



CITY OF SOMERVILLE, MASSACHUSETTS

CLERK OF COMMITTEES

April 20, 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	

Others present: Khushbu Webber-Mayor's Office, Kate Hartke-Grants, Rich Raiche-IAM, Cortni Desir-SomerStat, Ed Bean-Auditor/Finance, Eileen McGettigan-Law office, George Proakis-OSPCD, Chad Whiting-Water & Sewer, Alex Lessin-Water & Sewer, Alan Inacio-OSPCD, Kyle Stevens-Stantec Engineering and David Hyder-Stantec Engineering.

The meeting was held virtually and was called to order at 6:01 p.m. by Chairperson Scott and adjourned at 9:41 p.m.

Approval of the April 6, 2021 Minutes

RESULT:	ACCEPTED
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211446: That this Council's Committee on Finance discuss with appropriate staff, anticipated funding from the recently authorized American Rescue Plan Act.

Mr. Bean stated there is little to report from two weeks ago and the city is still awaiting guidelines from the American Rescue Plan. The state sent out this spreadsheet this past week. The state put down an estimate for Coronavirus of \$79,060,984 and the school department is estimated at \$8,310,888. No official guidance from the treasury and nor have they heard the eligibility on what can be spent. Ms. Hartke stated she was on call with Senator Warren and municipalities will have information on eligibility sometime in May. One of main points made is the cities need some guidance to make the funding decisions on what will be eligible. Mr. Bean read the broad categories for use of funds: responding to public responsibility with regards to COVID-19 including households and small businesses, premium payments, health emergencies relative to revenue collected, necessary investment in water, sewer or broadband infrastructure.

Ms. Hartke shared a spreadsheet with more details and shows Somerville having the greatest amount of FEMA obligations.

Councilor Rossetti expressed concerns on voting until she understands how the funds can be used for the city.

Chair Scott asked Mr. Bean to send the list of applicable categories to the committee in writing.

There were discussions about funds coming in from ESSER (Elementary and Secondary School Emergency Relief) Fund.

Councilor White stated it would be helpful to know how the funds would be allocated to the city. Mr. Bean stated this amount of money will do a lot of good to the community and the city will assess internal and external needs. The city needs to set up a structure of needs. The money will be far more reaching than the CARES Act, and potentially for the artist community, needs for food, immigration community and small businesses.

Ms. Hartke stated there may be other funding resources, such as for restaurant funding. Mr. Bean stated the city will be audited on dispersing the money and managing it.

Councilor White asked if the city's financial situation will be running a surplus and will not be not in financial problems. Councilor White stated that maybe the funds could help with the water and sewer rates.

Mr. Bean stated the city could borrow long or short term and the rates are very low. The city will be borrowing in early June, if voted favorably for the taken of the property.

Councilor Mbah asked how much funds have been budgeted for homelessness and housing.

Mr. Inacio stated the city has received two grants for homelessness services and the city held an RFP in the summer to help allocate funds to rental assistance.

RESULT:

KEPT IN COMMITTEE

Water and Sewer Rates

211618: Director of Water and Sewer submitting the FY22 water and sewer rate proposal.

Mr. Whiting from W&S presented slides tonight. The proposal is 7% for water and 10.5% for sewer to allow continued regulatory compliance. See attached slides for details.

Mr. Raiche discussed the magnitude of the problems relating to the water and sewer rates and the need for three years to develop a capital plan. The city is now in year 2, of 3-year plan. Last year they investigated into an owner-occupied exemption. They started a rate study to give them a better model on how the bills were calculated with the difference between commercial and residential. This informatin was shared with the council last year. See slides. They have the dashboard to share with the committee, coming next year with the restructuring of the rates.

Mr. Lessin presented slides to the committee sharing the results of the analysis for this year's study calculating affordability, drilling down to the household, then analysis billing data at the neighborhood level with how many households have an unaffordable bill. Since 2006 the water and sewer bills have increased almost 100%. Average bills 4.5% increasing up to \$4,379 would be affordable in Somerville. The water and sewer program would be income based to help those who need help the most. Mr. Raiche stated the basis for a rate increase this year and there is a updated CIP that was submitted to the finance committee. The water system improvement plan

was completed last year. The results of the study indicate \$150M in water mains and valves that require immediate intervention. On the sewer side, they are half way done with this program to have a master plan next year with the rate increases. They have developed many different scenarios with consultants from Stantec. Mr. Raiche's slides showed the expenses, debt funding, and balancing incoming vs. outgoing cash. He stated that by 2031, rates would have doubled to keep up with the expenses. Every year, the city needs moderate to not so moderate rate increases.

Mr. Lessin showed the annual changes for the different household sizes. There is a public hearing planned for May 3rd at 6 pm. Starting in August, there will be a meeting to change rate structure moving forward.

