

**METHUEN CITY COUNCIL PUBLIC HEARING
MONDAY, June 16, 2008 – 6:00 p.m.
SEWER AND WATER ENTERPRISE**

Chairman Lahey called the Public Hearing to order at 6:05 p.m. with all members present with the exception of Councilor Willette.

Dorothy Kalil, 8 Oakridge Street, asked if most of the employees that work for Sewer and Water are budgeted under DPW budget.

Mr. Kelly responded yes.

Ms. Kalil said their whole salary is charged to DPW budget.

Mr. Kelly agreed.

Ms. Kalil said the Laborers are also being charged against the indirect costs in Sewer and Water. She asked if any portion of that deducted from DPW's budget.

Mr. Kelly said, for example, the highway is showing Laborers, their charging 5% of the Laborers salary off to the Sewer Department.

Ms. Kalil asked if that 5% is deducted from DPW or if it remains the same.

Mr. Kelly explained that the budget number would stay the same. The 5% will come in as another funding source on the revenue side.

Ms. Kalil asked if that meant that the DPW budget is grossly inflated.

Mr. Kelly responded no.

Ms. Kalil referenced the position of engineer, 40% of his salary, 20% on sewer and 20% on water is being charged to the enterprise account. His whole salary is being charged to DPW as well. 40% of this salary and a portion of the stipend for the Water Registrar are also charged a portion to Sewer and Water. It's a double charge to that account. At the first meeting of the original Sewer and Water Task Force, she asked the Mayor to either take the 40% salary from the indirect costs for the engineer put it back into the DPW budget and then give him the stipend. It is not fair and equitable to be charging that account twice. The indirect costs are at now 1.5 million dollars. (Mr. Kelly agreed) Ms. Kalil said that's a large amount of money to come out of a fund that is suffering right now, particularly when their salaries are also being charged to DPW. We can't afford that. The rates are high enough. The indirect costs need to be lowered as it is. If nothing else, they need to be fixed and not raised anymore because the account can't handle it. But there's no reason for we as taxpayers to pay that salary from both accounts.

METHUEN CITY COUNCIL PUBLIC HEARING
SEWER AND WATER ENTERPRISE, June 16, 2008 – 6:00 p.m.

Councilor Leone said he thinks Ms. Kalil misunderstood Mr. Kelly's answer. Pick any given person in DPW, with a \$50,000 salary; say 20% of its getting charged to the Enterprise Fund. The Enterprise Fund now shows \$10,000 of that \$50,000 that they are picking up as indirect costs. That same \$10,000 shows back up on the General Government side as a revenue.

Ms. Kalil said she understands that part. That salary for the engineer is being charged twice to the same account. It's being charged at 40% for the work that's being done for sewer and water. She is not challenging the hard work the individual does for sewer and water. She is challenging the fact that his salary is charged, at 40%. He's already being paid through that account for the work that he does for sewer and water. The stipend should not be given also. She suggested eliminating the stipend and pays his salary from sewer and water as well as DPW or give him the stipend and take his 40% that is being charged to sewer and water and put it back in the general government side. That is only one person. There are other laborers. Either take them out or leave them in but you can't be giving people stipends when they are already being paid from that account.

Mr. Kelly said the salaries are built into the operating budget for the DPW, but a portion of the tax levy and a portion of revenue from the water and sewer are supporting their salary itself. He knows its showing up 100% gross annual in the DPW. But if you look at the way the money flows to that account, 20% coming from sewer revenues and 80% is coming from the general fund.

Ms. Kalil said 20% from sewer, 20% water and then a stipend is being given in addition to that.

Mr. Kelly said the water registrar's position is in the Water Enterprise Fund. They're getting a portion of that, Ms. Kalil said, and that should not be because he's already getting paid out of that account because he does the sewer and water

Jack Burke, 49 Canobieola Road, stated that indirect costs have continually increased for over ten years. The indirect costs used to be charged at about nine or ten percent. They've been as high 20% in the last four years and they tend to average about 60 percent as transferring back into the general fund. The right thing to do is cap indirect costs. At the workshops there was some discussion about contractual obligations and one of the contractual obligations is longevity. He did an analysis of the entire budget looking at the growth rate, year to year, for longevity and what he found is that the sewer labor are going to get a longevity bump of 471% this year. The water laborer is going to 352% jump this year. He realizes it is contractual. However 300% and 400% for just being there seems like an awful lot, especially when the raises were only 3% negotiated. Looking at the budgetary figures in the columns that say fiscal year actual, department request, and Mayor recommendation, he said that all personnel numbers should correctly identify the actual number. If no person holds the job function and one dollar is appropriated, then a "V" for vacant shall be inserted. If a job function is vacant and the job function is accomplished by another employee and greater than \$1 is appropriated, then a dollar amount or and "S" for a stipend shall be inserted and a footnote as to how and to whom the monies are allocated should be added to the budget. If the position is funded by a grant, he suggested placing a "G" with a year that the grant expires in that column. Then he'd like to understand why on page 79 the Water Registrar for which there is no person, it's a vacant position. It's actually a stipend. Why when the rest of the government is getting a 3% raise, they're getting a 10% raise this year on top of the 31% raise that they got last year. He

METHUEN CITY COUNCIL PUBLIC HEARING
SEWER AND WATER ENTERPRISE, June 16, 2008 – 6:00 p.m.

recommended not giving them a raise, at the minimum; level fund that position 100%. He also looked at the contract stipends and finds that stipends are growing at a rate which is ahead of what's known as a sustainable revenue, the amount of money that comes into the city and that sustainable revenue has been growing at approximately 6% and that's the median growth rate for the City of Methuen. The stipends are growing at a much faster rate, well above 10% per year, which is not sustainable based on the revenue coming into this city. The other thing noticed in the water and sewer enterprise fund is that there are really two funds here. There's a Water Fund and there's a Sewer Fund. But they never seem to be broken out in the last couple of years as two separate funds and there is no sewer personnel services chart and that's because all of their supervision is in the DPW and not in the sewer department. He mentioned that the chemist is getting a 5% raise this year. It is important that the citizens of Methuen understand that although we're spending 1.8 million dollars this year in principle and interest on loans, we're actually getting nothing in return. All we get is twenty million dollars in debt.

The clerk read a letter from Gerald McCall, 165 Hampshire Road, Methuen, MA to the Methuen City Council, Mayor Manzi, City Solicitor McQuillan and Auditor Tom Kelly. (Copy attached for the record)

ADJOURN

MOTION BY: Councilor Cronin, seconded by Councilor Pappalardo to adjourn. UPON VOTE: UNANIMOUS.

The public hearing adjourned at 6:20 p.m.

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 July 7, 2008.

COUNCIL CLERK