Committee on Finance and the Northampton City Council

May 16, 2019 Finance Committee Minutes  Approved June 6, 2019

City Council Chambers, 212 Main Street
Wallace J. Puchalski Municipal Building
Northampton, MA

Meeting Date: May 16, 2019

Note: The Finance Committee Meeting took place during the City Council Meeting as announced. The City Council Meeting began at 7 p.m.

1. Meeting Called To Order: At 8:34 p.m. Councilor Murphy called the meeting to order.

2. Roll Call: Present were committee members David Murphy (Chair), Maureen Carney, Marianne LaBarge and Gina-Louise Sciarra. Also present from the City Council were Dennis Bidwell, William H. Dwight, Alisa Klein, Jim Nash and Ryan O’Donnell.

3. Approval Of Minutes From The Previous Meeting
   A. Minutes of May 2, 2019
      Councilor Carney moved to approve the minutes of May 2, 2019. Councilor Sciarra seconded. The motion passed 4:0 by voice vote.

4. Financial Orders
   A. 19.075 An Order To Authorize Borrowing $15 Million For Electrical And Process Upgrades To The Wastewater Treatment Plant
      Councilor Murphy read the text of the order.

      Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Sciarra seconded.

      As the council knows from working with DPW Director Donna LaScaleia on the capital plan and sewer enterprise budget, the city is on the verge of making significant investments to the WWTP on Hockanum Road and has done some raising of the rates to prepare for that, Mayor Narkewicz reminded. One of the funding sources they wanted to avail themselves of is the Clean Water Trust which gives out low-interest loans. Administrators ran the proposal by bond counsel and they highly recommended the city go through the Clean Water Trust process, which is estimated to save $2 million dollars over conventional borrowing. The interest rate is estimated at 1.5%. The Mayor needs City Council authorization to move forward. The
City received an award letter from DEP notifying it that the project was approved, and they are looking for authorization to do the work.

Councilor Sciarra asked the Mayor to talk about the third ‘Whereas’ clause, in particular the requirement that the city comply with state and federal mandates. She expressed her understanding that the project will be paid for out of the sewer enterprise fund. Enterprise funds are not General Fund sources by law and cannot be used for general operating expenses, only for the utility for which they are collected. This is not $12 million that could be used to fund something else or to fund operating expenses, she stressed.

As they know, Northampton has a WWTP whose last major upgrades were in the 1970's, Mayor Narkewicz confirmed. Waste water collection and treatment is becoming more and more regulated to insure that sewage meets increasingly high standards in terms of testing and purification before being released into the Connecticut River. Some of the work is basic upgrades to 1960’s and 70’s era technology that is outdated and outmoded.

As part of its license, the Department of Environmental Protection (DEP) and the Environmental Protection Agency (EPA) have to recertify the city's plans. They have reviewed upgrades to make sure they will comply with DEP and EPA regulations. It is a significant public health and sanitary operation that many citizens take for granted, but, “we have to treat it," he observed.

This is not money that is competing with General Fund dollars, he confirmed. Debt service cannot be paid with General Fund dollars; it can only be paid with enterprise funds.

Councilor O'Donnell asked the term of the loan, and Ms. Wright said it is 20 years.

Councilor Bidwell asked about the timeline for upgrades.

This $15 million is Phase I and Ms. LaScaleia estimates it will be spent over the next two years. It is a multi-phase, multi-year project but in out years the city will be using some of the funds in the sewer stabilization fund. Funding will be a combination of borrowing and using funds that have been set aside. It makes sense to do the borrowing now because - at 1.5% - it is a good rate. It is a fixed rate for 20 years, he reiterated.

Councilor Murphy called the motion to approve the order to a vote, and it passed unanimously 4:0.

B. 19.076 An Order For FY2019 Budget Transfers

Councilor Murphy read the text of the order and described the proposed transfers as listed. He noted that the total amount of $2,295,983 is already in the budget, it is just being moved around.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Sciarra seconded.

Three things are going on, Finance Director Susan Wright explained. Most of the smaller transfers are just shoring up accounts. For DPW amounts, Director LaScaleia has been reorganizing budget categories. In some cases, department heads are moving items from Ordinary Maintenance (OM) to Other than Ordinary Maintenance (OOM).

Also, she has combined OM and OOM in the water enterprise fund.
And, with the creation of the Forestry, Parks and Cemeteries Division administrators have moved some things from the DPW to this budget. It is internal housekeeping; they will not see these transfers next year.

