr. Provost as part of the company's succession plan. They had been working on a lease with Americold, but the real estate trust told them they have to buy the building by December 1 or they were out of the building. He conveyed his team has been working feverishly to get this done -- to buy the building and get the TIF in place. The office employs about 40 people and those people for the most part are Gloucesterites. There is also the 80,000 sq.ft. of leased facility on Kondelin Road for storage and excess equipment. He assured the Committee that the East Gloucester facility when they own it will be cleaner; smell and sound better, and they'll put money into it. He said they are committed to staying in the community, as he, "loves this town."

**Sal DiStefano**, Economic Development Director added that leasing facilities is tough on a business, but the opportunity to buy was a surprise opportunity for National Fish, and the TIF is one of the few tools the city has to help such companies. If the Council approves the TIF there's an opportunity for National Fish to receive further assistance through the state's Economic Development Incentive Program (EDIP) from the Economic Assistance Coordinating Council. He advised that a pre-application has been submitted to the state he pointed out. National Fish has been around since 1979 with products private labelled under Matlaw's and others. He noted the city's TIF Committee members comprised of key city staff and Council representative, Council President Ciolino reviewed this TIF carefully. The TIF Committee is recommending a TIF for a duration of seven years at 50 percent which means if National Fish's tax assessment on its property due to improvements to the property, it is a temporary discount on the increased tax due to the improvements. He noted National Fish is looking at a minimum of an \$8 million investment, half of that being the acquisition price, and approximately another \$4 million in immediate improvements from equipment to the repairs to the building. This will help the company to retain at least 125 jobs, keep the business in Gloucester and access to state incentives. By the granting of this TIF, he said it shows the city is pro-business and is a good opportunity to help a business and to encourage others who are thinking possibly investing in Gloucester.

**Mr. Dunn**, expanding on the particulars of the TIF, explained that the TIF proposal is for the duration of seven years exempting 50 percent of the increased value. The complication is in determining when that TIF will take effect, or actually start due to the property currently assessed at \$8.3 million and the purchase price is \$4.3 million. At some point a new value on property by the city's assessors will have to be made taking into account that purchase price. As a result they don't want to start comparing that base value until the assessors have been able to establish a new base value. The TIF Committee believes the base year value will either be the assessed value from FY2018 or FY2019 depending on when the property deed is filed in National Fish's name. A great deal depends on the timing, he noted.

**Gary Johnstone**, Assessor, conveyed it appears that the best scenarios show the TIF starting is FY19 which allows them to be able to make adjustments to FY18 base value year. They're off from what they're paying because it is a property that hasn't been on the market in many years. The TIF Committee looked at seven year scenarios starting in FY19, the incremental is based on monies put into improvements to the structure, not the equipment they put in as those are considered personal property and as a manufactory they are exempt from that tax locally but not on the state level. Depending what improvements the company it affects the value of the structure from the base year. He then reviewed a series of scenarios with a supposition of \$1 million in improvements and what it would do over the seven year TIF; at \$1.5 million and \$1.8 million (placed on file).

**Councilor Memhard** asked about ownership of the real estate company as National Seafood currently is part of a larger corporate entity. He also asked how the real estate will be held and handled. **Todd Provost**, National Fish's President, said the ownership would be a collection of some of the current owners of National Fish & Seafood who will form an LLC and the LLC will own the property and lease the property back to National Fish thereby giving separation between the real estate ownership and the company. **Mr. DiStefano** added the value to the TIF always stays with the job creator -- if the company moved to another site and were requesting a lease, the city could do that, but the TIF would need to be passed through to the company. No matter what the lease says, the TIF goes to

the job creator, not the owner of the company, and is what the state insists on. **Mr. DiStefano** clarified for **Councilor Memhard** that the TIF comes into play on the valuation of the property. If the company were to significantly invest in the property they would receive a temporary break on the incremental tax -- the city isn't giving anything -- the city is saying for their investment they're making they're getting a temporary discount on the additional tax from those improvements -- no improvements there's no tax discount. **Councilor Orlando** added that the city isn't losing any tax revenue, only gaining it because if National Fish makes improvements to their property, while they get a tax discount on what they put into those improvements for a seven year span upon the expiration of the TIF, National Fish will then pay the full tax on those improvements made over that seven year span and the base valuation of the property.

Responding to **Councilor Memhard's** inquiry, **Mr. Johnstone** explained as follows: each year as with any property assessment, it's based on what the property is worth as of January 1. If no changes are made, and the company was purchased in December 2016, the TIF is based on FY19, so the assessment date is as of January 1, 2018. If they close in December and do a lot of work immediately then National Fish receives that benefit in FY19. A benefit is only seen if they do the work to improve their facility. **Mr. Dunn** said that for National Fish this is really the investment in the real property and reminded the Committee that manufacturing firms are exempt from personal property taxes, but that if they weren't a manufacturing company they wouldn't have that exemption. This is total investment in real property and its effect on the value.

