



CITY OF SOMERVILLE, MASSACHUSETTS CLERK OF COMMITTEES

March 11, 2019

REPORT OF THE FINANCE COMMITTEE MEETING AS A COMMITTEE OF THE WHOLE

Attendee Name	Title	Status	Arrived
William A. White Jr.	Chair	Present	
Mary Jo Rossetti	Vice Chair	Present	
Matthew McLaughlin	Ward One City Councilor	Absent	
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	Absent	

Others present: Chief David Fallon - SPD, Chief Charles Breen - SFD, Chris Major - SFD, Jill Lathan - Parks & Recreation, Jeffrey Winsor - Parks & Recreation, Bruce Desmond - IT, Cindy Hickey - COA, Rich Raiche - Engineering, Michael Richards - Purchasing, Luisa Oliveira - OSPCD, E#d Bean - Finance, Ron Bonney - DPW, Stan Koty - DPW, Doug Kress - HHS, Annie Connor - Legislative Liaison, Kimberly Wells - Assistant Clerk of Committees.

The meeting took place in the Council Chamber and was called to order at 6:06 PM by Chairman White and adjourned at 9:14 PM.

Approval of the February 26, 2019 Minutes

RESULT:	ACCEPTED
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207394: Requesting approval of a transfer of \$25,500 in the Fire Department, from the Ordinary Maintenance Account to the Personal Services Account, to fund the Support Services Technician position.

Chief Breen noted that this position is an assistant to the mechanic. The Fire mechanics fall within the Fire Department budget, rather than in the DPW's Fleet Dept. There is currently one full-time mechanic and a second mechanic is necessary to properly service the Fire Dept. vehicles. The annual salary for this position would be \$51,000. Councilor Rossetti asked why this was not included in the budget at the time

it was submitted. Mr. Bean noted that it originally had been included in the technical services line item because the intent was to hire an independent contractor who would not be on City salary. The position must be funded as a staff position instead of a contracted one, as it no longer qualifies to be a contract position per the IRS.

RESULT:	APPROVED
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207520: Requesting an appropriation and authorization to borrow \$1,105,050 in a bond for the cost of purchasing certain DPW Vehicles.

Mr. Bonney noted that this is to replace vehicles from 2003-2009, including three dump trucks, a backhoe, and three F350 utility vehicles. The new vehicles will come with better equipment for safety and sight optimization while plowing. Councilor Scott asked for more detail about the up-fit costs for the dump trucks, and Mr. Bonney replied that it includes hydraulics and electronics to optimize safety. A document attached to this Report provides detailed information on all of the vehicle purchases that were discussed this evening.

RESULT:	APPROVED
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207521: Requesting an appropriation and authorization to borrow \$1,000,000.00 in a bond for the Union Square Streetscape & Plaza Design.

Ms. Connor noted that Mr. Rawson is out sick and requested that the discussion wait until he is available.

RESULT:	KEPT IN COMMITTEE
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207522: Requesting an appropriation of \$1,999,100 and authorization to borrow \$499,775 in a bond, and acceptance of a \$1,499,325 grant from the MWRA for Sewer Manhole Rehabilitation.

Mr. Raiche shared that all 4,500 manholes were inspected in 2017, and many were noted as defective. This project would provide for the rehabilitation of the necessary manholes. It is estimated that this will dramatically improve inflow, and as such could save approximately \$4.2M over the 20-year anticipated lifespan in MWRA bills. Councilor Rossetti confirmed that the bond payments would be from the Sewer Enterprise Fund. Councilor Rossetti further asked about using other funds for this and Mr. Bean noted that the loan would come with 0% interest as connected to the grant, so would be the better deal for the City. Councilor Scott asked who would do the repair work and Mr. Raiche replied that it would be a contractor, separate from the contractor who performed the assessment.

RESULT:	APPROVED
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207525: Requesting an appropriation and authorization to borrow \$202,698 in a bond for the purchase of vehicles for the Fire Department.

Chief Breen noted that this would be replacing two SUV's for the command staff, which are currently 9 and 10 years old respectively. The Prius's used by the Fire Prevention staff are also 11 years old and the request is to replace them with electric hybrid vehicles. Councilor Scott asked for more information on whether maintenance costs on these vehicles have been escalating, and Mr. Bonney noted that with the ability to do more preventative maintenance with the addition of a service technician, this will bring maintenance costs down in the long-term. President Ballantyne inquired about the difference between the

total cost of the vehicles and the requested bond amount. Mr. Bean clarified that the remaining \$84,767 will be allocated from unexpended proceeds from three prior similar bond issuances.

