

Speech to the city council in support of veto

Good evening.

Tonight we are here to deal with the tax rate increase and my two vetoes of the tax rate set by the city council. This is not a budget hearing, no matter how we vote tonight there is not a single extra dollar that is put into schools. It is not a hearing about school repairs but I will certainly address that issue.

Veto of Classification Rate

Let me start with the vetoes. The tax rate set by the city council last week, or at least the tax rate which the council intended to set, raised taxes by an average of \$222 for the average residential homeowner in the city. **This is an increase 5.1 %** if we tax to the full FY 2019 levy. This would be the largest tax increase in at least 28 years since 1990.

This is on top of the increases in previous years—taxes have gone up 31% for the average residential homeowner in the past ten years and on top of the \$57 in water increase this year, and another \$36 increase in water and waste water rates the coming year. A 5% increase in taxes, the largest increase in decades, is not the cost of a cup of coffee as some have portrayed it, and it is not a small item as others have portrayed it. The average residential tax bill in the city is going above \$4,000 for the first time.

Commercial taxes will go up by \$384, an increase of 2.4%. Industrial rates will go up by only \$902 and increase of 3.7%. I felt this was an unfair burden to the residential taxpayer which is why I vetoed it.

Budgets and taxes, as I mentioned two weeks ago, are about a balance. We need to balance the very real need to recruit more business with the ability of our homeowners to pay and their willingness to pay.

Now granted this is due to an increase in value but that is exactly what the classification system is all about. I recommended last week that we go to 165 which would have given homeowners some relief. That is still my recommendation but I am willing to compromise this at 163.

After meeting with the Chamber of Commerce this morning, I also recommend that we increase the property tax exemption we enacted a few years ago from \$3,500 to \$5,000. This will provide some relief to the small Mom and Pop stores, the businesses operating out of their homes, and small entrepreneurs.

Veto of the Levy

Let me deal next with the levy. I am aware that the council intended to tax at the full FY 2019 levy and not dip into the levy reserve of \$3.1 million. I am not in any way questioning your intentions. There is some question of whether last week's vote inadvertently did so, but I know and have said publicly that this was the intention. I take the council at their word and as I have said to the many of my supporters who are here tonight, everyone here tonight is doing what they feel is best for the city.

Again this has to be a balance. Of course there are issues in the city, which is why we have a budget, why we have budget hearings and why we have dramatically increased spending, particularly in the school department, over the past few years. But, again, this is a balance. We have to balance the school department, with the police department, with the highway department and with the ability and willingness of our taxpayers to pay.

We have to consider in that balance that we had a record year last year with a \$12.3 million budget surplus. We have enough money to meet many of our one time needs and still not tax to the maximum we can tax too. Our permanent needs, like funding for the school department, will be dealt with at budget time, not here. It should be noted that neither the former superintendent nor the current superintendent have requested any additional funding for their operating budget, although there are some capital needs which I will address in a few moments.

Of the \$12.3 million in free cash, here is a rough outline of the plan for that money, because everything should be the process of a plan and a thoughtful process.

We will take about \$5 million, as we need last year, and use that to balance next year's budget. Then we will take about \$4 million and carry that forward to the FY 21 budget as we do every year.

That leaves \$3 million. I propose that we take \$2 million of that and use it-- \$1 million to reduce the levy and provide some immediate relief to our taxpayers and \$1.1 million to fix some immediate problems that need to be fixed. I recommend an additional \$1 million in stabilization.

After speaking with Councilors I am willing to compromise on that and use \$1.5 million for capital improvements and tax \$900,000 below the levy. Now this is not a budget, there are many problems that we address at budget times, but there are some things that need immediate attention.

Again, this is a balance. I did not do as was done in Lowell and Lawrence and come in and propose no tax increase at all. When Lawrence had a budget surplus they did one year of no new taxes at all. When Lowell had a surplus, they did two years of no new taxes. Our constituents would be thrilled, but it would be the wrong thing to do. Cities that have done this one time give away almost always find that the taxes have to go up more the following year. I proposed what I thought, and still think, is a reasonable balance.

