

CITY COUNCIL SPECIAL MEETING
MONDAY, DECEMBER 28, 2009 at 7:00 p.m.
GREAT HALL, SEARLES BUILDING

Chairwoman Quinn called the Special Meeting to order at 7:00 p.m. with all members present. Everyone stood for the Pledge of Allegiance

ACCEPTANCE OF THE AGENDA

MOTION BY: Councilor Zanni, seconded by Councilor Cronin to waive the rules and add Ordinance TO-09-09, An Ordinance Amending Chapter 3 of the Methuen Municipal Code – Board of Assessors.

UPON VOTE: 6 yes, 3 no (Clr. Giordano, Clr. Willette, Clr. Quinn)

MOTION BY: Councilor Cronin, seconded by Councilor Zanni to adopt the agenda, as amended. UPON VOTE: UNANIMOUS

Tax Classification Factor - Amended

Mayor Manzi stated Council has before them an amended proposal relative to the Tax Classification because the Department of Revenue vetoed the prior Classification Factor of 1.70. We are back to 1.64, which is the maximum shift allowed for Methuen by State Law, which would put more of the burden on business, as contained in the documents submitted to Council. He explained the main difference is two additional items. First, \$200,000 is from the School Department Transportation Fund, after conferring with the School Department and making sure that no school children would be impacted adversely, that we would be able to cut because of adjusted contractual obligations. Additionally, we offer \$50,000, which is monies, left over from the prior fiscal year, emanated from Federal reimbursements for the ice storm. These reimbursements were paid by the city through the course of the regular budget. The fiscal year has closed. It would be obviously one-time revenue. Mayor Manzi asked the Council to consider adopting a Classification Factor of 1.64, with a reduction in the overall levy by the amount of \$250,000. Mr. Kelly will go into detail as to what that would mean for both the average residential and average commercial taxpayer. Both decline from the prior 1.64 submission. The city must be funded and without a rate, it would put the city in the precarious position of not being able to pay bills as early as mid-January to late January.

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Public Participation

Leo St. Louis, 18 Brandy Lane, a seventeen year resident of Methuen said he is appalled at what's been going on, in particular, the misappropriation of federal funding under the current administration and blamed on the former Chief. He then spoke of the civil service appointments in question attributed to the Human Resource Director. He asked, "Where is your accountability on all of these major issues?" Mr. St. Louis said he's seen outsiders coming to our schools from New Hampshire. Money could have been saved over the last several years by disallowing take home vehicles by DPW, department heads, and others. He said he sees a lot of waste of money. There's a lot more budget cuts that could be done over here if they start searching. He suggested furloughs. He asked, "Who else has taken cuts up here, truthfully have taken cuts?" He noted he pays the same for his condo as someone with a five-room ranch, pays for snow and trash removal. He stated his opposition to the increase and a last minute vote tonight

Dave Copley, 28 Meadowbrook Road, referred to the Mayor's comment that we're going to be in a precarious spot if we don't fund this. He said the citizens didn't put the city in this precarious spot. Residents elected officials to do the job the right way, to take care of the taxpayers, not to waste our money which officials have done a very good job at. He heard part of this tax increase is fully funding the pension. They've already paid for this. Its not the taxpayers fault if the city lost the money in the stock market and they don't get to double dip. He stated he bought his house in 2000 and the taxes have almost doubled. He asked, "Where's all that money? Where's it going?" Its not going to any new service that he can see. He suggested finding another way to come up with the money. Taxpayers are tired of it.

John Fiato, 91 Taft Avenue, thanked some of the City Councilors here who are supporting the little guy because these are the people that are going to get thrown out of their house because they can't afford it. There are foreclosures every day. People are barely making it, including him. He doesn't understand why the entire country keeps raising taxes. He urged the Council to vote "no" on the tax increase proposal.

Joanne Thompson, 11 Sevoian Drive, a 35 year resident stated she is trying to stay in her home. She is on a fixed income and can't afford another tax increase. She's not the only one. There's a lot more people like her. She urged the Council not to raise the taxes again because she and others can't afford it.

Jim Perrotta, Forest Street, asked why the city submitted a rate of 1.70 when they knew it would be rejected because the maximum rate the state would allow us was the 1.64. He said he doesn't understand why they couldn't send out the same bills as last year at the \$10.81 rate. It's a rate approved by the state and let's go with it for the interim. If we have to raise it a little later on, maybe we have to. Everybody in this room is on a fixed income, either as a retiree or a worker and when things happen in our homes we have to find ways to meet our costs because our incomes are not going up at all. He challenged every official and every person who works for the town to go and find ways to hold that \$10.81 rate, send the bills out and then work hard to make \$10.81 because the average citizen can't go out and get more money every time a bill comes up or something goes wrong.

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Jim Robertson, 2 Wilson Street, said he moved to Methuen three years ago from Somerville and the taxes have gone up considerably. He's seriously thinking about moving out of Methuen. Raising taxes in this recession is not fair to the people of Methuen. People are losing homes to foreclosure. They're in shelters. He urged the Council not to raise taxes. Its driving people out of Methuen.

Everett Jabour, business owner at 146 Pleasant Valley Street, spoke against increased taxes, noting people are broke. The economy is going to get worse before it gets better. As a business owner, he is taxed an air compressor, tools, wrenches, on a snow plow that he hasn't used in ten years but he gets a tax bill on things like that called personal property tax. Its ridiculous how we just go out and find different revenues and areas when we have town departments that have an attitude, let's spend it so we don't lose it and that's ridiculous. A simple solution to start out with – "What's the budget? What's the deficit?" Let's cut the budget, department by department, and bring it within the means because that's what business people and homeowners have to do. We have to rein in within our budget. Many people were sold a bill of goods on these flex mortgages and they got ripped off. "What are they doing? They're losing their houses." They just can't go in and rake money off the trees like the city is doing here. We sold the Stephen Barker School. We sold the Howe School for chump change and you go and pay \$450,000 for a vacant lot, Bea's over there. That was ridiculous and some of the people on this Council, in this office, voted for that. That's ridiculous spending. Why can't we make the cuts we need to do? It hurts to lay off people. He as a business owner had to. We need to live within our means. We don't use sand on the town roads anymore, on the city roads. The sand goes a lot further, a lot cheaper than it is to use salt. There is room at the town dump to put 200,000 yards because when they were capping the dump they could have imported 200,000 yards of fill and made money off the big dig but the city didn't want to be liable for responsibility. As a business owner, what he would do is truck it to his yard, screen it back out, save it and reuse it the next year. There are several areas that this city could make adjustments and reduce the taxes, not increase them. We could reduce them by the 10% not increase them. A real long term solution, bankrupt the city, get rid of all the pensions and the liabilities and start over like the City of Cambridge did. That's true leadership. That's really calling it to where it needs to be because it's out of control.

