

**METHUEN CITY COUNCIL REGULAR MEETING  
GREAT HALL, SEARLES BUILDING  
December 7, 2009 - 7:00 p.m.**

Vice-Chair Jennifer Kannan called the Regular meeting of the Methuen City Council, scheduled for December 7, 2009 to order with eight members present. Councilor Quinn was absent.

ACCEPTANCE OF AGENDA

MOTION BY: Councilor Giordano seconded by Councilor Willette to amend the agenda to include TR-09-78, place it after TR-09-74 and accept the amended agenda.

UPON VOTE: UNANIMOUS

INVOCATION/PLEDGE OF ALLEGIANCE

Councilor Pappalardo gave the Invocation. Everyone remained standing for the Pledge of Allegiance

ACCEPTANCE OF MINUTES

MOTION BY: Councilor Zanni seconded by Councilor Cronin to waive the reading and accept the minutes of previous meetings: November 16,2009

UPON VOTE: UNANIMOUS

CORRESPONDENCE/ PROCLAMATIONS

Authorization for the use of City Council personnel (clerical, legal, accounting) when needed for support as part of the duties of the Charter Review Commission.

Joseph Pappalardo, chairman of the Charter Review Commission approached Council to affirm (as stated in the statute) the commission is requesting the use of City Council personnel when needed. He did meet with the Mayor and spoke with council staff and they all indicated they are on board with providing that support during normal working hours. The Charter Commission respectfully requests authorization from the City Council.

MOTION BY: Councilor Giordano seconded by Councilor Cronin to approve the authorization.

UPON VOTE: UNANIMOUS

PUBLIC PARTICIPATION

Chris Coleman Plourde of 21 Cypress Avenue was before Council and the Mayor to thank them for the sidewalks on Cypress Avenue. They listened to the residents pedestrians concerns and came together with the residents to solve the problems for the safety of the resident and the children of the neighborhood.

Joe Bevilacqua spoke on behalf of the business community of Methuen, he is willing to work with Council and the Mayor to bring and maintain businesses to the community. He is asking the Council and the Mayor to maintain the business ratio and if possible reduce it by not increasing (business tax) the struggles and hard economy that businesses are facing.

PUBLIC SERVICE

GRANTS: None

LICENSES: Second Hand Dealer – John’s Antiques & Collectables, 226 Merrimack Street

MOTION BY: Councilor Zanni seconded by Councilor Cronin to approve Councilor Pappalardo again requested that the social security numbers be blocked out of the application form

UPON VOTE: UNANIMOUS

CONTRACTS None

Vote: Tax Classification Factor

MOTION BY: Councilor Willette seconded by Councilor Zanni to table.

UPON VOTE: UNANIMOUS

OTHER OFFICERS AND COMMITTEE REPORTS

Councilor Kannan read a report relative to the Consolidation Committee. The focus was discussion of a joint purchasing department between the city and the school. The next meeting will be in January with data from Human Resource department relative to consolidation to use as a foundation and build from there. Members of Council and the School administrators were in attendance.

OLD BUSINESS

RESOLUTIONS None

ORDINANCES None

CONSIDERATION OF APPOINTMENTS None

NEW BUSINESS

RESOLUTIONS

1. TR-09-72 Resolution Authorizing Street Acceptance – Eagle Lane

MOTION BY: (first read) Councilor Zanni seconded by Councilor Willette to adopt.

UPON VOTE: UNANIMOUS

2 TR-09- 73 Resolution Authorizing Street Acceptance – Birchill Estates

MOTION BY: (first read) Councilor Zanni seconded by Councilor Willette to adopt.

UPON VOTE: UNANIMOUS

3. TR-09-74 Resolution Amending the Fiscal Year 2010 General Government Budget

MOTION BY: (EPA) Councilor Cronin seconded by Councilor Zanni to add an EPA

UPON VOTE: UNANIMOUS

MOTION BY: (main motion with EPA) Councilor Cronin seconded by Councilor Zanni to adopt.

