

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

VOTE

IN CITY COUNCIL

ORDER,

To transfer funds to move receipts to new revolving fund.

ORDERED,

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

That the amount of **Sixty Five Thousand One Hundred One and 97/100 (\$65,101.97) Dollars** be transferred:

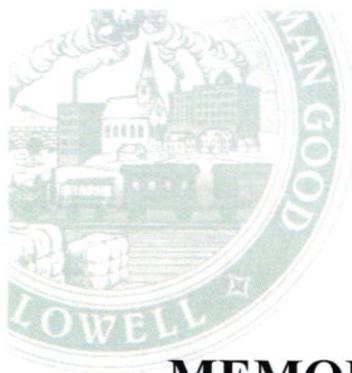
FROM: Fund # 1717 Training Receipt Reserved as described in "Attachment D"

TO: TBD New Fund:

ORDER RECOMMENDED AND INTRODUCED BY:



Eileen M. Donoghue
City Manager



Conor M. Baldwin
Chief Financial Officer

MEMORANDUM

TO: Eileen Donoghue, City Manager
FROM: Conor Baldwin, Chief Financial Officer
DATE: June 16, 2019
SUBJECT: Fiscal Year 2019 Year End Transfers/ Votes

A number of financial matters need legislative action prior to the close of fiscal year 2019 on June 30th. Most 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. 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 on July 9th to further transfer funds in order to cover any aberrations. The rules of the Department of Revenue allow for these year-end housekeeping items to be acted upon by the local legislative body until the 15th of the subsequent fiscal year (July 15, 2019).

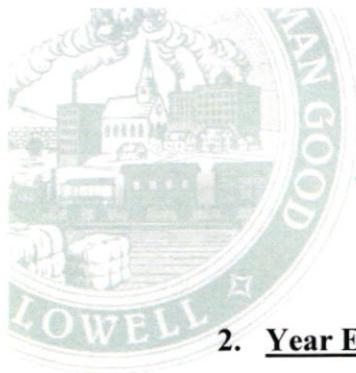
The following is a summary of each transfer and financial-related vote on the agenda for authorization by the City Council:

1. Senior Center Bus (Attachment "A")

In the fall of this fiscal year, the City Council approved a series of transfers into the Senior Center's budget to acquire a new bus for use by the agency. The identified funding source from the FY2019 budget was through savings achieved by the Administration. After the transfer had been executed, the asset was solicited, competitively, through a public bid (IFB # 19-42). The lowest responsible bidder submitted a price less than the budgeted amount and the funds were immediately encumbered once a contract was executed.

Due to the required lead-time associated with assembling the vehicle to meet the city's specifications, delivery of the bus will not be taken until sometime in FY2020. In order to preserve the FY2019 operational savings for purchase of the bus, a transfer has been prepared to move the balance into the 2019 capital project fund. By using existing operational funds rather than borrowing money to purchase the bus, the city will save approximately \$34,298 in avoided interest cost.¹

¹ Assumption: 3.5% interest cost for 15 year borrowing term



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Chief Financial Officer

2. Year End Payroll Adjustments (Attachment “B”)

This transfer is a blanket vote to cover various projected salary and wage deficits. In every fiscal year, as turnover in staffing occurs in the various city departments, accounts in the ‘salary and wage’ statutory category either accumulate a surplus or a deficit. A surplus can occur if a departmental staff position remains unfilled for a significant portion of the year while, conversely, a deficit may occur if an extraordinary number of people leave the city and have a large accumulation of vacation time which must be paid out against the departmental salary budget. Many departments were able to fund any minor deficits internally using their own budgetary flexibility. Most of the transfers are relatively small, but require City Council approval because they are interdepartmental transfers.

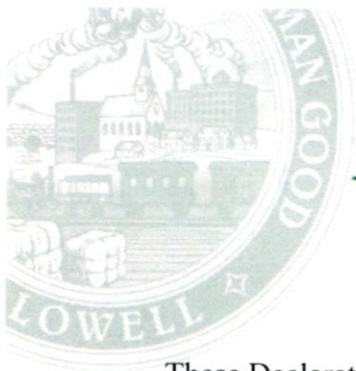
The salary line items for municipal departments in the FY2019, in the aggregate, came in under budget by over \$800,000. The city has been able to fund the 2019 payroll and produce an overall surplus. An amount was budgeted in the City Manger’s reserve account to fund any increased salary needs associated with settling collective bargaining agreements that has not been needed and will be carried forward until such a time that all contracts are settled and a surplus can be declared and suggested for further appropriation.

