

*(The following is not a verbatim transcript of comments or discussion that occurred during the meeting, but rather a summarization intended for general informational purposes. All motions and votes are the official records).*

## **FINANCE COMMITTEE**

Regular meeting of the Finance Committee was held on Monday, December 7, 2020 via Zoom Webinar.

### **CALL MEETING TO ORDER:**

The meeting was called to order at 7:17 P.M. by the Chair.

Present                    Councilmember Aniece Germain  
                                 Councilmember John P. Donegan  
                                 Councilmember Edward J. Brady  
                                 Councilmember Christopher G. Paplauskas  
                                 Councilmember Kenneth J. Hopkins, Vice-Chair  
                                 Council Vice-President Michael W. Favicchio, Chair

Also Present:            Councilmember Steven A. Stycos  
                                 Daniel Parrillo, Director of Administration  
                                 Robert Strom, Finance Director  
                                 John Verdecchia, Assistant City Solicitor  
                                 David Dimaio, City Council Budget Analyst  
                                 Leanne Zarrella, City Clerk  
                                 Rosalba Zanni, Assistant City Clerk/Clerk of Committees  
                                 Heather Finger, Stenographer

### **MINUTES OF THE LAST MEETING:**

On motion by Councilmember Hopkins, seconded by Councilmember Paplauskas, it was voted to dispense with the reading of the minutes of the last meeting and they stand approved as recorded. Motion passed unanimously.

### **CORRESPONDENCE/COMMUNICATIONS**

None.

### **OLD BUSINESS:**

- *Review of Online Records Project (Council Vice-President Favicchio)*

**Clerk** stated that the office continues to do testing. Most recent e-mails she received from the vendor was in regards to the location of the tax stamp on the document, but we are moving ahead. She does not have any update on the date that it will be completed.

**Chair** asked that this be placed on the December Council docket for update.

**5-20-03 Ordinance in amendment of Title 3 of the Code of the City of Cranston, 2005, entitled “Revenue and Finance” (Bid Discounts for Local Businesses, Minority Business Enterprises and Women Business Enterprises). Sponsored by Councilmember Donegan. Amended 10/26/2020. Cont. 11/19/2020.**

On motion by Councilmember Germain, seconded by Councilmember Stycos, it was voted to recommend approval of this Ordinance.

Under Discussion:

**Councilmember Donegan** stated that changes have been made to this Ordinance. There are a few more that he would like to offer, some of which are housekeeping changes. The biggest change that needs to be considered is on line #110, which is the maximum amount of applied discount, which is now set at \$50,000. That number is arbitrary. He asked that that amount be changed from \$50,000 to \$10,000 as an amendment.

**Chair** asked Mr. Dimaio to address the fiscal impact. Mr. Dimaio stated that the initial concern is to try to quantify what the initial impact may be based on prior bidding practices with the City. In Massachusetts and in the City of Providence, what they do is in their contracts they have a stipulation that they mandate that there has to be a 10% MBE or WBE requirement of the bid. There are some stipulations that there are waivers if the bids are small and it is a one-man operation, but he thinks this is an uninformed way to include them inclusively in all bids. We must have hundreds of bids that go out that could be affected by this and if we could try to quantify this, it would make more sense.

**Chair** asked Director Strom how much in bidding the City does. Director Strom stated that there are not a lot of bids going out right now, probably due to the environment we are in. We do have a lot of bid waivers. In a normal environment, it would depend. Once we get rolling possibly with the School projects, that may generate more bids to go out and more bid awards which would make it something that a minority business could bid on. He believes Councilmember Vargas had a proposal also and we were trying to work out something with hers and the State to make it so it is more uniform and would be more accommodating to the minority business enterprises and also we would follow suit like we do with the MPA on bids.

**Councilmember Brady** stated that he just spoke to Councilmember Vargas and she stated that she plans on adding that in January on our Docket. She, unfortunately, can't be on this call due to a work call, but he indicated to her that he would relay that information to the Committee.

**Director Strom** stated that based on that, he suggested that we work in conjunction with what she has to offer and with the State and not have one thing on the books right now and then maybe make a change later on.

**Councilmember Brady** stated to Councilmember Donegan that his continued Ordinances and work that he puts on for the benefit of the City and State are very admirable. He appreciates the work. In this particular case, he does favor the similar one of his colleague and he believes Councilmember Donegan con-sponsored it with Councilmember Vargas. He looks forward to support that in January, but this evening he cannot support this Ordinance.

