



CITY OF SOMERVILLE, MASSACHUSETTS

CLERK OF COMMITTEES

June 8, 2021

REPORT OF THE FINANCE COMMITTEE

Attendee Name	Title	Status	Arrived
Jefferson Thomas ("J.T.") Scott	Chair	Present	
Katjana Ballantyne	Vice Chair	Present	
William A. White Jr.	City Councilor At Large	Present	
Mary Jo Rossetti	City Councilor at Large	Present	
Wilfred N. Mbah	City Councilor at Large	Present	

The meeting was held via GoToWebinar and was called to order by Chair Scott at 6:00pm and adjourned at 9:47pm on a roll call vote of 4 in favor (Mbah, White, Ballantyne, Scott), 0 opposed and 1 absent (Rossetti).

Chair Rossetti left the meeting at 7pm due to illness.

The Committee entered into recess at 8:19pm and returned at 8:30pm, with a roll call taken and 4 members present (Mbah, White, Ballantyne, Scott) and 1 absent (Rossetti).

Others present: Lauren Racaniello - Mayor's Office; Hannah Carrillo - Mayor's Office; Ed Bean - Auditing; Linda Dubuque - Treasury; Angela Allen - Purchasing; Kate Hartke - Grants; Frank Golden - Assessing; Mike Mastrobuoni - Budget; Rich Raiche - IAM; Brian Postelwaite - Engineering; Fred Massaro - Capital Projects; Michael Richards - IAM

Review of the FY-22 Budget

Chair Scott introduced the departments on the agenda for this evening, adding also that there were some outstanding questions from last night's meeting. Mr. Mastrobuoni shared that there is an updated vacancy tracker, and other responses are shared online in the Responses to CC Requests folder. Other questions are being worked on and updates are pending. Chair Scott shared where to find the budget information on the City's website at www.somervillema.gov/fy22budget, with most of the information that will be discussed available at <https://stories.opengov.com/somervillema/published/9uw4Z9EiY>.

Finance - Auditing: Mr. Bean thanked the Finance staff for their commitment and service to the City. He emphasized that ARPA funds are expected to be significant, and can be used for a variety of reasons. The Finance Department will be tasked with administering those, and any remaining CARES Act funds, with the goal of minimizing any audit risks. Other departmental goals include updating the 10 year revenue and expenditure projections. A bright future is anticipated, with \$10-\$12M in new growth. Debt service has been borrowed at a 1.7% long-term rate, which is incredibly favorable, and debt service projections for the capital plan will be

amended as a result. The Department is awaiting final resolution on the status of the Green Line Extension (GLX) debt, which could lead to further amendments of long range projections. A new actuarial evaluation for the pension system is planned for the upcoming months as well.

The proposed budget also moves the Budget Manager position from SomerStat to the Finance Department, and seeks to reclassify it with the title of Budget Director and add resources including a Budget Analyst, a position which existed from 2008-2013. This will represent the beginning steps toward developing a Budget Division and more adequately and transparently redesign the budget and Capital Improvement Plan, as well as increase analytical capacity such as cost analyses.

Another departmental goal is to enroll more vendors in electronic bill submittal and payment, increasing the capability to process more quickly.

Councilor Mbah asked what the timeline is for the projects and Mr. Bean clarified that it can be difficult to predict too far out, but 10 years is the goal. Councilor Ballantyne shared her excitement about updated 10 year projections and expressed support for the changes and the Budget Manager position reclassification, to scale with the growth of the City. She noted that many municipalities have had cybersecurity issues and asked what systems were being put in place to secure the City's information and Mr. Bean noted that Mr. Goodrich will be presenting that information in the IT budget, and auditors and bond rating agencies are paying attention now.

Chair Scott asked about the budget for the High School building and Mr. Bean noted that there was a \$6-\$7M deficit in the contingency and he is exploring what other resources can be used, such as stabilization funds. Councilor Rossetti added that the High School Building Committee critiques each budget line closely and there is constant monitoring. She has been critical to the leadership team about the importance of staying on budget, adding that details are an issue as well as the unforeseen asbestos problems. Councilor Mbah asked when union negotiations were scheduled and Chair Scott noted that he will bring that up with the Law Department.

