

**COMMITTEE ON ACCOUNTS, ENROLLMENT AND
REVENUE ADMINISTRATION**

March 18, 2013

6:00 p.m.

The Clerk called the meeting to order.

The Clerk called the roll.

Present: Aldermen Arnold, Long, Corriveau, Shaw

Alderman O'Neil arrived late

Mssrs. S. Wickens, T. Arnold, W. Sanders

*In the absence of Chairman O'Neil, on motion of **Alderman Arnold**, duly seconded by **Alderman Shaw**, it was voted to elect Alderman Long Chairman Pro Tem.*

Chairman Pro Tem Long addressed item 3 of the agenda:

3. Communication from Lisa Sorenson, Financial Analyst, submitting Finance Department reports as follows:
 - Accounts Receivable over 90 days
 - Aging Report
 - Outstanding Receivables

*On motion of **Alderman Arnold**, duly seconded by **Alderman Shaw**, it was voted to discuss this item.*

Ms. Sharon Wickens, Assistant Director of the Treasury, stated obviously I'm not Lisa, but I'll try to live up.

Alderman Arnold stated I was just looking for a brief rundown if you could give a quick summary.

Ms. Wickens replied sure. In looking at the receivables verse last time we met about a month ago, it does look like the collections are a bit better. In scanning through the report it looks like that is mainly attributed to the airport. It looks like they have collected about \$500,000 since last month. I think Lisa said that that was mostly attributed to the project. They have a solar project and that has all been taken care of.

Alderman Arnold stated that's good to hear. To Attorney Arnold, I notice that a number of the accounts receivable that have been submitted to the Solicitor's Office for review... Is there a triage process that occurs or can you give me a quick snapshot?

Mr. Thomas Arnold, Deputy City Solicitor, replied certainly. All of these cases listed, I should say with the exception of the last account, have been paid in full as is listed on that page. The other accounts here have been assigned to various attorneys within the office. The majority of them are dealing with the business owners or principals in an attempt to collect. There is one here, the fourth one down, where we are still attempting to locate a principal in order to pursue payment. These cases are actively being pursued in the office.

Alderman Arnold stated thank you very much.

Chairman Pro Tem Long asked you are saying on that same page, the last one is paid in full?

Mr. Arnold replied yes, that's correct.

Chairman Pro Tem Long stated okay. The ones with an invoice date of 2010, starts with the sixth one down, is there anything on those?

Mr. Arnold replied the attorney on that particular account has been in touch with the owner. He last spoke to him February. My understanding is that, I believe it was this account, that the owner thought that he owed some of the bill and not all of it so we are attempting to get some documentation to see if we can arrive at an arrangement at what is contested.

Chairman Pro Tem Long stated one of the companies is on page 3.9, under Highway totals. Is this included?

Ms. Wickens replied absolutely.

Chairman Pro Tem Long stated also on that same page, the State of New Hampshire. I was under the impression that that was going to be paid. It is for \$16,000.

Ms. Wickens stated that was a project. Yes, that is going to be paid. They are a little slow in paying sometimes.

Chairman Pro Tem Long stated and also on the same page, the last item, the Derryfield restaurant, I thought that was also agreed upon that they were going to pay that in full.

Ms. Wickens stated Lisa has a note that that is to be paid.

On motion of Alderman Arnold, duly seconded by Alderman Shaw, it was voted to accept this item.

Chairman Pro Tem Long addressed item 4 of the agenda:

4. Communication from William Sanders, Finance Officer, regarding the City's Monthly Financial Report (unaudited) for the first eight months of fiscal year 2013.

Mr. William Sanders, Finance Officer, stated you have in your agenda materials the financial report for the first eight months of fiscal year 2013 and the letter briefly summarizing. We have closed the month of February with an unobligated balance of a little over 33.33%, which is our benchmark. We are 33.39% and a year ago we were at 35%. We are obviously not doing quite as well last year when you might recall we were generating a fairly significant surplus. We are still generating a surplus this year based on the forecast that we will be sharing tomorrow night, but at the department head level we are to the good, but just moderately relative to where we were a year ago. Health insurance costs are tracking a little bit higher than our budget. We had a poor month of February in terms of claims costs that we paid. March has performed somewhat better so that is not a straight line on health insurance. That is nothing to be concerned with there, but we will have to continue to monitor that. As you are aware, health insurance does have a reserve account associated with it so if we do overspend the health insurance line item there is a reserve account we can charge. Conversely, if we make a surplus it goes into the health insurance reserve account and not the general fund. Our severance reserve of \$700,000, as we have talked about over the months, has been fully expended. You can see in the table at the middle of the page, through the end of February we have paid \$1.1 million on severance compared to \$300,000 a year ago. The forecast you will see tomorrow night is that department heads are continuing to forecast. We have had another retirement