**Councilmember Donegan** thanked Councilmember Brady for his words and his supporting the other Ordinance. The reason he introduced this Ordinance and not what the State already does is when this Ordinance was introduced, Lisa Wrangling, Director of Black Business Association, had put out a letter that the policies that are currently on the books on the State level and other municipal levels, while they are well-intentioned, they have not worked. That is why he looked at different ways to address this.

**Councilmember Hopkins** stated that he appreciates the work Councilmember Donegan did on this, but he agrees with Councilmember Brady that it is prudent to wait for Councilmember Vargas's discussion with her Ordinance. It seems to be a better fit for what we are doing.

**Councilmember Stycos** stated that if you want to do something for small businesses, this is the best thing he has seen. The State Law is well-intended, no results. With State Law, it states that Portuguese is defined as minority. He does not think that is appropriate. He urged people to give this a try. It is worth a try and it is very modest with the cap Councilmember Donegan is proposing.

**Councilmember Germain** stated that she does not know the reason why we do not want to take a chance with this Ordinance.

**Chair** stated that one of the problems is we do not know how much it is going to cost the City.

No one from the public appeared to speak.

On motion by Councilmember Donegan, seconded by Councilmember Germain, it was voted to amend this Ordinance as follows: line #110, change \$50,000 to \$10,000. Motion failed on a tie vote. The following being recorded as voting "aye": Councilmembers Germain, Donegan and Hopkins -3. The following being recorded as voting "nay": Councilmembers Brady, Paplauskas and Council Vice-President Favicchio -3.

Roll call was taken on motion to recommend approval of this Ordinance as amended and motion failed on a vote of 2-4. The following being recorded as voting "aye": Councilmembers Germain and Donegan -2. The following being recorded as voting "nay": Councilmembers Brady, Paplauskas, Hopkins and Council Vice-President Favicchio -4.

**9-20-07 Ordinance in amendment of Title 3.16 of the Code of the City of Cranston, 2005, entitled "Property Tax Classification" (Change of Tax Value for Commercial Renewable Energy Systems). Sponsored by Councilmember Stycos. Cont. from 10/26/2020 Council meeting. Cont. 11/19/2020.**

On motion by Councilmember Donegan, seconded by Councilmember Germain, it was voted to recommend approval of this Ordinance.

Under Discussion:

**Councilmember Stycos** stated that after the last meeting, he did some more research and he would like to report what he found. He thinks commercial solar projects in the City are undertaxed. Their taxes should increase if we want to be fair to all taxpayers. We heard from Mr. Murray, the lobbyist for one of the solar companies, that his opinion is that there should never be an increase in the

tax rate for the solar facilities. If the law stays as it is now, that is going to happen. He contacted Harold Sheen, President of Regional Resource Group, a company in Massachusetts who advise cities and towns in Massachusetts on tax assessments. In Massachusetts, the tangible tax rate is called the personal property tax rate. He stated that the State provides incentives to locate solar on brownfield sites and other low-impact land and we do not do that. That is a mistake in Rhode Island. Personal property tax rate in Massachusetts is subject to negotiations between the solar company and the town. He stated that, to him, those agreements garner \$12-\$13,800 per mega-watts. By contrast, if we have a 21 mega-watt solar facility in Cranston and using the \$12,000 figure times 21, that would be \$252,000 that plant would pay in a typical Massachusetts community, but what that plant pays in Cranston is \$32,500. It is by eight times as much and that is on the low end. This needs to be corrected and needs to be increased. He stated that, typically, the Real Estate tax in Massachusetts value the land at 20-30,000 per acre. Using that tax rate on the Lippitt Farm facility, they would pay a tax between \$20 and \$30 of 25,000 per acre, which he thinks is low for Cranston they would be paying \$45,000 in Real Estate taxes a year and what they are paying is \$32,000. These solar operations are power plants and they should be taxed fairly to produce revenue. They are for-profit power plant.