RESULT:	APPROVED
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207526: Requesting approval to appropriate \$600,000 from the Capital Stabilization Fund for the cost of purchasing Police Cruisers.

Mr. Bonney shared that this is to replace 9 front-line vehicles and 4 detective cars. It is a great opportunity to move to hybrid vehicles and dramatically reduce CO2. There are also changes in the lighting that will make it easier to maintain the vehicles. Councilor Rossetti inquired about the difference in the cost of the vehicles and the requested appropriation. Mr. Bean replied that it will be allocated from the Law Enforcement Trust Fund, which is funded from federal and state drug forfeitures and is expended at the discretion of the Chief of Police. Chair White asked about the balance in the Capital Stabilization Fund and it is approximately \$2.9M.

RESULT:	APPROVED
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207533: Requesting approval to pay a prior year invoice of \$2,540 for the Recreation Department's purchase of pool supplies.

Ms. Lathan noted that the bill for chemicals for the pool was not received until this FY and the vendor needs to be paid.

RESULT:	APPROVED
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207534: Requesting approval to pay 8 prior year invoices totaling \$1426.33 using available funds in the Information Technology Leased Equipment Account one monthly lease payment of 8 separate leased printers/copiers.

Mr. Desmond shared that the invoices were from June as a result of late billing and were unable to be paid in the previous fiscal year.

RESULT:	APPROVED
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207535: Requesting approval to pay a prior year invoice totaling \$165.73 using available funds in the Information Technology Leased Equipment Account for one month's lease payment for a printer/copier machine.

Mr. Desmond shared that the invoice was from June as a result of late billing and was unable to be paid in the previous fiscal year.

RESULT:	APPROVED
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207537: Requesting the authorization of an increase of the Council on Aging Revolving Fund Expenditure Cap to \$160,000 for FY19.

Ms. Hickey shared that the current amount is \$137,000 but there are higher costs for trips, which is the cause for the requested increase. This amount will be sufficient for the remainder of this fiscal year.

RESULT:

APPROVED

207538: Requesting the authorization of an increase of the Shape Up Somerville Mobile Market Revolving Fund Expenditure Cap for FY19 to \$45,000.

Mr. Kress shared that the current amount is \$25,000, but the markets have been successful. There is also a delay in getting reimbursements from the state.

RESULT:

APPROVED

207551: City Engineer requesting to address this Council with a construction costs presentation.

Mr. Raiche previously presented on two cases where the bids exceeded the cost estimate, and shared an overview of the construction climate, which is booming. Labor costs are increasing as there is more competition, and materials costs are also increasing, particularly as tied to tariffs.

Councilor Rossetti asked why this isn't included in the initial estimates. Mr. Raiche responded that they try to account for cost escalation, but the actual year-to-year increases have outpaced the estimates. Chair White added that since most of the steel is manufactured in China, the demand is largely tied to construction in China, which is difficult to estimate. Mr. Raiche further shared that the response to this issue among other municipalities is varied, but generally not strong. They routinely evaluate estimates in an attempt to inform future practices. Chair White asked for the Department to share those debriefs with the Council in the future when requesting fund authorizations.

The City is going to explore using independent cost estimators for large projects. Mr. Richards shared how the City develops project cost estimates and noted that bids have been consistently above cost estimates by roughly 10% to 40% over the past three years. The bids are generally a lump sum, and not separated into labor vs materials costs. Mr. Raiche added that materials and labor are often bound together in the schedule of values. In the instance of work that is outside of the original scope, the charges may be separately listed for time and materials. Councilor Rossetti asked whether the bidders could provide a breakdown, and Mr. Richards replied that the City can request that information, but there is no requirement that bidders provide it. He was unsure of the reasoning for this standard.

Councilor Rossetti moved that "*the appropriate department report to this Committee on the ability of the City to separate out bid items to detail labor and materials costs*".

The motion was approved on a voice vote.

Mr. Richards added that the opportunity costs represent reasons that a contractor may increase a bid, because the cost to them for doing a project is greater than simply the labor and materials. These costs are particularly difficult to estimate. Chair White also noted that since bids are publicly available, bidders are able to see what their competitors are doing and charging and this may affect what they decide to charge in mark-up and overhead.

