

DEPARTMENT OF CITY CLERK

CITY HALL

JANUARY 4, 1988

The Committee on Finance meets this day in Committee Room "A", City Hall, at 4:00 o'clock P.M.

Present: Chairwoman Brassil, Councilmen Dillon, O'Connor and Farmer.

Also present are Director of Administration Simmons, Mayor's Chief of Staff Pallozzi, City Internal Auditor Woerner, Chief Engineer of the Water Supply Board Domenic Mainelli and James Lombardi. (Rose M. Mendonca, Clerk)

1. Request of Lois Evans, an employee in the City Assessor's Office, for a leave of absence from February 29, 1988 to March 31, 1989 due to maternity reasons.

Chairwoman Brassil informs the members of the request of Lois Evans, an employee of the City Assessor's Office, for a Leave of Absence from February 29, 1988 to March 31, 1989 for maternity reasons. City Assessor Littler has approved the requests.

On motion of Councilman Dillon, seconded by Councilman Farmer, it is voted to approve the request of Lois Evans for a Leave of Absence from February 29, 1988 to March 31, 1989.

2. An Ordinance making an Appropriation of Fourteen Million Six Hundred Twenty Six Thousand Nine Hundred Ninety Seven Dollars (\$14,626,997.00) for the support of the Providence Water Supply Board for the Fiscal Year Ending June 30, 1988.
3. An Ordinance Establishing the Classes of Position, the Maximum Number of Employees and the Number of Employees in Certain Classes in the Water Supply Board and Repealing Ordinance Chapter 1986-34, approved June 26, 1986 as amended.
4. An Ordinance Establishing a Compensation Plan for the Water Supply Board and Repealing Chapter 1986-35, approved June 26, 1986.

Chairwoman Brassil states the first Ordinance is to appropriate \$14,626,994. for the support of the Water Supply Board for the fiscal year ending June 30, 1988 and also the accompanying ordinance, the classes of positions and compensation ordinances.

Chairwoman Brassil suggests the previous three Ordinances for the Water Supply Board presented to the City Council on 8/6/87 be postponed indefinitely in Committee.

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On motion of Councilman Dillon, seconded by Councilman O'Connor the Ordinances are Postponed Indefinitely in Committee.

Chairwoman Brassil requests Mr. Mainelli review the Water Supply Board budget with the members of the Committee.

Mr. Mainelli: You have a copy of the Ordinances which we have submitted. The 1988 budget is in the amount of \$14,626,997., which represents an increase over the 1987 budget which was \$11,297,900 or an increase of \$3,324,179. There are a number of items increased obviously. I'll just give you a brief rundown of them. The taxes increased \$200,000; Insurance Workman's Compensation increased \$200,000; Fleet Leasing increased \$200,000; the Cost of Chemicals \$200,000; Street Repairs increased \$70,000; FICA \$100,000; purchase of meters \$80,000; City retirement fund payments \$40,000; Union retirement payment to the City \$40,000; Capital improvements \$460,000. that were non-budgeted in 1987; Consultant Fees \$75,000; heat, light and power went up (to) \$90,000.; Data processing and computing \$60,000 auditing \$13,000; telephone \$10,000; laboratory supplies \$15,000; repairs \$125,000; rate filings \$71,000.

Chairwoman Brassil: Do you want to go through them again so you can write them down. Would you go through them once again so he can write them down.

Mr. Mainelli: Taxes \$200,000; insurance/workman's comp's \$200,000; fleet leasing \$200,000; chemicals \$200,000, street repairs \$70,000; FICA \$100,000; meters \$80,000; City retirement \$40,000; Union retirement payments to the City \$40,000.; capital improvements \$460,000; Consulting fees \$75,000; heat, light and power \$90,000; data processing \$60,000; auditing \$13,000; telephone \$10,000; laboratory supplies \$15,000; repairs \$125,000; rate filings \$70,000; salaries \$1,250,340;

I would like to explain the salaries because actually it is not exactly all the salaries. Of that \$1,250,340., \$270,000. of that was overtime. Union raises represented \$116,550. New - 15 new union positions \$292,851. New management positions - 12 of those - \$384,040. Deleted union positions were \$19,926.

and deleted management positions \$87,367; Management raises \$123,951; those are existing management people who are there now. Funding that's less than 100% in 1987 budget are not funded yet.