Fixing what needs to be fixed

Let's talk for a moment about what needs to be fixed and how we fix it, and let me start with school roofs.

Over the weekend of November 17 and November 18, ten days ago, we had torrential rains in the city. Many of our roofs leaked, and many homes throughout the city have leaking roofs. The highway department roof also leaked.

Let me explain the process about how these get fixed because there has been a lot of misinformation about this.

The school department has its own maintenance department. They have a computer work order system. They have an annual maintenance budget of about \$3.5 million, five fully trained maintenance personnel and an entire school department of custodians, all of whom are trained to do some light maintenance work. The city does not run the school maintenance department, which is a separate entity. Of course we work together.

We also have and have had since I took office, a regular system for calling outside repair people. Every year we go out to bid and we solicit bids from companies to do electrical work, plumbing work, make repairs to sidewalks and roadways when our own crews were not available and we have a company to repair school roofs. We have one company, JNR Roofing which won the bid and is our emergency roofing contractor. We also have a list of other roofers that are certified to do roofing work and have done roofing work in the past for the city and the schools. If a roof leaks, the standard protocol is that the roofer is called immediately and the roof is patched immediately so as to prevent further damage.

Unfortunately, during the entire hubbub about the leaky roof at the Consentino, for whatever reason, the school department did not follow this protocol. Tiles were left on the floor, and not replaced. School department personnel came in and took video tapes of the water leaking, teachers and principals set up cones, sectioned off areas of the school. City councilors, school committee members and union presidents went out and did videos and Facebook posts hurting the image of our city. I am saddened to report that no one called the roofing company.

Yesterday I picked up the phone, called the school maintenance director and tried to get answers. She was out for the day. I then personally called the roofing company, and spoke to the company owner. I asked him rather pointedly why he hadn't repaired the roof and why the children had to go to schools like that because ultimately it is about the children and it is not fair to them. He said that up until I called, no one had called him about the roofs. I have a letter from the roofer in my file verifying this that no one called until I called. It is not the job of the Mayor of the city to personally inspect roofs or to personally call the roofing company, we have an entire school maintenance staff to do just that, but I did so.

I want that to sink in for just a moment. No one in the school department, no one in the maintenance department, none of the people in the union who are making videos, bothered to call the roofing company that we have on call just for these purposes.

If the roof to your house was leaking, what would you do? Would you call your boss and demand a pay raise? Or would you call a roofer?

I heard the maintenance for the school department get up here before the city council and state that the school department does not have and never had a maintenance plan and she would come in and prepare one. This is simply not the case. The schools have long had a written maintenance plan. I have a copy attached to your packet and we will have it on our web site shortly.

In 2013 we submitted that maintenance plan to the State to get approval for the Hunking school plan; you cannot get money from the state unless you have a maintenance plan. The state approved our plan, they liked it, and we have received a bonus of \$750,000 for that maintenance plan which the State approved.

Yesterday when I called, I am sorry to report no one in the school department was able to locate their maintenance plan. I provided them with a copy and I have a copy for all of you tonight.

I also discovered yesterday that the school department put in an insurance claim for damage done to school roofs in last year's wind storms. They have \$140,000 in money that they have never touched to fix school roofs. Neither our new superintendent, and I am not criticizing her here she is new, nor the new school maintenance director who is also new, knew about the maintenance plan, nor did they know that they already had money in her budget to fix roofs nor did she know that there is an on call roofing company. Instead of calling the roofing company that is on our list to make repairs, or calling the backup roofers that we often use, they chose to call two other roofing companies to ask them for estimates which we still do not have.

I have come to the conclusion that the roofing problems, which some have chosen to politicize, is not a tax issue, it is not a budget issue, it is not even a roofing issue. It is a management issue. I am the chairman of the school committee, roughly the equivalent of Council President Michitson's position. I will put this on the agenda for the next school committee meeting and see if the department in charge of this, the school department, can straighten this out. The superintendent said today that issue was not handled well, and I will give her a pass because she is new. I remind everyone again: the school department is in charge of school roofs and repairs, not the city. Of course we are there to assist, but the first line of responsibility is theirs. Let's work together and straighten this out.

