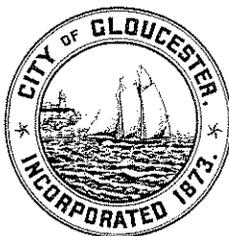


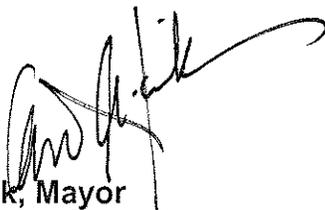
City Hall
Nine Dale Avenue
Gloucester, MA 01930



TEL 978-281-9700
FAX 978-281-9738
ckirk@ci.gloucester.ma.us

CITY OF GLOUCESTER
OFFICE OF THE MAYOR

TO: City Council

FROM: Carolyn A. Kirk, Mayor 

DATE: November 22, 2010

RE: Addendum for the Mayor's Report for the November 23, 2010
City Council Meeting

CITY CLERK
GLOUCESTER, MA
10 NOV 22 PM 12:16

Enclosure 1 is a memorandum for your information regarding the City's FY10 free cash position.

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CITY OF GLOUCESTER
OFFICE OF THE MAYOR

MEMORANDUM

[Handwritten signature]
TO: City Council
FR: Mayor Kirk
RE: FY10 Certified Free Cash
DT: November 22, 2010

Councilors,

Please join me in celebrating a significant turning point in the fiscal health of the city of Gloucester. This milestone is significant in a number of ways:

1. Nine years ago was the last time there was positive free cash certified for Gloucester which was in 2001.
2. When my Administration took office in 2008, free cash was at an all time record low of negative \$3,818,442. It took three years of focused effort to turn this around. Not only did we have to recover the ground that was lost and causing the negative balances, we had to produce positive balances in the fiscal year for which the free cash is being certified (FY10).
3. The turnaround was made more difficult because of the local, state and national recession and the corresponding multi-million dollar loss of local and state revenues.
4. Positive free cash is a sign of fiscal health and discipline. For any fiscal year, it demonstrates:
 - a. Accurate and conservative budgeting on revenues;
 - b. Effective oversight of expenditures;
 - c. Strong tax collections;
 - d. Elimination of deficit spending and spending beyond our means;
 - e. Appropriate responsiveness to volatile conditions as a result of the recession, i.e., with mid-year cut of state aid and local revenue estimations, the city cut expenses mid-year in response (FY09).
5. Positive free cash has been certified by the DOR in the Water, Sewer, and Waterways Enterprise accounts as well which demonstrates good financial management across-the-board. See Notification of Free Cash Approval from DOR dated Nov. 18, 2010.

TEAM EFFORT

Many people worked diligently to achieve this milestone, and we would like to recognize them:

- **Mayor's Office** – myself, and Chief Administrative Officer Jim Duggan have focused relentlessly on this goal, analyzing the problem, and executing a plan to solve it.
- **Jeff Towne, CFO** – Jeff Towne has been the force behind the effort to systematically close out deficits, and drive forward budgets that represent the Administration's philosophy of spending restraint and conservative planning. To improve the city's financial position during an historic recession will pay dividends to the citizens of Gloucester in the form of improved quality of life for years to come.
- **City Council Budget & Finance Chairman / City Council** – Steve Curcuru's leadership role on Council and liaison role with the City Auditor's office was instrumental in ensuring the plan was carried out to the satisfaction of the City Council. The Administration is grateful for the Council's dedication to restoring fiscal health to the city of Gloucester.
- **Collections Staff** – diligence and many times compassion in collecting overdue taxes was shown by staff.
- **Kristen Lindberg, Fiscal Analyst** – secured a \$1.2 million reimbursement from the state on the Title V program after the city fell behind in its paperwork
- **Department Heads** – all cooperated to clear up deficits that were in some cases many years old but contributing to the negative free cash position
- **Tom Markham, School Business Manager** – cooperated in clearing up deficits occurring in school accounts.
- **City Auditor** – In June 2010, Kenny Costa stepped right in and brought his considerable experience to bear to finalize the transactions and paperwork to the satisfaction of the DOR

In keeping with the Administration's financial philosophy of spending restraint and conservative planning, we are pleased to submit the following free cash savings and spending plan. NOTE: Transfers will be forthcoming.

