

Scott D. Houseman-Chair
Julie R. Flowers
Matthew J. St. Hilaire

CITY OF BEVERLY
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FINANCE AND PROPERTY / CITY COUNCIL COMMITTEE OF THE WHOLE MINUTES

Tuesday, June 6, 2023, 6:30PM

City Council Chambers, 3rd Floor, Beverly City Hall, 191 Cabot St.

Houseman called the meeting to order at 6:33pm.

Committee Members present: Julie Flowers (arrived 6:54pm), Matthew St. Hilaire (left 8:45pm), Scott Houseman

Committee Members absent: None

Councilors present: Hannah Bowen, Steven Crowley, Kathleen Feldman, Estelle Rand, Todd Rotondo, Brendan Sweeney

Councilors absent: None

Order #144-Mayor's FY2024 Budget - Department Budget Sessions

Public Services, Engineering & Public Works, Enterprise Funds: Airport, Golf & Tennis, Water/Sewer – Mike Collins

St. Hilaire asked where the city ended up this year with snow and ice and if any of those funds are available.

Collins stated even though it seemed like a mild winter, there were a lot of small storms, so there was not a lot of plowing but a lot of salt. We pretty much hit the nail on the head this year with the budgeted amount.

St. Hilaire asked if the transfer from free cash versus having the money in the budget changes anything.

Collins stated the mechanism of the funding doesn't change anything significantly.

Houseman asked for a recap on what has happened in the past year and what the goals are in the engineering department.

Collins stated there was reorganization in the management of public services which led to personnel changes. Lisa Chandler is now the leader of the engineering division. There has been investment in a number of different programs to build up citywide initiatives such as the Central Square program and an enterprise asset management program. It will help to put things on one platform.

Houseman noted the new role of assistant commissioner and asked about their primary goal/function.

Collins stated he will now be able to focus on the mission statement type projects while Eric as the assistant can manage projects and make sure the day-to-day gets done.

There was some discussion about the changing recycling market and ways to start thinking about how to save money when the next contract comes up.

Rand asked about vacancies in the department including the heavy motor equipment operators.

Collins stated they are not getting many applicants. DPS asks applicants to get a commercial driver's license permit and work towards getting their license. Collins stated the department is willing to train.

There was some discussion over pipelines to feed into vacancies such as interns and high school career days.

Rand asked under the highway division budget what will be purchased with capital outlay.

Flowers arrived at 6:54pm.

Collins stated the goal had been to buy a bucket truck but it may be a dump truck instead because of changing emissions regulations and supply chain issues.

There was some discussion about using asphalt versus concrete to fill sidewalk work.

Sweeney asked about cost increases over the past few years for roads and sidewalks.

Collins stated pavement was \$32 a ton for most of his career with the city, and now it is \$70-\$80. There is an escalator built into it, so the state publishes a number once a month and the price the city pays the contractor changes, which protects both the city and the contractor from extreme highs and lows in the marketplace. Liquid asphalt, which the index is based on, went from \$90 to \$300, even up to \$900 at one point. The Chapter 90 program, the transportation bond bill, used to be \$300 million every year, but since 2004 it has been cut to \$200 million; a third of state funding for paving was cut. Beverly used to get another half a million dollars from the state. Until the city started adding supplemental funding in the last ten years or so, we have been facing a drastic cut in funding overall at the same time that prices have basically tripled. The push at the state level is to abolish the program altogether because they think grant programs would replace Chapter 90, but we are not eligible for most of the grant programs. There is an overall disconnect at the state level. Our local representatives are great and very supportive.

Sweeney asked if there is a best practice statewide in terms of how much of the cost of providing trash and recycling is split between user fees and the general fund.

Perry stated he has not seen one. It is politically unpopular to raise user fees, but is it sustainable to keep raising the general fund for it? There will come a time to consider increasing user fees.

Bowen stated there have been meetings to discuss priorities for roads and sidewalks funding and that she hoped that list would be unveiled as part of the process.

Cahill discussed a few of the roads that are coming up including Colon, Beckford, Russell and Hale. Cahill stated the hope is to put together a three-year or longer plan while looking holistically at the roads including any underground work such as gas or water infrastructure. We have been looking at how to take some of the officially private ways and make them public, making them eligible for rebuilds or resurfacing. There are about two hundred or so of those roads. Cahill stated he would be looking to sit down soon with councilors to discuss priorities. As it becomes clear which ones are getting done, those streets can be shared out on the website.

Collins stated data is being built up for the pavement management plan so that it will be clear exactly what is coming up next based on the data. We want the streets to last 20-30 years and are really focused on making it effective.

As a follow up question regarding the equipment discussion with Councilor Rand, Bowen asked what total purchases there were from the capital outlay line of the highway department in fiscal year 2023 or anticipated.

Collins stated a handful of smaller trucks were purchased.

Bowen asked how much of the replacement cycle was completed this year and how much is anticipated next year.

Collins stated that with the current funding level, the department could not buy one medium truck with how expensive everything has gotten. There are not sufficient funds to have a viable replacement schedule. Collins stated the department is always in make-it-work mode. The public services umbrella is one of the few places where the city can go in a financial stress point, so we were asked to not make large purchases at the end of this year due to the healthcare increases.

There was some discussion about the purchase of a bucket truck next year, which could cost an estimated \$600,000.

Flowers asked Collins to talk a little about trucks that may be replaced with electric vehicles, understanding that replacing heavy equipment isn't feasible at this point.

