



CITY OF SOMERVILLE, MASSACHUSETTS
CLERK OF COMMITTEES

May 7, 2019
REPORT OF THE FINANCE COMMITTEE

Attendee Name	Title	Status	Arrived
William A. White Jr.	Chair	Present	
Mary Jo Rossetti	Vice Chair	Present	
Matthew McLaughlin	Ward One City Councilor	Present	
Ben Ewen-Campen	Ward Three City Councilor	Present	
Katjana Ballantyne	Ward Seven City Councilor	Present	
Jesse Clingan	Ward Four City Councilor	Present	
Jefferson Thomas ("J.T.") Scott	Ward Two City Councilor	Present	
Lance L. Davis	Ward Six City Councilor	Present	
Mark Niedergang	Ward Five City Councilor	Present	
Wilfred N. Mbah	City Councilor at Large	Present	
Stephanie Hirsch	City Councilor At Large	Present	

The meeting was held in the Council Chamber and was called to order by Chairman White at 6:10pm and adjourned at 9:57pm.

Others present: David Fallon - Police; Tim Snyder - Mayor's Office; Rich Raiche - Engineering; Frank Wright - Law; Ed Bean - Finance; Julie McKenzie - Law; Tom Galligani - OSPCD; George Proakis - OSPCD; Brad Rawson - OSPCD; John DeLuca - Water & Sewer; Alex Lessin - Water & Sewer; Kimberly Wells - Assistant Clerk of Committees

Approval of the April 23, 2019 Minutes

RESULT: **ACCEPTED**

207494: That the Mayor and the Director of SPCD add 2 positions in the Planning Department in the FY20 budget to complete various neighborhood plans, and to revise or complete plans for overlay districts.

Mr. Snyder shared that the administration is evaluating all requests and will present them within the budget in June.

RESULT: **PLACED ON FILE**

207495: That the Mayor and the Director of SPCD add 2 positions in the Transportation

and Infrastructure Department in the FY20 budget, or sooner, to work on traffic calming and pedestrian safety.

Mr. Snyder shared that the administration is evaluating all requests and will present them within the budget in June.

RESULT:

PLACED ON FILE

207523: Requesting an appropriation and authorization to borrow \$457,325 in a bond for the creation of recreational land through the ArtFarm project, with debt payments to be funded through CPA revenue.

Councilor Ewen-Campen is recused from this matter. Mr. Snyder requested that this be held until the administration can present a full package of items for Art Farm. Councilor Scott confirmed that this would not delay any action.

RESULT:

PLACED ON FILE

208136: That this Council debrief on the FY19 budget and discuss ideas for refinements of the FY20 budget review.

Councilor Hirsch suggested that there are ways to better address the budget process to make it more efficient. One of these is for each Councilor to express his/her top priorities. Another is that questions can be submitted in advance. A third is for each Councilor to express which Divisions they would like to hear the most or least from, to enable the schedule to be created more effectively. Lastly, SomerStat could send a daily update of the information received in response to questions asked. Councilor Niedergang shared that his one big idea is that too much time is expended on the budget process, especially given the relatively small amount of cuts, and it should not take more than eight sessions, which would allow for time to be devoted to other important business. Chairman White noted that the productivity of the budget process is not related to cuts, but the review process is essential. Councilor McLaughlin asked that the administration cut any unnecessary funds in advance, such as proration of salaries for unfilled positions. Councilor Rossetti expressed concern that the receipt of the budget book does not leave sufficient time for preparing prior to the meetings. President Ballantyne noted that as the legislative branch, budget oversight is a critical duty and deserves a significant amount of time. It also provides an opportunity to have a strategic conversation. She agreed that more information from the administration up-front could save a considerable amount of time, but noted that there is value in the debate. Councilor Scott noted that receiving the budget book the day prior to deliberations posed a challenge and Chairman White asked that at least a PDF be distributed on the Friday prior. Mr. Snyder noted that it was his understanding that this is what had been done in the past, but he was unsure about the concrete plans for this year. Councilor Hirsch added that the budget process allows us to think about the operations of the City, and it is an important process and one of the most important documents. Councilor Mbah agreed that this is an important part of the job and shouldn't be rushed. Chairman White noted that last year there were many new to the budget process, which was a learning experience that is cumulative.

