

HEARING BEFORE THE CITY COUNCIL, JUNE 29, 2015

Hearing opened at 6:30 P.M. with Councillor Cormier, Chair of the FINANCE COMMITTEE, presiding

All members were present.

The following COMMUNICATIONS were the subject of the hearing:

- C-97 Relative to the appropriation of \$45,581,850.00 to the Fiscal Year 2016 General Fund Budgetary Accounts; same to be raised by Fiscal Year 2016 Revenue.
- C-98 Relative to the appropriation of \$5,675,000.00 to the various Fiscal Year 2016 Water Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Water Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.
- C-99 Relative to the appropriation of \$5,214,000.00 to the various Fiscal Year 2016 Wastewater Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Sewer Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.
- C-100 Relative to the appropriation of \$63,859,790.00 to the Fiscal Year 2016 General Fund Net School Spending Eligible Budget Accounts; same to be raised by Fiscal Year 2016 Revenues.
- C-101 Relative to the appropriation of \$3,196,755.00 to the Fiscal Year 2016 General Fund School Department Expense Accounts; same to be raised by Fiscal Year 2016 Revenues.

No one in the audience spoke in favor of these Communications.

Gary Zimmerman of 47 Lynnhaven Road said he was here to ask the Council to vote no on the budget. He said last week he presented some interesting numbers and will present more. He said he looks at these numbers that he presented to the Council as accurate since they are on the DOR website and he assumes they are submitted by the City Comptroller. He said he heard the \$300,000.00 for the Fire Department was for a new ambulance. If this is true and the ambulance is so profitable then why would we have an impact on increasing the budget? He would think the estimated revenue for the Fire Department for FY16, if calculated correctly, should cover the \$300,000.00. Is the ambulance system profitable or not, but again, no one wants to provide accurate data.

Mr. Zimmerman said a report he found on the DOR website reads: The purpose of this report is to account for revenues, expenditures and other financial sources from Schedule A uses and changes and fund balance and certain balance sheet account information. With that said, in this report 2013, shows revenue of \$117M. \$106M was set in the FY13 budget. In 2014 total revenues were \$120M and the budget was \$107M. There was another report on the DOR website that states total revenues were higher but he used the lower numbers. He said maybe he is missing something in this report but if this is comparable to the Mayors budget then additional revenue for 2013 was \$11M and 2014 was \$13M. He said in another report for 2012 stated \$5.2M was budgeted and the actual revenue collected that year was \$8.9M, a difference of \$3.6M. In 2013 \$6.4M was budgeted and the actual revenue collected was \$10M, a difference of \$3.5M. 2014 had no data and he is assuming that the financials were submitted very late. Every million dollars of revenue or underestimating the budget by a \$1M has a \$.33 impact on property tax. We have over \$3 billion of assets in the City. So if you took \$2M that was underestimated in the excise tax year after year you have an effective \$.66 on the tax dollar. If there was an extra \$2M in revenue not accounted for you would also have another \$.66 on the property tax. If these are accurate the property tax shouldn't go up as much as it is going up. He said it would make him feel better as a taxpayer to have accountability. Stand up and vote no.

Councillor Freda asked if the Finance Committee has any kind of data to offer Mr. Zimmerman? Do we owe a taxpayer an answer to a question? Maybe we don't. The Comptroller is in the audience.

Councillor Cormier asked Mr. Richards if he had any of the percentages that were crossed out when we got the budget?

Mr. Richard said 2.6%, a little under 3%.

Councillor Cormier asked if he has a report with an updated page?

Mr. Richard said yes he did. He said there is no way and not feasible to vote against the budget at this point in time. The budget goes into effect July 1st. So you need the authorization to expend.

Councillor Cormier said so we want to know the percentage of the tax increase and the total amount of the budget.

Mr. Richard said the total budget, as it stands now but is subject to change subject to various items as always is \$112,638,395.00 and it requires a Proposition 2 ½ increase. The percentage would be 2 ½%, \$1,630,000.00. Net school spending is going up \$1,094,000.00.

