

FINANCE CONTROL BOARD, December 18, 2006

Present: Thomas Gloster, Alan LeBovidge, Mayor Charles V. Ryan, Jake Jacobson, City Clerk Wayman Lee. Absent: City Council President Jose Tosado

Adjournment to Executive Session

[Meeting in progress]

Mayor Charles V Ryan: I'm going to make a motion that we go into executive session to discuss litigation matters

****MOTION PASSES UNANIMOUSLY.**

Chairman Alan LeBovidge: We shall return.

[Recess for Executive Session]

Approval of Minutes

****MINUTES ACCEPTED WITH ONE CORRECTION.**

Update on Springfield Education Association Contract

AL: The next item on the agenda is to get an update on the S[pringfield] E[ducational] A[ssociation] contract and Superintendent Burke, I guess, is going to lead that discussion.

Superintendent of Schools Joseph Burke: Yes. Good Morning. It's a pleasure to give you a brief update on where we are with the final teacher contract and then, you know, I'm sure that there'll be some questions and that sort of thing, and I apologize in advance if I sound funny. I have a pretty bad cold and I'm all stuffed up and I can't hear very well, so my voice may modulate in a little unusual fashion here. So let me run through this with you and talk about the landmark features of this contract and some of the key things that are in it. I'm just going to give just an overview first and then I'll go into some specifics.

The contract establishes pay increases based on superior performance and results for teacher leaders and instructional leadership specialists, two new positions that we've created in this contract, and it eliminates seniority as the *primary* determinant of salary increases. It eliminates steps and C[ost] O[f] L[iving] A[llowance]s both as the basic pay schedule and establishes a different kind of pay schedule and salary bands for experienced teachers in the teacher leader and instructional leadership specialist positions based on excellent performance and results. It installs a "value added growth model" as the method for measuring teacher success and performance. It provides a mechanism for redistributing teacher talent to the most needy schools, and I'll come back and talk about that in a few moments.

It establishes instructional leadership teams of the highest quality teachers to lead continuous performance improvement efforts in the schools. It grants authority to the superintendent to transfer and assign teachers voluntarily or involuntarily according to the operational needs of the district and the educational needs of the students following a set of procedures that are prescribed in the agreement. It extends the work day for teachers and provides increased learning time for students. And it provides a critical shortage differential, recognizing market value of certain difficult-to-staff positions, provides distributive leadership opportunities for head teacher, test coordinator and the two instructional leadership positions that I mentioned earlier, and it provides opportunities for instructional staff to remain in their positions in classrooms or working with other teachers rather than to have to chose to go into administration just for economic advancement issues.

Jake Jacobson: Superintendent, what does “distributive leadership” mean?

JB: Basically means that we’re establishing a way in which leadership gets disseminated to a variety of individuals within the organization, in this case, the head teacher at the elementary school, the test coordinator who has a specific set of responsibilities, and the leadership positions of “teacher leader” and “instructional leadership specialist.”

OK, so some details on these. The first one is knowledge, skills and results as a fundamental feature of the compensation system. For the teacher leaders and the instructional leadership specialists, these knowledge, skills and results are established as fundamental bases for compensation for the those individuals. And there are separate salary bands for these two new positions which will...I’ll show you in just a moment.

This compensation issue is basically eliminating seniority as the primary determinant of salary increases. After the 2006-2007 school year, no teacher may move to the shaded steps on the far right [of the PowerPoint display] where you have the longevity steps of 15, 20 and 25. The teachers that are in those particular areas will be grandfathered to stay there, but there’ll be no new movement to those steps, and that changes the configuration a little bit.

We’ve also eliminated credit increments between the masters and the doctorate, so that in the basic salary schedule by the end of year three, in 2008-2009, more than 42% of the salary boxes are essentially eliminated from the current salary schedule. Those 53 boxes that get eliminated streamline the salary schedule substantially and then kick in to a different kind of salary schedule for those individuals who want to continue to advance. Essentially, what happens is as a result of this streamlined schedule, it “incentivizes” teachers to access both the teacher leader salary band and the instructional leadership salary band. The teacher leader salary band is indicated here [on the PowerPoint] by “Level Three” and the “Level Four” for the instructional leadership specialists.

The reason that you see two sets of salary bands here is that we maintain the notion that we wanted to have a difference for those individuals who were “critical shortage teachers” and those who were *not* “critical shortage teachers.” So there’s actually two sets of salary bands as there are two separate salary schedules as teachers progress through the, through the system.

The knowledge, skills and results is an important feature of this, and this [PowerPoint graphic] is kind of an illustration of the “value added growth model.” And I don’t want to dwell on this, but essentially if you look at, if you look at the green horizontal line, that would be sort of the baseline of student performance. And then the blue line that cuts across would be an expectation of growth for students for a given year. So that students...the dots...the yellow dots that would appear *above* that blue line would be students that were substantially performing at a rate greater than their predicted growth, and the students below the blue line would be students that would be performing below their predicted growth.

So, if you look at the graphic or the scatter gram on the right side of this [PowerPoint], what you would see is Teacher 1, Teacher 2, Teacher 3, and Teacher 4. And, based on what that, what the data looks like, Teacher 1, which is where the red dots are, would be the teacher that’s getting consistent growth in, over and above what students would normally, predictably have in a year. Teacher 2 is sort of, kind of bouncing around; some of it is above, some is below. Teacher 3 is almost right on the line. And Teacher 4 would be consistently getting student performance that would be below the predicted growth.

In terms of recognizing teacher talent, the new provisions provide a mechanism for redistributing teacher talent to the most needy schools. We’re going to do that by establishing a new staffing formula that will allocate instructional leadership specialists and teacher leader positions with extra positions for high-needs schools. So, if a school is identified as in needs [sic] of improvement, there’ll be a base-line allocation for the numbers of instructional leadership specialists and teacher leaders for all schools based on student enrollment, but in those schools that have greater needs, there’ll be an additional kicker so that we can get the stronger teachers assigned to those schools based on the needs.

