

**METHUEN CITY COUNCIL SPECIAL MEETING  
GREAT HALL, SEARLES BUILDING  
December 20, 2007 - 6:00 p.m.**

Chairman Zanni called the Special Meeting of the Methuen City Council, scheduled for December 20, 2007 to order at with all members present.

ACCEPTANCE OF AGENDA

MOTION BY: Councilor Cronin seconded by Councilor Giordano to adopt the posted agenda

UPON VOTE: UNANIMOUS

Chairman Zanni made a short statement relative to a meeting in the Mayor's office (Dec 18,2007 at 2:30 pm). The consensus was that both sides would go back and crunch numbers. After that meeting it was agreed that the five tiers system was agreeable on both sides. Chairman Zanni asked Jack Burke for an explanation of the numbers the Task Force had in comparison to the numbers provided to council by Frank Russo.

Jack Burke stated that he has presented numbers, has been questioned for many hours by City Council and the Administration. The numbers are what they are; they are very close to the city's numbers.

Chairman Zanni asked Frank Russo if there was agreement with the Sewer rate of \$64.50? Does he agree with the Task Force recommendations of sewer rate?

Frank Russo stated the flat fee (sewer) for people on a well is \$64.50. He disagrees with the Task Force resolution. The Task Force wants to reduce back to the old rate. Mr. Russo's calculations indicate that it will not attain enough money.

Mr. Burke stated that he stands by his numbers and in his opinion the numbers are correct. Mr. Burke made a short statement beginning with a quote from John F. Kennedy's "Profiles of Courage". He asked the council to do what is right rather than what is expedient. As the last official duty of this sitting Council for the year he is asking for their votes for these proposals.

Frank Russo stated that the sewer budget is \$ 4,186,200, with the present rate 1.96 residential – 2.04 commercial we would realize revenue of \$3,871,842 or \$314,358 dollars short.

Chairman Zanni stated that it is important for us as the leaders of the community to make a decision. We have before us what the City has recommended and what the Task Force has recommended with different results. We should make a decision on this unless the numbers are off.

Mayor Manzi stated that the City's numbers were in the original handout. The Council does have some determinations to make. There is universal agreement on some numbers. Everyone agrees with the budget and what we need to raise for revenue. It is agreeable that we would use the flows from 2006 in making the determination. Once there is agreement of the flow numbers of 2006 and we agree on the budget (the numbers are there) the third number is the number that gives the rate. There is no other rate. There is no other potential. Anything else is in error. Multiply the rate by the flows and that produces the budget. There is no other methodology. We have not seen any other sewer numbers. The rate that the City Council voted times the flows equals the budget. Councilor Lahey asked if the Task Force proposals are the original and there are no changes?

Frank Russo said there are no changes.

Councilor Lahey asked if Mr. Russo was going to develop a five-tier proposal?

Mayor Manzi stated he has spent the past two days and has worked with the commission, took a submission and analyzed it in hopes of reaching an agreement of what the correct numbers were. The Mayor stated that he would produce a five-tier rate system that will work.

Frank Russo stated that the meeting on December 19<sup>th</sup> was to go over the numbers. To compare what the Task Force had and what the city had. We tried to show Mr. Burk where the discrepancies were and to go back and re-crunch his numbers. He has come back with the same inaccurate numbers.

Councilor Lahey said the thing that bothered him was the huge increase for the low and middle users because of the 25-dollar increase service fee. Are Mr. Russo's numbers different?

Mayor Manzi stated that one of the issues with the twenty-five dollar fee (he was not in favor of the flat rate) was that the rationale for it was to take the revenue flow from the twenty-five dollar fee and segregate it to apply only to debt. The numbers cannot be segregated if they are to work for 2008. It all has to be put in together in order to meet the number. We could come back with a five-tier rate that has it or does not have it. We cannot segregate the numbers will not work.

Frank Russo stated that we (the city) had a ten-dollar service fee. They (Task Force) went to twenty-five dollars. That generated more money; they can reduce the rate structure as far as that goes. By increasing the fee by fifteen dollars they are putting the burden on the low user and charging them an extra fifteen dollars. If that is what Council wants, a service fee of twenty-five dollars, he could do that but he would rather work the numbers out so there would not be a higher service fee (\$25.00) and the low end users would be buffered. He has not had the opportunity to do that at this time.