Of the 15 new union positions, six are filled and six are unfilled. That's where the funding will go with less than 100%. At any one time we do carry 24 laborers on our payroll. What we did was include a worker's comp. claim that went up. We only funded 19 of the laborers' positions even though we're carrying 24 bodies. That's where the \$170,241. comes into play.

Councilman Dillon: So I'm on your payroll, and I'm budgeted in your payroll.

Mr. Mainelli: If you're on my payroll or our payroll, and you're out on say a worker's comp. injury, because we're self-insured because we have insurance coverage paid through worker's comp.

Councilman Dillon: You do?

Mr. Mainelli: We do. You're removed from our payroll. At any one time we can have maybe 10 or 12 people on injury.

Councilman Dillon: Okay, so you budgeted for me at the beginning of the year.

Mr. Mainelli: We budgeted at the beginning of the year, but we're not spending any funds for you because worker's comp. is paying you through the insurance coverage. We're not expending that fund,; we're not expending any money out of the line item. What we did was we backed off those positions siguring that any one time they would be vacant during the year. That's what five filled positions are.

Councilman Dillon: You said you had 15 new and then you have 12 that you're going to fund fully.

Mr. Mainelli: No It's 15 union positions.

Councilman Dillon: That's altogether.

Mr. Mainelli: No, it's 12 management - 27 altogether.

Chairwoman Brassil: Now, half those are filled. We're funding them because they were in the budget last year. We're funding them this year. There's a payback, they've run into a deficit; now, what about a million and a half a year and they've asked for \$2.5 million now - that's some of the money so I suppose that's why they appeal the City. Do you understand where that breakdown comes now? The positions are filled now and are being paid. We just didn't appropriate the money.

Chairwoman Brassil: Yes.

Mr. Mainelli: That's right, we didn't appropriate the funds for them.

Chairwoman Brassil: Would you explain about going for the rate increase and the payback.

Mr. Mainelli: I'd like to get to that at the end.

Chairwoman Brassil: Okay, you do it your way.

Mr. Mainelli: With the management positions we have 12 new positions of which 6 are filled and 6 are unfilled. If you look at the \$1,250,000., that's not all salaries, per se. There are a number of items in there to make up that. Actually, we went through this; we pulled out the positions, the salaried positions were greater than 12½ % in management, and there are only six.

Chairwoman Brassil: 12½% increase in this year's budget; you can see it on that sheet there, the third page, it starts the percentages all broken down about the third column over.

(Referring to the Draft for 1988 Planning submitted to the members)

Mr. Mainelli: We went through and pulled out those that were greater than 12½%. There are six there which comprise the Director of Operations, forest supervisor, which is vacant at this time, land management specialist, principal bacteriologist, Supervisor of the water shed and lab supervisor, so that really narrows it down. I think you've a better insight as to what those numbers are. As you know, the Water Board has been operating at a deficit for a number of years and backtracking on the salaries for a minute. What we tried to do was to - my feeling is that I want to fill all the positions.

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The Board, and I've been there three months, and I have come to a number of conclusions. One of them is that we're tremendously understaffed. We need these positions to be filled and also the salaries have to be raised to be comparable as to what is out in industry, and unless we do we're going to have some real problems. We have had a number of people leave for higher wages. We had our chief electrician who did all our electrical work at Scituate leave to go into industry because he got a \$5,000. a year raise.

Chairwoman Brassil: What was he making there?

Mr. Mainelli: He was making \$19,000+. This young man had a college degree - anything that went wrong on the board, he did the repairs; he did the monitoring. We lost him. I think we're going to lose one of our water supervisors who is monitoring the boards to Connecticut to take a job running a small water company in Connecticut. She's going for an \$8,000 increase.