Gerald McCall, 165 Hampshire Road, said this past election was an awakening to some politicians. Two sitting city councilors were defeated. A third term city councilor was elected to the school board. We saw a relatively newcomer, almost defeat the incumbent Mayor. He thanked all his supporters who supported his candidacy for Charter Commission. After carefully considering the unique outcomes of this past election, his conclusion is that a very large segment of the Methuen taxpayer voters do not want the business as usual style of government. They are actually calling out for a change as demonstrated by the vote. In response to that statement, he asked that the Council unanimously vote a Charter Objection. A Charter Objection vote in essence would only delay the Tax Classification to January, 2010, and allow the newly elected City Council an opportunity to investigate, discuss, and debate any and all programs where budget cuts can be made. To the Councilors who will not be serving in 2010, a vote for a Charter Objection will demonstrate to the voters in the future elections that you

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are professional and responsive to all the wishes of all the citizens and taxpayers of the City of Methuen.

Dorothy Kalil, 8 Oakridge Street, Methuen, asked if she misunderstood the Mayor when he indicated the shift down to 1.64 would be more of a burden on the residential homeowner than on the business.

Mayor Manzi - not visa vie the 1.70, but 1.64 shift obviously places a larger burden on the commercial taxpayer. It's less than the 1.70 shift would have been.

Dorothy Kalil said she spoke with the City Accountant. Apparently, a law was passed back in 2006 and the State of Massachusetts can interfere with local control on their Tax Classifications and such. No one seems to have been aware of this until this classification was submitted to the state and it was rejected. It's the first time in the history of this community or that anyone can remember that the state has done this. Its very frustrating that the state could take this kind of a action, because our state is not favorable to business. They never have been. She's been interested to know how our two elected officials voted on this new law, and if they were that concerned about the business in the communities. They certainly would have increased the state tax. She has never been supportive of tax increases for business or residential and understands the Council has a problem. We have tough times, but the budget needs to be cut. Council can delay this for at least 30 days and send out the tax bills at the old rate, see what's going on with the new Council, reopen the budget, and see where you can effectively cut to come up with the money that you need to perform the services that the taxpayers should be getting, after all we pay the bills. Every time a cut is going to come along it's always to services rather than excessive employees that are in the offices.

Dave Lavallee, Tower Street, Methuen said he was present for three reasons. One, he expects Mr. Lahey to uphold his view (as said during the election) there's no more money on the money tree. Two, he's here to support Mr. Giordano tonight. Three, he agreed with Mr. Willette's view on what to tell the state.

Tim Sheehy, President of Local Firefighters 1691, spoke regarding the current situation that the Council is having with setting the tax rate and the ramifications of not setting it that they're going to have with the unions in the city. He's not for a tax increase either. But not setting it could cost the city more money in the long run. He reminded everyone that once again the municipal employees of the City of Methuen, nine separate unions, have already taken a furlough, a ten percent pay cut. He explained that, in the Fire Department, a furlough is if you work a five day work week, you don't come in for one of the days, you get paid for four. The Fire department worked overtime for free so the manning level didn't go down. They worked 24 hours of free overtime, every single person, with a savings right there alone of almost \$100,000. Individuals had to work, not go home and not get paid. Though most unions made agreements with the city back in June the Fire Department cuts actually started in January 2009 when the state made cuts to Methuen's local aid mid year. The Chief was forced to shut down an engine company, which is Engine 6 on Howe Street. The only reason ladder one remained is because it can't fit in any other station in the city. Otherwise the whole station would have closed with no coverage up on Howe Street. As it stands, the only truck showing up does not have water in it and that's a pretty big area. Members of Local 1691 voted unanimously to break their bargaining agreement which is never done and allowed the firefighters to work out of grade for lieutenants and so on and so forth so that – every rank could move

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up, unprecedented. It never happens. In order to save money and ultimately jobs, they were able to do so, but in June members had to make the agreement with a 10% cut and also three layoffs and three job loses through attrition. At the last Council meeting, there was some confusion about the three layoffs. He's heard many times and read in the paper that the city avoided layoffs but that's not the case. Three Methuen firefighters were in fact laid off. Firefighter Vincent Luciano who is here tonight, firefighter Jessie Kattar, and Fire Lieutenant Sandra Valley were given pink slips and collected unemployment from July 1st to mid November. These firefighters were rehired in November after Chief Buote applied for and received grant money, which was strictly available for laid off firefighters. Chief Buote and his Captain Mike Buote as well Allison Goebecki from city hall all worked tirelessly and did a great job securing this grant for the City and Methuen Fire Dept. Without funding this budget the fire department would lose these grants that were awarded, totaling just under \$500,000, along with \$600,000 in pay if the agreement is violated in any way. If anyone gets laid off, the grant money is gone, and the city is also on the hook for the \$600,000 that they took the pay cuts. Last year the state cut local aid mid fiscal year and the Mayor and City Council could not believe what the state was doing to us. Now, the City Council is essentially doing the same thing. Its much tougher being cut mid fiscal year, resulting in cuts over a six month period vs. twelve, doubling the number of layoffs that they would have to make if need be. In closing, he stated that the agreements reached by the unions of this city are unprecedented. No municipal employees in this area have done what the employees of the City of Methuen have done. The employees of the city furloughed 10% of their pay, saving the city approximately two million dollars, also through the insurance coalition, saved another 1.3 million by agreeing to concessions. He had many meetings with Mayor Manzi over the last four years, whether bargaining for a contract or many of the other situations that arise such as budget cuts, and they haven't always agreed. But the Mayor has always lived up to his end of the deal through a written agreement or a verbal one. However, with the current signed agreements in jeopardy, Local 1691 will have a lot of mistrust with any local officials in future agreements.

Kathy Lavigne, Chief of Police, expressed concern that impact of further cuts to the police budget will cause layoffs, cause cuts in services, as well as cuts in programs. As she mentioned six months ago, Methuen cannot expect to provide the same quality policing when a quarter of the manpower is no longer available to take calls. She is concerned about response times for the calls of someone breaking into residents' homes, pedestrian hit and runs, with injury or death. These are crucial calls that demand immediate response from well-trained officers. Well-trained officers are what we have today and need tomorrow to continue the quality work. Her other concern is the rollercoaster ride we have put the men and women of public safety through. Just six months ago, we threatened layoffs and went as far as passing out the pink slips. "How could this not have an impact on commitment to the city by these employees?" Chief Lavigne urged the Council to keep in mind the investment this city has already made in each of these officers. The city is going through hard financial times but the men and women of public safety have made their sacrifices for this city. Their families have made sacrifices for this city in the way of reduction in pay. These employees cannot be considered nonessential.

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Larry May, Methuen Police Patrolmen's Association, said he assumed that the Tax Rate came into play when the budget was set. He doesn't know why we are here six months later trying to come up with more money and would hope that the Mayor and the City Council could have come up with some more cuts, more creative ways of saving money, rather than going to the taxpayers. He agreed with Tim Sheehy that if a Tax Rate is not set, the city is on the hook for some contracts, some side letters, that were signed in July by all the unions that took a 10% cut. If his union loses benefits agreed to in July, after a 10%, they can pull out of the side letter of agreement. By doing that, the city is going to be on the hook for everything that members were entitled to before July 1st. That goes for all the other eight unions that signed side letters of agreement. The unions might be asking for those two million dollars in savings that the unions gave up. The consequences would be layoffs. He's not advocating an increase. He's advocating that the Mayor and the City Council sit down and actually set a Tax Rate, and make whatever cuts need to be made.