Councillor Salvatelli said at this point in time we went up \$1.6M which is an increase in taxes. If we were to cut \$1.6M out of this budget what would the ramifications be?

Mr. Richard said it depends where you cut. The City of Leominster has historically passed very lean budgets. There is nothing in there that is not subject to ordinance or subject to state law or subject to collective bargaining. You are required by law to meet Net School Spending which is probably 75% of the budget for all the schools. You can make a decision to reduce police officers and firefighters.

Councillor Salvatelli said he understands what he is saying and he concurs with him. If we cut that kind of money the Mayor would have to do some things to offset that.

Mr. Richard said he is not going to submit an unstructurally balanced budget.

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Councillor Salvatelli said, what I am saying is he could start laying off people.

Mr. Richard said he would be required by law to do it.

Councillor Salvatelli said and blaming the Council.

Mr. Richard said absolutely, because he has to live within his budget.

Councillor Salvatelli said his theory last year was if we cut \$800,000.00 out of the budget in overtime and use Free Cash to make it up you said it was impossible. The Mayor could cut Fireman or Policeman, is that correct?

Mr. Richard said yes.

Councillor Salvatelli said this budget is always \$1M-\$2M underfunded no matter what. It is classically dependent on Free Cash.

Mr. Richard said yes, and we have been working on that. We have been working on the Fire Department overtime before that is was Snow and Ice and we doubled their budget. As the opportunities arise we address those. There are other areas like sanitation and drainage, construction and repair and more in snow and ice.

Councillor Salvatelli said he had three Police Department requests, one Building Department request, fourteen DPW requests, four Fire Department requests, and five School Department requests that made up the bulk of Free Cash.

Mr. Richard said there is \$20,000.00 left in Free Cash and still plenty of capital requests that were not funded.

Councillor Salvatelli said \$20,000.00 and a \$1M dollars that is ready to go into Stabilization Fund. It's not an accurate figure.

Mr. Richard said that is so we have enough next year and it is accurate.

Councillor Salvatelli said you have a \$1M left over.

Mr. Richard said no, because that was from the previous year that we carried to make sure for emergencies next year.

Councillor Salvatelli ask him if he was carrying it over.

Mr. Richard said yes.

Councillor Salvatelli said we are going to have \$1M left over from the budget. We did more transferring this year than I have ever seen in fifteen years. Am I correct?

Mr. Richard said he didn't think so.

Councillor Salvatelli said he went through every single item. I am not criticizing I want people to know what it is about. These hands are tied. If we start cutting \$1M out of this place there are going to be fireman, policemen and DPW gone and we are going to get blamed for it. Ask these veterans, they have been around.

Mr. Richard said it would be irresponsible to suggest to pass the budget prior to July 1st. It is a thorough misunderstanding and lack of knowledge on municipal finance.

Councillor Salvatelli said and you are the only one that knows. The public doesn't know.

Mr. Richard said there is no such thing on a municipal level of a 1/12 budget.

Councillor Cormier said the Preliminary Fiscal Year 2016 General Fund Budget total of \$112,638,395.00 represents a 2.07% increase from the Fiscal Year 2015 budget of \$110,350,000.00. Those are the blanks that are filled in that were just delivered by the Comptroller.

Councillor Marchand asked what the status was with the Fire Department ambulance service and the money generated from the ambulance fees in order to help subsidize a new ambulance.

Mr. Richard said according to the Chief he expects there to be \$1.9M recovered this year. He may be getting a one time shot in the arm because of a new program but we do fully expect the full \$300,000.00 will be paid for with ambulance receipts.