Councilman Farmer: How much was she making?

Mr. Mainelli: She was making \$21,000. Despite what you might think, the wages are lower than what you would find in industry. We're having trouble keeping chemists. Last week I had all I could do to hold the top chemist at Scituate who was very unhappy with the wage scale who was looking for a position. I don't mean to sit here and tell you a tale of woe but these are the facts. You cannot get good people. We need a principal chief engineer to replace Eddy Bondareski who is leaving in two weeks. I don't know where we're going to get somebody with his knowledge and his background at that pay scale.

Chairwoman Brassil: Is he retiring?

Mr. Mainelli: Yes. And I have nobody that I can put in that position who knows hydraulics like Eddy does. We have one professional engineer, one registered engineer, on this staff and he's only working two days a week. You just cannot operate a system like that.

Chairwoman Brassil: What do you pay an engineer, a qualified engineer?

Mr. Mainelli: Eddy is getting \$35,000. right now.

Councilman Dillon: You're saying that's not enough.

Mr. Mainelli: No way - a man who knows his business with 30 years experience.

Chairwoman Brassil: Barbara Poirier works in City Clerk's office. Her son is an engineer with Con Edison out of New York, just started at \$36,000. out of college.

Chairwoman Brassil: My son-in-law - I thought the City's salaries were high. My son-in-law was going to go into teaching and they said if he'd stay, he's not an engineer, he's a history major, but if he would stay on where he's working they would give him \$37,000.

Mr. Mainelli: We have a real problem there in staffing, in keeping the people that we have. I am concerned about losing more people. I don't know what we're going to do about it. In the technical areas - chemists particularly - we've got real problems. One of the aspects of what we have to address is the EPA regulations which go into effect starting this month and also by June. We're now conducting 12 tests of water a day and by the end of 1990, we will have to conduct over 100 tests - that means collecting the samples, getting them to the laboratory, analyzing them and getting the results. The EPA regulations concerning the operation of the treatment plant, EPA which is the Environmental Protection Agency, made an inspection back in August, I believe, and they wrote a hundred page report on problems with the Providence Water Supply System and the recommendations that have to be addressed. They are going to cost millions of dollars by the time we have to implement all these measures - they involve water treatment, transmission, sampling and testing, problems with the water shed - the whole gambit of water supply systems. Congress has passed the Safe Water Drinking Act which involves all water suppliers, purveyors of water, throughout the United States. We're fortunate at Scituate but we have a filtration system. The City of Los Angeles does not have a filtration system and they're spending millions of

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dollars to put in a filtration system because that's required by EPA. In June we're going to have to send out a notice to each one of our suppliers that our system contains lead and the water may be hazardous to your health.

Chairwoman Brassil: Because of the lead in the pipes?

Mr. Mainelli: Because of the lead in the pipes. Now I intend to fight that but these are the things that are coming up that we're going to be required to do.

Chairwoman Brassil: How much lead does our water actually (tap water) contain that comes out of the tap?

Mr. Mainelli: We don't have a problem with lead but we have lead surfaces, lead joints and what EPA is trying to mandate is to replace all the lead in your systems which is, the numbers are astronomical. Take every lead surface in our system, I foresee that probably in the next ten years we may be forced to do that and EPA is saying you do it but we're not giving you any money.

The other thing is that you may think the Providence Water Supply System is a Providence system. It isn't. This was a rude awakening for me because I really got an education. I was hired by Mayor Paolino to run the Providence Water Supply System but as I told him, you never told me about your in-laws. PUC regulates the rates of the Providence system. They tell us what we're going to charge. They tell us who we're going to supply. EPA tells us what we have to do to guarantee and provide safe water but they don't give us any money. The Rhode Island Department of Health tests our waters and checks up to see that we're giving proper water and if something goes wrong, the phone rings. I had that experience the second day on the job. The Department of Health calls me and says we've got a problem - what are you going to do about it and telling us we want a chlorine tank at Neutaconkanut right away because we've got a problem with your water. Well, the problem was in the people who were making the sample and we corrected that but this is an indication of

what they can force you to do.