Jack Burke, 49 Canobieola Road commented that, after listening to the speakers at the podium, people who work for the city are not better nor worse than any taxpayer who lives in this city. They can take a lay off the same as the rest. He fully understands unemployment. He worked for 28 ½ years and has been unemployed since 2007 and cannot find work. There are bills he has to pay and cannot afford to give to this city any longer. The budget is an equation. There are revenues and expenses. When the taxable valuation of property in the city goes down, all he expects midway through a budget cycle is for the tax rate to be set for that loss only in revenue, not \$88 added to his bill, not \$128 added. He wants the tax rate to reflect the sixty million dollars in the budget that this Council approved, not sixty two million, not sixty five million, not a penny more than what Council approved. If Council wants to work on decreasing the budget by ten percent or they want to raise taxes at another time, then do it at the next budget meeting in June when all of these contracts, which saved us millions will come due as will the millions just saved.

Vinnie Graziano, Washington Street, Methuen – six months ago when everyone was here, the budget was approved and everyone praised the Mayor, and praised nine city unions for taking a ten percent pay cut so that the residents of Methuen wouldn't have to lose any services. Now he listened to some of these residents say how city employees didn't take anything that they didn't suffer anything. City employees that took a ten percent pay cut, which is far more than anyone's taxes are going to be going up. Employees also had to take a 1.2 million dollar hit on health insurance. There are city employees paying \$150 a week to have a health plan. This is what's happening and these people come up here to criticize the town employees. The town employees took the ten percent pay cut so residents wouldn't have to pay user fees and wouldn't have to be charged more at the time that the budget was set. Unfortunately, the state is the one that turned around and came back and cut the funding to the cities. It's not the Mayor's fault or the Council's fault. Either a tax rate is set or we're back to square one again. It took a year to work out these agreements with the unions. Every union agreed with him to take a ten percent pay cut instead of a layoff. It wasn't that he wasn't going to layoff the workers. The Mayor came to every union and said here it is, whether it be police, fire or DPW, here's the story – take the ten percent pay cut or your bodies are going out the door. To keep the services, the employees took the ten percent pay cut and yes they're all

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suffering now with their families, too. They all have families to raise. He asked, “Do you know what it’s like taking the ten percent pay cut?” Employees took it because it would keep them a job. Unfortunately, people in private industry have been getting laid off. People in cities and towns have been getting laid off. Methuen City officials have done a very good job maintaining the level of services that we have at the expense of the city employees and should consider this when it comes time to setting the tax rate, and being fair about everything. Now it’s everyone’s turn to take a hit, not just the employees anymore.

Randy Haggar, a Methuen police officer, 90 Hampshire Street, stated he is a 40-year resident. He’s a taxpayer in the city and has an investment in the city. Every day he is proud to do his job and answer his phone 24 hours a day for every Councilor that has called him, for every resident that has called me. We are in a position right now where we are on the verge of crippling our public safety. Since members met with the Mayor six months ago and agreed to the ten percent pay cut and the furlough days, they lost one dispatcher, which in turn created overtime because they need coverage for shifts. The department managed to work that out without the overtime issues. The ten percent cut resulted in furlough days, which resulted in lower manpower for shifts. Members were able to deal with that. Manpower shifted within their department, emptying out the traffic division and emptying out community policing division back to the shifts in order to be able to continue the professional services that their department believes in to the citizens of this city. He feels the budget cuts like anyone else. He’s a taxpayer here and just moved his parents back into my house, taking care of his mother who has cancer. Right now they are at a point where they can’t afford any more cuts in the police department. He stated he has a great amount of respect for Council and the Mayor. They need to make a tough choice tonight. He urged everyone to do what’s right for the city and make a decision and do what they’re here for. Please remember everything said positive about how every union helped six months ago and be here for members right now.

Dave Copley, 28 Meadowbrook Road, said it is convenient that \$250,000 was found without looking. He asked, “What took so long to find that in the first place? Imagine what would happen if you actually looked?” Please look.

Councilor Pappalardo read an email she received from a resident “Mrs. Pappalardo, as a resident of the Methuen west district, I would like you to know how against I am and my fellow neighbors on Vista Circle, Sabrina Court, and Rebecca Way for this shift in the Tax Burden to the residents of Methuen. In this economy, how can the Mayor and Council think about after December 7th meeting where our taxes were raised by us, I’m sorry by raising them again because the state thinks the burden is unfair. Well what about the residents? How fair is it to us? People are losing their jobs, jobs are hard to come by, and people are on fixed incomes and having trouble making ends meet today but the Mayor wants to increase our taxes. Again, two weeks later and the Council seems like they are getting bullied into it. There must be other ways, like cut spending and live within your means, enough is enough. Thank you and please vote “no” on the tax increase to residents. John Delaney”

Councilor Cronin asked the Mayor if he could answer some of the questions that were brought up at the podium.

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Mayor Manzi said relative to the question raised as to why the city didn't know about the potential disallowance of the state of the 1.70 classification request. The City of Methuen last year, shifted to 1.70. Its fair to say because of some changes in values and it is a formula that we should have known, but that's on the administration. It doesn't take away from the fact that regardless of whether it was two weeks ago or today, the maximum shift that the state will allow is 1.64. That wouldn't have changed. Relative to another question that was asked why don't we send the bills at the rate that was approved a couple of weeks ago by Council at 1.70, that is not possible. Without an approved rate by the Commonwealth of Massachusetts Department of Revenue, any bills sent out would simply waste paper and they don't have to be paid. The banks won't pay them. The citizens don't have to pay them. It's a total waste of time and effort and postage. Mayor Manzi said there is confusion on the cost of the furlough. The Mayor said publicly that should the city not pass a tax rate and should that go on into the future, the question was if the city could send an anticipated bill such as the first two quarters. That is not allowed because the Commonwealth of Massachusetts does not allow us to send an estimated third quarter bill. We either send an actual bill or we send no bill. Without a rate, we send no bill. At some point in mid January to the top part of February the city literally would just run out of cash. Eventually, it will be taken care of one way or another; but while that period of time happens, because the city would not be able to make payroll, he would start by closing "non essentials". All employees here are essential. He would buffer the public safety unions because the city must maintain fire, and maintain police. If city hall had to close, that's what we would start with. Eventually, it would get to police and fire because he doesn't believe that people are going to work for no pay. The furlough issue came up in that context. The issue of furloughing employees to save money is off the table. The collective bargaining agreements that he negotiated with the nine city side unions, approved by this Council, furloughed ten percent of their wage base, gave back ten percent. Nothing else can be done with the union without bargaining. He cannot furlough these employees; lay them off, because for the terms of those bargaining agreements furlough and layoff are now the same. A furlough would be a violation of the agreement. A furlough to save money is a tremendous breach of the contract. It's his opinion that the city is on the hook directly for the forgone wages from July 1, which equal 1.9 million dollars.