**Robert Murray, Esq.**, stated that prior to the last meeting, on November 9<sup>th</sup>, he circulated some information to the Committee through the City Clerk because Councilmember Stycos had shared with the Committee information from a 2013 report from the State of Massachusetts. The Massachusetts experience is much different than the Rhode Island experience. He indicated that Ralph \ Palumbo from Revity Energy is on the call and he asked that Mr. Palumbo be allowed to speak regarding the distinctions from a developer's perspective. He also stated that since the last meeting, he shared with the Council an analysis of the Massachusetts experience and also shared with the Committee several projects his clients have been involved in in the State of Rhode Island to give comparison as to the taxes that are being paid not just in Cranston but other communities including Warwick, Lincoln, Hopkington and Johnston. He stated that he also shared with the Committee a solar benefit analysis arising out of the net metering agreement signed with the City of Cranston. One of the fundamental difficulties with this Ordinance is in speaking to the net metering agreement, his client is the successful bidder providing a 32½% discount that would generate hundreds of thousands of dollars in savings to the City of Cranston. They submitted an aggressive bid based on what they thought was going to be a platform of taxes based on the existing Ordinance. They are not going to request the City to allow it to let the City save less money on its energy even though it is trying to increase their cost. Unlike a landlord who can pass on cost increases to a tenant or a business that can increase their prices to a customer, they do not have the ability to do that so that makes this Ordinance just punitive on the solar developer but it is so far out of the norm.

**Ralph Palumbo**, 79 Gilbert Stuart Rd., Warwick, of Revity Energy, appeared to speak and stated that Councilmember Stycos brings some good points, but they look to provide value to the community. As to the contract they have with the City, they bid aggressively to drive to the City. Over the course of the first twenty-five years, the benefits of that system will produce over \$1 million a year in value to the City. A system unlike a commercial or residential building, does not draw upon City resources. Statistically, the comparison that was made to Massachusetts to Rhode Island needs to be reconciled. He built many systems in Massachusetts and negotiated many agreements with many Tax Assessors from 2011-2014 and back in that time period, the installation cost of the system was two times what it is today and Tax Assessors looked at the cost of the system and they used a typical Tax Assessors twenty-five year depreciation assessment and they taxes the system, but the revenue subsidies in Massachusetts were much higher so when you take that cost differential to Rhode Island, you get to a tangible tax of approximately \$5,000 and that is how Rhode Island came up with the State Law.

**Attorney Murray** stated that this Ordinance is an extreme, it is a 800% increase and refers to effective date of January 1, 2017, which is more disappointing.

**Councilmember Brady** stated that he appreciates Councilmember Stycos bringing this forward. He asked the Administration if this will affect that deal and what is their suggestion and their opinion. Director Parrillo stated that he is not an attorney, but if terms change, they could affect the deal with Reivity that was just signed. He does not know what the legal ramifications are if we are changing the rules of the game now going forward. Councilmember Brady stated that in light of that information, he would rather extend this or re-introduce it during the budget season for discussion. He has many reservations right now knowing that we worked for years to get to the point where we are to save this energy and save these dollars while also making our community more green.

**Discussion** took place on the January 1, 2017 date stated in the Ordinance. Chair asked Solicitor if we can legally do this. Solicitor stated that just on the issue of timing, he does not think you can do this mid-cycle because he would think it would be considered a supplemental tax. In his opinion, if you were to go forward, you would need to start with a new tax year.

**Councilmember Stycos** stated that he agrees. He would like to start July 1, 2021 and reflect the prior year. He asked for someone to offer an amendment to change July 1, 2017 to July 1, 2021.

**Chair** asked if that would have any impact on any existing contracts or existing assessments if we do that. Solicitor stated, no, because assessments has nothing to do with tax rates.

**Director Strom** stated that he agrees with the Solicitor. The assessment is as of December 31<sup>st</sup> for the fiscal year of the following fiscal year. The thing that concerns him is we went out to bid for this. The bid came in and went to BOCAP. It was awarded to Reivity. Now what we are doing is changing this after we have awarded the bid. He does not think this is a good practice.

**Chair** stated that he is concerned whether we are doing an appropriation ahead of our budget hearing or are we just setting a different assessment this late in the game? He understands Councilmember Stycos's need to look at this, but he does not think we can do it right now.

**Attorney Murray** stated that when this was adopted in 2016, the City Council and Administration at the time consulted with the Tax Assessor at the time, Sal Saccoccio, who has since left and works for the City of Warwick, and he looked at this request of the Administration to see if we were within the mainstream of other communities and he felt that it was. This was not a Bob Murray or Ralph Palumbo idea. This was reviewed by the Tax Assessor at the time and we are in line with other communities in Rhode Island.

