



CITY OF SOMERVILLE, MASSACHUSETTS
CLERK OF COMMITTEES

April 9, 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 6:09pm and adjourned at 9:49pm.

Others present: Vithal Deshpande - DPW; John DeLuca - Water & Sewer; Sunayana Thomas - OSPDC; Alan Inacio - OSPCD; Angela Allen - Purchasing; Alex Marini Lessin - Water & Sewer; Rich Raiche - Engineering; Doug Kress - HHS; Ed Bean - Finance; John Long - City Clerk; Annie Connor - Legislative Liaison; Kimberly Wells - Assistant Clerk of Committees

Approval of the March 26, 2019 Minutes

RESULT:	ACCEPTED
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Water & Sewer rates

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

Chairman White confirmed that this presentation is informational; a public hearing is scheduled for April 22 in the High School cafeteria (and will remain open for five additional days via email) at 6pm for information and 6:30pm for testimony, and then the department will return to the Council with a specific rate request. Councilor Rossetti requested that Mr. DeLuca share the comments from the public hearing with the Council.

Mr. DeLuca began by noting that the city historically has a wide fluctuation of rate increases. A rate study was conducted in 2016 to help stabilize and make rates more predictable. There are, however, critical

infrastructure needs and a need for improved asset management. Councilor McLaughlin clarified that the fire suppression charge would affect businesses more than residents and confirmed that there are no intentions of pursuing that further.

WATER:

Chairman White noted that the MWRA and debt increases are staggering as projected out. Mr. DeLuca clarified that the rate study has already been updated, and he is confident about the needs for the next three years. Chairman White asked when this would take place, and it would happen within the next two years. The numbers that are projected out for the next ten years will be adjusted. Chairman White noted that this needs to consider the impact on property owners.

President Ballantyne also asked for more information on the revenue projections, to determine how we can avoid passing all of the necessary costs on to the property owners. Mr. Lessin clarified that the rate projections do include the impact of debt service for existing debt, and does also include future bonding for more than \$200M, which is the best estimate of the department. Relative to the increasing operating costs, Chairman White noted that the capital outlay only includes cash financed capital, and not debt service. Councilor Rossetti asked whether the estimates included the I/I fund to offset any of the costs. Mr. Raiche confirmed that in an effort to give a conservative projection, those funds were not included. When the department comes before the council with actual future bonding requests, those funds will be considered.

Mr. Raiche noted that the Pitman Street project was added to the CIP list due to a water quality issue that was identified. Councilor Niedergang wondered whether a Cedar Street project was factored in, and it is part of the Water Improvements and Sewer Improvements projects, scheduled to be completed in 2020. The Lead Line Replacement Program has faced capacity issues, but the implementation plan is underway. Councilor Davis further confirmed that the Davis Square project is still undefined, but will fall under the Sewer Separation Projects. Chairman White asked for confirmation of other potential bonds, and Mr. Raiche responded that the debt service includes projects that would initiate through 2025. Councilor Niedergang asked which of these infrastructure updates are critical, and whether some are ideal but not essential. Mr. Lessin noted that the pipes are old, and this may not be enough, but is the responsible way forward. The proposed 6% volumetric water rate increase is designed to balance fiscal health while minimizing the impact to rate payers. An analysis of current bills showed that of approximately 15,000 water accounts, there are 1,158 properties that fell into the category of 0-8 units of usage, which would be entirely within the new discount tier. Councilor Niedergang asked whether this new residential discount tier contradicts what the base rate is intended to do. Mr. Lessin noted that the base rate provides stability for revenue, regardless of water usage. It also helps pay for the infrastructure needs. Councilor Rossetti clarified that the discount tier would be applied on each bill, not as an overall total.

Councilor Davis asked for more information on the regressive nature of treating multi-unit residences the same as single family units for the volume calculation of rates. Mr. Lessin noted that there are challenges with splitting the bills, including the base rate, in multi-unit buildings that have one meter, and there will be consideration of how to balance the impact on households, but the billing is on a per-meter basis. Councilor Scott asked for specific data on what the actual annual rate request increase will be out to 2028.

Under the current assumptions, some of the reserves would be utilized to meet costs. In order to meet the target of 30% reserves, the rate increases would need to be higher than the recommended 6% increase per year.

SEWER:

Chairman White wondered if all of the infrastructure updates are implemented, would it be possible for the MWRA costs to decrease at all? The formula that the MWRA uses includes population,

population growth, and wastewater compared to other MWRA communities. Decreasing stormwater may be a better pursuit, though if all other communities are doing the same, the rate may not be affected.

The recommended volumetric rate increase is 7.5%, with again no change to the base rate and a newly added discount tier. There would be a significant deficit in 2020, but using some of the reserves would mitigate the increase to rate payers. The reserve balance target would still not be met. Chairman White asked for clarification on why the projection for the water fund balance would be depleted by 2028, while the sewer fund balance, though not at the target, would be slightly higher over the 10-year period. Mr. Raiche commented that the intent was to establish that stable rates, particularly in the earlier years, will give some predictability. The 6% increase for water will draw down the reserves by year 3, and there will be another assessment to determine whether the rate should be further adjusted at that point. The goal for sewer was to keep the rates reasonably low, but address all of the projects already included on the CIP. This will draw down the reserves at a faster rate, but rebounds as the debt service is retired. The sewer rate may also be adjusted depending on additional projects in the upcoming years.