The Department of Environmental Management has a say in the water shed at Scituate. The Department of Transportation controls and has access to the roads over our water shed. The Finance Committee here tells me, advises me on the budget. The City Council approves the budget so all these agencies, all are pouring into the Providence Water Supply System and telling us what we have to do so it's not an agency that's run just by the City. When I go before the Public Utilities Commission, they want to know whom I'm servicing and what rates we're charging. They're concerned about how we're charging Providence. Are we charging Providence less than Warwick or the other outlying districts. They want assurances that everybody who's working is on the payroll. They want to know what we're spending our money for. These are all aspects that you should be aware of as far as the operation of the system and, believe me, it's been an education for me because this is not the system that I knew years ago. It's very, very involved and there are so many other agencies telling us what to do, and Providence is going to have to address this issue.

This budget reflects some of those concerns of mine. You notice that I've got \$460,000. for capital improvements which, believe me, is a drop in the bucket. \$100,000. of that is going to be spent right away because we need a backup generator at Neutaconkanut Hill. If the power goes out at Neutaconkanut Hill tonight, we don't have any backup. It means we have to call Massachusetts and get an emergency generator on a trailer and park it beside Neutaconkanut to get it going. We're getting a consultant firm to come in and design a whole new generator backup system so that when the power goes off, automatically the diesel generator goes on and the pumps are operational. We had a breakdown at Neutaconkanut on Saturday night. We had a breakdown at Neutaconkanut on Christmas Eve. Fortunately, our water consumption is way down right now, but if this had happened in August, it would have been a real problem because

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half of Neutaconkanut was out of operation. There are a lot of problems. I think you should all be aware of it. There are serious problems and we're going to need the money and the people to address these problems.

The budget is \$14.6 million and what we did was we came up with a minimum and believe me, we've been through this maybe a dozen times, with various people on our staff starting back with Wiley Archer and then I came on board and reviewed it again. It's down to a minimum but I tell you it's not enough - nowhere near enough. What we did was we came down with a \$14 million and then we said this is what we need to operate the system. Of that \$14 million, we are going to a rate increase of \$19 million. That rate increase is the \$14 million in the budget which you see here plus \$1,287,000. for city services which the city provides for purchasing, the whole bit.

This is the budget and I'm trying to give you an insight to where we are going, future overhead, etc. We owe the City \$1,287,000 for city services which the city provides. In addition we want to give the City \$900,000. a year which is a return to the City on their equity. In other words, the city owns all the systems and we want to give the city \$900,000. a year as a return on their equity plus there is a cash deficit of \$2,489,000, so those together give you the \$19 million for which we're going to go for a rate increase. That rate increase, we figure, reflects upon Providence residents will increase their annual bill \$25. a year. It will affect the outside Providence residents about \$40 a year. Now, bear in mind this is a minimum budget. It's bare. I think consumption went way down especially when the sewer tax went up. I'm pretty sure Wiley Archer told me that consumption went down. The consumption was under budget.

Councilman Dillon: We lost revenue, too.

Mr. Mainelli: Right.

Councilman Dillon: Here's my real question. Is it a potential situation where the PUC says this is how much we think you should need to run the Water Supply Board and then we go and spend more than that. Are we in a potential position or could we end up in a position where the PUC would say to us this \$2.4 million, if you decide to spend more than what we approved as a rate increase or as a budget because you submit both revenue and expenses and all that type of thing. If you spend more than that, then that's your problem. Then we would go back next year and ask for another increase.

Mr. Mainelli: We would have to go back and ask for another rate increase. Presumably we would be justified in saying our rates ought to go up \$800,000. because that's the deficit we have been running and we need that \$800,000. on top of the \$14 million - the \$800,000. is in there now. You have your \$14 million in there now. They say, okay that's what you need to run the system. The \$2½ million you spent you didn't have enough money. That was your problem. You should have stayed within your budget, so we are not going to give you a rate increase to pay back what you owe the city.