Councilor Cronin said it would have to be raised by taxation, possibly quadrupling what is being asked now.

Mayor Manzi agreed, noting there is no question furloughing is a violation.

Councilor Cronin said from what he understands, if the tax bills don't go out by January 1st, when they do go out – even if they go out January 1st, they have 30 days to pay, banks, residents, everyone, they have 30 days to pay.

Mayor responded, yes.

Councilor Cronin said if bills do not go out until later in January, residents don't have to pay their tax bills until May, and banks won't pay. That means possible closure of the schools, possible shut down of trash collection, possible shut down of city hall, possible shut down of plows. His feeling is the ramifications of not voting for this far exceed the hit we have to take. He doesn't want to vote for this but he's going to have to vote for it. It's the most responsible vote fiscally, the cheapest scenario that can be offered to the residents. All the alternatives are extremely expensive and will quadruple

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the tax rate to the people and possibly shut down the whole City of Methuen. Officials have to set a tax rate and get the bills out. It has to be approved probably by tomorrow from the state because right now we don't have a tax rate. We can't send out the tax bills unless the state approves one. Council has to do something. Council cannot breach the agreements, nor does he want to breach the agreements. They were made in good faith. The employees not only didn't take a 3% raise, they took a big hit in additional monies they had to pay for their health insurance, plus they took a 10% cut. Employees have contributed quite a bit to this cause, to keep the taxes low and keep the services in effect. At the other end of that we agreed that they'd be no layoffs, that's still good until June 30th, until renegotiated. The Mayor and Council cannot breach those contracts, they cannot furlough because coming up with another 1.9 million dollars is unfeasible. That's his feeling on where the city is now. He's 100% convinced that the cheapest way out for the taxpayers, with the position we're in now, is to vote this proposal that's before Council. The proposal actually cuts the \$128 down to \$114 and change. The prudent thing to do is to support this proposal, something he is obligated to do.

Councilor Giordano - Point of Information – asked Mr. Kelly if this proposal is passed tonight, if they have enough time in Boston.

Mr. Kelly responded yes. He said he spoke with the Department of Revenue this afternoon and told them that we were meeting this evening. The state opened our recap sheet and is waiting for a decision of the Council.

Councilor Giordano asked how long that would take.

Mr. Kelly said he hoped to have it certified by tomorrow afternoon.

Councilor Pappalardo referred to a Bulletin she received today, also sent to Assessors, Collectors, Treasurer, Accountants, Selectmen, Mayors and Managers, issued by DOR. The Bulletin explains local option legislation that extends the time for mailing fiscal year 2010 actual tax bills in communities that have the quarterly tax payment system or semi-annual tax system and what it basically says is this legislation is effective immediately and provides an alternative to issuing third quarter preliminary bills and some quarterly tax bills in communities where actual billing is delayed. In other words they're giving us, due to the economy to January the 31st in order to set a tax rate and to send out bills. She stated she spoke to Everett Griffiths to confirm that if we wait until January 31st to send out a tax bill, and asked if we could send out a preliminary tax bill in order to keep revenues coming in. Mr. Griffiths said yes, that's what the Bulletin is for. She asked why the Council was not furnished with this information prior to voting on this back when it was rejected the first meeting. The Mayor just got done stating that if we did send out another estimated bill that it would be wasted paper, wasted postage, but the state is allowing us to do that.

Mayor Manzi clarified that what he said was Methuen could not send out a bill based on the 1.70 classification. Mr. Kelly will address the issue of estimated third quarter bills. The state denied the 1.70 and bills cannot be sent based on 1.70.

Councilor Pappalardo noted the state is saying, because of the economic times for cities and towns, they're allowing us an extra month. But they're also allowing us to send out a preliminary bill.

Mr. Kelly stated that Mr. Griffiths is incorrect and he would challenge that because the state will not allow a city to send out a preliminary tax bill once we've submitted our tax rate. Our numbers are in compliance. When our numbers are in

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compliance, they certify the fact that our revenues, our appropriations, the water enterprise, everything is balanced. The only problem the Department of Revenue is having is they're not allowing us to set a residential factor of 1.70. They're telling us because of the dramatic change in the residential values, the maximum shift we can use is 1.64. Councilor Pappalardo is 100% correct with the piece of legislation that's allowing you to set the tax bill and if you set it on January 6th, your bill would be due February 6th. That legislation did come out. It was prepared for the City Council at the last meeting but there was no action taken by City Council. We still have to take that vote up as a local option in the event we don't pass a tax rate and we are prepared for that and have that this evening.

Councilor Pappalardo said she never received this information at the last meeting.

Mr. Kelly said Council didn't receive it. The tax rate was in front of the City Council; there was no second to take it off the agenda, so there was no discussion.

Councilor Pappalardo said Mr. Griffiths told her Council doesn't have to set a tax rate tonight and the city can still send out a preliminary bill. It is special legislation.

Mayor Manzi said, for the sake of discussion, if Council held action until January 31st, it gives an additional 30 days for residents to pay the bill. He pushes back the collection of monies and it's not possible for the city to pay the bills.

Councilor Pappalardo asked Mr. Kelly if she is correct that the city already borrowed 4.2 million dollars in order to pay the bills until the February revenue comes in, once the tax rate goes through tonight.

Mr. Kelly said there is a 4.5 million dollar tax anticipation note out there right now.

Councilor Pappalardo said scare tactics are being used here that they're not going to get paid but they are because the money is there until the revenue comes in.

Mayor Manzi stated during the course of each fiscal year, there are times when there are lapses in cash flow, which happens every fiscal year. They did borrow money but not in anticipation of non-action by the City Council. The money was borrowed in revenue anticipation because of cash flow problems. The cash flow problems are two-fold. There's been a change in policy in the city. Our retirement obligations are paid up front. That pension obligation being debated here, we pay now on July 1. It's a drag on cash flow. Two, the School department's federal stimulus money has not arrived and they've spent money against that. That is also a drag on cash flow and that is the city had to borrow money during the course of the year. As he said before, non-action by the Council would create a cash flow problem of between ten and twelve million dollars, and he will not authorize a revenue note for that. He's the only one that can sign for it and he will not borrow in anticipation of revenue unless we come to a conclusion on this tax rate.

Councilor Pappalardo indicated that's what she said, if the rate is set tonight, he has 4.5 million dollars that he can go to in order to pay their salaries. Councilor Pappalardo asked Mr. Kelly to clarify what he told her.

Mayor Manzi stated he never said that if the rate was set in December there was a cash flow problem. What he said was that if there was no activity on the tax classification factor by the City Council and it spread itself through January that we would have a cash flow problem and he would not borrow to solve that problem. He

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doesn't know where that came from but he never said that before December 31st Council action would precipitate a payroll problem.

Mr. Kelly indicated that he said 4.5 million dollars was borrowed for a cash flow problem.

Councilor Pappalardo stated she was told that the money was borrowed because of anticipated revenues that are coming in, in February once the residents pay their taxes.