President Ballantyne asked to see a breakdown of the water vs sewer increases in the estimate of increased charges by property time.

Mr. Raiche detailed the age of the pipes and emphasized that the outdated systems fail to meet regulatory requirements as well as the city's service goals, which creates liabilities, including flooding and public safety concerns. The permits that EPA audits are CSOs and MS4s, which measure volume and quality, respectively. There are a number of additional requirements for sampling, as well as other items such as catch basin cleaning and street sweeping. It is important to stay ahead of enforcement action, as regulators could issue far more substantial increases to bills than what is currently proposed.

Capital improvements will be prioritized to plan for system improvements, but there will also be other investigations of rate structure options, including a stormwater enterprise fund, billing frequency and assistance programs, a residential exemption, and multi-unit factoring. Councilor Scott emphasized a desire to start looking at a more progressive rate structure for the immediate future. Councilor Niedergang asked for more information about the residential exemption, but Mr. Raiche said that more study of the billing data is needed to determine impact while being cautious to mitigate additional costs to landlords being passed on to renters.

RESULT:	KEPT IN COMMITTEE
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Living Wage

205478: That the Director of Purchasing, with the Administration, provide this Board with an analysis of the cost of raising the living wage to \$15.00 per hour, and determine if a more appropriate inflation adjuster may be used.

Ms. Allen outlined an analysis of the \$15 living wage, as detailed in the attached memo. The impact would be small, as there is a strong prevailing wage law in Massachusetts. A small percentage of the contracts fall outside of this, including security and some janitorial services. Despite the small number of contracts affected, there would be a lot of benefits. Boston, Cambridge and Brookline all pay higher wages, and this could help keep the cost of vendor contracts from rising significantly. The current formula keeps the city competitive with its peer communities.

Councilor Clingan clarified that there is no exemption for youth workers. Chairman White asked for clarification on whether printing would be classified as a service vs a commodity, which would not be subject to the living wage (e.g. recycling, which is a commodity contract). Councilor Mbah confirmed that it is service contracts over \$10,000 that are subject to the living wage requirements. Councilor Rossetti further clarified that the ordinance will still continue to follow the formula for annual adjustments using the CPI-U for future increases after the change is made. Councilor Ewen-Campen asked what the recourse is if a worker is not being paid this living wage. Ms. Allen shared that complaints can be filed with the city, which will be investigated, with the potential for termination of the contract with the vendor.

Chairman White asked for a list of those commodity contracts and the legal opinion regarding recycling as a commodity. Ms. Allen will provide that information.

RESULT:	PLACED ON FILE
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207769: Purchasing Director responding to #205478 with an analysis of a \$15 living wage.

See #205478

RESULT:	PLACED ON FILE
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207754: Requesting approval of proposed amendments to the Living Wage Ordinance to raise the living wage to \$15 per hour starting in FY20.

See #205478

RESULT:	APPROVED
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Powderhouse LDA

207336: Requesting approval of an Amendment to the Powder House Land Disposition Agreement.

Ms. Thomas identified questions that had previously come from the Council, noting that the LLC has changed to Powderhouse Living, LLC. In Section 2, pertaining to the open space timeline, there was a correction to sub-section 23, which was previously labeled sub-section 2. The extension from November 18, 2019 to May 18, 2020 was requested due to changes in contractors. The legal counsel elaborated that this will not be changing the project in any way, and the additional six months may not be needed, but is intended to include a buffer in case of weather events.

Councilor Rossetti asked for clarification on whether the community meeting schedule for August about the design is needed because of changes and Ms. Thomas clarified that it is an opportunity for the developer to give updates, but no significant changes have been incurred.

RESULT:	APPROVED
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Appropriation requests and authorizations

207755: Requesting approval to appropriate \$136,450 from the Medical Marijuana Stabilization Fund for substance use prevention, community/parent/student education, and Naloxone training and supplies.

Mr. Kress noted that this fund comes from the community benefits agreement and the future amount is uncertain as the industry grows. President Ballantyne asked how much of the funds will be allocated to training. Mr. Kress clarified that the city receives 3% of the total sales of medical marijuana, and will assess what services will be most beneficial to the community. Most will likely go toward counseling and education. Councilor Ewen-Campen asked what the parent and community education entails, and it is working with schools and PTAs, to specifically focus on parents, rather than the community-at-large. Councilor Rossetti asked whether the IRS allows this, and Mr. Kress noted that it is his understanding that it works similar to a grant and will not pose an issue. Councilor Clingan clarified that this is the first expenditure from the medical marijuana funds and Mr. Kress noted that some trainings that have already been conducted have been absorbed through current staff. They are conducted by a public health nurse and manager of prevention services.

RESULT:

APPROVED

207756: Requesting the appropriation of \$85,000 from Unreserved Fund Balance ("Free Cash") to the City Clerk's Office Equipment-Capitalized Account in order to purchase and install high density shelving in the new municipal archives at 42 Cross St.