Councilor Rossetti asked what was asked last year for each of the lines? Mr. Lessin stated last year was 2 ½ for sewer and 7 ½ for water. It was two years ago when the council asked the water and sewer team to revise the rates.

Councilor White stated his concerns about the people in our changing community who may not be able to pay the increase prices. More pressure will be put on homeowners, some with fixed income. Mr. Bean stated the city would need to back end free cash to water & sewer stabilization fund. Councilor White asked what's the cost to the residents without the free cash. There is \$13,517,831 in the water and sewer stabilization fund. Councilor White suggested putting an additional \$1M to help lessen the increase to the community.

Councilor Ballantyne asked Mr. Bean put together a model about what a property owner will be paying, showing condos, 1, 2 and 3 families will pay in FY22. Mr. Bean states they can put together a little model to show the impact of the increased rates.

RESULT:	KEPT IN COMMITTEE
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211576: Requesting approval to extend contracts for Tim Zanelli Excavation LLC through 8/1/2021 for emergency and on-call repair of the water & sewer distribution systems.

See 211618.

RESULT:	APPROVED
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208010: That the Director of Engineering and appropriate staff report on the date and method of implementation of the residential exemption for sewer and water charges.

See 211618.

RESULT:	WORK COMPLETED
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208586: Director of Water and Sewer submitting a communication re: the exemption of water and sewer charges for owner-occupied homes.

See 211618.

RESULT:	WORK COMPLETED
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Aldersey Taking

211364: Requesting the adoption of an Order of Taking for 9-11 Aldersey Street for historic, open space, and affordable housing purposes.

It was stated that this property is a 3-family home on a sizeable lot.

This has been in lawsuit with the city for a decade and the lawsuit has ended.

Chair Scott asked if the city will take this property for the purposes to convert into affordable housing and convert remaining space to publicly available green space for the community. Mr. Proakis this project was proposed and denied in 2003 and has been in litigation until recently. The current project is a NR and the max you can put on is 3 units.

Mr. Proakis is looking for the council to work with them to make sure the options make sense.

Councilor Mbah asked about acquiring property on the backs on the community. What is the city's position? Mr. Proakis stated the city's affordable housing property partners are able to manage and operate the property. The city would probably sell the units and make it affordable, but nothing close to the \$3M.

Councilor White requested that from now on with any bonding requests, in the future, the council should receive an estimate of the bonding principle, interest payments and interest rates. He also asked how much are we paying a year to this program. Mr. Bean submitted the debt service for the Aldersey property. Mr. Bean stated the eminent domain is a 20-year bond overall \$4,638,418 over the life of the loan. The interest would be over \$1M. Councilor White asked if the city has flexibility of how to dispose of the property. Mr. Bean stated this would be level debt service.

Chair Scott asked for confirmation of the annual payments which would be forecasted at level debt service \$239,000 each year for 20 years. Mr. Proakis stated the idea would be to flip the housing and retain some part of the open space for the public. The property is about ½ acre and is in local historic district. Chair Scott stated this property seems to be undervalued and Mr. Proakis stated the appraisal was done a few months ago. The appraisal is based on the number of units you can build on it. He has the full appraisal to share with the committee. Chair Scott has concerns about how to execute this given the taking could be challenged with the timing.

Ms. McGettigan suggested answering question in executive session as well as anything about the appraisal. Chair Scott asked if there were any thoughts on other purposes for this property. Mr. Proakis stated in 2003/2004, was a project with more units than was is presented today. He believes the original request was for 30 or 40 units which was denied after listening to the concerns heard by the community.

Councilor Ballantyne asked what else could the city do with the \$3.5M if they were not acquiring this property. She also asked about the need for community gardens. Are there options to talk about the uses or would it be decided in a community process once the city owns the property. Mr. Proakis stated these conversations would happen with the community after acquiring the property. Mr. Proakis stated the bonding schedule is a little pressing and may need to vote soon. Mr. Bean stated borrowing for our needs is in late May and would have to borrow to execute before June 30th. He also stated that borrowing is a long process that involves bond counsel and would have to take it off the market.

Councilor White asked is this property was put on the market to find out what the owner wanted to sell it at? Mr. Proakis stated the property was listed for sale on Zillow. Councilor White believes the owner may challenge the amount and what would be the liability for the city? He also asked how much would this generate in property taxes? Mr. Bean has not seen an analysis of potential property taxes and he will discuss with Mr. Proakis and the city assessor.

Councilor Rossetti would like an executive session for potential negotiation or litigation.

Mr. Proakis has concerns they have only one more meeting before Mr. Bean submits for the bond. Chair Scott suggested holding over this item and Councilor Rossetti will ask her question with Special Counsel McGettigan.

Councilor Mbah stated he is not in favor of eminent domain and would like to know more information before deciding on this matter. Mr. Proakis can take some time to do analysis on this request.