Mr. Kelly said this is where there is miscommunication. If a tax rate doesn't go out January 1st, or say it does go out January 1st, their payment is due February 1st. The banks that hold all the money in escrow do not release that money until the night before. Therefore, there's 30 days of no cash coming in.

Councilor Pappalardo asked if that is what the money is used for.

Mr. Kelly explained that the taxpayers of Methuen pay when they get their bill. There's no delay. The person actually comes in and pays cash right away. There's a cash flow coming into the city. The 4.5 million dollars was to get us over the time from December until the tax rate goes out on the street and then by February 1st, we bring in twelve million dollars. He further explained the twelve million dollars collected in revenue will pay off the 4.5 million that the city borrowed and the community continues to function. The Mayor is saying the longer we delay getting a tax bill out, we will not have a cash flow. We will not have any money in the bank to honor payroll

Councilor Pappalardo said she understands that because that's what she was told the other day and what she just said. Also, the city is paying \$8,000 in interest.

Mr. Kelly agreed with the amount of interest.

Councilor Pappalardo referred to the Bulletin and said the state is giving extra time and she was told this afternoon Methuen could have sent out a preliminary bill.

Mr. Kelly disagreed with that statement because the tax recap has been certified by the state. It completely satisfies every number used to support the operating budget. They're saying it is certified with the exception of one thing, they're not allowing us to set a tax rate because of the shift. They're waiting for the City Council to decide what the factor is.

Mayor Manzi said there are two separate categories. Methuen has submitted a full tax recap to the Department of Revenue and they have agreed that all our numbers are correct. There are other cities that have submitted no tax recap and in fact are going to need a little bit longer than January, some cities in the Merrimack Valley. The City of Lawrence has done nothing. For that City, that's what the legislation is for, for somebody that has not submitted a tax recap and it has really nothing in place. Methuen is cued up and ready to go. The 30 days, if its available to you and you chose to avail yourself of it, you are going to create a cash flow problem of monumental proportions for the city. It would be a mistake to use it.

Councilor Pappalardo said the taxpayers of Methuen voted her in and that's whom she is responsible to. She then read from the minutes of June 27th where she commended the employees for taking a 10% decrease, there should be no layoffs. She continued reading the minutes where the Mayor stated this budget was not built on one-time revenues, etc. She noted that many citizens in the community came up to the podium that have lost jobs, houses, and are barely holding on. She knows the employees got up and spoke of their families but they still have jobs. Mr. Kelly mentioned to her that the nine agreements are well clad, no layoffs, she agrees with that. It would cost the city a lot of

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money if the agreements were breached. She asked who drew up the agreements and if that was a \$5,000 cost to the city to have Ed Lenox prepare them.

Mayor Manzi said that was correct. Ed Lenox prepared the agreements because there was a deadline of July 1st and the City Solicitor was away.

Councilor Kannan recalled thanking the unions for their contribution because we did balance our budget on their backs. She is not looking to blame anybody because the state did come in and they did take more money.

Mayor Manzi said the state cut \$650,000 mid year and we were forced to absorb that amount. There was another cut of two million dollars. The operating budget, exclusive of fixed costs was reduced by approximately 2.5 million dollars. He issued pink slips (20 firefighters, 20 police officers, rolled back superior officers, issued pink slip to city hall employees). He and the Council chose to negotiate with the unions, not only to protect jobs but to protect services, making sure to have public safety personnel available to respond to emergency situations. Union concessions, health care contribution changes, employees salary reductions filled the gap.

Councilor Kannan noted this Council adopted the budget and should be the ones to make this tough decision, whether it is raising taxes or not. One way or another a tax classification factor should be borne on this Council tonight. On December 7th the Council voted a 1.70 (\$88 on the residential average) but the Department of Revenue rejected it. She asked Mr. Kelly for an explanation of the residential/commercial dollars.

Mr. Kelly explained that on December 7th, the commercial would increase \$609.92 on the average. When the state told us we had to use 1.64, it dropped down to \$287.32, a decrease of \$322.59. \$746,000 is the figure originally discussed and he is offering \$250,000 towards that amount.

Councilor Kannan noted there is still a gap of \$550,000 that would balance the budget, without any further increase to the taxpayers and also lowering the intended commercial tax rate Council passed on December 7th. Mr. Kelly agreed.

Councilor Lahey said when the budget is passed, Council pretty much votes on the tax rate because the budget sets the tax rate. That wasn't the case this time. Employees took a ten percent decrease (he commends them for doing so) and Council wasn't allowed to make any additional cuts based on the contract agreements. He hoped that the employees do not consider it next year, as he will not support it. The reason he supported the \$88 was because of the agreements made but he will not support one dollar more. He suggested that the Mayor place a spending freeze on any kind of spending, meet with every department head, and cut the budget.

Councilor Cronin read a portion of the Resolution Providing for amendment to resolution 4880 General government operating budget and resolution 4875 the adoption of the fiscal year 2010 school department budget. The mayor has submitted a tax levy to the department of revenue in the amount of 62,030,425 and it is his intention to reduce the tax levy by \$250,000 for an adjusted tax levy of 61,780,425.

MOTION BY: Councilor Cronin, seconded by Councilor Kannan to adopt the resolution, including the factor of 1.64, as submitted by the Mayor.

Councilor Leone said the numbers in the resolution reflect the \$250,000.

Mr. Kelly agreed. Councilor Leone asked who pays the unemployment if the city lays an employee off. Mr. Kelly said the city does, 100%.

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Councilor Leone said, for example, if we lay somebody off that's making \$50,000 a year, two kids and a wife, his unemployment benefits are \$25,000 for the first year possibly extended another thirteen weeks after that. Mr. Kelly said that's a reasonable assumption.

Councilor Leone noted for the city to make up the difference of the two million dollars in give backs on the 10% on the contracts plus \$740,000, we have to come with 2.7 million dollars, which is about 50 employees, roughly. That number would have to double because of unemployment benefits to those fifty people. Mr. Kelly said that's correct.

Councilor Leone said this would all be done in six months, not a year, and its doubled again. Instead of 50 people getting laid off, 200 get laid off just to make up this discrepancy that we have now.

Mr. Kelly said he didn't have those numbers.

Councilor Leone asked how many employees are on the city side.

Mr. Kelly said there are 396 on the general government side.

Councilor Leone said he'd like to hear some ideas if someone in the room thinks the city could get by with a 50% reduction in force. He noted that he and Mr. Kelly had a conversation last week about the date the bills could be sent out and Mr. Kelly did tell him that there was some permissive legislation that Council could enact to give us some more time. He just wanted to point out that Mr. Kelly had the information available but Council didn't bring the item up for discussion.

Councilor Giordano asked if the Council set a tax rate in July when they adopted the budget.

Mr. Kelly said they had an idea what the tax rate would be, predicated on the understanding that they had reduced the pension appropriation with the hopes that the Legislation would give us some relief.