Mr. Raiche offered possible steps to remedy this issue, such as including a clause requiring design firms to re-design a project at no cost to the City if the bids exceed the estimate by more than 10%. He added that exercising this clause might hurt more than help, as in the case of the West Somerville Branch Library, where it would have required removing many of the agreed-upon items. Additionally, the City could bid projects before appropriation, but there are considerable risks with this strategy. Other options include carrying larger contingency costs, but the City would prefer to operate lean and not inflate numbers. The CIP will also include additional inflation percentages going forward. Chair White noted a concern about the debt service anticipated for capital projects already committed, including current

estimates for construction costs. Councilor Rossetti asked further for information on which projects that were approved have actually been started. Ms. Connor noted that SomerStat is working on this.

RESULT:

WORK COMPLETED

207607: Requesting an appropriation and authorization to borrow \$752,000 in a bond for field/playground improvements.

Councilor Rossetti wondered why CPA funds were not being utilized for these projects and Ms. Oliveira noted that the CPA cannot fund artificial turf, either in design or construction. These design funds will be allocated to supplement the CPA funds to address the potential use of artificial turf, including the ability of the consultant to address artificial turf during the community meetings. The construction will ideally be expended in FY20. President Ballantyne noted that this seems premature, as we have not yet heard what the community wants. Ms. Oliveira added that this cannot be put to a designer with the CPA funds and the goal was to have design in place so that construction can occur during the summer break in 2020. President Ballantyne asked what was already spent on design and was informed that Healey was approximately \$80,000 and West Somerville, Brown and Kennedy were approximately \$70,000 each from the CPA. The plan is for the designer to be selected and under contract before any community meetings take place in order for the designer to participate. President Ballantyne asked for clarification on the timeline. Ms. Oliveira noted that several designers have answered an RFQ, which can help expedite the project, as a designer can be selected from those responders. The RFP for the Healey School is already written and could be executed within weeks once the design consultant was selected. The goal is to have an RFP for the other schools by early May. The design piece would not be extensive, as the fields are being refurbished.

Councilor Niedergang noted that this is the first he was hearing about the Brown and the Kennedy having artificial turf. Ms. Oliveira noted that no decisions have been made about using turf, and this will not be for athletic fields. The ability to put this in an RFP will allow the designer to explore the option. Councilor Scott expressed concern that the request for artificial turf should come from the community prior to spending funds outside of the CPA for design. Mr. Bean shared that the separate items in the bond request cannot be severed. Councilor Clingan noted that the fields are a priority and the sooner the processes can begin the better it will be and voiced his support for allocating these funds for the design. Councilor Ewen-Campen echoed this sentiment and noted that the community has voiced their support as well. Councilor Davis agreed that community meetings for the Brown and Healey Schools have demonstrated that there is support for having the artificial turf option and that the renovation of these fields should be a priority. Councilor Davis mentioned that the request for artificial turf at the Brown School was for an outdoor area for gym exercise and that regular grass probably wouldn't serve that purpose.

Chairman White referred to the handout that was attached that described the purpose of the funds for "turf." The Chair reminded folks that the word "turf" was a general one and could apply to either artificial turf or natural grass and that no decision had been made with regard to their use at any of the facilities.

During the course of the meeting, Chairman White expressed his concerns about the large amount of bonding that the City had been undertaking over the past few years. Chair White moved **that Mr. Bean perform an extensive analysis of the City's debt structure, including the projected annual interest and principal payments that will be made on all debt once it goes from short term bond in anticipation of borrowing notes to long-term bonds. This analysis also should include all bonding requests that the City anticipates seeking from the Board during the remaining fiscal year, as well as the anticipated cost of the new public safety building.**

The motion carried on a voice vote and the Chair requested that it receive a separate number so it could be followed up in the Finance Committee.

RESULT:

APPROVED

Handouts:

- Debt Service Calculator (with 207520)
- Debt Service Calculator (with 207521)
- Debt Service Calculator (with 207522)
- Debt Service Calculator (with 207525)
- Debt Service Calculator (with 207607)
- Debt Summary (with 207520, 207521, 207522, 207525, 207607)
- Construction Cost Inflation 2019Mar11 final-2 (with 207551)
- Estimated Expenses & Timeline (with 207607)