Finance - Treasury: Ms. Dubuque shared that the Treasury Department's goals include implementing a debt tracking module, debt calculator tool, self-service module for tax bills, and more transparency in general. The department also seeks to increase sustainability efforts such as decreasing paper (through direct deposit for staff as well as vendor payments) and accessibility efforts through offering additional translation. The department would also like to add an intern that is not limited to the summer program. Ms. Dubuque added that the requested increase to Advertising is to meet the needs of the tax title program requirements.

Chair Scott noted that there have been personnel shortages in the past several years and Ms. Dubuque clarified that the department has been fully staffed for the past two months but she is anticipating another vacancy soon. Chair Scott also commended the goals of making services available online but emphasized that in-person services are vital to constituents. Councilor Ballantyne echoed that both online and in-person presence is important and asked what some of the trends have been over the past year in terms of constituent requests and workload. Ms. Dubuque noted that the work didn't change much, with calls heightened around the tax due date, and there are always complaints about excise tax. Councilor Mbah also expressed support for the Treasury's goals and asked if FY22 debt service includes all of the borrowing for the High School and Ms. Dubuque noted that the increase in the tax bill will be reflected this year.

Councilor Mbah also asked about the bond rating and Mr. Bean noted that there have been at least six increases throughout the current administration and it is on the cusp of AAA. Councilor

White asked about the process of tax takings and how many occur each year. Ms. Dubuque clarified that the process involves a demand, a notice to the owner, and working with the owner if more time is requested, though there is a time limit set by law. An advertisement is put in the newspaper and website and if payment is not made, a tax taking document is put on file at the Registry of Deeds. There have been no foreclosures or filings in Land Court during Ms. Dubuque's tenure. The only two properties currently in Land Court are at the Healey School and have been abandoned since the 1950's. The department uses tax title as a last resort and focuses on working with individuals, especially seniors, to find alternatives. Chair Scott added that there is concern for leniency with non-resident delinquencies. Ms. Dubuque clarified that the department will always meet the statutory requirement to not lose the municipal lien.

Chair Scott moved that the administration provide for the creation of a position starting July 1, 2021 for a clerk to assist with the planned superannuation of an employee and ensure a fully staffed department, in the amount of \$90,000 for FY22. The motion was laid on the table.

Finance - Building and Cyber Insurance: Ms. Dubuque noted that this falls under the Treasury Department. A majority of the increase is the added value of the new High School and the Library renovation, as well as the Community Path, which requires a 5-year insurance term. The Armory will also require additional insurance. Generally, the increase has been about 10%, but current market conditions for public entity cyber insurance are approximately a 30% increase.

Finance - Procurement and Contracting Services (formerly Purchasing): Ms. Allen shared that the department has been re-named to better reflect its duties, and the mission statement was updated to include a focus on inclusion. The budget requests an additional position, which would be the first to be added since FY13, to adapt to the scale of the work that the City is undertaking. Ms. Allen elaborated that the broad themes for the department's goals include a focus on education and training as well as attracting more diverse vendor groups and undertaking a disparity study.

Councilor Mbah asked what progress has been made and Ms. Allen noted that the state's supplier diversity office has become its own agency and they make their database available to municipalities, and will be making technical assistance available to municipalities. The department is also exploring a multi-jurisdictional approach for a disparity study, particularly given that many of the same vendors are used. Councilor Ballantyne also expressed support for these efforts.

Finance - Grants Development: Ms. Hartke noted that the Grants Development Office has experienced a long-term shift in its mission as a result of the pandemic, with oversight of \$80-\$85M in COVID funds added to its responsibilities. Somerville trailed only Boston in FEMA dollars awarded, and was also second in applications submitted and third in the nation among similarly sized cities. Ms. Hartke's position was reclassified and re-titled to reflect the additional responsibilities, and an additional Grant Writer position is requested in the FY22 budget. Councilor Ballantyne expressed her gratitude for the department's work and shared support for additional staff to increase the capacity. She asked about the ARPA funds allocation and Ms. Hartke noted that it will be a collaborative process with the input of many stakeholders as well as consultants. The Incident Commander will manage this process, with Ms. Hartke managing the compliance and documentation. Councilor Mbah asked if there would be a need for the new staff

to be permanent after the ARPA funds are distributed, and Ms. Hartke noted that the department seeks to establish a framework to assess new needs, and the funding does extend through 2024. Chair Scott also emphasized that the department's work has been impressive with such a small team. Ms. Hartke added that there is a consultant assisting and that relationship will be maintained. Chair Scott asked if even further additional staff support could be needed as well, and Ms. Hartke noted that it may become necessary when the ARPA funding component is underway.