Councilor Giordano said if a rate is set tonight, it's a band-aid approach. Council has to think about what's going to happen in June. There's going to be lay offs. People are hurting. In other communities, a lot of people are unemployed, a lot of people losing their homes. The unions gave up 10% but what happens in June when all the contracts are up renegotiation.

Mayor Manzi said all the contracts are up at the end of June. He and many others don't agree with the state government and the way they handled things; but for this year they felt the cut of 10% could get us through in a reasonable way (for this year). It was important to keep the services as he previously stated and managed to keep services for an additional year. If Council passes the rate tonight, we have an overall levy number. If it's the City Council's intent to build a budget exclusively around next years budget, around this years levy number, which can be done as well. But there will be pain and if that's what the intent is, lets be upfront about it at budget time. We will build the next budget around that levy number. We've already been apprised of a couple of things. One, that the pension increase that we're talking about now of \$600,000 for next year will be one million dollars. He has already been notified. There will be an increase in health care of at least a million, maybe a million five, that's 2.5 and more than likely a state aid cut of about one million dollars. Council would have to cut 3.5 million after they cut an additional two and half million this year. There will be layoffs, fire station

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closings, fire and police layoffs and DPW layoffs. It was incumbent on him to hold that off as long as possible.

Councilor Giordano said he voted \$88 because he figured it was the right thing to do. Now this discussion is about \$128 more but additional money was found. The school department came up with \$200,000. He noted the School department didn't do anything for this year; the school side took no cuts.

Mayor Manzi it is true the labor unions did not do what the city side labor unions did. However, the teachers union is a part of the insurance coalition and they were a major reason why we got the million two in health care cuts. He does agree they should have gone further.

Councilor Giordano asked when the school side comes up again for negotiations.

Mayor Manzi said it wouldn't be for another year. He further explained that the \$200,000 comes from the non-net transportation budget. They've been working with the bus provider Trombly for some time. Trombly has, within the current contract, agreed to a reduction in fee. The city has an agreement on that and Trombly applied the lower amount to the current contract. The city appropriated the right amount and didn't over appropriate. Trombly Bus Company has come in and worked with us because they want to keep the contract. He did not magically find a hidden appropriation but made it happen by working hard on that contract. The \$50,000 is a federal reimbursement for expenses already borne by Methuen's taxpayers for the ice storm. These are expenses that the city incurred and waited a year for the reimbursement. He managed the budget and didn't go back to the City Council for a supplemental appropriation. He further explained that, fiscal cycle, tipping fees were reduced approximately \$300,000 because of negotiations. The City of Methuen has not filled positions; Deputy Chief of Police; Deputy Chief of Fire; Assistant to the Fire Chief; two DPW Superintendents; the Assistant to the Director for Historic Planning, cut the land-use planner in half, and have not filled (in this cycle) six DPW laborer positions. This administration is not adding positions. Methuen cut positions that are worth 1.4 million dollars and they are gone permanently. On top of the concessions by the unions, we continue to not fill positions, to economize where we can. The problems Methuen is faced with are massive increases in fixed costs. Every city is facing them. The state needs to act to give the municipalities some level of relief. They're not doing it. In the area of health care, he doesn't agree with the unions and thinks we need more authority to unilaterally change plans. In the area of pensions, they're suppose to spread out the payments to the year 2040, which would help the city with that million dollar obligation we're going to face next year. The state hasn't done it yet and they need to act. Until they do, we're going to be in a situation where you continue to cut services regardless of what Council does with tax rates.

Councilor Giordano asked the Mayor how Methuen is going to fund a new addition to the high school.

Mayor Manzi said Methuen is at the stage where we do not even have a schematic design. It's a preliminary look at the high school and we'll get to the schematic design. The newspaper's estimate is nowhere near a final number. Once that comes in, the city will make a value judgment as to whether or not to fund a new high school. We need to present the option to the city. The students deserve that and the problems at Methuen

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High School need to be attended to. The students there are not being given an infrastructure that is conducive to a good education.

Councilor Giordano likened the budget to his household budget. There is so much money that comes in and only so much to be spent.

Mayor Manzi said he not saying to spend it. The option is available to the city to spend or not spend it.

Councilor Willette said the Governor of Massachusetts campaigned on a platform of property tax relief. Instead of the property tax relief, he gave us a sales tax increase and a meals tax increase, and if you own a business – Registry of Motor Vehicles – the assessments went up across the board, tripling in some regards. For last two years, we've asked for relief from the state government, not tax increases across the board. During a previous administration, not this administration, the pension liability was forgone, reduced for one year. When the crash occurred that collectively reduced all of our retirement funds by billions and billions of dollars, below a certain threshold. The state came in and took over our retirement account. The state has not granted relief to the state retirement board, the teachers' retirement board, and the local retirement boards, all of which experienced massive reductions in their portfolios because of the stock market crash, completely understandable. Methuen, given no tools from the state, realized a further reduction that occurred at the local level (\$250,000) changing the increase from \$128 to \$114. Methuen could have balanced the budget with no tax increases in residential or had a little bit of a tax decrease; but the state told us to go to 1.64. He noted that Councilor Leone has an idea that he supports. Methuen should tell the state we wouldn't pay the \$600,000 pension liability increase bill given to us. We could have balanced our budget, had no tax increases on residential, and had a modest tax increase on commercial but the state tied our hands. As far as the health insurance, Councilor Willette suggested negotiating with employees, but as a City Council, they are not the authority to join the GIC. We need to negotiate with the super majority of union groups within the City of Methuen to join the GIC. It could save millions upon millions of dollars in that regard but we're not given the tools to do so. In January, he hopes to see a Joint Meeting with the School Committee, City Council and Legislative delegation to discuss grievances, such as relief on the pensions, relief on health care insurance, relief from the state instead of a sales tax increase or a meals tax increase. The state promotes tax increases, no property tax relief whatsoever. Methuen had additional local aid cutbacks between July and this present day and you had \$600,000 in a pension liability increase that again was expected but we asked for relief to have the pension liability extended to 2040. The Mayor has already started with is the dispatch center on a regionalized basis. The dispatchers' center would be a money saving proposition on a regionalized basis. Councilor Willette suggested bulk purchasing, and single stream recycling, which could save additional monies. He suggested advertising in the schools and on the municipal side to try to make money that way.

Councilor Zanni said he asked three weeks ago when the tax rate first came up if it had to be set that night and was told it had to be done. Council set the tax rate, which was \$88 increase on the average. Now Council is here three weeks later and no tax rate. If it were done properly the first time, not the Mayor's fault, we wouldn't be in the situation we are in now. He noted that he met with City Auditor Tom Kelly and sent a letter to the Mayor to look at cuts in our budget and also suggested a 5% across the board.