**Councilor Orlando** said he likes to see the Marine Industrial district stay Marine Industrial, and the more jobs the better. **Councilor Ciolino** said it is his belief this TIF will help to create more jobs in the city. If people are working here they're more likely to move here, **Councilor Orlando** added.

**Councilor Memhard** spoke again about his positive impressions of National Fish's manufactory tour recently, the company's innovation from a manufacturing and production/technology aspect but also from a brand and marketing aspect -- this is a global brand on the city's waterfront. He noted, however, on the flip side, the manufactory is located in a dense residential neighborhood; the TIF doesn't get into consideration of changes of use. He said his research indicated that any Designated Port Area MI water dependent use is grandfathered -- use of the property is unchanged, despite the change in ownership. He pointed out that the base product is no longer being off-loaded by boat at the Americold wharf but over the roadways. He cited the wharf is a unique asset and suggested that the wharf could go to work and generate revenue for National Fish, as it is a valuable asset to the city and that they can work with Mr. DiStefano in having the wharf returned to a safe and reliable condition in order to generate revenue for National Fish which he termed a win/win situation for all. **Mr. Ventola** said that has been discussed and they've had environmental engineers take a look at the wharf but advised the company doesn't have the money right now to invest in such improvements to it. **Councilor Memhard** said while it doesn't dovetail in their use of manufacturing, there may be opportunity with the state.

**Councilor Memhard** said as Ward 1 City Councilor, he represents residents in their neighborhood which has a history of expressed concerns, being a residential neighborhood in a Designated Port Area (DPA)/Marine Industrial (MI) district area, with a fish manufactory on East Main Street with close neighbors with issues from noise from condensers, odors and many tractor trailer trucks. He asked that National Fish, to the extent that they can as new owners to listen to their neighbors. **Mr. Ventola** said they are good neighbors who recently spent \$400,000 to install air purifiers on the roof. As to noise, they will do whatever is necessary to deaden it but the road traffic they might not be able to do much about. They are busy, there are trucks and the road is the road, and it is difficult. They want to be good neighbors and understand the issues, he assured. **Mr. DiStefano** said that that living in a MI district and in a preexisting non-conforming use, it seemed unfair to complain about a waterfront manufacturing business which is permitted in an MI district. While the business wants to be a good neighbor, he added, that the facility has been in the East Gloucester neighborhood for a very long time. He said with all due respect, this is Gloucester's working waterfront, and a business that wants to be good neighbors.

**Councilor Memhard** asked Mr. Ventola to speak to the office suite comprised of 17,000 sq. ft. on Parker Street. **Mr. Ventola** indicated there is a five year lease, but they may at some point think about consolidating their workforce to one space at a later date. He said he didn't see the company letting go of the Kondelin leased space. He pointed out that National Fish stuffs one million clams per week into the natural shells. Those shells, he noted, are stored at the Kondelin Road location along with other necessary materials.

**Councilor Orlando** conveyed he had heard the concerns of the neighbors are legitimate but agreed to a great extent with Mr. DiStefano's statements. He said he would be disappointed if the smell of the fish is gone because it wouldn't be Gloucester to him without it, adding, "It is who we are." This TIF makes sense, he said, and asked that National Fish work to hire locally whenever possible, to which **Mr. Provost** indicated it is what National Fish tries to accomplish.

**Councilor Memhard** said the Ward 1 neighbors are excited about having local owners but are concerned about the expansion of the manufactory. **Mr. Ventola** responded it is a business which they intend to grow, but he assured they would make adjustments as they move forward with the improvements and growth and have no intention to make matters more uncomfortable for their business's neighbors.

**Councilor Ciolino** expressed his pleasure being able to vote for the National Fish TIF, and agreed there could be potential growth opportunity for use of the property's wharf as a possible future revenue stream as well. He reminded Mr. Ventola and Mr. Provost that there are noise regulations and he and **Councilor Memhard** spoke with them briefly about some of the ways in which noise could be remediated emanating from the manufacturing plant.

**Councilor O'Hara** added that he has heard the same issues from the neighborhood about noise, odors and traffic. He suggested that there could be improvement in directional signs to keep trucks moving on to their destination, and proceeding cautiously to make the turn into the entrance at 159 East Main Street to which **Councilor Memhard** expressed his agreement.