RESULT:

WORK COMPLETED

208132: That the Director of Water and Sewer discuss the option for property owners to add a second water meter to use for irrigation and other outdoor uses.

Mr. DeLuca noted that the City has not opted to utilize irrigation meters, but they will explore options, what other communities are doing, the regulatory requirements, and costs. This process is anticipated to

take until July. Councilor Niedergang commented that this not only helps residents save money, but encourages them to go green through gardening. Councilor Ewen-Campen added further that since the water is not going into the sewer system, the charges should be assessed accordingly. President Ballantyne noted that it would leave the decision to the residents, as there are also up-front costs to consider.

RESULT:	KEPT IN COMMITTEE
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208118: Requesting approval to amend and extend a contract for 5 years with David Fallon as Chief of Police.

Mr. Snyder spoke on behalf of the Mayor's Office and relayed that the contract is scheduled to end in August, and expressed great excitement that the Chief is willing to stay, as he is the epitome of what a city wants in a Police Chief. The extension removes any pre-employment language and reflects an updated description of duties, all of which the Chief is already engaging in. There is no change in compensation, other than continued merit-based increases for which the Chief is already eligible. Ms. McKenzie elaborated that the Chief would be eligible for payout of some accrued benefits if he gives eight months notice prior to vacating the position. This is designed to incentivize notice to allow for a search to be conducted, and is an update to the previous contract which contained a penalty that the Chief would have to pay if he resigned during the contract period. Councilors Rossetti, Mbah, Ewen-Campen, Ballantyne, Scott and Chairman White all thanked the Chief for his service and commended his leadership and great work in the City.

RESULT:	APPROVED
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207746: That the Director of Finance provide a financial update on all funds that FRIT paid to the City pursuant to the covenant, any funds expended by the City from those payments and the amount remaining and the accounts in which these funds remain.

Mr. Galligani shared that OSPCD has begun the process of trying to answer these questions, and Chairman White expressed a preference that all of the information be conveyed at once. Councilor Rossetti asked that it be shared prior to the budget deliberations.

RESULT:	KEPT IN COMMITTEE
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207720: That the Director of Water and Sewer discuss any information about any patterns in increased water usage, as noted on bills by constituents.

Mr. DeLuca noted that he is unaware of widespread issues and the department would be happy to look at specific meters. Councilor Rossetti wondered how the meters are calibrated. Mr. DeLuca responded that there is no re-calibration after the initial installation of a meter in a home. Some of the larger meters in commercial buildings could support a flow-test calibration, but the household meters don't require calibration. Usage is monitored and property owners are alerted if there is a spike. The Water & Sewer Department will also test meters and give a rebate if needed, but can also charge for the difference if it is in the City's favor. Chairman White added that using the blue dye pills, which are provided for free, to test for leaking toilets etc., may be a step toward addressing specific issues.

RESULT:	WORK COMPLETED
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207902: That the Director of Finance discuss with this Council's Finance Committee the

monetary split with the State for the City's traffic enforcement citations.

Mr. Snyder shared that the split with the state for traffic citations is 50/50. Councilor Rossetti noted that regardless of the specified split, the state does not always come through with the money, which is her concern. Mr. Bean shared that we are at the mercy of the state, and revenue is indeed down, and there will be additional investigation into this prior to the next budget. Chairman White clarified that this just applies to civil infractions. He asked Mr. Bean to reach out to the Massachusetts Municipal Association for more information about other communities that may be facing this issue.

RESULT:	KEPT IN COMMITTEE
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207739: Proposing an amendment to Ordinance 2-123 to require the City Solicitor to notify the City Council of suits filed against the City.