Councilor O'Donnell said he is very supportive and enthusiastic about Director LaScaleia's reorganization efforts at the DPW.

Councilor Murphy called the motion to a vote, and it passed unanimously 4:0.

C. 19.077 An Order To Establish Marijuana Community Impact Fee Stabilization Fund
Councilor Murphy read the text of the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Carney seconded.

The next two items are separate orders that go hand in hand, Mayor Narkewicz explained. Administrators are following guidance from the Department of Revenue (DOR). There is a host community fee - a five-year negotiated agreement - associated with recreational marijuana outlets. DOR suggested that the city can just establish a fund for it and then vote to direct receipts into this fund. The money can't be spent without appropriation, this just allows the city to put money into the account.

They want to be able to keep track of this money as it comes in and goes out. Since it is a five-year agreement, they don't want to treat it as recurring revenue.

The other oddity is that municipalities must vote to dedicate the revenue source to the stabilization fund by July 1st of the year in which the dedication is to begin. Administrators want to be prepared and to have this fund set up. At this point they only have one licensed establishment in Northampton, he confirmed.

Councilor Murphy expressed his understanding that recurring excise tax is going to the General Fund while the host community fee is going into this fund. That is correct, Mayor Narkewicz said.

Councilor Dwight expressed his understanding that it would not be appropriate to apply these funds to a salary given the fact that the term of the salaries would exceed the life of the revenue.

The city has host agreements with cultivators and processors as well as with retail outlets, Mayor Narkewicz clarified. Various types of licensees have made application for agreements, so as new licensees appear, the five-year period begins again. For this reason, the source of funding will last longer than five years.

Councilor Bidwell stated his assumption that the five-year agreement will be renewed, and Mayor Narkewicz said that is an open question. Most of the people he talks to think if it survives the first five years it's highly unlikely anyone will be able to collect something in year six, seven, eight, nine or ten.

Councilor Bidwell asked how host fees that have come in have been handled.

The law changed halfway through the process, Mayor Narkewicz responded. There was no host agreement fee for medical. NETA voluntarily negotiated something that went on ad infinitum. Then the law changed, so the parties are reworking the agreement to fit into that framework. They can't sign one of these for longer than five years. They have been using it as revenue for the first couple of years. The Finance Director has City Council Committee on Finance Meeting Minutes for May 16, 2019
now moved it out of that and they are treating it differently. Those agreements are ending in a year and a half.

The money was spent in the General Fund just generally because was no mitigation requirement.

With regard to impacts, she has gotten questions from constituents about how much NETA has covered in terms of police shifts, Councilor Klein related. She asked if the Mayor had a sense of what the burden has been on the city and what percentage NETA has covered.

NETA has definitely been doing its own mitigation in terms of paying off-duty police officers for traffic details and renting space in parking lots, Mayor Narkewicz affirmed. 100% of that cost has been borne by NETA.

One of the things he was looking at is the DPW just paved a number of roads in and around the NETA facility; Hampton Avenue, Wright Avenue and Fulton Avenue. He has talked to the DPW director about whether they could credit the paving budget for that portion of the streets that are right in front of NETA. This is an example of how they might use this early piece of funding. He has also been talking to the Police Department.

The host agreement includes a grant program for not-for-profits. The prevention coalition recently applied for those funds and was granted an award by NETA. Coalition members are going to be doing a safe storage campaign. This is an example of a public health initiative the money may support. He is trying to make sure they are tying it to actual impacts of the industry, he assured.

Councilor Murphy called the motion to a vote, and it passed unanimously 4:0.

D. 19.078 An Order To Dedicate Marijuana Host Community Fees To Marijuana Community Impact Fee Stabilization Fund

Councilor Murphy read the text of the order.

Councilor Carney stepped out.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Sciarr seconded.

This is authorizing money to go into the fund just created, Mayor Narkewicz explained.

Councilor Murphy called the motion to a vote, and it passed 3:0 with one absent (Councilor Carney).

Councilor Murphy congratulated the Mayor and finance director for a very clean audit for FY2018.

5. New Business
-Reserved for topics that the Chair did not reasonably anticipate would be discussed.

None.

6. Adjourn: There being no other business, Councilor LaBarge moved to adjourn. Councilor Sciarr seconded. The motion carried on a voice vote of 4 Yes, 0 No. The meeting was adjourned at 9:15 p.m.
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