3. Snow and Ice Deficit (Attachment “C”)

It has not been since fiscal year 2012 that the city spent less than the annual budget for snow and ice. Now that all invoices related to snow removal have been paid, the total DPW expenditure from the snow & ice budget in FY2019 is approximately \$1.83 million. This amount is in excess of the \$1.35 million budgeted in the FY2019 operating budget by about \$483,196. Fortunately, as soon as it became apparent that the winter of 2018-2019 was going to require the DPW’s snow operations to exceed the budgeted appropriation for snow & ice, the Administration took immediate actions to enact fiscal controls to ensure there would be surplus funds available at year end to cover the deficit.

While cities and towns are allowed to raise snow and ice deficits on the next year’s tax rate recapitulation sheet according to the rules of the Department of Revenue, the goal of the Administration was not to add any additional burden to the tax levy. This vote to balance the snow and ice deficit for FY2019 will ensure that no additional burden is put on the taxpayers in FY2019. By utilizing these available surpluses, the city’s FY2019 free cash certification will not be as high as it might have been if either the deficit were raised on FY2020 tax bill, but this strategy affirms the Council’s commitment to keeping residential and commercial taxes as low as possible.

Also notable is the Lowell Fire Department’s efforts to seek reimbursable funds from FEMA to mitigate the financial impact of prior weather events in Lowell. On July 19, 2018 the Commonwealth received a Major Disaster Declaration (FEMA-4379-DRMA) for the counties of Essex, Middlesex, Norfolk, Suffolk and Worcester for the March 13- 14, 2018 Nor’easter.



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Chief Financial Officer

These Declarations activated the Federal Emergency Management Agency (FEMA)'s Public Assistance Program for these counties making federal funding available to local governments, state agencies, and eligible private non-profit organizations for eligible disaster-related costs such as emergency work and permanent repair and replacement of facilities damaged as a direct result of the storm.

As of the date of this memorandum, the general fund has received \$13,631.54 and is scheduled to receive an additional \$450,650.05 prior to the end of FY2019. These receipts will offset the use of surplus funds and help to maintain the level of 'free cash' available, once certified by the Department of Revenue for July 1, 2019.

4. Police Training Revolving Fund – Transfer Funds (Attachment “D”)

On June 11th, the City Council approved an Ordinance creating a new revolving fund in the Lowell Police Department to fund the department's training academy. The operations had previously been funded using a different statutory method known as a 'receipt reserved for appropriation' account.

The transfer proposed is to move the remaining funding from the old account into the new revolving fund, in accordance with the vote of the City Council.

5. Law Department Election Settlement Transfer (Attachment “F”)

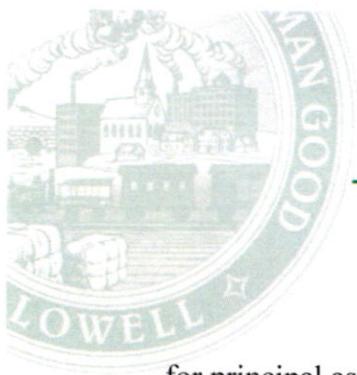
This amount is to transfer funds from the City Manager's contingency budget to the Law Department's budget for court judgements/ settlements, to fund the city's FY2019 obligation related to the settlement of the voting rights lawsuit.

6. Salary Stabilization Fund Transfer (Attachment “G”)

This proposed transfer is to move a portion of the unexpended surplus remaining in the FY2019 appropriation for salary reserve in the City Manager's budget to be set aside for when the balance of collective bargaining agreements are settled. If the full amount is not needed in FY2020, the balance can be further appropriated by the City Council.

7. Debt Service – General Fund (Attachment “H”)

The proposed transfer is needed to bring the city's general fund debt service budget in balance for year end. To cover the financing needs of the city's ongoing, aggressive capital plan to fund investments in roads, buildings, bridges, parks, and other capital assets; the city issued bond anticipation notes earlier in June to provide for adequate cash flow. The majority of the interest associated with the note was able to be covered from savings in the other debt service accounts



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Chief Financial Officer

for principal associated with retired debt, but an additional appropriation is required prior to year-end. A sufficient surplus exists within the health insurance budget to cover the additional needs.