What we are going to be doing is establishing instructional leadership teams at every school, and the teachers that are in that leadership group as the instructional leadership specialists and the teacher leaders will be involved in both the design of the school improvement plans and in monitoring and basically looking at the execution of the implementation of the school improvement plan so that you’ll have this core of teacher leaders that will be working on a continuous basis on looking at how we can improve the overall performance of students in the schools.

The authority of the superintendent, I mentioned that earlier. You know, that’s a significant feature that allows us to go ahead and do the reallocation of teachers and do...and place people where they’re most needed...Yes.

CVR: ...[unintelligible]...just go back quickly? How would this differ from the authority of the superintendent prior to the contract?

JB: It's not substantially different, but what this establishes is, in the contract it establishes, a more clear delineation of that authority. It was there before, but it was sort of implied, and there were some little controls here and there.

Increased Student Contact. In the former contract, the elementary students had about 370 minutes a day of actual contact with teachers. In the new contract, that increases to 400 minutes, and so essentially what you have across the year is an additional 5400 minutes of actual student contact between the teachers and the students in this new contract. At the secondary level, the increase is about 2700 minutes, so, translated, you have about 90 hours more of actual instructional time at the elementary level and about 45 hours at the middle and high school level .

Compensation Levels for Critical Shortage Areas recognizes the market value of certain difficult-to-staff positions and creates the critical shortage differential for teachers certified in math, science, special ed and English language learners. There's actually two compensation schedules that were agreed to: one for regular teachers which is represented in the top schedule and then the differential for teachers in the critical shortage areas below.

The distributive leadership positions, as I mentioned earlier, they're listed here. and rewarding teacher talent...I think what we want to show you is a comparison of the salary schedules. Unit A is the teachers, and at the Level 4, what we're talking about, the instructional leadership specialists, you have a salary band there for 10-month salaries that range roughly from \$65,000 to close to \$72,000. The Level 1 salary band for assistant principals for the 12-month salary starts at \$69,700 and progresses up to \$72,000, \$74,000, \$76,000. The reason that we're showing this is to sort of illustrate that teachers that are in that top salary band for instructional leadership specialists can really remain in that salary band, and they don't have to make the decision to become an administrator, and they can make a very good competitive salary on a 10-month salary schedule as opposed to moving into the administrative ranks.

Some additional Provisions. The contract establishes the Springfield Learning Center to produce "best in class" lesson plans for teachers and professional development on how to use the plans. It strengthens the professional criteria for department heads with a focus on leadership and leadership experience. And it redefines preparation so that it emphasizes the professional dimensions of developing lessons, the use of materials, and, preferably working with their colleagues in doing that.

So that's basically an overview. There may be some individual questions that members of the control board have, but those are kind of the main highlights. Tom?

Thomas Gloster: Dr. Burke, we added in the budget certain projections as to level of participation that the volunteers would make in these programs, and I wonder if you could tell me how you feel the teachers are responding to this and whether we're at projections or not.

JB: Yeah. Well, we had originally projected somewhere between 120 and 170 people for the instructional leadership specialists. The initial applications were a little more than 130, and as we established a selection process for that--which was a very rigorous process—we ended up actually selecting 80 of the instructional leadership specialists in the first round. We are going to be re-posting that later in the year when we have an opportunity to really debrief and review the whole selection process. There are some individuals who applied who have been making requests for an appeal which was part of the process, and we're instituting an appeal process for those individuals now. But the 80 people that were initially selected are very...very, very excellent individuals, and we're very happy with that selection. I do need to point out that there were some people that were already in collaborative professional development teacher positions that are similar to the instructional leadership specialist positions who chose to stay there and not apply for this year, and we allowed those individuals to do that and for their principals to keep them in those positions.

AL: Any other questions? Thank you very much.

Executive Director Phil Puccia: Thank you, Dr. Burke.

York Street Jail Activity & Use Limitation

PP: Mr. Panagore?

AL: [unintelligible]

PP: No, we're going to do the tax rate technically until after the financial orders have been passed by the board, so technically the budget isn't balanced. Yeah, we're going to do the York Street jail activity and use limitation. David Panagore will explain this to the board.

Economic Development Director David Panagore: Good morning, board....Mr. Chairman and board. In front of you is executive order 12-18-02, and executive order approving and authorizing the execution and recordation of a notice of activity and use limitation. Bob Warren from the law department is here with me also to answer any legal questions. This is required since it's a deed matter, a Registry of Deeds matter, this requires the board to approve it. This, of course, would also go to the...to the Secretary of Administration and Finance for their signature as well. Essentially, this is the York Street Jail property, and this is the culmination of the of about...

AL: [unintelligible]

PP: [getting up to locate papers for the board] I'm sorry. Here you are.

DP: This is for the York Street Jail. This is the culmination of the brown fields remediation work that we've been undertaking for the past several years. The contaminant at the site is essentially lead subsurface in the 6 to 12 feet below grade and some underground storage tanks as there are at many sites. A series of tanks were removed from the northern edge of the property. And the activity and use limitation was reviewed by the city's law department, by our site engineers, and by the same outside legal team that worked on Memorial Industrial Park. An essential part, the one limitation in here, is no gardening. There are...you...this limitation would be that you cannot raise crops or do agricultural purposes at this site which we don't expect it to be.

It does not in any way impede further development of the site, dropping piles, excavation, etc. What you'd have to do for an excavation is just have a health and safety plan involved as well, and there would be a higher cost of disposal, but that's essentially the activity use limitation before you.

AL: Any questions?

CVR: Well, I have a question, yes. In glancing through these papers, I see the date of some time in August of 2006, and it calls for a signature of a Timothy O'Brien, and if you could just kind of clarify the date and Mr. O'Brien's role in this.