Chairman White shared the update in bold: The city solicitor may, with the approval of the city treasurer, begin and prosecute legal proceedings for the collection of claims due the city. He or she may, with the approval of the mayor, begin and prosecute such other legal proceedings as in his or her judgment the interests of the city may require, and shall make report thereof without delay to the city council. **The city solicitor shall also notify the city council without delay of any suits filed against the city.**

RESULT:	APPROVED
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207740: Proposing an amendment to Ordinance 2-124 to permit the City Solicitor to settle legal actions of up to \$5,000 against the City.

Chairman White shared the proposed update: The head of a department may, with the written approval of the mayor and the city solicitor, make settlements of claims for damages against the city. The city solicitor shall also with the approval of the mayor make settlement of any legal actions brought against the city. The expense so incurred shall not exceed \$5,000.00 on any one claim or legal action and may be paid by the city treasurer in anticipation of the monthly payroll. Chairman White indicated that there might be a need to amend the language further to give the City Solicitor the ability to agree to a settle a case before coming to the City Council for approval in circumstances that require an immediate decision on settlement such as during a mediation or pre-trial conference.

Mr. Wright stated that he would consider appropriate language and bring it back to the Committee.

RESULT:	KEPT IN COMMITTEE
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208120: Requesting acceptance of a \$400,000 grant with no new match required, from the MBTA to SPCD's Transportation & Infrastructure Division for public safety emergency first responder costs.

Mr. Rawson shared that this is an allocation from the Green Line Extension program to pay for extra public safety coverage needed due to bridge closures. It will help cover additional overtime costs and on-call shifts in the Fire Department. Chairman White confirmed that no emergency call is required in order to utilize these funds. Councilor Rossetti asked whether the intention was to utilize alternative apparatus such as SUVs, and Mr. Snyder responded that these funds are independent of that. *Councilor Rossetti requested Chief Breen's opinion and more information about the apparatus allocation.*

RESULT:

APPROVED

207761: Requesting a Contract Extension for the Weston & Samson Design and Construction services contract.

This extension will address unforeseen circumstances, primarily related to a higher water table and impacts on drainage. The contract is for time, rather than additional funds.

RESULT:

APPROVED

207768: Director of Water and Sewer submitting proposed water and sewer rates for FY20.

Chairman White opened the floor for questions. Councilor Niedergang asked about the \$16M Nunziato storage tank project. Mr. Raiche shared that this is still included in the suite of plans, but the prioritization has been shifted. As such, the debt service has been revised, but the CIP does include an escalation in funds to account for future year dollars.

The home rule petition to allow for a residential exemption on water and sewer bills has been approved, and Councilor Niedergang expressed concern that the work to implement this has not yet been done. Mr. Snyder shared that the administration is looking to better understand the potential impact on renters. Further, the changes must be revenue-neutral, so more work is needed to analyze how to best accomplish this. Councilor Rossetti noted that an existing ordinance provides for discounts to certain people already which began as of July 1, 2016. Mr. DeLuca clarified that this is a senior discount program, which already is included in the financial model to adjust the rates accordingly. Mr. Lessin further explained that this discount has indeed been granted since 2016. He was unsure how many individuals were receiving this discount. The verification process is undertaken through the Assessor's office and the requirements are fairly stringent. Mr. Snyder added that there are income and asset requirements that have a low threshold set by the state, and not many people are eligible. Councilor Rossetti asked for further information about the exact number of discounts, and more explanation about how it is conveyed in the bills.

Councilor Niedergang asked whether this must be voted on as a package and Mr. Snyder responded that yes, the new rate structure must either be approved or not approved, and if not approved, the current rate structure will stay in place. Mr. Wright clarified that if the proposed rate is not approved, a further revised rate based on Council feedback could be proposed and voted on, but may require a new public hearing if significantly different. Councilor Niedergang wondered whether the vote could be for half of the proposed increase until the residential exemption is in place, at which time he would be willing to vote for the other half. Chairman White noted that if a public hearing would be required for reducing the requested rate, rather than increasing it. Mr. Wright noted that to be cautious, he would recommend a public hearing in that case.