Councilman Dillon: How do we monitor this? You're saying that we put potential fee on the books for whatever the deficit is. The City of Providence could be on the hook.

Chairwoman Brassil: Yes, we are. We're lending them the money.. We may not be able to regulate the Water Supply Board but we have to support it. That's what it comes down to. It's basically what it comes down to.

Councilman Dillon: I think what you're saying isn't it is that we've got a budget of X number of dollars. Okay, you approve it and PUC approves it. Fine. The following year comes and we have a real problem. We need a million dollars right away. What do we do? We have to go back to the PUC and say, look; we need a million dollars more. You've got to raise our rates. Hopefully they will say yes and if they say no, the city has to put up the money which is what has been happening now anyway. We haven't had a rate increase since 1982 so what's

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happening is you have been operating a deficit. I thought that was because they only looked at it every three years.

Councilman Farmer: No, you can go in for a rate increase every year. I tell you if we get this rate increase and I'll bet you in a year you'll be back there.

Mr. Mainelli: It's a difficult, difficult situation. Ladies and gentlemen, it's been an education in three months.

Councilman Dillon: ~~\$~~\$25. is the potential rate increase for new customers? Who's paying how much now?

Mr. Mainelli: Providence pays between \$45.-\$50. a year and we figure it will go up to \$70. - \$75.

Chairwoman Brassil: It is a bargain. Would you go through some of the other cities and towns that are comparable. I asked them to do that.

Mr. Mainelli: Warwick is charging \$108. a year for water but we're only charging comparable consumptions, \$31.

Chairwoman Brassil: They're making money on our water. But they're not regulated, (to Councilman Dillon) so they charge anything they want.

Mr. Lombardi: What Warwick does is, they sell within their boundaries.

Chairwoman Brassil: So they're not regulated.

Mr. Lombardi: They buy it from us and we're told that we can't sell it to them at a profit and then they turn and sell it to their people at a profit and there's nothing that stops them..

Mr. Mainelli: Look what happened in the situation with Fruit Hill. In the Fruit Hill area every time - this goes back how many years - where someone built in that area, they took the house, a letter went out telling them that we cannot guarantee you pressure in that area and the Fruit Hill - High Service area.

So over the years that place has gotten built up - more houses - the pressure keeps dropping and dropping and lo and behold, the PUC says you have to do something about raising the pressure. So we're going to spend \$12 million to raise the pressure.

Councilman Dillon: And you don't have enough money and you're asking us, the City of Providence - you don't have enough money to pay your own bills. That's when we should say we're not going to do that.

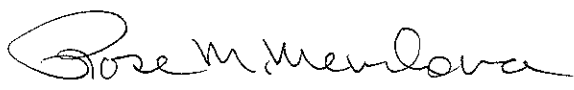
Mr. Mainelli: The PUC said either you start by November 30th, do something about raising the pressure, or we're not going to charge those people for any water. There's 1300-1400 people who are suffering low pressure. They're not going to pay any water unless you start doing something about it right now.

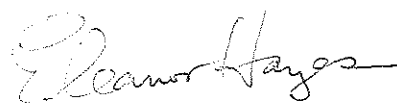
Councilwoman Brassil: Any other questions?

Councilman O'Connor; I was interested in one of the positions here in terms of the salary for Administrative Assistant, Wayne Montague. I assume he is doing a good job. He has a Masters Degree. Now we were just talking about people coming in on entry level out of college with a bachelors degree making \$36,000. I move that position be amended to read \$32,000. on the Compensation Ordinance.

This motion is seconded by Councilman Dillon and Councilman Farmer.

On motion of Councilman Farmer, seconded by Councilman Dillon and Councilman O'Connor, it is voted to transmit the three Ordinances to the City Council with recommendation of Adoption.


Clerk


Assistant Clerk

copied J.B.
compared EH