Chair Scott moved that the administration provide for the creation of a position starting October 1, 2021 for an administrative clerk to assist with ARPA and fund tracking documentation, in the amount of \$50,000 for FY22. The motion was laid on the table.

Finance - Assessing: Mr. Golden explained that it is the busiest time of year for the Assessing Department. A revaluation was completed in the pandemic year, with many mailings and appraisals completed, and new value added. The Department of Revenue has lengthened the revaluation period to 5 years, so the Property Data Service budget line will not spike again until 2025-2026.

Councilor Ballantyne asked about the anticipated increase with the impact of the debt exclusion and asked why the water fees are not included in the calculation and Mr. Golden noted that water fees are not under the purview of Assessing. Councilor Ballantyne suggested that it should be included so constituents can calculate their obligations. Mr. Bean added that he will include the average water fees into the balances, emphasizing that these numbers are estimates and may change. Councilor Ballantyne also asked how many seniors ask for any type of financial assistance. Mr. Golden noted that the numbers have stayed consistent, and the department does whatever it can to work with seniors who qualify for any exemptions.

Councilor White suggested that a document demonstrating how the average value of various property types have increased could be useful, and also requested a summary of the residential exemption totals. He asked as well what the overlay was in last year's budget and Mr. Golden noted that it was around \$1.8M, with conversations taking place about increasing it. Councilor White clarified that this is used for abatements and appeals. Councilor Scott noted that as the valuations continue to increase, the effect on the circuit breaker tax credit (an income-limited rebate) makes it difficult to claim, and asked if there was any recourse for the City. Mr. Golden agreed that the value of homes in Somerville is an issue and he will connect with some experts on the circuit breaker to explore whether anything can be done locally. Mr. Golden stressed that most of the sales verification occurs in July and August, and the chart is likely to change.

Misc. Non-Debt Budget - State Assessments: Mr. Mastrobuoni explained that this represents the costs allocated to the City by the Commonwealth for things such as the MBTA, funding the MAPC, charter schools. The website reflects the latest available information but the state is still updating its data.

Misc. Non-Debt Budget - Pensions: Mr. Mastrobuoni shared that the pension appropriation is given by the Retirement Board and is continuously growing until the pension is fully funded, which is estimated to occur in 2033-2034. Councilor White asked about the pension liability requirements and Mr. Bean elaborated that the Retirement Board is required to provide an actuarial valuation every three years to determine the appropriations. He added that the OPEB liability is approximately \$187M, which is anticipated to be paid in 2033. The City utilizes pay-

as-you-go for retiree health benefits, and the OPEB Trust Fund has approximately \$11M.

Misc. Non-Debt Budget - Salary Contingency: Chair Scott noted that there is a slight decrease this year, and Mr. Mastrobuoni elaborated that this is used to budget for the FY22 amount anticipated for unions which are not under contract. This would include year 1 of the Police Patrol Union, Year 6 or 7 of the Police Superiors Union and two years of Crossing Guards. The settlement of the Police Patrol Union contract was the reason for the decrease.

Misc. Non-Debt Budget - Debt Service: Mr. Mastrobuoni shared that this is the debt service projection for the General Fund only, with the Somerville High School debt separated out for informational purposes. Mr. Bean added that there have been three \$10M bond anticipation notes (BAN) payments, with approximately \$1.3M in interest. The intent is to get the \$30M back from the MBTA and pay off the notes. Mr. Bean also clarified that the High School BAN turned into long-term debt. He added that there is a lot of infrastructure investment, and problems that are being addressed, after which the debt may decrease. Chair Scott elaborated that there is extensive information at the budget website about this. Mr. Bean corrected his numbers about the GLX BAN to approximately \$600k per year and noted that he will compile the accurate numbers for the Committee.