DP: Yes. Tim O'Brien ATC. They were the environmental engineering consulting services on the tank pulls, and this is just a copy. Bob can...if Bob would like to come up and speak to where the signatures are, but that's his role in this.

AL: Any other questions?

****MOTION ACCEPTED UNANIMOUSLY.**

Approval of Bond Orders

PP: Thank you, Mr. Chairman. If you recall, at our last board meeting, there were a couple of items that were tabled for the board to reconsider at its December meeting which were related to the bond, proposed bond issue, that we presented last month. And I'm asking clerk, Mr. Clerk, that they put back on the table for the board's consideration and I'll review them with you briefly.

AL: This is 11-27-04?

AL: This is 11-27-04?

PP: Yes, sir. There's [sic] actually three items in a row on your agenda, Items VI, VII and VIII, and I'll explain them all briefly. One is for a new money issue of \$38.5million

of which I think I've shared the various projects with the board on several occasions, most importantly the Putnam School. Yes, sir?

CVR: Mr. Puccia, as you did orally at the last meeting, but I hope that when this meeting is over, and assuming that this bond issue is voted for, that the press could be given a written list of all of these projects so the public would have a total understanding.

PP: Yes. We'd be happy to distribute it this afternoon to any members of the press. It's about a three or four page document.

CVR: OK fine.

PP: So I'm asking for your approval on that. Item number VIII is for the ESCO related Energy Services contracts of \$15.5million, and Item Number VII is an administrative function which allows the executive director—and I would recommend amending that to include the mayor as well—to accept the bond sale when it takes place so that the board does not have to meet the day of the sale to approve it. We would do it, obviously, in conjunction with our various investment banking team and legal counsel, but we would like your authorization to do that.

AL: OK, so we have to take three different votes.

PP: Yes, sir.

AL: Any questions, before...

CVR: Well, on the first one, Mr. Lisauskas has called to my attention that the appropriateness of including a short amendment, and this is on 1-27-04 subsection e). And I'm going to make this in the form of a motion that after the words "eminent domain or otherwise"—this has to do with getting land for a new fire station—and referring to "eminent domain or otherwise," I'd like to move that we amend by inserting the language "architectural and engineering services in connection with constructing fire station facilities thereon *and* any cost incidental." OK?

AL: Yeah.

CVR: So that would be my motion to amend.

****MOTION TO AMEND ACCEPTED UNANIMOUSLY.**

AL: Now we need a vote on the amended 11-27-04.

****MOTION PASSES UNANIMOUSLY.**

PP: And then on...

AL: The next one is 11-27-05? Is that correct? That's for the \$15.5million?

PP: Yes.

AL: Any questions on this motion?

CVR: Well, one thing, on my page it says 12-18-03.

PP: Ah, sir, that...we went out of order. The next one behind it, sir, should say 11-27-05.

CVR: Oh, I see; it's part of the other one here? That's 11-27-05? All right. Thank you.

AL: Yes. It's attached here.

PP: Yes, sir, right. We were running around....

AL: You're just trying to trip us up. Any questions on 11-27-05?

****MOTION PASSES UNANIMOUSLY.**

Authorization for Executive Director or the Mayor to Approve Bond Sales

AL: Now we get to...

PP: Now we're 12-18-03, and if you look into the body of the draft, about half way down...almost three-quarters of the way down, I would like to just insert "the board hereby authorizes..."

AL: [unintelligible] ...where are you?

PP: I'm on 12-1 -03, sir, and I'm about...Yeah, I'll find it.

JJ: Give us a line.

AL: We can't find it. Read what's there before so we can find it.

PP: "The Commonwealth of Massachusetts and the escrow agent, the bonds named therein" (if you can see that sentence) "the agreement and final form" (keep going) "that the board hereby authorizes the executive director of the board" and I just wanted to add "and the Mayor."

AL: OK.

PP: So that the board would have sort of, you know, the comfort that both of us are looking at the...

CVR: So that's the only suggested amendment?

PP: Yes, it is.

Tom Gloster: Is that "and" or "or"? Do you want both of you to have to or can either?

PP: "And/or."

CVR: Yeah.

TG: Well, just say "or."

PP: Yeah.

AL: Or?

PP: Yup. If for some reason one of us should not be available, yes.

** MOTION PASSES UNANIMOUSLY.

AL: OK, now we need a motion for 12-18-03. Do I have a motion to adopt the amended form of this executive order.

** MOTION PASSES UNANIMOUSLY.

Appropriation for Arbitrage Review

PP: Mr. Lisauskas, if you could walk the board through Item Number IX, the appropriation for arbitrage review.

Control Board Deputy Director Stephen Lisauskas: Thank you, Mr. Chairman and members of the board. Steve Lisauskas. The requested item, Number IX, is an appropriation for an arbitrage review which is a requested appropriation...

AL: Is this an [unintelligible]?

SL: Yes, sir, it is. I believe it 's Number IX on your agenda, sir.

PP: No. 12-18-05, sir.

AL: Yeah, OK, we're jumping out of order. All right.

SL: And it's a requested appropriation which would allow the city to conduct an arbitrage review. Every five years pursuant to Internal Revenue Service regulations, the city is required to conduct a review of bonds. Every five years for the life of the bonds, you're required to conduct a review to determine whether or not the city has earned interest in excess of allowable amounts per...which the IRS stipulates what those amounts

are. So this appropriation would allow the city to conduct that review for prior bond issuances and sets aside a sum of money to pay any rebate calculation...any rebates that are required based on the review that's conducted.

AL: Is this new money or...?

SL: This is money...the city issued bonds, I believe, in 2005, and there was a bond premium associated with that debt issuance; the bond premium pursuant to Department of Revenue request was set aside in a separate account.

AL: So the money's already been collected and...

SL: That's correct.

AL: All right.