**Councilmember Germain** asked if we have an end date for this contract. Attorney Murray stated that these types of net metering agreements generally track with the life of the projects, which we estimate to be twenty-five years. In this particular case, he believes there are two five-year options that the City could continue.

**Douglas Doe**, 178 Lippitt Ave., appeared to speak and asked if the City has heard from Hope Rd. folks or Lippitt Ave. owners. He stated that one point no one has talked about is the tax is paid to the commercial tax rate and over the years it will go up. Tax rate will increase over time, which is the very least the City should be doing. There is no reason why we can't peg this to the commercial tax increases at the very least. You can start that July 1<sup>st</sup>. There is a lot of concern with Mr. Palumbo's contract.

**Attorney Murray** stated that he does not represent the developer of Hope Rd. solar project. He does represent Cantona Partners, which owns the Lippitt Ave. project and they also oppose this Ordinance.

On motion by Councilmember Donegan, seconded by Councilmember Germain, it was voted to amend this Ordinance as follows: change the effective date from July 1, 2017 to July 1, 2021. Motion passed on a vote of 4-2. The following being recorded as voting "aye": Councilmembers Germain, Donegan, Brady and Paplauskas -4. The following being recorded as voting "nay": Councilmember Hopkins and Council Vice-President Favicchio -2.

Roll call was taken on motion to recommend approval of the above Ordinance as amended and motion failed on a vote of 2-4. The following being recorded as voting "aye": Councilmembers Germain and Donegan -2. The following being recorded as voting "nay": Councilmembers Brady, Paplauskas, Hopkins and Council Vice-President Favicchio -4.

**9-20-08 Ordinance in amendment of Title 3 of Chapter 3.16 of the Code of the City of Cranston, 2005, entitled "Property Tax Exemption" (Tangible Property Exemption). Sponsored by Council Vice-President Favicchio. Cont. from 10/26/2020 Council meeting. Cont. 11/19/2020.**

**Chair** stated that based on his discussions with Director Strom, he will be withdrawing this Ordinance and asked that the next City Council keep in mind to find ways to help small businesses if we have the availability to do this.

**Resolution urging Mayor Fung to fund \$4.1 million from Cranston's Cumulative Surplus to the Cranston Public Schools. Sponsored by Council President Farina. Cont. from 10/26/2020 Council meeting. Cont. 11/19/2020.**

On motion by Councilmember Brady, seconded by Councilmember Paplauskas, it was voted to recommend approval of this Resolution.

Under Discussion:

**Joseph Balducci**, School Department Chief Financial Officer, appeared to speak and stated that he does not have a detailed analysis this evening, but he will speak in general terms. He stated that currently, the School Department is ok in this year's budget. The reason he says that is that they do not spend at a 1/12 overall of their budget throughout the year. Things are going well right now.

**Director Strom** stated that he sent out various points of why we should not approve this and it is going to be his recommendation to the Mayor not to do anything about this. He thinks, from a financial end, we are being premature to do anything right now. The State has not even done a budget yet. Until the State does their budget, we do not know how much of the \$4.1 million we may receive.

We may receive all of it or we may not receive any of it, but until the State does their budget he does not think we should be urging the Mayor to take money out of the Rainy Day Fund, which was just changed in the Charter not to go below 5%. The School right now is meeting all their financial responsibilities and expenses and has not been a problem. At this point, it is his recommendation that we do not fund the School Department and take money from the Rainy Day Fund when we do not even know what the State is going to be giving us and we can always do something in the fourth quarter if needed and we should not be even discussing it right now.

**Councilmember Hopkins** stated that he thinks it is prudent to take Director Strom's advice because it would be premature to do anything prior to knowing what the State is going to do. The best course of action is to wait for the incoming City Council and incoming Administration and give them a chance to breathe a little bit and see what the State is going to do.

Motion and second to recommend approval of this Resolution were withdrawn.

On motion by Councilmember Brady, seconded by Councilmember Hopkins, it was voted to table the above Resolution.

Under Discussion:

**Chair** stated that this will basically be retired at the end of the year since there is a new incoming City Council. He asked Solicitor to confirm that. Solicitor stated that with new incoming City Council, he does not know what this accomplishes since it will be retired at the end of the year.

