

A 8-0  
(Flaherty)

**City of Beverly**  
**Special Budget Meeting of the City Council**  
**Finance & Property/Committee of the Whole**  
**Public Meeting Minutes**  
**Monday, June 14, 2021, 7pm**

CITY OF BEVERLY  
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This hybrid virtual/in person meeting was conducted under the 'Executive Order Suspending Certain Provisions of the Open Meeting Law G.L. c.30A, §20', signed on March 12, 2020.

Paul Guanci, City Council President, called the meeting to order at 7:12pm over Google Meet. Assistant City Clerk, Christine Dixon, took the attendance by roll call.

Members Present: Stacy Ames, Timothy Flaherty, Kathleen Feldman, Julie Flowers, Scott Houseman, Todd Rotondo, Estelle Rand, Paul Guanci

Members Absent: Dominic Copeland

Ames led the pledge of allegiance.

Guanci made a statement about the meeting being recorded by the City of Beverly and streamed by BevCam on channel 99 and BevCam's YouTube channel.

**Public Hearing:** Order #117- Mayor- FY2022 Budget

Bryant Ayles, Finance Director, gave an overview of some of the changes in the budget.

Guanci opened the hearing to members of the public.

Richard Tabbut, 57 Sonning Rd, stated he had watched the budget hearings. Tabbut stated some of his concerns, like being careful as the Covid aid is going down and the conversation about students waiting to get into the Essex Tech School system. He thanked those who worked on the budget for the hard work put in. The City is privileged to have public servants that are as concerned for the welfare of the City.

Michael Grassia, 1 Hathaway Ave, spoke to the budget process stating that citizens are taxed in max and services are held thin while savings are maximized. It is frustrating to pay taxes knowing that a significant chunk of it is going into a City bank account to sit and be unproductive while we are desperate for additional services. The budget process begins with the development of a financial forecast. Looking at each of the financial forecasts from the last few years, there is nothing but financial doom on the horizon. Yet, year after year, the City runs a budget surplus. The certified financial results document is the only place that citizens can see that historically the City runs a surplus. The City expects to receive more revenue than is ever shown numerically in a public budget or any public document. It is the year 2021 and the information that the citizens are provided in the budget looks like it was printed out in the 1980s and is only available in a PDF. Grassia stated that the citizens that are funding that budget deserve to get it in a modern format. What has proven most troublesome over the past few years is the philosophical approach taken to taxation and how citizens' money is treated. It appears that in Beverly we don't tax because we must, we tax because we can, with a goal to maximize City savings. The overriding theory seems to be that savings maximization and bond rating improvement is what is best for the taxpayer over all else. Before it is revenue for the City, it is taxpayer money. It is time to demand better and vote against the budget to say that we need better.

Lorinda Visnick, 39 Middlebury Lane, stated she was speaking as a resident, not as a School Committee member, and started by thanking each of the councilors for the show of solidarity with those who work in the school district via the Beverly Education Foundation's Honor a Teacher initiative. Visnick thanked President Guanci for all his years of dedication and service. Every elected official knows it is often a difficult and thankless job. Human nature is that we listen with the intent to reply instead of listening to understand. Visnick stated her hope this evening is since this is a public hearing in which the councilors will not be replying to those who make statements, they are free to listen fiercely and open themselves to the concept of the "both and" idea. We are accustomed to choosing one option or the other. Rarely are decisions strictly binary, instead of thinking of the "either/or" response, we can use a "both and" option. Our budgets reflect our values, and great things happen in Beverly, and we can do even better. We often hear about how the City has a great bond rating and how we have a well-funded stabilization fund. Visnick acknowledged those who have helped develop the financial policies and the fiscal responsibility that have Beverly in such a wonderful position. Visnick pointed out that a good bond rating does not tell anywhere near the full story. We have to do more than consider the health of our bond ratings and stabilization fund. Visnick acknowledged that those things are important and suggested focusing on those as well as a few other important items in order to gain a better understanding of the state of our City and our City finances. The variance reports help tell the story. Looking at finances differently requires out of the box thinking and brave leadership. Visnick stated she believes this council is up to the task.