City Auditor Thomas Kelly stated this is before Council to help in setting a tax rate. Several items have come up since the budget was adopted July 1<sup>st</sup>. As the tax rate is set there need to be adjustments and one is (under administrative and legislative) adding \$5,000 dollars for the Charter Commission. Under Employee insurance workers comp expenses \$256,000 dollars. Retirement there is an obligation of \$568,000 dollars. The Overlay was up \$175,000 dollars, there were assessments leaned against the telecommunications (Verizon) phone wires and miscellaneous charges attached to the cherry sheet up slightly. There is a snow and ice deficit of \$69,000. Local revenues had a projected shortfall of \$385,000 dollars due to low motor vehicle (new cars are not being purchased) excise taxes. The net effect will go into FY 2010 tax levy and in order to satisfy all these changes the resolution was put before City Council in order to amend the General Government Operating Budget and propose a tax rate at a classification of 1.70, the average tax bill on a home valued at \$281,000 will realize an \$88 dollar increase in taxes. This is for this year's budget only.

Councilor Lahey stated that during the budget process he voted for a budget with the stipulation there would be no lay-offs, no cuts in services and no tax increase. There were cuts that Council was willing to make at the time but was told no cuts in services no lay-offs and no raise in taxes, he accepted that and gave his word and voted (reluctantly) in favor of the budget. He is really disappointed.

Mayor Manzi stated the revenue shortfall is across the country. He did the best revenue estimates and like everyone else including the State (has downgraded in the same year cycle five or six times) we have downgraded once. The employees gave back \$1.2 million dollars in benefits. The pension factor was unavoidable at \$600,000. The city was told that the State might pass legislation to allow the city to smooth it or work with the retirement system to get away from making the increase. Last years budget the city paid (about) 4.8 million, this year they are asking for 5.4 million and in FY 2011 they are

asking for an additional million dollars beyond the 6.4 million. This is not sustainable under the current rules and regulations. These factors alone are one million dollars. Mayor Manzi respects Council's views but under these conditions we need to take another million dollars out of the budget. To maintain services and not lay-off, this is the avenue to get us through this year.

Councilor Pappalardo stated that she had received two calls from residents who already knew about the \$88.00 dollars tax increase, she did not know and that disturbs her. She is not willing to vote on something that she only received tonight and cannot understand within the half hour before the meeting. She has also received calls from commercial business people who are begging her to not raise the (commercial) rate. She understands that we are in a tough financial crisis but business owners are also having it tough and she does not know how much more burden we can put on the taxpayer.

Mayor Manzi stated he did not give numbers to the Tribune; he did give an interview late (4:00 pm) in the day and based on what he said it must have been posted on-line. It has not been in the paper.

Councilor Pappalardo asked Mr. Kelly if some of the money (\$88.00) would be set-aside for the High School?

Mr. Kelly responded the \$88.00 dollars is to balance the operating budget, to go one step further and add more to the levy we could set aside money in the stabilization fund to start the process of putting money aside to pay for the high school when it eventually comes online in two or three years. The \$88.00 dollars does not address the High School.

Councilor Willette stated we have State obligations with the pension that was unexpected, we thought there would be corrected legislation on that.

Mr. Kelly stated that locally we have unexpected deficit. \$600,000 for the pension and local revenue (alone) is \$385,000 dollars. Stabilization fund is \$ 480,000 not reflected in the backup information. We have a free cash position (now) of \$128,000 dollars at years end. (FY 09) that is not being used to off set this budget.

Councilor Willette stated he thought we were at a higher benchmark at a 1 million amount. (free cash)

Mr. Kelly said that free cash has not been used since our present Mayor has come onboard. Reserves were tapped in heavily prior to Mayor Manzi. An obligation was issued that one-time revenues would not be used in order to tighten up on the budgets and (to the Mayor's credit) we have not used our one-time revenues.

Councilor Willette would want for the future to have a historical perspective. The previous administration completely drained funds from various accounts and used one-time revenue strains to balance the budget. We now have a very depleted stabilization fund and faced with the situation of future cutbacks. The Mayor should be commended for not using one- time revenue to balance the budget.

Mr. Kelly said there should be 12-15% of the operating budget set aside in reserves and that is not there anymore. We have turned the conner, we have put money into the stabilization fund that has not been there in years, it's not a lot (\$500,000) but before it was \$50,000. There is a commitment from the administration to put money aside to build up the reserves. Free cash had nothing in it. To say there was a positive free cash position at the end of FY 09 was a positive for the city, meaning the budgets are balanced. Local revenue excise tax is not there, building permits have slowed down and we feel that affect with all revenues in the city. There is nothing we can do about that.

