

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

VOTE

IN CITY COUNCIL

ORDER,

To appropriate certain insurance restitution payments received in connection with a claim for flood damage at the Lowell High School facility, pursuant to G.L. c. 44 § 53.

ORDERED,

By the City Council of the City of Lowell, as follows:

That the amount of One Million Five Hundred Twenty Five Thousand Three Hundred and Six and 84/100 (\$1,525,306.84) Dollars be hereby appropriated to the Special Revenue Fund established by the City Auditor for the purpose of accounting for costs associated with the remediation and restoration of flood damage at the Lowell High School, as further detailed in "Attachment E"

ORDER RECOMMENDED AND INTRODUCED BY:



Thomas A. Golden, Jr., City Manager



Conor M. Baldwin
Chief Financial Officer

MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager

FROM: Conor Baldwin, Chief Financial Officer

CC: Kelly Oakes, City Auditor

DATE: June 28, 2022

SUBJECT: Fiscal Year 2022 Year End Transfers/ Votes

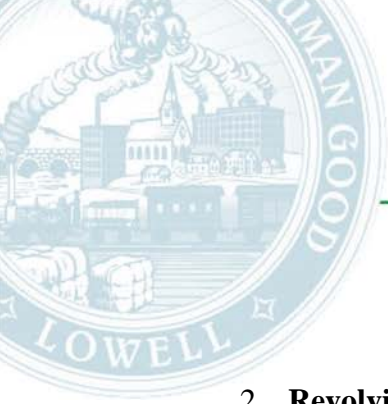
A number of financial matters need legislative action prior to the close of fiscal year 2022 on June 30th. The transfers are routine in nature and occur just prior to the June 30th close of the city's fiscal year. This memorandum provides a description of each transfer on the Council agenda. The amounts for the transfers are based on calculated projections to bring all city-side accounts in balance, but there may be a need at the next City Council meeting in July to further transfer funds in order to cover any aberrations. The rules of the Department of Revenue and state law allow for year-end housekeeping items to be acted upon by the local legislative body until the 15th of the subsequent fiscal year (July 15, 2022).

The following is a summary of each transfer and financial-related vote on the agenda for authorization by the City Council:

1. Year End Payroll Adjustments

This transfer is a blanket vote to cover various projected salary and wage deficits. Each fiscal year staffing turnover occurs in the various city departments, accounts in the 'salary and wage' statutory category either accumulate a surplus or accrue a deficit. Surpluses normally occur when positions remain unfilled and, conversely, a deficit may occur if an extraordinary number of employees separate employment with the city. In the latter example, accumulated vacation time must be paid and is charged to the employee's department salary budget. Most departments, however, have funded their FY2022 salaries through their own budgetary flexibility. Most of the transfers are relatively small, but require City Council approval because they are interdepartmental transfers.

The salary budgets for municipal departments in the current fiscal year (FY2022) in the aggregate, are projected to end the fiscal year under budget by nearly \$1.67 million. The surplus appropriations are more than sufficient to cover this transfer.



Conor M. Baldwin
Chief Financial Officer

2. Revolving Fund Spending Limits for FY2023

This vote, while not a transfer vote like the previous item outlined in this memorandum, is similar in that it is an annual housekeeping item at year-end. The revolving funds statute, G.L. c. 44, § 53E½, was amended by the Municipal Modernization Act to provide more flexibility by allowing revolving funds to be established once by ordinance, rather than on an annual basis and eliminating the departmental per fund and total fund caps. These changes were first effective beginning in FY2018.

Before July 1 of each year, the City Council must vote to set the spending limit for the upcoming fiscal year for each fund so established. This spending limit can be increased, as needed, during the fiscal year with approval of the City Council upon recommendation by the City Manager.