**Councilmember Germain** stated that she still has some concerns and she will be abstaining. Chair asked Solicitor if a member can abstain from a vote. Councilmember Brady stated that he questioned this in the past and asked for clarification and was told that he could abstain if he had direct financial interest in the vote. He stated if this is not true because he has been voting wrong for his two terms on the Council. Councilmember Stycos stated that he does not think you can force anyone to vote. Councilmember Brady stated that that can really impact our votes moving forward. Councilmember Paplauskas referred to Council Rule 12 which addresses this issue.

**Councilmember Germain** stated that she cannot vote yes or no on this Resolution and based on what Director Strom and Mr. Balducci stated, that is why she would like to abstain.

**Solicitor** read Council Rule 12 and stated that after reviewing this section of the Rules, a member can abstain if you have an ethical problem under our Rules or if a 1/3 of the remaining members vote to allow the member to do it.

**Councilmember Hopkins** stated that in his four years on the City Council, he thought that we couldn't be arbitrary in abstaining, that the members had to make a tough decision, do their research, do their homework, unless there was a personal interest involved on the vote, the member would have to come up with a yes or a no vote.

**Councilmember Germain** stated that she was not aware of the Rules and based on that, she will vote on this Resolution.

Roll call was taken on motion to table this Resolution and motion passed unanimously.

**PUBLIC HEARINGS/NEW BUSINESS:**

**11-20-02 Ordinance ratifying School Committee’s collective bargaining agreement with the Rhode Island Laborers District Council 1322, Tradespeople Unit (July 1, 2020 – June 30, 2021). Introduced pursuant to Charter Section 11.02.1.**

On motion by Councilmember Brady, seconded by Councilmember Paplauskas, it was voted to recommend approval of this Ordinance.

Under Discussion:

**Mr. Balducci** stated that a meeting was held with this group to extend their agreement for one year with no change in the salary schedule.

Roll call was taken on motion to recommend approval of this Ordinance and motion passed unanimously.

**11-20-03 Ordinance ratifying School Committee’s collective bargaining agreement with the Rhode Island Laborers District Council 1322, Bus Drivers Unit (July 1, 2020 – June 30, 2021). Introduced pursuant to Charter Section 11.02.1.**

On motion by Councilmember Hopkins, seconded by Councilmember Brady, it was voted to recommend approval of this Ordinance.

Under Discussion:

**Mr. Balducci** stated that this is the same situation as previous Ordinance.

Roll call was taken on motion to recommend approval of this Ordinance and motion passed unanimously.

- ***Real Estate Tax Abatements***

On motion by Councilmember Donegan, seconded by Councilmember Germain, it was voted to approve the above list of Abatements. Motion passed unanimously.

- ***Motor Vehicle Tax Abatements***

On motion by Councilmember Hopkins, seconded by Councilmember Brady, it was voted to approve the above list of Abatements. Motion passed unanimously.

- ***Tangible Tax Abatements***

On motion by Councilmember Donegan, seconded by Councilmember Hopkins, it was voted to approve the above list of Abatements. Motion passed unanimously.

- ***Tax Interest Waiver Approvals***

On motion by Councilmember Hopkins, seconded by Councilmember Donegan, it was voted to approve the above list of Abatements. Motion passed unanimously.



## MISCELLANEOUS BUSINESS:

**Councilmember Brady** stated that he, going into his third term, is continuing to learn and we are obviously graduating some veteran City Council Members who have been crucially important to the success of his growth as a leader and as a Council person. Council Vice-President Favicchio, who he looks forward to continuing to utilize as a resource as we move on in the important times of the finance budget that we are about to approve next year and our future Mayor-Elect Hopkins is moving on to become the Mayor and he still plans on utilizing him very very frequently for this Council in addition to Councilmember Stycos who has always been informative, answers and given him a lot of information whenever asked and challenged this Council on many levels to make him change his perspective. As a young Council moving forward, we are going to have to continue to learn, we are going to have to learn quick for the good of the Cranston people and we are going to have to continue to use these leaders who have inspired us and taught us through the times.

**Councilmember Hopkins** thanked Council Vice-President Favicchio for the last two years for Chairing this Committee and he has done an unbelievable job. He also thanked Councilmember Stycos for picking our brains, making us think and giving us the opportunity to have a genuine professional debate on some of these topics, and hopefully, we can rely on both as advisors to our City.

The meeting adjourned at 9:30 p.m.

Respectfully submitted,

/s/ Rosalba Zanni  
Assistant City Clerk/Clerk of Committees