Councilor Willette said this is a very conservative budget, using one-time revenue restraints, not using free cash and not using the stabilization fund. We had a 10% employee cut across the board

Mayor Manzi said it should be clear to the public that on the city side we are not talking little raises or increase in the budget. The city side budget overall beyond personal was cut, 1.9 million dollars in cuts to the operating budget. He is not coming before Council asking for funding additional growth in city side government, we are shrinking city side government. There are some fixed expenses that needs outside help on pensions and he will revisit health care when needed. We have acted with responsibility, as the current laws will allow.

Councilor Willette's concerns are no flexibility on the pension front and no flexibility on health care. Those are fixed costs. We can tackle the personal issues but the pension obligations and healthcare obligations (unless we get help from the state) will have dwindling funds and things will get worse.

Councilor Willette praised the Mayor for his very conservative numbers for the budget. This is a modest increase compare to other communities who have massive cut backs and massive lay-offs and in the next years massive tax increases.

Councilor Zanni asked if Council did not act tonight is there enough time to send out the tax bills?

Mr. Kelly said "no". The department of revenue is saying cities and towns are under a deadline to get this approved so the tax rate must be certified in order to get the bills out by January 1<sup>st</sup>. If we do not get the bills out we will have to wait until May.

Councilor Zanni said there is a lot more discussion aside from the \$88.00 dollars. We have to look at long range and the high school issue. There is \$500,000 in reserve fund and the \$88.00 dollars supplants (continues) till the end of this fiscal year. We are looking at a high school project that we have expended 2 million dollars. Come Spring we need to develop a plan for the new high school. Without more money in the reserve account we will not be able to draw down from that account. Then we have to go for an override. To go to the second case scenario and increase (\$114.00), we would have an additional half million dollars to put in the reserve account. We would be able to draw down on that amount as opposed going to an override.

Mayor Manzi stated that is not clear and may be pre mature to discuss debt exclusion. Cost estimates are not with us presently. The bond people would like cities and towns to take unused levy capacity and bank it into a stabilization account, ours is under funded. The Mayor considers unused levy capacity to be bankable money. The adoption of what he is proposing would leave approximately 1.3 million dollars in unused levy capacity. The second sheet would use \$500,000 dollars and bring down the unused levy capacity. This would have to be done for multiple years in order to get around financial questions about the high school.

Councilor Zanni stated when the new budget comes up we will be faced with a situation. We are discussing an \$88.00 dollar increase for this year (June 30<sup>th</sup>). After that point with the high school on line we only have X amount of money in the reserve account. If the \$88.00 dollars is approved, what is left?

Mr. Kelly stated half a million is in the stabilization fund at present. The creditors are saying if we have unused levy capacity to tap into (\$500,000) there needs to be a commitment from the legislative body and we need to do that every year. If we do not

stick a shovel in the ground for three years and we commit \$500,000 (tonight) and another \$500,000 next year and so on the reserve goes up to 2 million dollars. Everything brought into the city (not put to the budget) we use the money and blend it. When the new high school comes on it softens it some for the citizens. The prudent thing to do is to start banking it now because we know we will have that liability (H S) out there in a couple of years. We are faced with the pension increase (we have no control over), local revenues are taking it on the chin. To balance the operating budget we need an \$88.00 dollar tax increase to get through this fiscal year. In a perfect world we could bank money in the stabilization fund (it would be hard to do) but this is not a one shot deal, it needs to be done every year and a policy would have to be adopted by the city council.

Councilor Zanni asked if this \$88.00 dollars is getting us through this year and we are not looking at anything in February or March?

Mr. Kelly responded that would get us through this fiscal year.

Mayor Manzi stated that if anything did happen there would be the potential for mid year State cuts, he is hoping that does not happen but if it does he would have to come back to the operating budget, we would not be able to go to the taxpayer.

Councilor Lahey stated he would vote for this (grudgingly) because the employees bailed us out and he will not "nail" them with lay-offs because council blew it. Councilor Lahey knows people will be upset about the \$88.00 dollar increase. This council is "out of their minds" to hit them for \$500,000 dollars every year for a new high school. We should have decided (a long time ago) where the funds are coming from before we spend millions on designs and schematics. We have no money to run our own budget. We cannot ask the employees to take another cut. This is not real

Councilor Giordano asked when will we know how much money the new high school will cost and will we go out and borrow the money? Is the State paying 64%? What is our share?