Hannah Bowen, 13 Thorndike Street, thanked the council, mayor, and department heads, for the work on the budget and the discussions around it. Bowen stated she appreciated the comments around looking closely and transparently at the spending last year, and in all previous years, but really over the course of the hearings, hearing about all the incredible work that city employees did this past year under such difficult circumstances has been really moving and inspiring. We've had plenty of opportunities to thank our essential workers, but this public hearing is yet another opportunity, so a big thank you to our city employees. In thinking about this budget process, it really is for a transitional year in a lot of ways, and it is maybe not quite as chaotic as last year's budget which was developed in really unusual crisis circumstances, but there is still a lot of uncertainty in the year ahead about getting and keeping the pandemic under control and about our business community's ability to recover, about how we all process the lasting impacts of what we have all been through, and waiting to see the results of some of the work the City has been doing in the meantime alongside handling the pandemic. Bowen noted things like the diversity, equity and inclusion audit and the Resilient Together climate action plan as some of the things that have reached final stages but aren't quite incorporated in all of the budget plans. It would be easy after everything our City has been through to go back to normal and baseline a budget on 2019 or what we thought 2020 was going to be. Bowen stated she is hopeful that we can do even better than that. It is encouraging to hear from City department heads about how they are thinking about adopting some things that went well over the last year and rethinking strategies. Bowen shared a few things she hopes our tax dollars will be used for as we go through this transitional year and start to incorporate some new ways of working and really position ourselves for the healthy, thriving Beverly that we want to be coming out of this crisis. Bowen encouraged not only fully funding community services departments (health, aging, veteran services, library, recreation) but to empower those department heads and city employees to really proactively invite use of the community spaces, reduce some of the friction points for access, and

make them as inviting as possible. Bowen highlighted the new public safety dispatch service and other new technologies and approaches. Bowen stated she would really like to see the City be as ambitious and forward-looking in the equity and inclusion work as well. Some of the adaptations of the last year have really expanded opportunities, like being able to have a hybrid meeting or the picnic tables outside of City Hall. A lot of things that were done out of necessity are actually just healthier and more welcoming and ways that can continue to be incorporated and investing in innovations by city staff.

Gerry Perry, City Council Budget Analyst stated that in his opinion it is a balanced budget. The budget increased by 3.59% and there is more of an investment on the municipal side than seen in prior years. Some of it we have to do, like the debt, and sanitation is going up quite a bit. We are not raising the fees; that will be taken from the general fund. It is a good budget. Perry noticed he had heard Salem as an example of how they do their financial reporting; it is a really different operation over there. If we are going to want a lot more financial reporting, it is not going to be able to be done with one finance director and one auditor. Salem must have almost double the finance department. The finance director here does a really good job, and we are in a good financial position. We could always do better. Turn backs are a good thing to keep from running deficits. The budget is built with positive variances. We use the strategy for the turn backs to develop a free cash position which we use for capital infrastructure issues. We bought fire trucks, turf fields, school security costs; we could never do these things if we didn't have the policies in place. There are a lot of positive things going on with how we handle our money, how we turn back money and it's all part of the strategy. There is no budget appropriation before the council tonight for the stabilization fund. That is used, as part of our financial policies, out of free cash. Whether that is done or not is certainly something that can be discussed in the fall. Perry stated in his professional opinion, the way we handle money, and the way we do things here, is good, and this budget has his strong recommendation.

Feldman stated she has a lot of the same sentiments as some of the public comments. When we were discussing the prior year budget, we talked about the need for a distribution from the stabilization fund. Feldman stated at the time she had asked if a distribution from the stabilization fund would affect the bond rating, and the difference of about \$1.5 million, wouldn't affect the bond rating of the City. Feldman stated she is wondering, given that state aid did come in and we do have a balanced budget and we aren't cutting services, if we can do better and be more creative to look at the budget to find capitalized expenses to use the stabilization fund for and not raise the tax levy to the rate that it is.

Perry stated it is a fair discussion whether to raise 2½% each and every year. It is not necessary; it is a policy decision. Perry stated that legally free cash can be used to offset the tax rate but he would not recommend it and it does not conform to current financial policies. Perry stated he believes the free cash should be used like it is being used, to offset small capital projects. It would be a policy decision by the mayor and council. To do it properly, the best way is to reduce spending.

Feldman asked what the stabilization fund would be used for.

Perry stated that in FY21, the City used about 1.1 million dollars from the stabilization fund because we were afraid we were in trouble with Covid. Luckily, the state gave us the money back and we were able to replenish it. We did not have to cut services. It is like an insurance

policy to protect us and could be used for capital projects if necessary. A better bond rating does help a lot when financing other projects and saves a lot of money on rates. It is fair to have a conversation down the road about where to cut off or reduce the stabilization fund. These are options that the council and administration would have to consider.

Ames stated the City Charter section 6-5 says, "The Mayor shall use modern concepts of fiscal presentation so as to furnish an optimum level of information" and showed Topsfield's budget online. Ames stated we need to let people fully understand where it is being spent and requested a fourth quarter report. Ames stated she has asked for three years of the equipment budget and where that line comes from. The charter also says that the council gets to receive information. We as a group need to do better. Ames stated she honestly cannot under any circumstance understand how anyone could look at the PDF of the budget on the website and think that is okay. It is not understandable and it is just not okay and not fair to anyone we serve.

Perry stated that he does not put anything on the website as the budget analyst. They are investing in the IT department this year, maybe things will get better. We are woefully underfunded in the finance department. It is fine to want these things, and we should have them, but it has to be invested in. They need the resources to get it done.