AMOUNT	DEDICATED PURPOSE	EXPLANATION
\$750,000	Stabilization Fund	No significant deposit has been made to the city's slim stabilization fund in nine years. A financial goal of the city is to build a combination of fund balance and reserves of at least 5% of operating revenues. Balance of stabilization fund as of 6/30/10 is \$1,542,721. This deposit will bring the level up to \$2,292,721. See chart.
\$500,000	Fund Balance Retention	Fund balance is the reserve held for operating expenses. Fund balance is also very slim. 5% of fund balance and stabilization reserves is our target and approximately \$4.5 million which is still on the low side of healthy.
\$200,000	School Buildings	This represents a reimbursement to the snow and ice account which was tapped for emergency repairs of school buildings for the start of the school year.
\$150,000	School Buildings	This represents the anticipated additional repairs needed this year to school buildings according to the DPW Director.
\$130,000	Pension Payment Shortfall	This is a reimbursement to the Workmen's Comp. account which was tapped to make up a shortfall in the pension line item when an anticipated pension reform failed to deliver the savings that Gloucester was counting on when the FY11 budget was set.
\$200,000	Employee Contracts: \$150,000 City \$ 50,000 to add to School contract line item which was budgeted at \$100,000	Most employee contracts have expired. No funding was carried in the city budget to settle contracts, however, the school budget carries \$100,000. This brings the total amount to settle city and school contracts to \$150,000 each for FY11.
\$27,000	High School Locker Room	Per the Superintendent's request for a "clean start" for students, this represents the amount required to repair damage that has occurred over a dozen years to the boy's locker room at the High School.
\$10,000	O.P.E.B.	This is for the establishment of a stabilization fund as recommended by the CFO and City Auditor for the purpose of funding liabilities for Other Post-Employment Benefits (OPEB), e.g., health insurance
\$25,293	Reserve for City Council Appropriation	The Administration recognizes the constraints under which all departments have been operating for the past few years. It is prudent to set aside a small amount for the Council to appropriate as it deems necessary.
\$1,992,293	TOTAL	CERTIFIED FREE CASH FOR FY10

Carolyn Kirk

From: recapdata@dor.state.ma.us
Sent: Thursday, November 18, 2010 11:26 AM
To: ckirk@ci.gloucester.ma.us; Jeff Towne - Treasurers; Kenny Costa - Auditors; Mary Richardson - Auditors
Subject: Freecash Approval Notification for Gloucester

Massachusetts Department of Revenue Division of Local Services
Navjeet K Bal, Commissioner
Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

Thursday, November 18, 2010

Kenny Costa
City Auditor
City of Gloucester

Re: NOTIFICATION OF FREE CASH APPROVAL - Gloucester

Based upon the unaudited balance sheet submitted, I hereby certify that the amount of available funds or "free cash" as of July 1, 2010 for the City of Gloucester is:

General Fund		\$ 1,992,293
Water Enterprise	Enterprise Fund	\$ 324,152
Sewer Enterprise	Enterprise Fund	\$ 1,163,595
Waterways Enterprise	Enterprise Fund	\$ 545,638