Mayor Manzi stated the State is currently paying 61.26% and he does not anticipate anything lower, he thinks it will be in the 65-67% category, until the cost estimates come in we will not know. Once we know what the share will be we will come to city council with a financial plan and go from there.

Mr. Kelly stated we have seven more years to pay off the other schools.

Mayor Manzi stated they were twenty-year notes. This could be more, its been liberalized and potentially allow us to go to thirty. The only time it is not prudent is when they allow us to amortize the note beyond the useful life of the asset. In this case a thirty-year repayment would not be beyond the useful life of the asset (40 years would not be). This is an essential need for us; we cannot leave the high school like it is. The Mayor said he would look at all of this before he gets back to Council. Council will not be obligated in any way this year.

Councilor Willette stated this is a modest increase, if we do not approve this, the high school would lose accreditation causing property values to plummet.

Councilor Kannan asked Mr. Kelly if this is passed what does this do for the commercial rate of \$22.99 an increase of \$2.22. With the increase last year it was hard for businesses. We do not want to deter business to come into the city. Councilor Kannan agrees with Councilor Lahey, we cannot let the city employees take another cut, she will

vote the increase. Councilor Kannan asked if we would have any extra cash flow with this increase?

Mr. Kelly responded “no”. The \$88.00 dollar tax increase will balance the operating budget. If that were (tax) raised to \$114.00 dollars we would be putting \$500,000 dollars into the stabilization fund. The reality is that when discussing the high school (although hard to do) money needs to be put aside (now).

Councilor Willette said that he wants an ironclad firewall on that account earmarked specifically for the high school, no one to touch that account.

Councilor Leone said he is not happy about the \$88.00 dollars but we did vote a budget that requires we fund it. We should not be talking about further increase or putting money aside for a rainy day while its raining. We have 10% unemployment rate, record foreclosures, record mortgage defaults, he is not voting for anything more than the \$88.00 dollars and will decide the high school question when it is time.

Councilor Pappalardo asked for the amount of revenue we would get from the \$88.00 dollars?

Mr. Kelly said it would satisfy 1.3 million.

Councilor Pappalardo agrees with Councilor Lahey when the budget was voted Council was promised no layoffs, no cuts in services and no tax increase. She understands where the State is coming from but the citizens are paying the bill and she cannot vote the \$88.00. Where will we be in May when we discuss the new budget? There will be another tax increase or the city employees will not have another decrease because they will not have a job, there will be layoffs. It’s the taxpayers taking the burden, it could be only a husband working (or wife only) and she does not know how they will make it. Councilor Pappalardo will vote no on this increase.

Councilor Zanni is looking at where this all started last summer with the current budget. We had various unions who took a 10% cut. We granted them a contract with that 10% cut. We do not have any control over these costs that are upon us today some are State related. If we do not approve this we will have a million dollar deficit. This would cripple our community. This is not our doing but we have to get through the rest of this year. Councilor Zanni will support this increase. We supported the budget (last year) but we also supported the employees taking a 10% cut. We cannot take a million dollars away from them again.

Councilor Cronin stated that no one is happy about taking this vote. This is something that has to be done, hands are tied. We could vote against this and back out of all the employees’ contracts agreements and start laying people off. Streets will not get plowed, an ambulance may not show up when needed or a fire truck or police cruiser. No one wants to put this increase forward but this is something Council has a responsibility to do for the people they represent to make sure they get the services they need. This is tough; a lot of people are out of work or on one income. This has to be done in order to represent the people who put us in office. No one wants to do this but sometime we have to make the tough decisions and that is why we were elected.

**UPON ROLL CALL: 7-yes 1-no ( Clr Pappalardo)**

TR-09-78 Resolution Providing for the Adoption of the Fiscal Year 2010 Sewer and Water Enterprise Budget (EPA)

MOTION BY: Councilor Willette seconded by Councilor Zanni to attach an EPA

UPON VOTE: UNANIMOUS

MOTION BY: Councilor Willette seconded by Councilor Zanni to adopt the main motion with the EPA attached.

Councilor Pappalardo asked if we are cutting \$500,00 from the original budget did we not have to add that money in at the time?

Mayor Manzi stated this is achieving some energy efficiencies beyond where we were on July 1. We are also cutting out some capital projects. Based on the existing flows and revenues this is something we need to do to balance the budget. The projects will still be in CIP and will look to find them next year with utility savings and foregone capital in order to balance the budget.