An Outline of the School Roof Problems

Now let's talk about a solution. Our basic job isn't to post things on social media and politicize this, as some elected officials and the school union have done. Our job isn't to point fingers and assess blame. Our basic job is fix problems. Let's talk about working together to fix the problem.

I have now met several times with the school superintendent about the roof issue. There is more assessment to be done and more fact gathering that needs to be done, but here is what we know so far:

There are three roofs with three separate problems.

JG Whittier Roof

The John Greenleaf Whittier roof is a new roof; it was installed in 2007 or 2008. It has not failed, and no we do not need another roof. It has a leak over the boy's locker room. The total cost of repair is \$10,000; we have an actual estimate for that amount. The school maintenance budget is about \$3,425,000. They have \$140,000 in an account they did not even know they had to patch roofs. We most certainly do not need to raise taxes to fix a \$10,000 school roof problem. I have asked the superintendent to get this done as quickly as possible and I am sure it will be.

High School Roof

The High School roof is more of a problem but again manageable. The entire high school roof was replaced around 18 years ago when Mayor Rurak was Mayor. I know because I was on the city council then, and I climbed up a ladder, got onto the roof and saw them replacing it.

From what I have been told right now, and I do not have all the information, two sections of the roof have problems, the roof over the gym and the roof over the pool. I have asked the roofer to go up, give us an assessment, and tell us what needs to be done. The way it works is that if the cost of repairs is under \$100,000 it is considered a repair and the school department is responsible for it. If it exceeds that amount, it is a capital improvement and we are responsible. However, I have assured the superintendent that I will not be a stickler on this and if resources are needed, we have them and will assist. I have asked that we set aside \$200,000 to make repairs.

It may be that we need to put in an application to the State for their emergency repair program to assist us. Once again, we need to act to calmly collect the fact, and fix the problem. It is not necessary to raise taxes to fix the high school roof. If our worst case situation came to be and the entire roof failed, which right now it has not, and the State refused to assist us, we would float and bond and replace the roof. We would never replace a roof out of free cash that would be a very poor management and financial practice, we would bond it.

Consentino Roof

This brings us to the last of the roof issues, and most serious one, the Consentino roof. The Consentino needs a new roof. It can probably be patched for the present but in the long run and even fairly quickly it needs a new roof. It also needs a new ventilation system, a new IT system and more. Finally it needs more classroom space, the school is overcrowded.

We knew this, so in April of 2017 we submitted what is called a Statement of Interest to the State to ask them to pay for a complete renovation of the Consentino School including a new roof. We were

rejected in 2017, and over the objections of several city councilors who said we would be rejected; we filed a new application in April of 2018. This time, we also spent \$20,000 for an engineering company to go out and do an assessment of the school. We used that application to bolster our case with the State. A few weeks ago, I convened a meeting in my office of the State legislative delegation. We asked them to submit a letter in support of our application and they were kind enough to do so.

We expect to hear from the State in mid-December, December 12 or 13th. I am cautiously optimistic that we will get State funding for the Consentino School. If I do not say so myself, we have put in a tremendous application and I am very hopeful.

Now I want to make it clear, I am not just looking for a new roof at Consentino. These kids deserve better than that. They deserve an entirely new or completely renovated school, just like we have in Bradford. I am going to push for that, and champion that, if and when we get the State funding. The State called today and asked if the community would support this, is the community on board. I do appreciate all the people being here tonight and I will tell them, there are things that divide us, but I believe we will all be united about redoing the Consentino.

But then we have to figure out two things:

First, we need to figure out a way to keep that roof going until we get the State money because that takes a few years.

The superintendent and I have been working together on this. We met yesterday and today and we have been in touch with roofing contractors, engineers and a person we use for the city as our OPM, what was formally called a Clerk of the works. Now I want to make it clear that in the long run we need a new roof, but we have to get this patched immediately the kids deserve that.

The company reported back to us today that it will be approximately \$25,000 to do put in a temporary patch on the roof which would not include the cost of the OPM. I recommend that we set aside \$65,000 for this which should cover this. We do not need to raise taxes to the maximum levy amount to fix the Consentino roof.