Councillor Bodanza said twenty eight years ago, then elected Stephen Perla, hired Pete Marwick with some grant money to do a study on municipal finance and what the study ended up determining was Leominster was unlike a lot of other places. At the end of the day after you paid all of your obligations whether it be collective bargaining agreements, schools, basic services, there is about 2% discretionary funds left over. Looking at this budget I would suspect that we are probably about the same place twenty eight years later. With respect to the budget we have a lot of costs that we can't do a whole lot about. A municipality on all levels of government has the least amount of ability in terms of discretionary spending. So, when you factor in those must costs, the ones you have to fund whether it be health insurance, collective bargaining agreement, net school spending, the increases are built in. In essence, there is really not many places to go so at the end of the day there is very little wiggle room that we have. Looking at the numbers it seems that all the expenditures, which include the water and sewer funds, are going to be somewhere in the neighborhood of \$123.5M.

Councillor Bodanza said Mr. Zimmerman was confused about the fact that our revenues will exceed the \$112.6M which is the General Fund appropriation. But when you add in the \$10.9 water and sewer and whatever we have for Free Cash our revenue could be \$130M. He said where we stand as a community we are using 2 ½% but we are not using any of the additional or excess we have with respect when increasing taxes. We could go to an additional 6%, right?

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Mr. Richard said yes, 7.5%. We could do three Prop. 2 ½ increases that the City has not without any vote by the public because of the \$5.2M unused excess levy capacity.

Councillor Bodanza asked if all the excess levy capacity is not being used.

Mr. Richard said we are not planning on using it at this time.

Councillor Bodanza said at the end of the day it's \$130M.

Mr. Richard said it could be, actually it's probably more. You have to remember there are things you do not see that are part of the budget that you don't appropriate. Also there is \$11M - \$12M in Teachers pension subsidy that you never see that gets booked as a receipt and as an expenditure. It's complicated.

Councillor Bodanza said they are looking at \$112.6M and saying that is the City budget but it really is a lot more than that.

Mr. Richard said yes. But in general you can use what the Free Cash was certified as your total surplus. If that is what the excess is. We do return some of that to Water and Sewer that was surplus. You also have to remember there is cyclical fluctuations depending on the economy in terms of growth.

Councillor Salvatelli said to Mr. Richard if you were to predict what your free cash is going to be next year could you?

Mr. Richard said no.

Councillor Salvatelli said how come I can and you won't?

Mr. Richard said because it's not Free Cash until it's certified.

Councillor Salvatelli said the budget has been very consistent every year.

Councillor Nickel said to Mr. Richard, you and I had a discussion on OPEB and can you give me an idea how much the water and sewer money that is going into OPEB?

Mr. Richard said it is in the budget and they are having a study done to see where they stand as far as funding. We are hopeful they are getting to full funding.

Councillor Dombrowski said when we're conservative in forecasting what our actual revenues will be and the result is greater Free Cash does that affect the net school spending amount?

Mr. Richard said no.

Councillor Dombrowski asked what the formula was for net school spending and what is it based on.

Mr. Richard said it gets increased by certain selected revenue accounts and whether you raise it or not, for instance, on the real estate and they do an estimate for growth they require you to and bump up the spending requirement by that amount. They will come up with a foundation budget and then they determine what the community can afford first using the revenue factors, they use the new growth based on a five year history, they will throw out the lowest and the highest but right now our new growth has been on the low side where we might have had a good year. Like three years ago which has no impact on us but it still affects our net school spending requirement. So they determine first what the community has the ability to pay then they step in and pay the difference with a minimum of \$25.00 per pupil. The \$25.00 per pupil equates to \$150,000.00 this year. We also go a decrease in the charter school tuition reimbursement so the net increase is now approximately \$115,000.00 that the State will be giving us for education aid which out of the \$43M+ the amount is minuscule.

Councillor Dombrowski said what always irked him was the lack of a Capital Plan. For example the City Hall roof is now a major concern. Are there any suggestions that you would have from your office that can be better monitored so that a \$25,000.00 expense doesn't become a \$100,000.00 expense?

Mr. Richard said if it was a problem that the Mayor thought it was a high priority we could fund it. He thinks the current method allows for flexibility. He said there isn't any reason why the City of Leominster would delay on any capital improvement.

Councillor Dombrowski said from his perspective it seems it is not monitored efficiently.