**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:**

- 1) **adopt the Tax Increment Financing (TIF) Plan and Agreement between the City of Gloucester and National Fish and Seafood, Inc., for a duration of seven (7) years for property located at 159 East Main Street, as shown on Assessors Map 63, Lot 26;**
  - 2) **approve the project application and find that it meets the requirements of MGL c. 23A, §3F in that it provides a reasonable opportunity to create jobs within the City of Gloucester as indicated in the TIF Plan; and,**
  - 3) **Authorize the Mayor to execute the TIF Agreement and submit the TIF Plan and Agreement and the Certified Project Application and all other necessary documents to the Economic Assistance Coordinating Council of the Commonwealth of Massachusetts (EACC), and take any other actions as necessary and appropriate to implement the provisions of those documents.**
2. *Memorandum from DPW Director re: acceptance of a Recycling Dividends & Small-Scale Grant Package for the value of \$21,500*

**Mark Cole**, Public Works Assistant Director conveyed to the Committee that: This is the second year in a row the city received this grant from the Mass. Dept. of Environmental Protection for \$21,500 (last year's was \$19,000). The city because it is a Green Community was eligible for these grant funds. He noted that last year's grant allowed for a second hazardous waste day. He advised that part of the grant funds will be used to purchase a recycling roll-off at special events, and help to offset the cost of printing recycling brochures and educational materials. No match is required, he noted for **Councilor Memhard**.

**Councilor Ciolino** suggested at some time the city might want to consider covered recycling bins. **Mayor Theken** said it would be nice, but at \$70 to \$80 per covered bin per household it is not possible at this time. She reminded the Councilor that residents are free to place appropriate city recycling stickers on their own covered barrels (stickers are available to residents at no cost through the DPW at Poplar Street and at City Hall).

**COMMITTEE RECOMMENDATION: On a motion by Councilor Ciolino, seconded by Councilor Memhard, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Orlando) absent, to recommend that the City Council accept under MGL c. 44, §53A a Commonwealth of Massachusetts Executive Office of Energy & Environmental Affairs, Department of Environmental Protection (MassDEP) the Recycling Dividends Funds and Small-Scale Initiative Funds under the Sustainable Materials Recovery Program for \$21,500 pursuant to the Green Communities Act. The term of this funding shall be in effect until all RDP funds are expended and reported to MassDEP on use of said funds.**

3. *Memorandum from DPW Director re: permission to Pay FY16 invoices with FY17 funds*

**Mr. Cole** explained that the DPW was unable to pay two Waste Management invoices as they were received after the close of FY16 and not enough money was carried over to pay for them. The two invoices total \$488.32, he noted, were generated from the Wastewater Treatment Plant. One invoice is for a rental fee for one of the

dumpsters, and the other is a charge for dumping the trash dumpster. He explained they have several different kinds of dumpsters at the plant -- one is for grit and sludge that gets dumped two to three times a year, at about a \$2,500 cost each time. He explained that they usually reach out at the end of the fiscal year to many of the vendors they deal with to see if there are any outstanding invoices. There were none, but they had a last minute need to dump the sludge dumpster which wasn't planned for completely in the carry over charges into FY17.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Ciolino, seconded by Councilor Memhard, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Orlando) absent, to recommend that the City Council in accordance with MGL c. 44, §64 approve payment of a prior year invoices for services rendered by Waste Management of Rochester NH Hauling, Phoenix, AZ, in FY2016 to be paid with FY2017 budgeted funds from the current FY2017 Water Enterprise Fund, Account #600052-520000-Water Enterprise-Purchase of Services as follows:**

<u>Invoice #</u>	<u>Date</u>	<u>Amount</u>
2117713-2192-7	7/01/2016	\$124.02
1679940-0209-2	6/24/2016	\$364.30
	<b>TOTAL:</b>	<b>\$488.32</b>

**4. Memorandum from Harbormaster re: permission to pay FY16 invoice with FY17 funds**

**Harbormaster T.J. Ciarametaro** explained that after he was appointed Harbormaster, he learned per the contract with National Grid, his department needed to pay the rent on the Harbormaster's building for June, July and August. He advised that a purchase order was never opened to pay the June rent, and therefore need to pay this FY16 bill with FY17 funds.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Ciolino, seconded by Councilor Memhard, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Orlando) absent, to recommend that the City Council in accordance with MGL c. 44, §64 approve payment of a prior year invoice without a purchase order in place for the rental of the Harbormaster's Office for the month of June (2016) at 10 Harbor Loop to National Grid, Invoice # City of Gloucester-Inv. 1, dated September 14, 2016, to be paid with FY2017 budgeted funds from the current FY2017 Waterways Enterprise Fund, Account #700052-527001, Waterways Enterprise-Building Rental for a total of \$1,663.84.**

**5. Memorandum from Harbormaster re: request to increase Transient Mooring & 10A Temporary Float Permit Fees and to amend GCO Sec. 10-51(e) "Fees" accordingly**

**Note:** The Waterways Board has endorsed that the Transient Mooring Fee should be increased from \$30 charged for every vessel that utilizes a municipal mooring used for transient boat operated by the Harbormaster to \$40.00. The increased transient mooring rental fee proposed would now include the use of the Gloucester launch services with the rental fee during regular service hours.