There was a 5-minute recess so that Councilor Rossetti could ask her question to Special Counsel McGettigan. Chair Scott stated he struggles with using \$3.5M for this purpose, as the highest and best use for the city tax payers.

Councilor White stated it would be appropriate and best to address questions under the open meeting law. He suggests scheduling an executive session along with the regular meeting.

RESULT:	KEPT IN COMMITTEE
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211373: Requesting an appropriation and authorization to borrow \$3,450,397 in a bond for the cost of acquiring the property at 9-11 Aldersey Street.

See 211364.

RESULT:	KEPT IN COMMITTEE
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Armory Taking

211686: Requesting the adoption of an Order of Taking for 191 Highland Avenue for municipal historic and arts purposes.

Mr. Proakis made a point that the city would like to remain this property as a sustainable version of community arts center for many generations. The city is still working business details with the economic development consultant and could for the councilors at the next meeting. The background on this request is that the Somerville armory was decommissioned and the plan was for a profit organization. The trust leases small spaces and operates under special permits from 2015. Prior to COVID-19, the model has always been a challenge running an arts program in a building. They have to cover the mortgage of the building while providing the best program possible. Mr. Proakis spoke recently with the owner's broker, the city previously offered to buy the building and the owner declined. The owner was looking at abandoning the art use and lease to a non-arts use. The investment is important to the community with two big anchors with the Art Farm and Armory. The risks are the owner could move forward to place someone in the site and then there's the bond issue.

Councilor Rossetti read a communication from someone in the community who is a direct abutter to the property. The communication submitted by John Sullivan, as a homeowner, asked if the city will expend money to sound proof the property which has not been completed in 10 years. Mr. Sullivan's emails also asked why would the city take on this when the city, bonding \$5M would much better used for the property the city currently owns? Additionally, there are roads and sidewalks that have been neglected for years and in need of repair. He also requests that the abutters be allowed to ask questions for a public hearing.

Councilor Mbah stated the original value of the property was \$2M and current value is \$4M, where does the additional \$1M? Mr. Proakis stated the original owner put in additional \$1M and the \$5M came from the appraiser. Councilor Mbah would like to hear more in executive session to make sure the city is not overpaying. He also asked if Mr. Jenkins has weighted in on this property. Mr. Proakis has met with Jenkins multiple times. Councilor Mbah asked for the financial future of this property. Mr. Proakis believes that you can take the overall capital to purchase the building and operate an arts program there to pay for the basic cost of operating building.

Councilor White asked Mr. Bean what would the annual debt service would be for this facility. Mr. Bean stated that level debt service would be \$367,000.

Councilor Rossetti reiterated the points from Mr. Sullivan's email to Mr. Proakis about the abutters having a say, sound proofing the property and how to deal with an alcohol license.

Councilor Ballantyne agrees there needs to an investment in the arts in a sustainable way. She's looking forward to reading the business plan with a few days to read through it. Councilor Ballantyne asked Mr. Bean to provide numbers on the city's commercial revenue projections.

Mr. Proakis states that the property serves great use for the farmer's market and would not want to lose any of the characteristics of the current property. He stated there is a property in the city of Melrose that is run by a non-profit board and serves alcohol. The only thing they cannot do, is hold political fundraisers in it.

Councilor White asks with all of the buildings based on the nature of the proposed buildings, what the value might be and what could they generate when all the buildings are on line. Mr. Bean stated the team met last week with the assessor to review all the projections and timelines, to enhance the long-range planning to show healthy surpluses and provide an update. He also stated that with impacts from the pandemic with the commercial property, the assessor's focus is to try to determine the growth for the next fiscal year. Councilor White also asks what to do with all of the revenue. Mr. Bean stated it's a priority to come up with the new estimates and how it relates to the CIP and to mitigate down the debt service. It was stated that the Mayor has been lobbying with the state on the \$50M for the GLX to dissolve the money from the state. The mayor is hoping to hear from the state by late summer.

RESULT:	KEPT IN COMMITTEE
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211687: Requesting an appropriation and authorization to borrow \$5,000,575 in a bond for the cost of acquiring the Armory Building at 191 Highland Avenue.

RESULT:	KEPT IN COMMITTEE
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Referenced Material:

- MuniProgramDescription (with 211446)
- Mass Municipality COVID funding sources and amounts (with 211446)
- Mass Municipality COVID funding sources and amounts (with 211446) Excel
- WS_CIP_memo_CC_20210416 (with 211618)
- FY22 Water and Sewer Rate Study Update and Proposal - Finance Committee Presentation - 16 April 2021 (with 211618)
- Water Sewer Capital Projects List FY21-FY30 20210416 for CC (with 211618)
- Debt Service Somerville Armory (with 211687)
- debt-summary-04.20.21 City Council (with 211373, 211687)
- Letter from J Sullivan (with 211686, 211687)