Mayor Manzi stated that he is willing to come back to Council with options. The revenue stream from the (\$25.00) fee is the users in the system times the twenty-five dollars less any abatement against the amount. The amount is (about) 1.1 million dollars. The debt payment from the plant (alone) is 1.5 million starting next year. It does not cover the plant debt. They are four hundred thousand dollars short on the plant debt.

Chairman Zanni stated that we (City) have in place a flat rate. We have collected half of the revenue needed for the year. We will be faced with another bill in February.

Looking at both tier and flat rate, looking at the five tier system proposed and the twenty-five percent increase (across the board) that will carry us through the year. He would

rather go to the five-tier rate with an (25%) increase across the board. Chairman Zanni asked if that would bring the total down against the flat rate?

Frank Russo stated that it would not. The Task Force proposal is to increase it by fourteen per cent plus the twenty-five dollar fee. In order to make up the short fall it would have to be (increased) twenty to twenty-five percent plus the twenty-five dollars. The senior discount would be in place but this would only carry us to June.

Councilor Lahey asked Mr. Russo if the proposal of the Task Force works. Will we be short money?

Robert LeBlanc referenced a handout of the proposed resolutions (attached) presented by the Task Force with a bottom line number of \$5,63478. This would work for 2008. The dispute comes in 2009. The numbers keep changing. His understanding is that it is the Council's responsibility to deal with water and sewer annually. There are many variables relative to fees that change year to year. We can only project for 2009 because council has not voted on that budget and only when the budget is presented can you vote on what the numbers are. Therefore set a rate for 2008. He believes the numbers recommended by the Task Force work. They stand by their resolution relative to water and sewer. In terms of the water registrar Council should set their stamp on that. They (Task Force) believe this is an annual exercise and Council should vote to keep the Task Force in place in order to have debates that enlighten everyone.

Chairman Zanni asked City Auditor Thomas Kelly if these proposals work or do the City's rate work?

Mr. Kelly stated the information sent to him from Mr. Russo focused on revenues reserved for debt. If we are to streamline revenues for debt (1.5 million) we will be \$375 thousand dollars short in 2009 with a senior discount. That scenario will not work. The twenty-five-dollar surcharge is really a thirty-three dollar charge. Mr. Russo was showing him actual flows (numbers). Mr. Kelly is not comfortable with the proposal from the Task Force.

Mr. LeBlanc stated that he is comfortable with the proposals for 2008. The Mayor is comfortable with the proposals for 2008 if there are no contingencies, no dedication of funds. We are projecting for 2009; we do not know what the revenue is for 2009. We are here to work on 2008.

Councilor Leone stated that Mr. Russo compared projected revenue for the sewer against the prior year. Mr. LeBlanc compared the budget for this year against the budget for last year. One is talking apples the other is talking oranges. Mr. Russo states he needs four hundred thousand dollars, Mr. LeBlanc states only two hundred thousand dollars.

Councilor Leone asked if Mr. Russo used retained earnings last year to make the sewer budget work?

Mr. Russo stated yes, six hundred and eight thousand dollars approximately.

Councilor Leone stated if the revenue figures for 2007 were higher than required we would have used less retained earnings approximately two hundred thousand dollars.

Councilor Leone believes we are disputing numbers but not the same numbers. We cannot keep dipping into retained earnings and we will be using half of it this year to pay the water and half next year to make the water work. Last year sewer was two hundred thousand dollars less than what we needed. That needs to be made up before we can make the increase in this year's budget.

Councilor Leone referenced the Task Force proposal paragraph 7 and asked for clarification.

Mr. LeBlanc stated that if there are no restrictions both he and the Mayor agree that the resolution provides enough funds for this year. The change that he sees as he runs the numbers looking at the calculations that raise the five million dollars he does not use retained earnings in 2008. The plan to use retained earnings can be held and used in 2009. The five million does not include retained earnings.

Chairman Zanni stated for the record that when their (Task Force) numbers were presented and it was stated that if we followed what they had we would not have an increase in five years. That now has gone away because we are only looking at 2008. Councilor Quinn asked Mr. Kelly if he would recommend the proposals of the Task Force for the city?

Mr. Kelly stated no. He would agree with the city's chief engineer.