Mr. Richard said you can have your opinion. The Mayor asks at every department head meeting are there any major issues or pressing issues even in between when they submit for their capital requests. That is part of the Executive Branch.

Councillor Freda said she asked the question about an explanation because she didn't think it was fair for the public to hear Mr. Zimmerman at the podium reciting numbers that may not be factual or numbers that can be explained. She thinks it is a lot more complicated than that.

Mr. Richard said yes and he has no idea where he is getting his numbers other than the DOR website.

Councillor Freda said she is not disputing his but she thinks it's dangerous for us not to respond.

Mr. Richard said at the end of the day Free Cash was certified by the Department of Revenue.

Councillor Freda said she goes back to many years of poorer bond ratings when the schools and city was a mess, we are still within 16-17 communities that has at least a \$5M levy capacity out of 351 cities and towns which is pretty good. We are not tapping it. She and Councillor Bodanza was on the school building Committee and the results of all the planning and the results

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of the thought process and financing to be able to bond for less than 1% on short term borrowing when we needed money for the school, the ability to do that because of having the bond rating, having the levy capacity and adding all these plusses together it is more complicated. It's not just us sitting here voting on the budget. Whatever we would do anyway we don't have the say what is going to be done.

Mr. Richard said it is a strong Mayor form of government.

Councillor Feckley said the budget is going up \$1.6M based on the information you gave us and there is no wiggle room to cut \$1.6M out of this budget without somebody being layed off and if would probably start with police/fire, is this correct?

Mr. Richard said that would be your decision. 80% of the budget is personnel related. It would be hard, you could cut out rubbish collection and impose a fee to be charged. It is very limited. If you compare Leominster's per capita expenditures to anybody's it's a lean operation.

Councillor Feckley said so we can tell the taxpayers that if the budget goes up \$1.6M from FY2015 they will enjoy all of the services they have been enjoying right along with no cuts.

Mr. Richard said yes.

HEARING ADJOURNED AT 8:53 P.M.

Lynn A. Bouchard, City Clerk and
Clerk of the City Council

SPECIAL MEETING OF THE CITY COUNCIL, JUNE 29, 2015

Meeting was called to order at 8:06 P.M.

Attendance was taken by a roll call vote; all members were present.

A recess was called at 8:07 P.M. to continue the hearing and to have a Public Forum.
The meeting reconvened at 8:33 P.M.

Upon recommendation of the FINANCE COMMITTEE, the following COMMUNICATION was GRANTED and ORDERED. Vt. 9 "yeas"

C-94 Relative to the appropriation of \$1,000,000.00 to the Stabilization Fund; same to be transferred from the Excess and Deficiency Account.

ORDERED: - that the sum of One Million Dollars (\$1,000,000.00) be appropriated to the Stabilization Fund; same to be transferred from the Excess and Deficiency Account.

Upon recommendation of the FINANCE COMMITTEE, the following COMMUNICATIONS were GRANTED and ORDERED. Vt. 9 "yeas" Councillor Marchand disclosed that a family member works at the School Department and the Recreation Department and will abstain from those line items but will vote on the budget as a whole. Councillors Cormier and Nickel disclosed that a family member works at the Fire Department and will abstain from those line items but will vote on the budget as a whole.

C-97 Relative to the appropriation of \$45,581,850.00 to the Fiscal Year 2016 General Fund Budgetary Accounts; same to be raised by Fiscal Year 2016 Revenue.

ORDERED: - that the sum of Forty Five Million, Five Hundred Eighty One Thousand Eight Hundred Fifty Dollars (\$45,581,850.00) be appropriated to the Fiscal Year 2016 General Fund Budgetary Accounts; same to be raised by Fiscal Year 2016 Revenue.

Upon recommendation of the FINANCE COMMITTEE, the following COMMUNICATIONS were GRANTED and ORDERED. Vt. 9 "yeas"

C-98 Relative to the appropriation of \$5,675,000.00 to the various Fiscal Year 2016 Water Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Water Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.

ORDERED: - that the sum of Five Million, Six Hundred Seventy Five Thousand Dollars (\$5,675,000.00) be appropriated to the various Fiscal Year 2016 Water Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Water Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.