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This morning he and the Mayor met, as well as Councilor Leone and Councilor Cronin to discuss cuts that could be made without layoffs. Councilor Zanni said he is not going back on his word to the union employees who have already taken a 10% cut. Not only would it hurt the city's finances but also it will put us in jeopardy on our cash flow. Councilor Zanni said he put an item on the agenda to reduce the Board of Assessors from five to three, which is the way the Charter was originally set up. The Mayor agreed that we could go back to three, a savings of some money. The other thing was \$15,000 left in the line item for Historical Planner. Items discussed included overtime, mileage and fuel, vehicles, \$200,000 in school transportation and \$50,000 reduction (the Mayor will explain) Every hundred thousand dollars is six dollars off the tax rate, that's a total of \$15 he comes up with from the original amount of \$40. Now he's looking at a tax rate of \$114 and getting through this fiscal year. We don't want to get into a situation where unions are going to end up taking us back on our word and that's what will happen with layoffs. As far as what happens next year with unions and everything else, that's something that will have to be renegotiated. The unions are all up again. The only that is not up is the teachers' union. They still have another year left and that's something with the School Committee and the Mayor will have to discuss their particular budget as well. Council listened to the taxpayers, listened to the unions, and has to make a decision on what's right for the overall benefit and quality of life for our community. .

Councilor Leone said he talked to Councilor Willette, Councilor Kannan, and the Mayor earlier today. He heard tonight taxpayers complaining that the employees make too much and the employees complaining that the taxpayers don't appreciate them. He thanked Mr. Perrotta for his proactive suggestion. Part of the reason that we had the \$88 increase was because of \$568,000 that we had to contribute as additional contribution to the retirement system. Methuen was ordered by the state to turn over our pension fund to the state fund and they managed to lose more of our money. Councilor Leone said he doesn't have a lot of faith in the numbers from the state. He agreed with Councilor Willette that Methuen should be left alone to do our 1.70 classification. The state said no, we couldn't do that. Councilor Leone said he's happy with the \$88 that the Council approved a few weeks ago and doesn't see any reason for that to be increased anymore.

MOTION BY: Councilor Leone, seconded by Councilor Willette to amend Councilor Cronin's resolution to cut the additional pension fund contribution from \$568,000 to \$72,000. The \$496,000 will go towards making the \$746,000 shortfall that we have to make up. The tax classification can be cut to 1.64 and keep the tax rate increase at \$88. Council will have six months, from January 1st until June 30th, to work with the Mayor on a proactive basis and find \$496,000 in cuts as people suggested. The retirees are going to get their checks on time in the correct amount. We don't have to aggregate our union contract because notwithstanding the morality of the situation, we have a legal obligation to honor those contracts and commitments as promised, as well as make sure that all of the citizens in the community have the same services that they're paying for. It's a forbearance of an obligation that we know we have and the new Council will have six months to work with the Mayor, find \$496,000, put it back in the pension fund.

Councilor Giordano - Point of Interest- asked the City Solicitor if this was legal to do

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Attorney McQuillan responded, no, it's a state mandate and we're obligated to pay.

Councilor Giordano asked if the city would lose grant money.

Attorney McQuillan said he wasn't sure about the grant but in response to Councilor Leone, we are obligated, under a mandate, to pay those monies or risked being sued.

Councilor Leone asked what the remedy is if Methuen gets sued and loses. We'd have to pay the \$496,000.

Attorney McQuillan said he's sure it would be cost and interest and other attachments to the debt.

Councilor Leone suggested trying to work with the Mayor to find \$496,000 and render a court action moot.

Councilor Willette noted that the Massachusetts Municipal Association has called for extending the pension liability with full funding to 2040 and also greater authority for local boards of selectmen or City Councils or Mayors on the GIC which is the group insurance commission, the state employees health insurance plan. This is a symbolic vote and if Methuen gets a decision, they can always challenge the state. There's an appeals process.

Councilor Leone noted all he is saying is buy some time, set a rate at \$88, set a classification at 1.64, and take \$496,000 out of that additional contribution and that gives six months, after the first of the year, to get all the cuts discussed and restore the \$496,000. It's a paper transaction right now so Council can set a tax rate and send the bills out.

Councilor Zanni said he doesn't want the city to face a lawsuit. He asked the Solicitor to explain why this is illegal.

Attorney McQuillan said the city is obligated to pay this mandate and failure to do so will result in legal recourse against us (theoretically speaking).

Councilor Zanni asked the Mayor to comment.

Mayor Manzi said to the best of his knowledge Attorney McQuillan is correct. We've already been served with a letter from the attorney from the Retirement Board. However, having said that and having gotten the letter that threatens to sue us and assess interest, he believes that the retirement system will wait until June 30th. Councilor Leone is not saying don't pay it. He's saying set the rate at \$88 and then go back and find money to pay it. The intent is correct but at this point it is open to question whether cuts of that magnitude could be found to pay the bill. If he can't find \$500,000 in additional cuts, then it would be put off until next year. Despite the fact that they are saying they'll sue us, we could negotiate it and pay it next year if it came July 1 or after but it would be another burden to the extent that he can't find that much in cuts at this point in time. If Council does so, it would be incumbent on him to deal with it. The letter from the attorney for the Retirement Board that threatens suit threatens to assess 12% interest from July 1 on the unpaid balance and also threatens to attempt to assess legal and court costs on the city in the event that we lose the suit.

Councilor Lahey said his suggestion from the beginning was to see if we could get the additional \$496,000 out of the budget with the department heads and still believes this could be done if the Mayor, Mr. Kelly, and department heads meet.

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Councilor Cronin asked the Mayor how much the snow removal line item was under funded.

Mayor Manzi said traditionally \$250,000 has been appropriated for years under funded. One of the reasons municipalities under fund snow removal is we have the legal ability, if necessary to carry that one account forward. It is the one account that the DOR will let you carry forward. We usually scrape and try to find the additional \$700,000 to \$800,000 if not more to cover snow removal.

Councilor Cronin noted that the Mayor has to come up with \$800,000 out of the existing budget for projected snow removal and another \$496,000 by the end of June.

Mayor Manzi said depending upon how much it snows that would probably be the case.

Councilor Cronin said \$500,000 for snow removal and the \$496,000 and asked the Mayor if that money is extra in the budget. Mayor Manzi responded, no.

Councilor Cronin asked how the bills would be paid.

Mayor Manzi referred to the omnibus authority, voted near the fiscal year, for the Mayor. At that time, transfers are made to balance the budget. Unexpended balances are applied towards debt. It saves \$750,000 by under funding that allocation and taking it out of the rest of the budget.

Councilor Cronin suggested cutting the budget now and stays at \$88. It is unfair to pass this on to the new Council. He asked Mr. Kelly to explain the one time cut under the previous administration and how much that \$590,000 is costing Methuen.

Mr. Kelly explained that it was called pension holiday. The amount is paid back annually until the year 2028, amortized out is \$1,359,620.

Councilor Cronin said Council either votes a tax rate tonight or they come back in June with a supplemental tax bill to make that payment.