Mr. LeBlanc stated that there is agreement among some Task Force members that their numbers generate sufficient funds and there will not be a rate increase in five years. The proof will be when the revenues come in but we do not know because we cannot project. Mayor Manzi stated that he and Mr. LeBlanc spoke (without hard numbers in front of them) and tried to generate numbers for fiscal 08. We cannot forecast. Mayor Manzi is saying with certainty that the fund is going from a needed revenue number of 5.1 million in 2008 to 6.5 million to 6.6 million in 2009. If the Task Force proposal requires us to use six hundred thousand of retained earnings in 2008 (we cannot forecast) we would know that in order to get the 5.1 million dollars we need six hundred thousand in retained earnings. We would be raising four million five hundred thousand through the rate. That would leave us short (in 2009) an astounding amount of money. It is true that Council has to come back every year but we would be in a position where there would be additional shock. We would not be using the rate to satisfy the systems needs. The numbers do not lie.

Mr. LeBlanc referenced (Task Force) resolution 6 and recommended striking language referencing the six hundred thousand dollars and state they are not using earnings from retained earnings for 2008.

Mayor Manzi stated in his proposal of the three tier system he utilized two years of using retained earnings providing the rate structure met the needs of the system and would grow to a point where we would not have to do that. The difference between the Commission (5 year) proposal and his (3 year) is that they leave a rate structure in place that does not satisfy the needs of the system going forward. Mayor Manzi's proposal would have built the rate over three years and the system would be whole and we would have begun to replenish the reserves that were used in years one and two. That was a significant difference between the two proposals.

Councilor Cronin asked if the money collected goes into investments?

Mr. Kelly stated that money coming in (for rates) is used to support the operating budget for expenses.

Councilor Cronin asked if the money stays in the water and sewer?

Mr. Kelly stated that every dime stays in the enterprise fund.

Councilor Cronin asked if the twenty-five dollar service charge is not enough to cover debt service why vote this if it is not enough we will have to take money out of the flow account to make up the difference to pay the bond.

Mayor Manzi agreed with Councilor Cronin. The Mayor proposed ten dollars service fee. The twenty-five was presented to City Council as a way to segregate a certain amount of money to pay the debt. If the debt went down the twenty-five dollars would also go down. The revenue stream that is left that would be achieved by the rates is not enough to cover the operating systems.

Councilor Leone asked Mr. Russo to reference his handout.

Mr. Russo stated the numbers are his projections and explained the handout page by page. (Attached).

Councilor Leone asked if Mr. Russo is using 14% and not using retained earnings there is a deficit of 351,000. If we apply a correction to the 14.1% we can reach the 351,000 without touching the reserves.

Mr. Russo stated the number is between 20 to 25% instead of the 14% with the twenty-five dollar service fee. Their service fee of twenty-five dollars is fifteen dollars more than what the city is proposing. The difference is that with the twenty-five they are generating eight hundred thousand dollars. At the same time they are charging the low users more money they will not have relief and their bills will go up more that what our flat rate is (\$21.00) Under the Task Force rate they will pay \$31.00.

Councilor Leone stated 23.3% would give us what we need without touching the reserves.

Chairman Zanni asked Mr. Russo if Council was to adopt the five-tier system and proportionally go up by steps at the 23% that would give us enough to go through the entire year.

Mr. Russo stated he believes it would. Mr. Kelly agreed with Mr. Russo and his numbers.

Chairman Zanni said that with a new council coming in January (in June) we will be faced with another increase because the debt will increase in 2008. Would the 23% go up or come down?

Mr. Russo stated it could go up more. The original three-tier proposal to the City the percentage progressively went up each year. The first year 21%. Second year 49% from the first year. Third year 60% (from the previous year). Over a three period it would have gone up 60%. The flat fee the first year (alone) it has gone up 76%. This is where we are at right now. The flat fee in the second year was to go up 113% and in the third year 136% over three years. That is with a ten-dollar service fee. Mr. Russo is stating what the numbers are according to what the usage has been in the past. These are the flows that we have recorded to date. We were projecting (using those flows) what would generate X amount of revenue. He can tell what the expenses were projected to be because of the debt and the three per cent increases.