SL: And it's sitting in a separate account and is...needs a use and here's...this is an appropriate use for it as determined by bond counsel and Department of Revenue.

AL: OK.

SL: It's a...this is a required review we should, we need to conduct.

AL: What happens if we fail this review?

SL: If you...I'm sorry, if you fail the review?

AL: Yeah.

SL: The...the...

AL: What's the downside of this?

SL: If you fail to *do* the review, you can certainly have some...the IRS can have some...can take some punitive action against the city, including forcing all bonds to become taxable which would result in massive litigation.

AL: We don't want that. That's *really* punitive. We don't want that. OK.

SL: Yes. So the idea is to prevent that and to conduct the calculations that would allow you to deter--to insure that the bonds remain in a tax exempt status.

TG: And if you have after review, you found you've accrued too much interest, you have to pay a fine?

SL: That's correct.

TG: Do we have any sense if we have any exposure, tax exposure?

SL: We don't. The study will give us a sense as to exposure. Different cities and towns handle it differently. If the arbitrage earnings occurred, say, five or six years ago when it...or two or three years ago when interest rates were extremely low, it was very difficult to earn any arbitrage. If the calc—if it was a period of time where you had *higher* interest earnings, then you had some...you could have some significant exposure. At this point, we don't know, but the study will allow us to determine that liability.

AL: Any questions, other questions?

****MOTION PASSES UNANIMOUSLY.**

AL: Hope we have no exposure.

Approval of Pasco Road Taking and Appropriation

PP: Ms. Breck.

AL: What are we on now?

PP: We are on 12-18-06 which is an eminent...which Solicitor Breck will explain to the board. It allows us to receive a grant from the state for park improvements.

AL: For what...parking?

PP: *Park* improvements.

AL: Oh, park improvements. OK.

Assistant City Solicitor Kathy Breck: And Ms. Rita Coppola is also here this morning from the Department of Parks, Buildings and Recreation Management in case the board has any questions regarding the state grant that the city will be receiving or the intended use of the property. The orders which are before you this morning...you're going to see that there...the...numerically, they're in backwards order.

The purpose of this project is to obtain by eminent domain two parcels of land off of Pasco Road in Springfield which border on Loon Pond, and the purpose of acquiring the parcels is to transform this property into...for park and playground purposes to...and Ms. Coppola, if you have questions, could explain to you the significance of the pond and the plans that the park department has for turning that into recreational space for the city residents to use.

The properties were appraised by two separate appraisers at the city's request, and we met with the property owner's counsel to try to see if we could negotiate a purchase

price, but we were *well* apart in terms of the prices. The city offered to pay the higher of the two appraisals which is the amount that's listed in the order of appropriation.

AL: It was higher than they wanted?

KB: No. They wanted about \$375,000 more than we were offering; they were asking for about \$1million. Our highest appraisal came in at \$625,000, so that is the amount we offered to them, and that is the amount that's in the appropriation order for your consideration. It was also the amount that we applied to the state and disclosed to the state that we were intending to pay for the project...to obtain the property. And then there are some additional money that will need to be spent which is separate in order to improve the property. There are some out buildings on the property now that will have to be removed, and...

CVR: What is the amount of the state grant?

KB: We'll ask Ms. Copolla.

PP: It's...

Park Planner Rita Copolla: \$437,500.

AL: \$437,500? OK and then the city makes up the difference.

PP: And then the city makes up the difference, that's correct.

KB: But I believe the city has to expend the money initially, and then it's a reimbursement; the grant is a reimbursement.

AL: Oh, OK, after you expend the whole \$600,000.

RC: Yes.

CVR: And my understanding is that you've already approved their share.

RC: Yes they have. We have signed [unintelligible]

AL: Can you give us 30 seconds of what the park is, what the improvement is?

CVR: She can do it very well.

RC: Yes. Loon Pond is a kettlehole pond; it's one of the cleanest bodies of water in the city, and what we are looking to do is to preserve that watershed and that pond and open it up to the public for a beach area. Right now, it's currently closed. We own...the city owns land that flanks either side of this parcel that we're looking to acquire, so this

would...this would give us a little over 35% of the shoreline of Loon Pond which is a real big plus as far as watershed preservation.

AL: OK. Thank you.

PP: So are we asking the board for two different approvals?

KB: Yes, two. We are asking the board for two approvals, and in the following order. The first order that I'd ask the board to consider is number 12-18-07 in your packet. It's what I gave you...just handed out the paper clipped, updated version. That is the appropriation order which appropriates \$625,000 in order to pay for the eminent...the *anticipated* eminent domain taking of a fee simple interest in the 2 parcels at 419 Pasco Road and East Side Pasco Road, approximately 4.27 acres for park and playground purposes, and the account number is listed. This is an account number that was provided to me by Ms. Tzambazakis, the chief financial officer.

AL: OK. Any questions on 12-18-07?

CVR: But you're asking that 07 and 06 both be enacted?

KB: Yes, Your Honor. The reason I'm asking for 07 first is that by...under the taking laws, the money has to be appropriated first, and *then* I can ask you to vote the taking.

****MOTION PASSES UNANIMOUSLY.**

KB: Thank you. The second order for your consideration this morning is order, executive order 12-18-06. This is the order of taking of the two parcels which I've just described. We have the meets and bounds description provided by the surveyors attached. And what I asked the appraiser to do: they appraised the value of the two parcels together. They said it's hard to really break out a value, but I...because for...in order for there are two separate parcels, I asked them to give me separate values. They provided the award of damages on the second page for 419 Pasco Road of \$470,000, for East Side Pasco Road (which is a much smaller parcel) \$155,000 for at total of \$625,000. And the property owner is BB Holdings, Inc.

AL: OK. Any questions on 12-18-06?

****MOTION PASSES UNANIMOUSLY.**

AL: OK. Keep that watershed going. OK. Which one are we doing now?