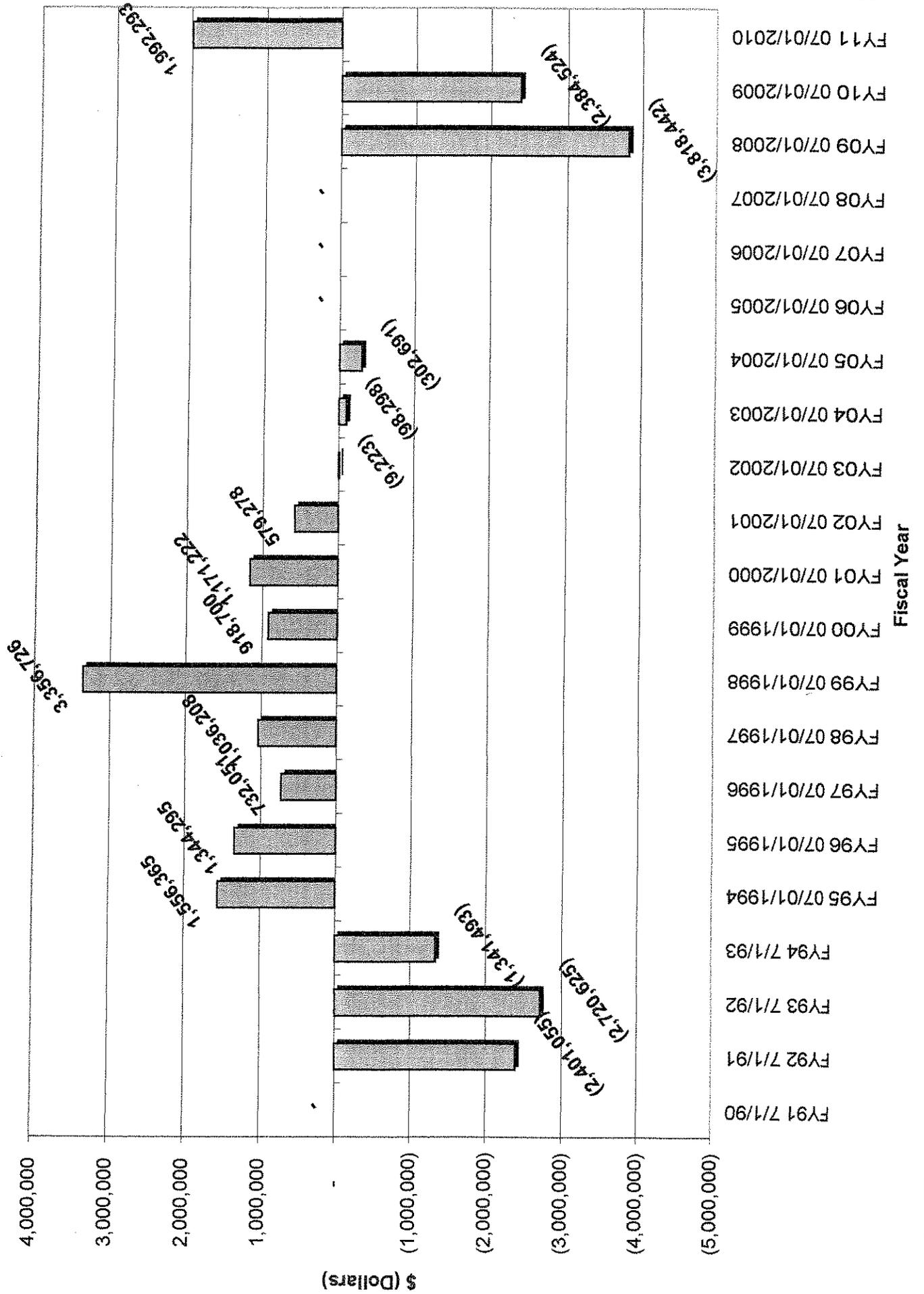
This certification is in accordance with the provisions of G. L. Chapter 59, §23, as amended.

Certification letters will be e-mailed to the mayor/manager, board of selectmen, prudential committee, finance director and treasurer immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory. Please forward to other officials that you deem appropriate.

Sincerely,
Gerard D. Perry
Director of Accounts

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager at postmaster at dor.state.ma.us.

Free Cash FY1991 - 2011



Stabilization Fund Balances