SPECIAL MEETING OF THE CITY COUNCIL, JUNE 29, 2015, continued

C-99 Relative to the appropriation of \$5,214,000.00 to the various Fiscal Year 2016 Wastewater Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Sewer Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.

ORDERED: - that the sum of Five Million Two Hundred Fourteen Thousand Dollars (\$5,214,000.00) be appropriated to the various Fiscal Year 2016 Wastewater Department Budget Accounts; same to be raised/offset by the Fiscal Year 2016 Sewer Rates to be collected as authorized by Massachusetts General Law Chapter 44 Section 53E.

C-100 Relative to the appropriation of \$63,859,790.00 to the Fiscal Year 2016 General Fund Net School Spending Eligible Budget Accounts; same to be raised by Fiscal Year 2016 Revenues.

ORDERED: - that the sum of Sixty Three Million Eight Hundred Fifty Nine Thousand Seven Hundred Ninety Dollars (\$63,859,790.00) be appropriated to the Fiscal Year 2016 General Fund Net School spending Eligible Budget Accounts as listed; same to be raised by Fiscal Year 2016 Revenues.

Net School Spending Budget:

| | |
|----------------------------------|------------------------|
| School Salary and Wages | \$45,532,880.00 |
| School Expenses | <u>\$18,326,910.00</u> |
| Total New School Spending Budget | \$63,859,790.00 |

C-101 Relative to the appropriation of \$3,196,755.00 to the Fiscal Year 2016 General Fund School Department Expense Accounts; same to be raised by Fiscal Year 2016 Revenues.

ORDERED: - that the sum of Three Million One Hundred Ninety Six Thousand Seven Hundred Fifty Five Dollars (\$3,196,755.00) be appropriated to the Fiscal Year 2016 General Fund School Department Expense Accounts as listed; same to be raised by Fiscal Year 2016 Revenue.

| | |
|---------------------------------------|----------------|
| School Transportation | \$3,155,755.00 |
| School Crossing Guards Salary & Wages | \$ 40,000.00 |
| School Crossing Guards Expenses | \$ 1,000.00 |

C-102 Relative to the appropriation of \$50,000.00 to the School Department Capital Outlay Expense Account – Johnny Appleseed School Energy Improvement Account; same to be transferred from the Excess and Deficiency Account.

ORDERED: - that the sum of Fifty Thousand Dollars (\$50,000.00) be appropriated to the School Department Capital Outlay Expense Account-Johnny Appleseed School Energy Improvement Account; same to be transferred from the Excess and Deficiency Account.

RE: Johnny Appleseed School/Energy Improvement Project

C-103 Relative to the appropriation of \$1,750.00 to the Conservation Commission Salary & Wages Account; same to be transferred from the Excess and Deficiency Account.

ORDERED: - that the sum of One Thousand Seven Hundred Fifty Dollars (\$1,750.00) be appropriated to the Conservation Commission Salary & Wages Account; same to be transferred from the Excess and Deficiency Account.

RE: Energy Management Grant Match

The following COMMUNICATION was received with an EMERGENCY PREAMBLE and referred to the FINANCE COMMITTEE. Upon recommendation of the FINANCE COMMITTEE, the following COMMUNICATION was GRANTED and ORDERED. Vt. 9 “yeas”

C-104A Relative to the appropriation of \$16,000.00 to the Police Department Expense Account; same to be transferred from the Police Department Salary & Wages Account.

ORDERED: that the sum of Sixteen Thousand Dollars (\$16,000.00) be appropriated to the Police Department Expense Account; same to be transferred from the Police Department Salary & Wages Account.

Upon recommendation of the WAYS & MEANS COMMITTEE, the following APPOINTMENT was CONFIRMED. Vt. 9 “yeas”

Council on Aging – Betty David – term to expire April 15, 2018

MEETING ADJOURNED AT 9:30 P.M.

Lynn A. Bouchard, City Clerk and
Clerk of the City Council