8. Energy

This transfer is sufficient in collaboration with the additional supplemental appropriation and enterprise transfer to cover the unforeseen expenses for both heating and electricity costs. Many of the accounts can accumulate a surplus or deficit depending on the energy usage. Most of the transfers are relatively small and can be covered within department budgets. The School Department used more electricity than budgeted for the second half of the fiscal year. A surplus was identified in one of the Charter school accounts and will be reallocated to cover the deficit for the Lowell Public Schools.

9. Capital Debt Service Offset

This transfer is to offset debt service in the general fund associated with capital projects associated with improvements to LeLacheur Park. The amount is part of the lease agreement with the Spinners. To date, the city has funded the replacement of new LED lighting and a complete field replacement, as well as designer services for additional improvements.

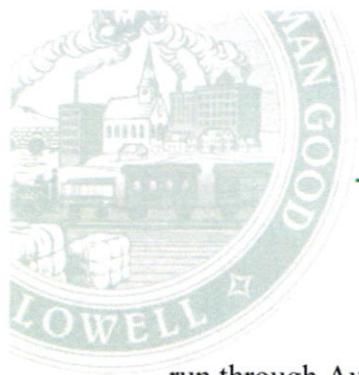
10. Revolving Fund Spending Limits for FY2020

This vote, while not a transfer vote like the previous items 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 effective beginning in FY2018.

However, 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. The only change for FY2020 is the inclusion of the newly created revolving fund for police training in the Lowell Police Department, which was created by ordinance after a public hearing in FY2019.

11. CASE/ Cultural Transfers – Special Events

Grant and donations received for enhancing Kerouac Park with a stage, games, have been set up by the City Auditor in a grant fund this year. As part of this project, the Cultural Affairs Office (CASE) is also planning a Thursday night summer concert series that would begin in June and

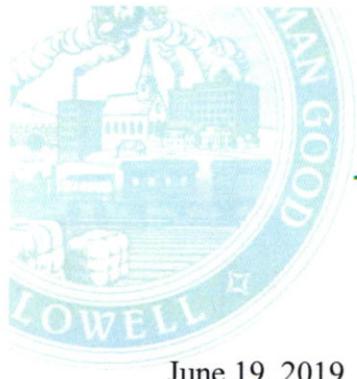


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run through August (June 20 & 27; July 11 & 18; August 1 & 8) in order to create active, positive and regular use of the park. With funding in place, the office will be able to contract with a local production company to secure bands, audio support and tech staff for this series and could properly promote the entire season as early as possible. The request is to transfer \$6,000 from Festival Account (01238153-535903) to Kerouac Park grant account to assure we can contract, promote and carry out this project. This would cover the estimated cost of the concert series (\$5,000) as well as other event incidentals to sustaining this new space through the fall.

Also, a contract amendment was recently executed with the Greater Merrimack Valley Convention and Visitors Bureau (CVB) to provide additional promotional services. These services would include updating and printing of 20,000 CCD brochures, production of new videos and other advertising strategies specific to the CCD and the purposes of the MCC grant for the.

We have received a grant for \$5,000 from the Mass Cultural Council and a commitment to match that amount from the CVB and we're looking to add an additional \$5,000 from the CASE Marketing Account for a total project of \$15,000. The request from CASE is to transfer \$5,000 from the Marketing Account to the MCC grant account.



Eileen Donoghue
City Manager

June 19, 2019

Mayor William Samaras
And
Members of the Lowell City Council

Dear Mayor Samaras 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 2019. Since some appropriations are interdepartmental, the Department of Revenue requires a vote of the City Council to be recorded.

A number of fiscal controls that have been permanently 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. Those measures include – the “vacancy review committee” to determine the cost-benefit of each vacancy created through attrition, careful scrutiny of every purchase order, and the ongoing efforts of the LowellSTAT program. It is with those savings that we are able to hold the line on taxes while continuing to provide quality municipal services.

By utilizing surplus appropriations from within the FY2019 budget to eliminate this year's overage, no additional burden will be placed on the taxpayers for costs associated with this past winter.

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

Sincerely,

Eileen Donoghue
City Manager

Cc: Conor Baldwin, Chief Financial Officer