Councilor Willette said the City Council reached a consensus and voted \$88. The discussion is completely different. What the previous Mayor did was completely irresponsible. Council agreed to the \$88 amount because of the pension liability. He's saying take a symbolic vote and to send a message to the state. When he and Councilor Leone spoke today, they talked about whether or not any of the current retirees would be affected by this. Councilors have looked at the budget for cuts. They cannot go back to the unions who've already given ten percent. They've already taken furlough days off. Council doesn't want to further raise the taxes. He felt the \$88 passed on December 7th would take care of it until the state denied it. We are in financial crisis. He does not appreciate the state telling local officials what to do. He urged the Council to take a symbolic vote, hold off our payment and maybe extend it in hopes there may be some legislation process to extend it from 2030 to 2040. He asked if the Mayor wanted to explain what the ramifications would be if there were 12% on \$500,000.

Attorney McQuillan explained the 12% is interest (in the Commonwealth of Massachusetts) assessed on a judgment when it comes in. Because the obligation arose to pay back in July 2009, there is such a thing as prejudgment interest at 12%. Prejudgment interest is discretionary upon the court. It depends upon the circumstances. Once a judgment has been issued, and we'll assume for the sake of argument that there is a judgment issued against the City of Methuen, normally the interest is calculated from the date of the filing of the complaint. If Council takes this action, and the complaint is filed within 30 days, that 30-day date is the date, if in fact it ultimately results in a

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judgment, the 12% will be calculated from that period. Again any prejudgment interest, which would go back to the origin of the debt, July of 2009, that's discretionary upon the court. If there was an intent found by the court that we intentionally made a promise in July and decided at that time and knew at that time that we weren't going to keep it, a very good possibility of prejudgment interest being imposed but he doesn't think that would happen. Its certainly going to affect the system, absolutely, no question about that.

Councilor Zanni said if Councilors take a symbolic vote and the state rejects it, we are back to square one. He noted it is important to set a tax rate that's going to continue for the rest of the year with cuts that have been presented.

Chairwoman Quinn mentioned a Home Rule Petition to ask for a payment plan.

Councilor Leone said the worse thing that could happen is the increase originally proposed from \$88 to \$114, \$26, gets pushed off until next year. The best that happens is Councilors have a chance to put together a finance committee, that can work with the Mayor, work with department heads, and work with union officials, to see if you could find \$496,000 or some portion of it. Council has six months to work with the Mayor and straighten things out. \$88 is all that is needed to make ends meet. Take the \$496,000 out and work with the Mayor to find the cuts.

Councilor Giordano asked the Solicitor what it would cost if Methuen lost this lawsuit and if we could be charged attorney fees.

Attorney McQuillan said he would not project that. The court always has the discretion to impose fees, court costs, attorneys' fees, and the interest.

Councilor Pappalardo said if cuts couldn't be made over the last few months, she doesn't see the \$500,000 in cuts for the retirement money plus the money needed to balance the next budget.

Mayor Manzi said based on his originally recommendation to forgo the \$600,000 in the original budget, he said they were hopeful the legislation would come in and relieve us of that extra. But he came in with a recommendation of 1.70 sufficient money to pay it and he recommended that it be paid. He recognizes what Councilor Leone is doing but his recommendation is before Council and he recommends that it be paid. If Council takes a different avenue, it's the City Council's choice, then he'll deal with the facts as they are presented to him.

Councilor Pappalardo commented that she doesn't want to see another lawsuit as we have enough pending lawsuits.

Mayor Manzi said his recommendation is before Council. The state is wrong on this and has done all municipalities an injustice; a million dollar increase next year in this line is just not sustainable. In following years, have projections show additional multimillion-dollar increases. The taxpayers cannot and will not be able to afford these and if you do pay them, you're literally going to have nobody else working in city hall just to pay pension and health care. It's a problem that is out of control.

Councilor Pappalardo said to pay it now.

Mayor Manzi pay it now and to set the classification at 1.64 is the City Council's choice. His recommendation is that you pay it.

Councilor Leone called for a vote on the amendment.

Attorney McQuillan cautioned the Council on the selection of words, being made, to make this amendment to purposely disregard the debt, having the knowledge that it is an obligation, does not sit well with any judicial tribunal.

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Councilor Leone noted the Solicitor's comments. But, stated the state did a disservice to the City of Methuen when they took \$600,000 out of us in the middle of last year, when they gave us this additional \$600,000 levy, and when they denied the 1.70 classifications.

Councilor Leone reiterated the amendment was to reduce the pension contribution as previously approved at \$568,000, to reduce that by \$496,000 and to apply the \$496,000 to balance this year's revenue and budget requirements at the 1.64 classification with the current \$88 tax increase that Council already voted. Councilor Willette seconded the motion.

UPON ROLL CALL VOTE: 5 yes, 4 no (Clr. Cronin, Clr. Giordano, Clr. Pappalardo, Clr. Zanni)

Councilor Kannan asked the Mayor for clarification on an \$88 increase.

Mayor Manzi said the acceptance of the amendment would change the resolution before Council that amends the operating budget. The classification factor would remain at your motion of 1.64 and Tom Kelly will read you the new numbers

WHEREAS the Mayor has submitted a Tax Levy to the Department of Revenue in the amount of \$62,030,425 and it is now the intention to reduce the Tax Levy by \$746,000 to an adjusted Tax levy of \$61,284,425 which will give me a residential factor of 1.64 with an \$87.42 tax increase to the residential

Councilor Kannan asked for the commercial rate.

Chair Quinn declared a brief recess

Mr. Kelly - the amended resolution would read WHEREAS the Mayor has submitted a Tax Levy to the Department of Revenue in the amount of \$62,030,425 and his intention to reduce the Tax Levy by \$746,000 to an adjusted Tax levy of \$61,284,425 In turn we will set a residential factor of 1.64 which will yield an increase of \$87.57 to a home valued at \$281,335 which is the average. As far as the commercial is concerned they will realize a \$181.27 on the average commercial value of \$397,600.

Chair Quinn asked if an EPA should be added.

Mr. Kelly said he would suggest an EPA.

MOTION BY: Councilor Willette, seconded by Councilor Leone to adopt an EPA for the good and welfare of the community.

UPON ROLL CALL VOTE: 5 yes, 4 no (Clr. Pappalardo, Clr. Cronin, Clr. Zanni, Clr. Giordano)

Councilor Leone asked if the item is okay without an EPA. Mayor Manzi responded, yes.

MOTION BY: Councilor Leone, seconded by Councilor Lahey to adopt, as amended. UPON ROLL CALL VOTE: 5 yes, 4 no (Clr. Pappalardo, Clr. Willette, Clr. Zanni, Clr. Giordano)

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TO-09-09 Ordinance Amending Chapter 3, Methuen Municipal Code - Board of Assessors

MOTION BY: Councilor Zanni, seconded by Councilor Cronin to adopt for first read.

Councilor Giordano asked how much this would save us.

Councilor Zanni said he believed it was \$2100.

UPON VOTE: UNANIMOUS.

ADJOURN

MOTION BY: Councilor Leone, seconded by Councilor Zanni to adjourn. UPON VOTE: UNANIMOUS.

The meeting adjourned at 9:45 p.m.

I do hereby certify that at a meeting of which a quorum was present, the foregoing minutes were adopted by a unanimous vote on January 19, 2010.

COUNCIL CLERK