President Ballantyne asked for clarification that historically there is about \$1.5M allocated for both water and sewer for emergencies. Mr. Lessin responded that there is \$2.75M for capital outlay in water, while in sewer there is \$1.95M. Mr. Raiche added that for FY2020, there is an increase for sewer emergency response, but a larger component is for CCTV and inspections. Doing the repairs under a bid program, rather than waiting for an emergency, is almost a 10-1 savings. Aggressively triaging planned repairs - with a budget of \$1.6M for investigation and \$3M for repairs - will lead to a significant long-term savings.

Councilor Mbah asked why the comparison communities were chosen and Mr. Lessin noted that they are similar in population, and they have a combined water and sewer assessment from the MWRA. Further,

there may be a general fund subsidy or other fees, or differing rate structures (e.g. commercial vs. residential).

Councilor Niedergang wondered about the estimated annual increases, and noted that based on the chart of sample bills that was given the Committee that evening, the increases would be significantly greater than what was previously presented. Mr. Lessin noted that the sample bills also do not account for proration and a different methodology was used than on the first presentation. Councilor Niedergang replied that he would like to see something that corresponds more closely with actual usage.

Councilor Davis asked about the inflow and infiltration (I&I) fees and what the current number is. Mr. Raiche noted that the balance in the fund is approximately \$710,000. The fee has been in place for about nine months, and the fund previously stood at just over \$100,000. The plan is to do aggressive data gathering and planning for the next two years, to encompass all of the geographies in the City. The goal is for any increases to the placeholders in the capital plan will be covered by the I&I fund. Councilor Davis asked further what Plan B would be if the proposed rate increases are not approved. Mr. Raiche responded that continuing with the planning is essential to avoid a consent decree, so there are some projects, including the bike path drain and several water mains, would have to be delayed. We would have to continue the "cross our fingers" approach. Councilor Davis expressed concern that this has been pushed down the road long enough and the investment is critical and directly linked to other issues.

President Ballantyne asked for more information about the assessments from DEP and where Somerville stands. Mr. Raiche noted that there are two permit programs, one administered by the EPA. Their audit on stormwater management has not yet made a determination of what the path is. They could determine that we are on the path to maintenance, or could decide that an administrative order is required. DEP is more aggressive around the timeline for compliance with CSO requirements, and falling behind could also lead to an administrative order.

Chairman White noted that the two components of the rate increase are to increase operating funds, and to increase retained earnings. Mr. Raiche responded that the proposed increases already require the City to draw down on retained earnings. For sewer, this would be the case until FY2024 and for water until FY2028, and would be well below the goal of maintaining 30% of the operating budget in retained earnings. Chairman White stated that it was not the intent of the Committee to deny any rate increase. Instead, White stated that if the administration presented a smaller rate increase this year, the retained earnings would be reduced more than the administration anticipated, but, that reduction could be recovered beginning next year after the residential exemption is in place. Proceeding in this way would not impact the ability of the Water and Sewer to fund the planned infrastructure improvements.

Councilor Niedergang shared some questions for future discussion - how would increasing the I&I rate affect the ability to shift the burden to developers? How can we address unaccounted for water (UAW)? Can we switch reporting in CCF (centum cubic feet) units to reporting in gallons to make billing more easy for consumers to understand?

In response to a question from Chairman White, Mr. Lessin stated commercial users paid the same rates as residential users. Chairman White then inquired whether the rate structure been explored to increase the rates for higher users, such as hotels and large residential buildings. Mr. Lessin replied that this is a possibility.

Councilor Scott noted that there are ways to mitigate the impact on residents, including implementing the residential exemption; pursuing the progressive rate structure that Chairman White referenced; instituting a fee to developers based on lot coverage; and increasing I&I fees. He noted that the rates could be reduced in the future if we work to make improvements now. We should incentivize developers to make ecological design in landscaping. The financial and administrative hazard for not performing needed repairs is real - we need to get the problem under control before the EPA does it their way. Approving this increase as a step in the plan and pursuing other avenues throughout the upcoming years, is the best way

to address the long-term risks. Councilor Ewen-Campen also shared that he believes fully that this is a necessity. It was not a decision taken lightly, and the City needs to invest in the future. Unfortunately, the work needs to be done. One of the top recommendations in the Climate Forward plan is to invest in the water and stormwater systems. It is necessary to avoid catastrophic failures in the future.