Establishment of Stabilization Reserve Fund for ESCO

PP: Mr. Chairman.

AL: Yes. Mr. Puccia.

PP: I made a...I skipped over something in the bond presentation which I need the board to reconsider. You did approve the bond orders as I requested, but there was one item that I should have asked you to approve which I did not, which is 12-18-04, which was the creation of a stabilization fund or a reserve fund for the Energy Services Contract.

When I spoke, I asked you to approve the two different bond issues and thought I had covered this item on the agenda when I said Energy Services Contract. I did not. Steve [Lisauskas], do you have anything to add on the fund?

SL: Just very briefly. Stabilization reserve fund is a separate reserve fund, can be created by 2/3 vote. The purpose for this reserve fund is the city, in issuing its new round of debt,...this is actually a very...the city is *radically* changing how it's issuing debt. This ESCO project, the \$15.5, is proposed to be what's known as "equal principal payment debt" which means you front load the principal costs and save significantly on the interest's costs.

CVR: For purposes of many members of the public who are here, would you just stop a minute or two and define what you mean or what's included in the ESCO project.

PP: The projects themselves, Mayor?

CVR: Well, just kind of a description of what this is... I know it's a \$15 odd million issue, but I would like some explanation for it.

PP: Yes, sir.

SL: It is...it represents the first of three phases, at least three *planned* phases. The \$15.5million is \$10million in boiler work primarily in school facilities and \$5.5million in other work to increase energy efficiency. It can be some ligh-...it does include some lighting projects. It includes some high efficiency motor projects, and other energy efficiency projects. Work in...this represents work in 26 municipal buildings, 20 of which, as I said, are schools. And it's estimated to save approximately \$1.3million over the next 20 years...each year.

CVR: \$1.3million *annually*.

SL: Each year.

CVR: Annually.

SL: Yes, sir.

CVR: OK.

AL: And by adopting this method of payment, unlike a regular home mortgage where it's all interest up front...

SL: Yes.

AL: ...and the principal grows over the years, here, the principal is paid fastest therefore the interest you pay over the term of the loan is less.

SL: Exactly. It's approximately \$1.1million less, so it would save the taxpayers \$1.1million by adopting this structure. But, as with a mortgage, if you're prepaying your principal, it can cost a little bit extra to do that, because you're still paying some interest, so the stabilization reserve fund would take what's known as the "bond premium" associated with issuing this debt (there's always some extra money when you issue the bonds) taking that and putting it into a reserve fund...

AL: ...and use it for...

SL: ..and use it for that cash flow.

AL: I understand. OK

SL: And using that saves \$1.1million for the taxpayer.

AL: Sounds like good economic planning to me. OK. Any questions on 12-18-04?

****MOTION PASSES UNANIMOUSLY.**

PP: Thank you for your indulgence, Mr. Chairman. I have several orders in a row, and I'm going to take one of them out of order, so I will walk you through them individually.

AL: Which ones are we talking about?

Appropriations Order Decrease for \$2.625million

PP: We're going to work on items related to the trash fee, and I'm going to start on your agenda with Item XII which is 12-18-08.

AL: 08. OK.

PP: As you know, the temporary injunction issued by the court last month related to the trash fee has had an impact on the city's budget. For the record, I am submitting a letter to the board from Mark Ianello, the city auditor, explaining the impact, and its effect on individual line items within the budget which I will share with... I think you members have it if not, I enter it into the record, Mr. Clerk.

I'm going to ask three things today. One is to decrease the line item to reflect that we don't have the cash coming in from the temporary restraining order. Two, I'm going to request that the board authorize the borrowing of that amount, \$2.625million from the loan fund to cover the deficit...

AL: State loan fund.

PP: That's correct, the *state* loan fund as part of ...as part of...as outlined in Chapter 169 and then, thirdly, I will ask you to appropriate that money to the appropriate account number so that we can spend the money to collect the trash. Lastly, I will ask you to approve an amendment to the trash fee so that we may implement an *amended* fee to reflect compliance (for lack of a better term) to the judge's wishes on the opt-in and opt-out provisions of the trash fee the board approved last year.

AL: And that will be effective...

PP: That will be effective July. I mean, the board will make its amendment today, but it will effect the collection of revenues as of July 1.

AL: OK, but this has no impact on the lawsuit. We're still...the lawsuit is still going forward as scheduled, is that correct?

PP: Yes. It is our intention, and, I think, as reflective of our discussion a few moments ago is that the board will argue the case on its merits from fiscal 07. We believe that we implemented the fee correctly. That being the case, we do need to provide some budget certainty for the city in fiscal 08 and beyond. And that's what the amended order seeks to accomplish, so that...

CVR: The amended order would be effective July 1 of '07?

PP: I believe...Eddie [Pikula, city solicitor], the board's going to pass the order today--we hope the board will pass the order today. Its effect is on July 1?

City Solicitor Ed Pikula: That's correct. That is in the proposal.

AL: OK.

CVR: So the first item for business?

CVR: The first item, sir, is 12-18-08 which is a reduction in the city's trash fee budget to reflect that the revenue will not be there. Yes, sir.

TG: OK. Obviously, we would have preferred to have avoided having taking out a further loan from the state...

PP: Yes.

TG: ...and we are obviously going to...believing that our original trash fee was OK, going to do the best to get that held valid. Now, my question is how does that play out in terms of the budget? Let's suppose the trash fee is ultimately payable. Presumably that money has to be used to pay...to defray a portion of the cost of the trash collection, is that correct?

PP: Yes, sir.

TG: Does that free up money from other sources to allow us to pay off the loan? Or is that not possible to say?

EP: My advice would probably...if, in fact, we are successful in the litigation, we would probably come back before you to establish a revolving fund. Because at this point, based on these financial orders, that revenue is *not* being considered as part of the levy; that is, *not* being...in the current amendments to the budget, that would be new revenues 07. And so these orders seek to amend the budget to account for the fact that our estimated revenues are short \$2.625million, so these orders put the budget back in balance and go forward by accessing the loan from the trust fund.