Councilor Pappalardo asked how would the Mayor save on energy?

Mayor Manzi said with decreased volume we utilize less energy and there has been a slight decrease in energy unit costs and usage has gone down, and forgoing some capital projects.

Councilor Pappalardo asked the Mayor if this would cut down on some of the overtime in the Water and Sewer department.

Mayor Manzi responded not necessarily, in water systems sometimes we can't. He will take a look at the report. He agrees with the concept but we need to provide service and service off hours.

Councilor Pappalardo has gone over the documentation for overtime and she thinks we can cut it substantially and maybe the \$88.00 could have been less.

Mayor Manzi stated enterprise is separate but he will look into the overtime

The rates will stay the same this is only budgetary.

UPON VOTE: UNANIMOUS

Vote Classification

Mayor Recommends a classification factor of 1.70

MOTION BY: Councilor Willette seconded by Councilor Zanni to remove from the table.

UPON VOTE: UNANIMOUS

1. **MOTION BY:** Councilor Willette seconded by Councilor Giordano not to grant a residential exemption of up to 20% of the average assessed valuation of residential property.

UPON VOTE: UNANIMOUS

2. **MOTION BY:** Councilor Willette, seconded by Councilor Zanni not to grant an exemption of up to 25% for all property that may be classified as Class II – Open Space.

UPON VOTE: UNANIMOUS

3. **MOTION BY:** Councilor Willette seconded by Councilor Zanni to approve 1.70% shift to commercial with a residential factor set at residential 74.580340% and commercial at 25.419660%

UPON VOTE: UNANIMOUS

**TR-09-75** Resolution Authorizing Acceptance of Student Awareness of Fire Education (SAFE) Grant, Commonwealth of MA, Executive Office of Public Safety Fiscal Year 2010

MOTION BY: (first read) Councilor Willette seconded by Councilor Zanni to adopt  
UPON VOTE: UNANIMOUS

**TR-09-76** Resolution Authorizing Acceptance of a Grant from the Recovery Act State Fiscal Stabilization Government Services Fund to Support Massachusetts Fire Services Staffing

MOTION BY: (first read) Councilor Willette seconded by Councilor Zanni to adopt.  
Councilor Pappalardo asked if we are subject to an audit under the Federal guidelines for the \$239,759.03. Are we up to a total of \$500,000 after receiving this money?  
Mayor Manzi stated yes. Any direct grant is subject to federal law. In this case there are three separate pots of money. This one is for laid off firefighters. There are also separate monies for overtime and for attrition. In this case the city has agreed to accept and only utilize the money for the return of the three firefighters. To use it for anything else we would be sanctioned to return the money.

Councilor Pappalardo asked who would do the audit?

Mr. Kelly said Melanson and Heath would perform the audit and qualify under the single audit act specific to this particular grant.

Councilor Pappalardo asked if all three firefighters were of the same rank? Was one a lieutenant at \$73,000 and the other two at \$63,000?

Mayor Manzi said all three are rank and file firefighters but he will look into the issue and get back with more information.

Mayor Manzi did state there is money that came in for additional grants for firefighter retention for attrition and overtime. He received it after this one and will present it to council at the next meeting.

UPON VOTE: UNANIMOUS

**Correction** The number of firefighters returning is one lieutenant and two rank and file.

TR-09-77 Resolution Establishing the CPI Increase of an Exemption under Clause 17D Section 5 of Chapter 59 Massachusetts General Laws (EPA REQUESTED)

MOTION BY: (EPA) Councilor Cronin seconded by Councilor Zanni to adopt

UPON VOTE: UNANIMOUS

MOTION BY: (main motion with EPA attached) Councilor Cronin seconded by Councilor Zanni to adopt

UPON VOTE: UNANIMOUS

**ORDINANCES** None

ANY OTHER BUSINESS FOR THE GOOD AND WELFARE OF THE COMMUNITY  
REQUEST OF COUNCIL

**ADJOURN**

MOTION BY: Councilor Giordano seconded by Councilor Zanni to adjourn

UPON VOTE: UNANIMOUS

Meeting was adjourned at 8:20 pm

**Diane Lasonde/Council Secretary**

I do hereby certify that at a meeting of which a quorum was present, the foregoing minutes were adopted by the Methuen City Council by a unanimous vote on December 21, 2009.

METHUEN CITY COUNCIL REGULAR MEETING