Rotondo asked if hypothetically the tax rate goes up only 2% then how much it would save the average taxpayer on a yearly basis. Rotondo asked, in regards to the total budget, how much is obligations and how much is discretionary.

Perry spoke on fixed costs versus discretionary spending. Things like the pension, healthcare costs, debt, collective bargaining, state assessments are relatively fixed, and the rest is discretionary. In terms of reducing the tax rate, services would have to be cut, but that is a policy decision.

Ayles stated that when everything shakes out, we are really only looking at a couple million dollars out of the whole budget that is truly discretionary. As for what two and a half percent actually looks like, this is hypothetical at this point; the tax rate is set after the budget gets set, later in the fall, typically in the November/December time frame. Based on the valuations that were in place for all the properties, on say for a \$500,000 average home, a 2½% increase would be about \$160 year over year. If you were to cut out \$560,000 of the budget, which would be a 2% increase instead of a 2½% increase, that would equate to roughly \$30 less of an increase to the taxpayer, it would be \$130 of an increase instead of \$160, which is about \$2.50 cents a month in relief.

Rotondo thanked Mr. Ayles, stating that it is a helpful answer to have for constituents that call.

Ayles clarified that just because it is labeled as discretionary, that doesn't mean it's not necessary.

Flowers asked about the idea of a one-time rebate from free cash to taxpayers, and if that is legal or how possible it would be.

Perry stated free cash can be used as a revenue source to offset the tax rate. The only legal way to do it is to have the mayor submit it. The City Council does not have the legal authority. It is contrary to the City's financial policy, but it can legally be done if the mayor submits it to the council.

Flowers asked if using free cash for support for small local businesses was viable.

Perry stated there are some legal impediments to how it could be used, and it would be a policy decision.

Ayles stated there is an anti-aid amendment in the state constitution which does not allow the use of general fund money, to be gifted, donated, or rebated to any specific individuals or organizations. It could be done functionally through the setting of the budget and the tax rate. It would need to be done across the board at a policy level. Aside from that, the City does receive specific grants and if the grant specifies that it is to be used for that, then that is appropriate.

Flowers asked about the differences in presentation of the school budget and City budget and how to make the budget more accessible.

Ayles stated it is due to resources; the schools have different programs and staffing to make it possible.

Flowers stated a piece of this conversation is thinking about how to have a vision and plan together to make sure critical support positions in the City are getting paid a just and livable wage so that people who work in our City can be supported.

Rand asked how many businesses apply for tax abatements.

Ayles stated he did not know the number of applicants and that would be a good question when the Board of Assessors comes before the council in the fall. On average we abate \$500,000-\$600,000 per year through abatement and the statutory exemption component.

Rand asked if that number increased this year because of Covid. We have some system set up to provide for our citizens that are in businesses when the tax becomes a burden. Rand asked if there is an avenue to explore policy-wise to increase access to programs for those that are having a hard time.

Ayles stated that in the past eight years the City has increased eligibility and added a senior work-off project.

Rand asked if people have already applied for this year.

Ayles stated the application deadline has already passed. The assessors department is very welcoming and can discuss options for taxpayers. There are different programs out there.

Cahill stated money came from the state for businesses to apply for help during Covid. As far as the conversation about how the budget is presented, the schools do a really good job with that, and we will look at that moving into this fiscal year.

Houseman stated there is tension between tax relief and services. The budget is certainly a reflection of our values as a community and government. It is important every year for councilors to push hard on that question of what if we didn't raise the budget to the full levy. That is a policy decision. At the end of the day, we have real limits on what we can do as a council. On the stabilization reserve, that is an important discussion to have about what size it should be. The money that is sitting there is not just sitting there. It is working for us every day that it sits there. It is being used as an insurance policy and for our bond rating. It does allow us, by having a better bond rating, to get better financial terms which means we save money. It is performing a use even when we are not "using" it by taking money out of it. Certain cities are

creating their own municipal package for folks that might get evicted, for small business aid; maybe there is more that we may be doing. Houseman stated the City seems to be really addicted to new growth. We are dependent upon that new growth. Houseman stated he is particularly interested in climate change. Looking at the new climate resiliency plan that was rolled out by the administration, one of the steps cites Somerville where they are enacting a building code or ordinance which says all new buildings cannot use petroleum-based infrastructure for heating and cooling. Houseman stated he did not know whether that is technologically feasible or overreaching but there is a very small window of opportunity here to bend the curve. If climate change is as urgent as we say it is, and Beverly could push that kind of a municipal ordinance, the tension is what kind of effect it would have on new growth and therefore the ability to provide all the services.

Guanci closed the public hearing and referred that matter back to the Committee on Finance and Property.

The motion was made and seconded to adjourn. A roll call vote was taken, and the motion carried (8-0). The meeting adjourned at 8:45pm.