AL: Yeah, but what ...

PP: I think you want to know where we're going to take...if we win the case, how will we...

AL: If we win and we find that all of a sudden we have \$2.6million, that we were always right, and we have it. Can that money be used to pay back the loan? Does it go into an account, and we then, next year in 08, fiscal 08, just reduce another line item, because it's going to pay more percentagewise of the trash fee. That doesn't cover the whole trash collection cost.

EP: No. Definitely not. The trash fee budget for 07 included appropriation of over \$8million. The estimated revenues were only \$2.625, so this was always just designed to just cover a portion, to defray a portion of those costs of solid waste collection and disposal as far as [unintelligible].

PP: Let me see if I can... Would the board wish to stipulate that when and if the board prevails in this case, that the money recovered would be used to pay back the loan?

TG: That's what I'm asking.

EP: Well, I think...

AL: Well, I guess...the question I have is, I don't want to prejudice our case, OK? And so I don't know, you may need time to think about that, and you're saying we have time to think about it *later* which is fine with...

EP: I think that the money from the trash fee, if we were successful, should be set aside.

CVR: ...on 07...

EP: ...on 07 should be set aside to then go for the purposes that it was planned for. And if we did have to, that would be money...if we did borrow money...

TG: I understand that part.

EP: ..the money that we borrow would go back to pay the loan...

AL: OK fine.

EP: ...not the trash fee.

TG: I understand that. But you do have, hopefully, more revenue and I'm concerned with the mechanics of applying that revenue in a meaningful way.

EP: It would be new revenue at this point.

TG: OK. And then we would you decide what to do once we had it.

PP: That's right.

EP: Well, I think the only thing we can do with it is use it to pay the trash, the costs of collection and disposal.

PP: Which...but are you speaking of the same new revenue? You're [TG] saying "If we identify revenue outside of the trash fee, because we had higher rates of collection of taxes or whatever it might be."

TG: Right.

PP: That's his question.

EP: I see. Yes. If you have new revenue outside of that source, you could appropriate it for any legitimate purpose, but as to collection of the trash fee, that should be dedicated to the cost of collection and disposal.

AL: OK. Any other questions on 18-08?

CVR: So was the first item 12-18-08?

PP: Yes. Just specifically, we're asking to reduce that line item. The net effect of the judge's order is that we would have to stop collecting trash on March 3 of 2007 if we

didn't have this \$2.625million. So I want you to know that that's where the money is being spent to collect trash from March 3 until the end of the fiscal year. So, I'm asking you to reduce this line item by \$2.625million as written here in 12-18-08.

****MOTION PASSES UNANIMOUSLY.**

AL: OK, so we got through 08. Take us to the next one.

PP: It gets easier from here, sir.

AL: Nothing is easy.

Authorization to Borrow \$2.625million

PP: In 12-18-09, I am asking that the board approve the *borrowing* of \$2.625million from the loan fund as established in Chapter 169 and make that request of the Secretary of Administration and Finance. That is 12-18-09.

****MOTION PASSES UNANIMOUSLY.**

Appropriations Order Increase for \$2.625million

PP: Thirdly, 12-18-10 is now to fill the reduction the board made in 12-18-08 with \$2.625million which will be dedicated to DPW solid waste expenses. So we reduce the budget to reflect the judge's order, we borrowed the money, and now I'm asking you to appropriate to the proper line item.

****MOTION PASSES UNANIMOUSLY.**

AL: Keep the trash collections going. OK.

Establishment of FY-08 Trash Fee

PP: Just in case you don't have the version which we'll now call 12-18-11. The order before you seeks to address in particular the opt-out and opt-in provisions as discussed in Judge Sweeney's initial decision. What we have done is essentially kept the order in many ways the same, but reflected what we believe the judge's concerns in opt-in vs. opt-out. And we're asking that you accept this amendment. It would become effective July 1 of this year.

CVR: 07, you mean.

PP: I'm sorry. Of 07 which is the beginning of fiscal year 08. It also delegates to the executive director and the mayor the task of creating rules and regulations to properly implement this of which we would be happy to report back to the board at its next meeting in January. That really is a sort of description, sir.

AL: Well, give us two seconds to read it since it's....

PP: I, I do not believe it reflects anything of substance...substantive difference from what you received earlier this week.

AL: What we discussed earlier in the executive session?

PP: That's right.

EP: This is the...this is the...in terms of looking at our options in the litigation, this would be the option I would recommend that the board consider going forward in 08 to.... I think that Judge Sweeney has indicated that the decision she's made to date is preliminary, certainly not based on a review of all of the evidence. Hopefully as we go forward and she does review the case at a trial which is scheduled for February 5, she will see that the existing trash fee for 07 does conform to the Emerson College analysis. However, even with the expedited trial schedule, we would probably have a very difficult time of assuring that the 08 budget would not be effected. So in order to try to conform to the requirements as set forth by Judge Sweeney while continuing the litigation, show her a little...give her a little better idea of what was done with regard to 07, we offer these amendments to solidify that 08 budget.

AL: OK. Any questions on 12-18-11?

TG: I had discussed briefly with you, Mr. Pikula, this draft. And I was concerned about the transition into the program. And, basically, among other things, it says that if a [sic] owner of a piece of property does not by a certain date sign up for the...affirmatively sign up for the program...then that owner is not going to be in the program. And I was wondering in terms of any administration of the program you're going to do to deal with people who want to subsequently get in and people who sign up what you're going to do if they subsequently want to get out.