Mr. Long requested to transfer funds from free cash to a capitalized equipment account for the purchase of mechanical shelving for the new municipal archives. The system has been used successfully in other offices and allows for efficient storage of a large quantity of material. The archives will be moving from the Edgerly School to 42 Cross Street, which allows for only 40% of the space currently occupied, and which is intended to be the long-term home of the municipal archives, lending to the need for a long-term solution. Councilor Ewen-Campen clarified that this would cover the entirety of the shelving needs and Mr. Long shared that it will encompass all of the available space.

Since submitting the request for \$85,000, there was a revision in the plan for 42 Cross Street and it was determined that an additional shelf can fit on each unit. This increases the cost to \$88,750, but increases the storage by approximately 20% and will allow for maximization of the use of the space. An updated request will be submitted for review by the Council. Mr. Bean further clarified that there is no need for bonding for this sum, as the reserves are available.

RESULT:

PLACED ON FILE

207760: Requesting the authorization of an increase of the Planning and Zoning Notice Revolving Fund Expenditure Cap to \$75,000 for FY19.

Mr. Inacio shared that the Planning department currently uses an outside vendor for printing and mailing, as that service is no longer available through the High School. There will be a later analysis of charges to be recouped. There are no immediate plans to re-start the service via the print shop.

RESULT:

APPROVED

207895: Requesting a transfer of \$460,110 from the East Somerville Community School Rehabilitation Insurance Proceeds Account to the Capital Stabilization Fund for a new boiler for City Hall.

Mr. Raiche clarified that City Hall currently has its heat generated from a boiler in the High School, which will be removed this summer during the renovation demolition, thus requiring City Hall to find a new heat source. The timeline of this is urgent, in order to allow for the project to be bid and installed in time to heat the building in the fall. Councilor Hirsch clarified that this boiler will be more efficient, and

Mr. Raiche also noted that we are constrained by the nature of the building. Councilor Scott noted that this was unanticipated and not included in the capital spreadsheet. Mr. Raiche clarified that there will be no bonding for this project, but will utilize leftover funds from the East Somerville Community School Rehabilitation.

RESULT:	APPROVED
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207896: Requesting the appropriation of \$596,450 from the Capital Stabilization Fund for the installation of a new boiler in City Hall.

With #207896, Mr. Raiche clarified that the process for acquiring a boiler will be put out to bid, and those bid documents are prepared and ready to go.

RESULT:	APPROVED
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Grants and prior year invoices

207757: Requesting approval to pay a prior year invoice using \$4,573.61 in available funds in the Economic Development Division's Ordinary Maintenance Account for Art Farm soil removal .

Mr. Inacio stated that this relates to some soil left on the Art Farm that had a clerical error in the change order, which is why the invoice was not paid in the prior fiscal year.

RESULT:	APPROVED
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207758: Requesting the acceptance of a grant of \$63,883 from HUD to support the Somerville Continuum of Care planning efforts and the City's role as CoC Lead.

Mr. Inacio shared that this will be the fourth installment of this grant, which funds homelessness and other programs. There is no cash match, the city provides staff time only.

RESULT:	APPROVED
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207759: Requesting acceptance of a \$32,000 no match grant from the MA Department of Environmental Protection for the Public Works Department's Recycling Dividends Program.

Mr. Deshpande stated that this grant is managed through DPW and is a state program through the DEP. There are several criteria and a point system that determines the grant amount, which must be used toward recycling programs.

RESULT:	APPROVED
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Requesting to place on file

207672: Requesting an appropriation and authorization to borrow \$596,450 in a bond for the costs of installing a new boiler in City Hall.

See item #207895 and #207896

RESULT:

PLACED ON FILE

206286: Director of Capital Projects and Planning submitting the Public Safety Feasibility Study/Programming and Site Evaluation Report (related to #s 206003, #206004, and #206005).

Ms. Connor noted that this was leftover from the 90 Washington discussion and should be placed on file.

RESULT:

PLACED ON FILE

207088: Requesting the appropriation of \$370,729 from the Park Stabilization Fund to pay for FY2019 incurred debt service for park renovation.

Mr. Bean shared that this is no longer needed, as other funds have been appropriated for park improvements and the stabilization fund will be better utilized to fund that debt service over time.

RESULT:

PLACED ON FILE

207089: Requesting the appropriation of \$326,882 from the Capital Stabilization Fund to pay for FY2019 Debt Service.

Mr. Bean noted that this is also not needed at this time.

RESULT:

PLACED ON FILE

Handouts:

- City Council Water & Sewer Rate Presentation_FINAL 4.09.19 (with 207768)
- 19-03-01 Somerville Financing Plan 19a (SEWER ONLY)- Winter 2019 CIP (with 207768)
- 19-03-01 Somerville Financing Plan 19a (WATER ONLY)- Winter 2019 CIP (with 207768)
- CIP Project List Winter 2019_Water Sewer for City Council UPDATED 4.9.19 (with 207768)
- June 2018 CIP with WS highlighted (with 207768)
- Response - Purchasing Dept. (with 205478)