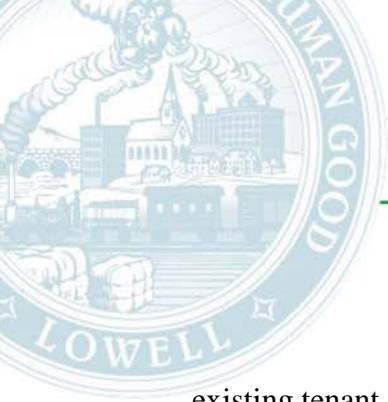
3. LHS Flood Insurance Appropriation

Over the course of the past year, the City Manager's Office, DPW, Law, Finance, and the School Department have worked collaboratively with our property insurance agency to recover funds in support of the restoration work completed at Lowell High School after the flood caused by a broken pipe in June of 2021. To date, the City has received over \$1.5 million in restitution from our insurance policy. Through the work of the various departments, no additional appropriations were required to cover the deductible or the expenditures associated with the remediation or restoration work at the facility.

According to the rules promulgated by the Department of Revenue ('DOR'), whenever insurance restitution is more than \$150,000, the proceeds may be reserved for appropriation during the fiscal year received for the purpose of restoring or replacing the damaged property. Because G.L. c. 44 § 53 establishes insurance and restitution proceeds as a class of receipts that may be spent for a particular purpose without first being certified as free cash, the Director has determined that money received for an insurance claim or restitution in an amount greater than \$150,000 is available for appropriation for that restricted purpose until June 30. In order to ensure the proper procedure is followed for purposes of year-end, a vote is necessary for the Council to appropriate the total insurance proceeds to the special fund set up by the City Auditor.

4. LeLacheur Debt Service

This transfer is to offset debt service in the general fund associated with capital projects for past improvements to LeLacheur Park. The balance in the fund is comprised of leftover rental payment received under the former lease agreement with the Spinners. Most recently, the City funded the replacement of new LED lighting and a complete field replacement, as well as designer services for additional improvements. The dollar value of the transfer is less than the debt service on those funds but is the maximum amount available in the fund now that there is no



Conor M. Baldwin
Chief Financial Officer

existing tenant. The debt service paid by the general fund in FY2022 for LeLacheur Park projects was approximately \$148,000. The total amount of debt still outstanding for completed projects at the ballpark is roughly \$1 million. The funding source for the transfer is the \$60,000 from the Ballpark Capital fund, whose revenue is comprised of lease payments by the Spinners for use of the stadium.

5. Energy Transfers

The City of Lowell's energy costs have increased significantly in FY2022 due to reasons which are more fully described in an attached memorandum from the DPD energy team. The aggregate increase among all energy accounts, including the water and sewer utilities, is \$431,000. During the pandemic, the Department of Public Works made multiple upgrades including, but not limited to: installation of air purifiers, increased ventilation, and additional measures to increase fresh air intake in buildings. These upgrades have had a significant impact on energy usage/costs. This, coupled with an increase of 24% in the heating budgets, has driven the cost above the budget estimate for FY2022.

Significant savings were achieved this year, however, in the debt service budget by taking advantage of the favorable rate environment and by refinancing existing debt to lower the debt service payments. These savings have provided the funding source for the overage in the electricity budget and the net impact is revenue neutral. A separate vote is needed to cover the projected deficit in the wastewater enterprise fund, for accounting purposes. Also, included in this group of transfers is an appropriation from the remainder of the "ballpark capital" fund to cover the heating and gas charges associated with LeLacheur Ballpark.

Please let me know if there are any questions.



Thomas A. Golden, Jr.
City Manager

June 22, 2022

Mayor Sokhary Chau
And
Members of the Lowell City Council

Dear Mayor Chau and Members of the Lowell City Council,

I am hereby requesting that the City Council consider a number of votes to balance various accounts in deficit by utilizing other budgetary accounts with surpluses, pursuant to Chapter 44 § 33B of the Massachusetts General Laws, as well as some other relevant year-end financial matters that require action before the June 30th close of fiscal year 2022. Since some appropriations are interdepartmental, the Department of Revenue requires a vote of the City Council to be recorded.

The fiscal controls imbedded in Lowell's operations are directly responsible for the availability of budgetary surpluses that will provide the Administration with the flexibility necessary to close the year successfully. It is with those savings that we will be able to end the year in balance.

Enclosed is a memo from the Chief Financial Officer, which further details and analyzes the year-end transfers.

Sincerely,

Thomas A. Golden, Jr.
City Manager

Cc: Conor Baldwin, Chief Financial Officer
Kelly Oakes, City Auditor