Councilor Willette stated that every proposal brought to his attention, except for the Task Force, implemented a stringent, top-heavy conservation measure. We are increasing the capacity enormously and at the same time implementing conservation measures. This does not make sense. What the Task Force had was uniform increases, shared responsibility as part of the system. The flat rate is not a flat rate system because residential was merged with commercial. The tier system was top-heavy for the high end users. The Task Force system (in his estimation) is not implementing a conservation measure because we are increasing the capacity. The city of Newburyport tried to have a

conservation measure and it failed. They had to go back to the rate users and jack up the rates. Councilor Willette wants honesty in the numbers if we are to have gradual increases. Councilor Willette can see some fairness in the Task Force recommendations. Mr. Russo commented that in his original proposal he had included the ten per-cent discount of \$350,000 for the year. If it is the feeling of the Council to eliminate that discount he can take that revenue and take it off the high end to reduce that step. Councilor Willette stated that Mr. Russo had sizeable increases for the high end users under both (tier/flat) proposals.

Mayor Manzi stated that he is not here to tell Council to adopt the flat or tier rate proposals. The Mayor was asked to look at a five-tier proposal in conjunction with the commission. If Councilor Willette's viewpoint is the five-tier is better the debate is over but the numbers have to work. The Mayor is willing to produce a five-tier system but the numbers have to work.

Councilor Willette stated the five-tier system was still top heavy for the high end users. (\$3.00), he does not want to subsidize the low end users for a shared system.

We do not have a progressive income tax in this State. We all pay the same percentage. He will not have a problem with uniform increases under the five-tier system.

Councilor Leone stated the only thing decided was that Council wanted the percentage increase on the old five-tier uniformed rate. We should not be discussing what it would have been under the three-tier system.

Mayor Manzi stated he is not here to sell a three-tier proposal but he has the right to tell people what the users in those categories would be. The Mayor stated that he submitted to Councilor Leone and at the time the Council sub committee a sheet of statistics dealing with the users and the usage levels.

Councilor Corey Rahme stated that months ago Council was not happy with Mr. Russo's proposals so the Council created this Task Force Committee. The Task Force does solve the problem of equity and she will support their proposals. This is for 2008 only and she will support this for 2008.

Councilor Lahey stated that he originally supported the three-tier system. He feels it is better than the flat rate that was approved. He appreciates the job the Task Force did; he does like the five-tier system and hopes it will work out. He has listened to the City Auditor and City Engineer and he accepts their figures. He is not pleased with the way the Task Force has distributed the numbers on the steps, the chief financial officers are not comfortable with their (Task Force) numbers and he will not support the proposals.

Councilor Giordano motioned to take TR-07-102 off the table.

OLD BUSINESS  
RESOLUTIONS

1. TR-07-102 Resolution Further Amending TR-07-58 Reducing the Sewer Rate, Capping So-called Indirect Costs and Dedicating Certain Funds to Debt Reduction (remove from the table)

MOTION BY: (to remove) Councilor Giordano seconded by Councilor Corey Rahme.

UPON VOTE: 8- yes 1- no (Clr Lahey)

Mayor Manzi stated the rate is set but this would leave us with a deficit of \$350,000 dollars.

Councilor Andrew stated that the Task force has done sixty days of work. They have nothing to gain by giving us numbers that won't work. They think the numbers will work. He will support the Task Force proposals.

Councilor Leone has asked how they arrived at the numbers. He has not been told how they arrived at the numbers and he will not vote for something when they cannot give him an answer.

Chairman Zanni agrees with the five-tier system. We have the people serving the community day to day. They say the (Task Force) numbers will not work.

MOTION BY: Councilor Giordano seconded by Councilor Corey Rahme to adopt.

UPON ROLL CALL (**Failed**) 4-yes 5 – no (Clrs. Lahey, Leone, Quinn, Willette, Zanni)

2. TR-07-103 Resolution Further Amending TR-07-57 Reducing the Water Rate as Voted, Returning to the Five Tiered System, Dedicating Certain Revenues to Debt Reduction, Capping Those Funds Identified as Indirect Costs, Increasing the Senior Discount and Eliminating the So-called Early Pay Discount (remove from the table)

MOTION BY: (to remove) Councilor Giordano seconded by Councilor Corey Rahme.

UPON VOTE: UNANIMOUS

Councilor Giordano motioned to move the question on the substitute resolution that Council received this date. Seconded by Councilor Leone.