EP: Sure. I think the details of signing in as a pro rated or signing out as a pro rated basis are something that we'd best deal with in regulations as this does provide the mayor and the executive director to submit regulations and so we would report back to you, I assume, as the director indicated, in January as to the details to allow people to come in or leave on a pro rated basis. But this is just *establishes* the fee, but that's more of a regulatory issue rather than legislative, I think.

PP: And we certainly would intend to have it done, in any case, prior to the trial in February.

AL: OK, so we've already taken the step of setting up the enterprise fund which would...

PP: That's correct.

AL: ...what we're doing anyway, it just coincidentally happened at the same time the case [unintelligible].

EP: Correct and that is one of the, I think the enterprise fund is the best way to assure people that the dollars are specifically going to the trash and so to the set up the enterprise fund, we would probably put together a budget for that at least 120 days prior to the ensuing fiscal year. So that's why I think that we need to start now to assure that 08 is solid while we continue with this litigation.

PP: And if I..with just one other comment is that I know that Councilor Tosado is not here today. He is intending to submit a letter for the record, Mr. Clerk, giving his endorsement for the continued application of the trash fee.

AL: OK . Any other questions?

****MOTION PASSES UNANIMOUSLY.**

Approval of new Tax Rate

PP: Now that we have a balanced budget, sir, we can approve...

AL: ...for the day, anyway...for the moment

PP: ...we can approve the tax rate, and I'd like Mr. O'Malley, Steve O'Malley the assessor, to give the board a brief presentation.

AL: OK. While Steve's coming down, just for the record, to avoid *any potential* perception of conflict of interest, etc. which some people raised last year because technically the tax rate, after it's approved at a local level has to be submitted to the Bureau of Local Affairs at the Department of Revenue, I'm going to recuse myself and turn over the gavel to the Mayor for this item. (He promises he'll give it back to me afterwards, but once he has it, I don't know.) [laughter] So I'll just sit here quietly and not participate in this, but we still have a quorum, so even though Jose Tosado's not here, we can still vote on it.

CVR: All right.

PP: OK, Steve.

City Assessor Steve O'Malley: I would like basically to give you the same presentation that we gave the city council when they adopted the residential factor. We first explained to the city council the increases in the total values for the city of Springfield as approved by the Department of Revenue. We went up about a total of...in the...whoops...sorry. [fools with PowerPoint] We went up about \$761million in residential value or an increase of 15%. We went up about...almost \$45million in commercial, industrial and personal property. With those...increase in those values, our levy went from \$138million

to about \$145.5million. That \$7million increase comes from two sources: our 2 ½% levy increase, allowed by proposition 2 ½, and about \$3.6million in new growth. Of that \$3.6million in new growth, almost \$2million of it is in personal property, growth in personal property.

PP: That reflects a substantive increase of what we had predicted.

SO'M: Correct. We were originally hoping to get \$2million. We came in at \$3.6million. Now that we have a new total levy and a new certified values, we now have to set a tax rate. Historically in the city of Springfield, over the last three to four years, the city has been attempting to maintain what we call the "gap." The "gap" is the difference or the shift that occurs from the commercial values at a factor of 1 to the factor that we adapt. And that factor over the last few years has been about 14%. The Mayor...in consulting with the Mayor and Mr. Puccia, we recommended to the city council that they adapt what we call "the gap factor" from all the tax rates that are available. That produces a residential tax rate of \$16.04 and a commercial tax rate of \$31.91.

JJ: Can you overlook the gap [unintelligible] again?

SO'M: The gap, yes. The gap is if you take the total valuation and you divide the commercial value into that, you get 22%. It's about 22% of the levy. We're going to increase that by 14% to 36% of the total levy to be...

AL: So that's a shift...if we just treated everybody the same...

City Clerk Wayman Lee: Excuse me.

TG: Yeah. You're out of this.

AL: Oh, I'm sorry, I'm sorry. I apolo--I'm going to sit out there [in the audience].

CVR: I thought you said you'd be quiet...

Unknown person: But can't he ask a question?

JJ: Be quiet, please.

CVR: Thank you, Mr. Lee.

TG: This is my favorite part of the meeting.

AL: Shame on me. [Laughter]

CVR: Go ahead, Jake, another question?

JJ: Well, and 14% of additional charges being put on commercial property is just an arbitrary notion someone came up with at some point around here?

SO'M: It's if you go back one [PowerPoint display] it's historically what we've been in the last few years even in the trying to create and establish and continue that shift percentage over the years, so that we don't shift too much or we don't shift too little, we don't reduce the burden of the commercial and shift it all to the residential and we don't shift too much of the residential to the commercial. We're attempting to acquire as much....

PP: It represents for the most part the status quo over the past couple of years. In a perfect world, we'd continue to lower the commercial rate at a rate faster than it is going now, but, based on our discussions, we felt it was, of the tax rates available, sort of a reasonable compromise between residential and commercial consistent with past history is really the...is really the answer.

CVR: I think that's an important point that this issue over the last several years has acquired a history of its own, and so this was an effort to continue on in that same spirit trying to be fair to really both categories of the overall tax. Mr. O'Malley, I was wondering if you could put that [display] on your [PowerPoint screen] for the public to see.

SO'M: The first page, sir?

CVR: I think it's your first page which indicates that the residence is 77-odd percent.

SO'M: They represent 77.7% of the total valuation...

CVR: Right.

SO'M: ...and with a residential factor of 1 or...and this year will be a \$19.58 tax rate for both residential and commercial, they would pay 77.7% of the total levy [unintelligible].

CVR: And I think as everybody realizes over the last several years, the rates are coming down, but with the values going up, the ultimate bills are having increases too.

SO'M: The valuation is increasing faster than we're dropping the taxes.

CVR: Yes, the rate is coming down, yes.

PP: Is it your view that this split recognizes the fact that there greater growth was in the residential segment which is why we have this slight decrease in commercial?