We need a new school at Consentino

Then we need to figure out a way to fund our portion of the new or newly renovated school. This will be millions of dollars. I am hopeful that we can put together a plan to pay for that without a debt exclusion, but it will not be easy. The path I am suggesting tonight, to keep money in levy reserve, is critical to that strategy.

I want you to consider with me the history of our city and then take a look with me at another city.

The amount we do not tax is called a levy reserve, or excess levy capacity. It is quite true, just like any other tax, that for the year you do not tax it you do not get the revenue, but the ability to get that in future years is not lost, unlike a permanent lowering of the levy amount which is called an underide.

Having a levy reserve is critical to being able to get these kids what they need, a new or completely renovated school. The alternative is to tax to the maximum of our levy every year, and then when we need to come up with a large amount of money to pay for a new school to ask for override or debt exclusion. This almost never works, it failed twice in Haverhill, under Mayor Rurak and under Mayor Guerin and it is a very high risk strategy. Both of their debt exclusions to fix schools went down to overwhelming defeats. The key to the Consentino is to put together a plan to redo the school without a debt exclusion. That is how Lowell is building a new high school right now without a vote and without an override. Not taxing to the max is critical to this plan and strategy, that gives us a levy reserve we can draw upon if we need it, and hopefully we do not, to pay for our share of a new school.

Taxing to the max today and spending it all today is a sure fire way to not have enough money to build a new school tomorrow. Don't these kids deserve better?

Funding Schools

I know that there are a number of people here who want schools funded at a higher level. More funding certainly means higher salaries but it does not necessarily mean better performance. There is no study anywhere that I have ever found that says that just increasing per pupil expenditures improves school performance. What improves school performance is extended learning time and the grade level reading program among other things.

Despite that, we have worked hard to improve funding for our schools and that will continue. The advocates point out that there are many cities where we fund less per pupil and that is true.

It is also true that we are well below average in per capita income. Of the 34 communities in Essex County, we are 31 in terms of per capita income. We are also well below the State average in per capita income.

It is also true that we have had some the largest percentage increases in funding two years in a row without taxing to the max. It is also true that right now today, even without considering last year's big increase to school funding, we fund more per pupil than many many other cities including North Andover. It is also true that our class size, according to the very study that the union likes to cite, is almost exactly equal to the State average and our performance is improving, at some schools fairly dramatically. I am nowhere near satisfied in education, I believe that we need to do better, but I am not convinced that raising taxes to the maximum level possible is going to do it.

Conclusion, Do not Tax to the Max

Let me sum this up and again reminding everyone this is a tax hearing, not a budget hearing. I know that there are some very good and well-meaning people here asking you to invest more in schools and I agree with that.

I said when I wrote to you initially that I knew that there would be numerous people who would be angry if we did not tax to the levy limit, many of them are my friends, and some of them are here this evening. But I also said that for every single person angry if we do not tax enough, there will be 100 people who are angry if we impose a tax of this magnitude. Some of them are here this evening also.

That group, the taxpaying majority, was represented in my survey and some of them are here tonight.

This was by far and away the most popular survey I have every conducted with over 1500 responses. Normally I get 200-300. Taxes really get people's attention.

An overwhelming majority of residents, 81.6% of people, opposed the efforts to tax to the levy limit, tax to the max I call it. Only 17% of residents wanted to increase taxes to the levy limit.

A plurality of residents, 45%, felt that our taxes were reasonable for the services we render. But 36% of residents felt that taxes are already too high. Only 8% of you felt that "taxes are too low for the services we need." In other words, seven times more people felt that real estate taxes are already too high, than agreed with the majority position of the city council that we need more taxes for better services.

You have the power tonight to override my veto and completely own this upcoming tax increase an increase of 5.6% the largest increase in decades. I strongly encourage you not to do so and instead to work with me to build our levy reserve not because we do not value education but because we do. Give us the reserves necessary to have a chance to totally rebuild the Consentino School and give OUR children what they need and what they deserve, a brand new school. Thank you.