MOTION BY: Councilor Cronin seconded by Councilor Giordano to adopt the substitute motion

MOTION BY: (to amend) Councilor Leone seconded by Councilor Quinn to amend the substitute motion.

Councilor Leone clarified his motion to amend.

Striking language in paragraphs 6 after the words City Council. Not to require the use of \$600,000 dollars in reserves. Strike paragraph 5 and 7 and change the percentage in paragraph 1 from 14.13 % to 23.3 %. (attached)

Councilor Quinn asked Mr. Russo if Council votes this amendment would it make it fair across the board to the users?

Mr. Russo stated it would be proportionally increased from the top to the bottom.

Chairman Zanni stated that the five-tier system would be in effect; the 23.3% would be what it was before but proportionally gone up across the board equally.

Mr. Russo stated that would be correct.

Councilor Leone asked if we use the 14% rate we would be 351,000 dollars short (2008).

If we use the 23% rate we do not have to touch reserves.

Mr. Russo stated yes. But it would be between 20 and 25%

Councilor Leone said that is the question before Council. Do we want to use the reserve fund this year or save it for next year when we will (really) need it?

UPON ROLL CALL (amendment to motion) **Failed** 3 – yes 6 – no (Clrs. Andrew, Corey Rahme, Cronin, Giordano, Lahey, Willette).

MOTION BY: (Main Motion) (Substituted Resolution) Councilor Giordano seconded by Councilor Andrew.

Councilor Corey Rahme noted that the words six hundred thousand dollars be stricken from the motion as requested by the Chairman of the Task Force.

Councilor Leone stated that no one has explained to Council the 351,000-dollar deficit in 2008. We have a resolution being amended to take out the use of retained earnings. We use the retained earnings or we raise the rates. We cannot have it both ways. No one has explained where the 351,000-dollars is coming from.

Chairman Zanni said that according to the City Auditor the 14% will not be enough and we will go into the red short 351,000 - dollars.

City Auditor Thomas Kelly stated that based on the numbers we will end up with a 351,000 -dollar deficit by years end. It would be closed as a revenue deficit to the retained earnings. That is general acceptable accounting principles. The revenue estimates will not exceed the budget. We will not be able to meet the budget.

UPON ROLL CALL: (**Failed**) Motion to adopt the Substitute Motion.

5 –Yes ( Clrs. Willette, Andrew ,Corey Rahme, Cronin, Giordano) 4 – No ( Clrs Lahey, Leone, Quinn, Zanni). Motion failed because the motion required a six-vote majority.

3.TR-07-104 Resolution Accepting the Water and Sewer task Force Report and Directing the City Solicitor to Draft Such Appropriate Documents Necessary to Implement Same, Other Than those Submitted, to Be Effective January 1,2008, Most Particularly That Portion Which Transfers the Position of Water Registrar from the Department of Public Works to the Oversight Office of the City Auditor in Order to Enhance Transparency and Accountability and Restore a System of Checks and Balances (remove from the table)

MOTION BY: (to remove) Councilor Giordano seconded by Councilor Corey Rahme.

UPON VOTE: UNANIMOUS

MOTION BY: Councilor Giordano seconded by Councilor Corey Rahme to adopt

UPON VOTE: UNANIMOUS

4.TR-07-105 Resolution Extending the Term of the Water and Sewer Task Force as Established by TR-07-82 to December 31,2009 and providing that Members Shall be Appointed by the Next City Council in the Same Manner No Later than January 15,2008. (Remove from the table)

MOTION BY: (to remove) Councilor Giordano seconded by Councilor Corey Rahme.

UPON VOTE: UNANIMOUS

METHUEN CITY COUNCIL SPECIAL MEETING

MOTION BY: Councilor Giordano seconded by Councilor Corey Rahme to adopt  
UPON VOTE: **(Pass)** 7-yes 1-no (Clr Zanni) 1-present (Clr Leone)

5 TR-07-106 Resolution Providing for the Quarterly Review of the City's Budget. (Req  
of Clr Andrew)

MOTION BY: Councilor Giordano seconded by Councilor Andrew to adopt.  
UPON VOTE: UNANIMOUS

ADJOURN

MOTION BY: Councilor Giordano seconded by Councilor Andrew to adjourn.  
UPON VOTE: UNANIMOUS  
Meeting was adjourned at 8:00 pm

Diane Lasonde  
Council Secretary