Collins stated then when he said small before, he meant something like a landscaper might use, a 20,000lb truck. There are no viable electric options available at this time for the work the department has to do. At this point, it is not profitable for those kinds of vehicles to be built. It will be some time, but there are a lot of

exciting things happening. Skid steers, backhoes, and things like that are starting to come out as electric. The department's hand tools have been battery-operated for years. Collins stated the city tried to buy some electric vans, but what the city would need is just not available quite yet.

Cahill stated there is an internal policy that departments must check EV options before approval of a non-electric vehicle.

Perry stated the city puts a lot on Commissioner Collins and his staff and has not put a ton of resources over the years into this department. Perry spoke in support of more resources for tracking capital expenditures and the reorganization that took place recently. Perry stated he originally was going to recommend additional management staffing but suggested giving it six months to see if DPS can get their arms wrapped around this stuff with the reorganization. If the city is going to properly finance roads and sidewalks, it would need anywhere from seven to eight million dollars per year to properly do the job, and the city just can't afford that. This will always be a challenge and is not unique to the City of Beverly.

Houseman stated he is on board with the notion that DPS needs additional staffing and it is up to the administration to decide if that's something they want to support. Houseman stated he hoped there would be serious conversations about adding an employee on the project management side.

St. Hilaire asked if there is a benchmark for roads and sidewalks and where we fall with surrounding communities. St. Hilaire asked if Mr. Perry thought it was unusual to have a transfer this year to make up the difference in the budget.

Perry stated he does not have other communities' information in front of him but in his experience, Beverly does a little better than other communities usually. To the second question, there is some discretion there to balance the budget. It is not unusual.

Flowers asked about why or why not the City might consider bonding for a certain amount to use for roads and sidewalks for a catch up year.

Perry stated under MGL Chapter 44, Sections 7 and 8, legally it can be done. Some other communities do it. However, it is important to understand that when the city goes to borrow there are interest and borrowing costs. Ultimately, it costs the taxpayers more money to bond. Also, it is extremely difficult to get the staffing and resources to actually complete the work if a lot of it is being done at the same time. Perry advised continuing the path the city is on.

Ayles stated the city puts as much into roads and sidewalks every year as possible and tries to be efficient in spending and thoughtful in how taxpayers' money is used. If Beverly were to borrow \$10 million, the city would effectively pay \$20 million over time for \$10 million now. In terms of the city's capacity and long-term plan, it feels like more value to the taxpayer to spend the money when we have it as opposed to trying to front load it and push the cost off to future years and potentially future generations.

Collins stated that anecdotally it seems like communities that can afford to borrow for roads and sidewalks have relatively few other borrowings. It seems to happen particularly in smaller towns.

Flowers stated she is appreciative of ways that free cash may be infused when possible.

The discussion moved to enterprise funds.

Houseman asked Collins to describe for the public the operation of the water enterprise fund.

Collins stated this is for all water for the city and supports the operations of the water department by revenue from water bills.

Houseman asked about the role of the Salem and Beverly Water Supply Board.

Collins stated the city buys water from the Salem and Beverly Water Supply Board. Even though it is in Beverly, they are separate from the city. The board is responsible for the water supply. There is an underground tank that both Beverly and Salem draw from. The system was designed around the notion that droughts are predictable. The board is trying to work with communities on the North Shore for opportunities for partnership.

There was some discussion around ways to incentivize reducing water usage without raising rates too extremely or the possibility of a tiered system. There was also discussion on sustainable ways of purifying/processing water.

Collins stated the sewer enterprise fund supports sewer operations. Sewerage used to go right into the harbor. In 1925, the South Essex Sewerage District was created. SESD is housed in Salem. All the City's sewage is pumped across into the plant there and treated. They have a very effective and robust treatment system and incredible staff over there.

Collins stated the golf and tennis enterprise fund is part of an effort to keep the cost to taxpayers neutral by rentals and fees. Direct operations are self-sustaining. The city would have to figure out how to fund any capital improvements.

St. Hilaire asked about the nature of improvements needed for the clubhouse.

Collins stated it is a little bit of triage. Eventually the building needs a full renovation. It is an underutilized and undervalued asset.

Regarding the airport enterprise fund, Ayles stated the three major sources of income are leases, landing fees and the fuel and oil surcharge. Those funds in turn are utilized to support the operations of the airport.

Houseman asked about the leaded fuel surcharge as a potential source of income.

St. Hilaire left at 8:45pm.

Ayles stated he, Mr. Perry and the solicitor's office have been looking into it.

There was discussion on building 45, with Ayles stating there remains about \$111,000 in funds designated for it and Collins stating as of right now two thirds of the building could be leased out.

Ayles stated the stabilization fund is based on the city's financial policies. The largest revenue source is the tax base, and the next biggest revenue is state aid. State aid gets impacted in recessions. In Beverly, state aid had up to 25% in reductions over more than four years. These sources of revenue are volatile in economic swing times. We want to be prepared to continue to deliver quality services through difficult economic times. When the pandemic first hit, we were able to model how to get through a four to five year economic downturn. The target for the stabilization fund is 10-15% of the general fund operating budget. This allows the city to have additional resources when revenues begin to erode in a recession.

A motion to adjourn Committee of the Whole was made and seconded. A vote was taken, and the motion passed unanimously. A motion to adjourn Committee on Finance and Property was made and seconded. A vote was taken, and the motion passed (2-0). The meeting adjourned at 9:01pm.