Infrastructure and Asset Management (IAM)/ IAM - Capital Projects Division/ IAM - Engineering Division: Mr. Raiche detailed that three new positions that were approved in April are included in the budget request, as well as a change in title for the Assistant Director of Engineering to Deputy Director of Engineering Services. The department has been working to build a relationship with Public Works, who will be overseeing a Preventative Maintenance Manager. Mr. Raiche elaborated that the rental of land space line is intended to build better relationships with contractors, who are hesitant to bid on projects due to the lack of lay-down space. Builders who are able to fund this bundle it into the contracts anyway, so bring able to offer it as part of the bid should be able to encourage a better competitive environment. It does not necessarily need to be in Somerville, but nearby.

Councilor Mbah asked about the long-term need for positions, and Mr. Raiche noted that he completed a detailed workload projection and there are corrective issues, water and sewer work, streetscape construction, among other items on the horizon. The water and sewer and roadway backlog is high. His analysis determined that four people with project management background are needed for the next year and looking at the next three years, six people are needed. The assistant director positions are all responsible for this work as well as management. Building a robust IAM to support the capital program and also support the assets in place and maintenance, as well as the backlog of projects, is the goal. Councilor White noted that the lay-down space may save the City money over time, but noted that this creates an annual expense rather than the ability to include it in the cost of a bond if it was built into a contract. He asked whether it should be set up as an ongoing fund instead. Mr. Raiche shared that the interest and markup negate the benefit from financing, and agreed that a stabilization account to roll any funds forward would be something to explore.

Councilor White asked about the Building Improvements Manager position and how that would differ from the DPW Preventative Maintenance position. Mr. Raiche clarified that it would encompass both City and School buildings. The positions will work closely together, and with the Asset Management Senior Project Manager to determine the lifecycle on an equipment by

equipment basis. Maintenance would fall under DPW, while replacement would fall to IAM. They would work with different contractors with different specialties.

Councilor Scott emphasized that there are many deferred maintenance needs. He clarified that there is one position identified as a need that is not included in the request. He also asked about the allocation of funding from the water and sewer enterprise funds. Mr. Raiche added that there will be a deeper dive into the structural component of the water and sewer rates, to accurately reflect the different buckets including sanitary and stormwater, and the general fund. The capital expenses are easier to divide than the labor. Councilor Scott emphasized the magnitude of the backlog of work and Mr. Raiche suggested some exploration of cash-funding projects should take place. Mr. Bean added that the City did previously at least partially cash finance street reconstruction, and it should get back to doing that, in addition to building improvements if the capacity is available.

Councilor Scott asked what the contingency was for the High School building project and Mr. Raiche was not certain but noted that it is all part of an active negotiation, with a settlement for everything discovered as of June 1. Councilor Scott also asked if the Public Safety building is included and Mr. Raiche confirmed that it is, with revised numbers expected at the end of the month. Councilor Scott asked further about consulting services and Mr Raiche totaled \$340k for engineering and architecture plus \$200k for roadways, \$335k for water, and the largest for sewer. Councilor Scott wondered if it would be more efficient to bring this work in-house. Mr. Raiche noted that there is a wide range of technical expertise and support services (printing, CAD stations, other software) needed, and there are also concerns around professional liability, which the City may need to self-insure that risk.

Councilor Scott moved that the administration devote roughly \$100k in personal services to support the position requests of an additional projector manager and the fractional support from the general fund budget for administrative support for IAM. The motion was laid on the table.

Councilor Scott moved that the administration devote \$1.5M as requested for the building reconstruction (582002) and improvement (582003) lines in Capital Projects. The motion was laid on the table.

Councilor Scott moved that the administration devote \$500k for the street repairs line (588002) in Engineering. The motion was laid on the table.

Councilor Scott moved that the administration add \$100k to Engineering Personal Services to fund an engineering position for implementation of short-term ADA compliant designs for street and building improvements working in collaboration with DPW. The motion was laid on the table.

Referenced Material:

- IAM Org Chart FY2022
- PIR IAM FY2022 2021Mar10
- IAM Staffing History 2021Jun04
- IAM FY21 FY22 Budget Comparison 2021Jun04
- IAM FY22 Consulting Services Budget 2022Jun04