**Harbormaster Ciarametaro** explained he surveyed transient boaters and their use of the Gloucester Launch, a city asset that needs to be utilized more, asking if they would be more willing to use the launch if it was included in a higher rate for their mooring rental. He said the vast majority of respondents told him they would pay up to \$50 for the transient mooring fee if they wouldn't be charged on the launch to and from shore. He conveyed will be better for his launch operators and a better service provided to people visiting the city. He noted the Gloucester launch stops at a number of places in the harbor. He added that this service helps to promotes economic growth through businesses such as restaurants, laundry services, etc. With the \$5 per person per trip, the service was actually losing out because a transient boater with four people on board would "dinghy" three people on shore, then go back and call the launch for them only which is lost revenue for the launch service. He explained in one week there were 28 transient boating rentals, and if added the \$10 fee per night to \$40, it would have been \$280 in extra revenue with the launch taking in \$230 that same week. Had the fee been included, he surmised there would have been plus \$50 already. That \$230 from the Gloucester launch included launch season pass holders for rides to and from their boats and for their guests. He said while some of this increase is revenue based, it is also customer based. He assured the Committee that this increase is in line with what other communities are charging as well as area yacht clubs.

**Councilors Memhard and Ciolino** voiced their approval for the transient mooring rental rate increase.

**COMMITTEE RECOMMENDATION: On a motion by Councilor Ciolino, seconded by Councilor Memhard, the Budget & Finance Committee voted 2 in favor, 0 opposed, 1 (Orlando) present, to recommend that the City Council Amend GCO Sec. 10-51(e) “Fees” as follows:**

**By DELETING the following sentence: “A daily fee of \$30 shall be charged every vessel that utilizes a municipal mooring used for transient boats, operated by the harbormaster.”**

**And ADDING the following two sentences in its place: “A daily fee of \$40 shall be charged every vessel that utilizes a municipal mooring used for transient boats, operated by the harbormaster. The daily rental fee for transient boats shall include the services of the Gloucester Launch during regular service hours.”**

**Harbormaster Ciarametaro** then reviewed the matter of increasing fees for 10A float permits: The Council increased the fee from \$50 per season to 50 cents per square foot up to a maximum of \$350.00. He asked that the Council now increase that fee to \$1.00 per square foot with a maximum amount of \$400.00. He said he reviewed other community’s standards (on file), and the city is below those standards. Costs are increasing, he advised. Even with this increase, this will keep the city below what the other communities charge. He noted Manchester doesn’t charge for the float, but assesses for the floats on residential taxes and then they are get charged \$12.50 a foot per boat on their float. Gloucester is a quarter of that cost, he pointed out. **Councilor Memhard** pointed out that this is a strategic increase.

**Councilor Orlando** asked when this was last increase. Harbormaster Ciarametaro said the last increased in 2012. He said \$1 per square foot is reasonable and still is much lower than other surrounding communities. Councilor Orlando asked what was the intended use of the additional funds gained through the increase in 10A float fees. **Harbormaster Ciarametaro** said there is a major shortfall in compensation for the Assistant Harbormaster especially in in comparison to surrounding communities – Gloucester being well below the standard pay rate for that position. Most of the funds will be used to start to pay his staff what they deserve, he said. **Councilor Orlando** asked what the expected revenue is to be gained by this increase. **Harbormaster Ciarametaro** said it will double, from \$15,000 per year to \$30,000 per year, adding that in his estimation he’ll still be \$15,000 short towards paying appropriate salaries to his Assistant Harbormasters.

**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 Amend GCO Sec. 10-51(e) “Fees” as follows:**

**By DELETING the sentence, “Fees for 10A float permits shall be in the amount of 50 cents per square foot up to a maximum of \$350.00.”**

**And ADDING the following sentences in its place: “Fees for 10A float permits shall be in the amount of \$1.00 per square foot up to a maximum of \$400.00.”**

These matters will be advertised for public hearing.

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

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

**A motion was made, seconded and voted unanimously to adjourn the meeting at 6:50 p.m.**

Respectfully submitted,  
*Dana C. Jorgensson*  
Clerk of Committees

**DOCUMENTS/ITEMS SUBMITTED AT MEETING:**

- **EDIP Local Incentive Only Application Exhibit 1: Local Incent**