

NOTICE: This is NOT the official version of the Committee Report as APPROVED by the Board of Aldermen. While reasonable efforts have been made to assure that this is the Committee Report that was presented at a meeting of the Board of Aldermen, you should check the Minutes of that meeting in order to confirm its approval, rejection or amendment. Do not rely on the accuracy of this information without first checking with the City Clerk.

May 13, 2009

REPORT OF THE COMMITTEE ON FINANCE

The Committee on Finance convened on May 13, 2009, with Chairman Maryann Heuston presiding and Committee Members Aldermen Bruce Desmond, John Connolly, Walter Pero and William White also present and voting. Also present were Alderman Rebekah Gewirtz, Mayor Joseph Curtatone, Administrative Assistant Jessie Baker, Director of Personnel Richard Tranfaglia, Patricia Kelly from Personnel, Director of Traffic and Parking James Kotzuba, City Clerk John Long, Treasurer Elizabeth Craviero, Budget Analyst Nat Dias, City Solicitor John Gannon, Samuel Tyler from the Financial Advisory Committee and Finance Director Ed Bean.

The meeting was called to order and recessed at 7:28 PM. It was reconvened 8:00 PM.

Alderman Pero recused himself from all discussions dealing with retiree benefits.

Mayor Curtatone addressed the committee and said that developing additional sources of revenue is key to the city's success. The mayor informed the members that the State Senate is assuming levels \$1.6 billion lower than the House and that the state has yet to finalize its budget. It is estimates, however, that the loss of state aid across the commonwealth will be \$365 million, with a net loss to Somerville of almost \$11.5 million (in senate's version of the budget). When all is said and done, Somerville's FY-10 budget gap will increase from \$7,180,000 to \$12,724,020.

Mr. Tyler, who is the President of the Boston Municipal Research Bureau, addressed the members in his capacity as a member of the Financial Advisory Committee and said that the committee looked at options available to the city and made recommendations which could reduce gap from the budget gap from \$12.7 million to \$5.3 million, if implemented in totality. In total, ten recommendations were put forth, some of which could provide immediate relief and other requiring more time. Mr. Tyler noted that this is not a one year plan. Tough decisions need to be made in order for the city to survive the next few years.

One of the major areas in need of change is Health Care. Double digit increases in premiums are now being seen. From FY-01 to FY-06, the city's health care costs have doubled. Mayor Curtatone told the members that 81% of the city's tax revenue is going towards paying health care costs. If no changes are made, the increase in health care costs could exceed the increase in the property tax levy. Mr. Tyler pointed out that employee contributions towards premiums and employee co-pays are lower in Somerville than in other communities.

Alderman White stated that years ago, property taxes covered all city services and he is troubled about the pay as you throw recommendation. Mayor Curtatone said that the city needs to reduce tonnage, but isn't sure yet which model the city will implement. Chairman Heuston stated that the city's financial picture is a very real issue that needs to be dealt with very soon.

Alderman Desmond asked for a more definitive breakdown of costs and savings and asked that a breakdown be prepared showing the costs of benefits to retirees if they switch from the major medical plan to another offered plan.

Mr. Dias addressed the members regarding health insurance for retirees and said that the city wants to change the city/employee contribution ratio from 99/1 to 60/40. The intent is to change behavior and move these people off the indemnity plan. Health Care consultant Ginger Hastings reviewed the various plans offered and their associated costs and noted that Blue Cross Blue Shield no longer offers the Major Medical plan. Out of pocket expenses are much greater under major medical because many services are not covered and it also has a \$100,000 lifetime extended benefit.

Mr. Tranfaglia told the members that instructional seminars will be held for three weeks in June and that five employees in personnel will be trained and assigned to handle phone inquiries. Letters will be sent to retirees to inform them of the meetings and the proposed changes. Alderman Connolly requested that the Board of Aldermen be given copies of the information to be distributed. Ms. Kelly said that it is important to reach out to all retirees and told the members that the various health care vendors would be present at the seminars to speak to the retirees.

Alderman White suggested that the city might want to consider some type of hardship exemption for those who might be unable, financially, to make the change. Mayor Curtatone said that this is about changing human behavior and he asked the members for a disposition by the end of the month so that the FY-10 budget might be put together. This is not a short term issue. The funding levels from the state will never be the same and taxes cannot cover the rising costs of health care. Chairman Heuston asked Alderman White to articulate his hardship concern to the Administration.

The committee discussed other matters, as follows:

Alderman Pero stated that the Board of Aldermen would share equally in salary reductions through furloughs or wage freezes and he suggested that Board members mirror what other city employees do. He will put a proposal before the committee for possible action. Chairman Heuston asked the administration to draft the proposal for the Board of Aldermen. Alderman Pero noted that the School Committee is committed to follow suit, as well.

Mr. Kotzuba spoke about the proposed increase in fines and said that the amount of increase would be \$10 for each fine that is not already maxed out.

Ms. Craviero told the members that the legislature enacted a law allowing cities and towns to raise their demand fees to a maximum of \$30. The city's present demand fee is \$5. Somerville sends out approximately 8000-10,000 demand notices sent out per year.

Mr. Long reviewed the proposed increases in fees.

The committee discussed matters before it and took action on the following 6 items:

187265: Communication from Mayor - Requesting approval of a charge of \$30 for each written demand issued by the Treasurer, pursuant to MGL c60 s15 and c182 s15 of the Acts of 2008.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

187266: Communication from Mayor - Requesting approval of an amendment to Ordinance 1-11(b), establishing or increasing certain parking fines.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

187270: Communication from Mayor - Requesting approval to expend a \$4,000 grant from the New England Grassroots Environmental Fund to support the Arts Council's Mystic Mural Project.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

187271: Communication from Mayor - Requesting approval to expend a \$1,000 grant from the MetLife Foundation to support the Arts Council.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

187272: Communication from Mayor - Requesting approval to accept the donation of a used ambulance by Cataldo Ambulance Service, to be used by the Police Dept.'s Special Operations Unit.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor

187283: Communication - City Clerk submitting recommendations for adjustments to certain fees charged by the City Clerk's Office, effective July 1, 2009.

RECOMMENDATION: Should be approved

VOTE: Unanimous, 5 - 0 in favor