SO'M: I think that's what the...the intention of the gap to kind of normalize that shift, because that's what a classification amendment is really all about. It's about shifting the burden from one class to another. We're attempting to find an equitable way to make

that shift. Year after year...you know, this valuation is a moving target, and it's ...the same things don't happen from year to year. Some years we have a higher percent increase in certain types of residential properties than in others.

For instance, this year, we saw a phenomenal increase in two and three house values in the city. That's because of outside investment.

CVR: Could you put that one on?

SO'M: Yes. If we adopt the factor that we're talking about here, the change in the tax rates. The residential tax rate will go from \$17.00 to \$16.04, the commercial tax rate from \$33.02 to \$31.91. The share of the levy...remember, if you go back to the first page [of the PowerPoint]...the commercial was 22.2%...with this tax factor, the commercial will now pay 36% or that's that 14% gap factor.

CVR: Even though it's 22% of value, it's bearing 36%, 37% of the levy.

SO'M: ...and 77.7% goes down to 63.67%.

CVR: Now in your left-hand column, the next to the last line, the factor shift of .819332, that is really what you're asking this board to vote on today, and by the approval of that as the factor shift, we've taken care of establishing the rate...

SO'M: Correct.

CVR: ...and we would be doing so exactly the same fashion as the city council.

SO'M: Correct. they...the Department of Revenue requires we give them a residential factor that was approved by the city council last Wednesday was .819332. When we adopt that rate, it results and takes into effect the rise in valuations that occurred and the change in the tax rate in 19—in fiscal year 06, the average single family home paid a tax of \$2230. This year, we'll be asking them to pay a tax of \$2347. For the commercial properties, if you look at the last...[searches for slide or printed table]... For the commercial properties, the valuation went from \$405,620. to \$425,320. or an average tax bill of \$13,393. in FY 06 and an average tax bill of \$13,571.96. It's about the same dollar-for-dollar increase between the two classes even though the tax rates are different.

CVR: So your average of \$13odd thousand really is compiled by going all the way from, let's say MassMutual on the one hand to a very small commercial property on the other.

SO'M: The nature of the commercial, industrial and personal property accounts. You've got...you've got small personal property accounts of \$1000. worth of value to a MassMutual which is \$55million and plus in total value.

CVR: OK fine. Are there any questions? Mr. Jacobson...Mr.....?

JJ: Do you have any idea what the medians are rather than the arithmetic averages for both the commercial and the residential?

SO'M: We did...we didn't...I could run that. I might even have done it, but I've got a report here, I've...I haven't identified it on the report. If you like, I could get that [unintelligible] for you.

JJ: Well, it's just...for the residential side of things. If the majority of the increase in value was because of increased rents and therefore the increases in the prices of owner-occupied rental properties and that kind of thing—two and three and four unit places—you might, in fact, be overstating the average single family tax increase here, because it didn't occur uniformly across all the properties. There was a subset of properties.

SO'M: That average is only of the one-family homes.

JJ: OK.

SO'M: ...took the total number of one-family houses and divided it by the total value of the "Class 101."

PP: Do you know it for the multi-families, Steve?

SO'M: The multi-family is that...

PP: Because it's a defined universe...

SO'M: We did...we did not project what the dollar amount on increase for the two-families are. It was about a 24% increase in value, and that's not result of...we didn't use the "capitalization of income approach" to determine the values of the two and three families. That was a very active sales market...yeah...a great number of sales, and the values did significantly increase in two and three family class of properties or class four 104...

TG: 24% increase...is that for what period of time is that?

SO'M: That's for one year.

TG: Wow.

SO'M: That's 06 over 07.

JJ: It's like the third year in a row.

PP: Yeah.

TG: Wow.

SO'M: Yeah. This is the greatest jump we've had in those three years...and a lot of it is...and it's a *very* active market. It's not a sampling of like two or three sales. It's a significant portion on that, that...all those available units turning over. It's not a small sampling.

TG: Very impressive.

SO'M: It's a significant sampling.

JJ: From a...from a process standpoint, presuming that we're still here working on this next year, it seems like rather than starting with an arbitrary notion that there's a gap that you want to maintain, you should look at the values in the surrounding communities where people have a choice of where they want to have their home, and, similarly, where business people can locate. And you might get to exactly the same result—I'm not being predictive here—but, from a process standpoint, families and business people make choices every day, and we should be trying to set the tax rate in a way that we're not giving people incentives to move out of town or things like that, to the extent that we can. So, I mean, look at it competitively before we decide that there's a 14% gap that some wise person in the past created, and see if we can do it that way.

PP: It is in the past; that's correct, sir.

CVR: OK. Very good. Any other questions or observations? If not, I look for a motion on 12-18-01 which would set the residential factor for fiscal year 2008 at .819332.

**MOTION PASSES UNANIMOUSLY.

CVR: And now, Mr. LeBovidge, you're back in charge.

AL: I didn't realize how *hard* it is to sit here and not say anything. You know, it's like, I didn't... Actually, just as an aside, now that I can speak, in the latest edition of *Fortune* magazine, it lists Springfield...they were doing an analysis of different cities and towns in...across the country and in Massachusetts, and Springfield's like the #1 in appreciation of all the cities and towns in Massachusetts.

CVR: *Fortune* magazine?

AL: Yeah...OK...which is good...I mean, no one likes to pay more property taxes, but it's nice to see the property values going up, all right, and ...

CVR: I'm sure Mr. Plaisance [reporter Mike Plaisance] will capture that for the readers of *The Republican*.

AL: OK. Is there anything else on your agendas?

PP: No, sir. Just whether the board would like to go back into executive session...

AL: Well, before we get there, is there any new business?

PP: I don't have any new business, sir.

****MOTION TO GO INTO EXECUTIVE SESSION AND NOT RETURN.**

AL: OK, Well, I'd like to wish all of healthy and happy new year and a happy holiday and merry Christmas for those who celebrate Christmas, and the meeting is adjourned. Thank you.