Councilor Mbah expressed that he is not willing to support this without a residential exemption. We cannot continue to put the City's burdens on homeowners. He would be willing to vote on a reduced rate increase, but cannot support this as it is. Councilor Clingan noted that this work is necessary and overdue, but he also does not support this, as it would be passed on to tenants and we need to find another way to do this to keep the City affordable. Councilor Rossetti also stated her opposition, and referenced that long-range needs can be very costly, but residents alone should not have to pay for them. The increases will be higher than many people realize, and she is concerned about the impact of increased real estate taxes and the recent override passed to fund the new High School building, and does not feel another increase is sustainable for residents. She would also suggest a lower proposed rate increase to help support the work that needs to be done. Councilor McLaughlin noted the strong case for why this need exists, but expressed that he does not feel comfortable voting for this increase, as the problem is not new, and the request is coming after many other significant increases, such as the High School and the GLX. Many residents would be pushed out of the City as a result, and there are other ways to explore to make the "wants" happen.

Councilor Davis added that this is a difficult decision, but he will support the increase, as infrastructure concerns are significant and related to many other issues, and there is not currently a better plan. We need to look out for the community as a whole long-term and tackle this problem. Councilor Hirsch echoed these sentiments, and commented that the deferred maintenance problems are real. There is no good time to do this, and it will always be difficult. She noted that we should still move forward with the residential exemption and other programs targeted to assist vulnerable residents.

Councilor Niedergang expressed that he would not vote for the full increase until a residential exemption is in place. He would be willing to vote for a higher rate increase once that exemption is in place. Those residents are the backbone of our community and it is not right to make them pay for this. President Ballantyne also shared that she will not support this, as it would lead to vast displacement. We need to focus on revenue from commercial development, not from residents. Further, the residential exemption needs to be in place at a minimum. Chairman White noted that the vote is not on a plan, it is to approve the rates for the next year. A lower increase would draw more on retained earnings, but things could still go according to plan. With the residential exemption in place, a new proposal can be made to allow for the needed retained earnings for specific projects. He shared an understanding for the need for an increase, but will vote no as it does not need to be this significant at this point.

Chairman White called a roll-call vote and the item was Not Approved, with 3 Councilors (Ewen-Campen; Davis; and Hirsch) voting in favor and 8 Councilors (Clingan; Scott; Niedergang; Rossetti; Mbah; McLaughlin; Ballantyne; and White) voting against.

RESULT:	NOT APPROVED. [3 TO 8]
AYES:	Ewen-Campen, Davis, Hirsch
NAYS:	White Jr., Rossetti, McLaughlin, Ballantyne, Clingan, Scott, Niedergang, Mbah

208051: Requesting approval to pay a prior year invoice totaling \$3,200 using available funds in the SPCD Economic Development Division's Professional and Technical Services Account for appraisal services.

Mr. Galligani shared that this was a bill that was not received until after the fiscal year had begun, for work performed in the previous fiscal year.

RESULT:

APPROVED

208119: Requesting a transfer of \$350,000 in the Law Department, from its Judgments/Settlements Account to its Legal Services Account, to fund contracts with outside legal counsel.

Mr. Wright noted that he is uncertain of the exact amount that will be needed, but often bills are received at the very end of the fiscal year and he wants to be prepared for the additional expenses needed due to a short-staffed office. The funds are all internal to the department, and just represent shifting between line-items.

RESULT:

APPROVED

Handouts:

- Councilor Hirsch's Draft Budget Suggestions for Finance Committee (with 208136)
- Materials for May 7 2019 Finance Committee - Water & Sewer Department (with 207768)