this month and also they are still forecasting another 11 so if all that plays out, our total payments through the year will probably be in the vicinity of \$1.5 million. That is over twice what our budget was at the beginning of the year of \$700,000. It had held steady there for a couple of months, both the actual and the projection, but it has moved a little bit higher at the end of February and into March. If we have 11 more retirements we would have 47 retirements for the entire year compared to less than 20 a year ago. The revenues for the first eight months of the year are a little bit lower than our forecast, but we are still tracking budget and ahead of budget in a few cases. The biggest negatives are chargebacks to the School District at about \$450,000 lower this year than a year ago. That is solely timing. The facilities division continues to project a complete utilization of the chargeback so that should be resolved in the coming months. The one that won't be was the deferral of the book loan payment in 2013 of \$432,000. We have explained that \$230,000 of recycling revenues. The accounting is different this year than a year ago, but we did receive the payments. By the end of the year it will clear itself out and the comparison will be fine. We closed auto registrations at the end of February nearly \$200,000 higher than last year and we are definitely tracking the full year budget for this year and we will be showing in the forecast tomorrow night that we are, right now the tax collector is projecting that we should at least be \$375,000 above budget when we close this year with auto registrations. Overall our expenditures are tracking to our budget fairly closely and our revenues are as well. If we didn't have the large severance payments I think you would be seeing a number tomorrow night in the forecast that would be a pretty good surplus for the year. We will be higher than we were last month, but only about \$100,000 higher than a month ago. Those are my comments,
Mr. Chairman.

Alderman O'Neil stated thank you, Mr. Chairman, for pinch hitting for me. I was in a wake. Bill, you and I have talked several times over the past month or so. I have asked you about my frustration with these buy outs and how we should be seeing a savings on salaries. The information to date, for some reason, is not showing that. It is probably a more complicated issue than just clearly saying savings in salary. Any thoughts on that? I think the mayor has been judicious with allowing departments to fill vacancies, but I think there was an expectation, at least by me, that we were going to see a bigger savings in department salaries by the buy outs. I think you share some of that similar frustration. Is there any thought on that tonight? I'm not trying to put you on the spot, but it is something that we have spoken about several times.

Mr. Sanders stated yes, we have, alderman. I am surprised that we are not seeing some savings, in particular, at the larger departments that had the retirements like Highway, Fire and Police Departments. The mayor has been, I think, helpful to the department heads in authorizing them to fill positions. Certainly the rapidness of filling positions eliminates the vacancy and even if you are higher at the low end, I think the promotion activity that can take place if higher end employees retire and we estimate that they are going to be filled with lower compensated people at the beginning of their careers. If the promotion activity is high to fill that senior position, it also serves to dilute the savings, for myself, that I was anticipating when we entered the year. I believe the mayor has become somewhat more patient in filling positions in the recent weeks. I think, at least as it relates to the Highway Department budget, the winter is still, regrettably, upon us so they are probably being a little bit judicious themselves in declaring a surplus until they see the end of the snow. The Police Department, as you will see in the forecast tomorrow night, will be declaring a surplus of \$120,000 so I think there are some things there that are happening that are more in line with what we might have anticipated. I think the Fire Department is still struggling and you will see that in

the forecast relative to surplus. The purpose of buy outs is to lower your cost profile and reduce costs going forward, maybe not forever, but for some period of time. I would have thought that this year we would have been seeing savings from the \$13,000 incentive. I'm not privy to all of the things that department heads have to do, but I have to assume that to some degree, promotion activity has diluted the savings. As I said, Police is coming through with a solid contribution to the surplus. I assume that if the winter was behind us, Highway would be in pretty good shape. Although if we have heavy snow again and overtime and all of that, that could become a little problematic as well. I don't know if that is responsive to your question.

Alderman O'Neil replied it is. I think your point about the advancement or the promotion in any department, not just the big ones, can cause that. I think that is something we should be cautious with going forward for the rest of this month. I thought we would be tracking a little bit better. You would think that if you had a position and it was someone at the top of their step and they retired and then that was filled by someone at a lower step we should be seeing the savings. I'm somewhat frustrated that we are not. It might be better for discussion with the full board tomorrow night. It just appears that the buy out hasn't helped us like we thought it would.

Mr. Sanders stated I would agree with that.

Alderman Corriveau stated one thing that struck me, and the only reason I bring it up is because I don't recall, at least in this committee about it, but it seems that we have seen a pretty significant drop off in federal and state revenue from last year to this year. We are looking at a 8.66% difference from the federal level and then almost 11% from state revenues. We are \$283,000 short in state revenues. I don't

know if this is a timing thing. Was there anything in particular that can account for that number?

Mr. Sanders replied certainly on the federal side the one thing that we did have to deal with was the sequestration activity and we did project that in our budgets. This comparison on this page is actually this year's budget compared to last year's actual whereas if you turn to the following page 4.9...

Alderman Corriveau stated it is an even larger drop off in federal and about the same with the state.

Mr. Sanders stated that is more comparable. Off the top of my head, I would assume that the state is timing. I'm unaware of any revenue projection that I am receiving from any department that is negative on state. I'm assuming that it is a timing difference entirely and as the months pass...

Alderman Corriveau interjected and on the federal level you think some of that may be attributable to sequestration?

Mr. Sanders replied right. One of the items that was impacted by sequestration is the build America bond rebates. You may have heard us talk about those where we issued bonds for the municipal complex and so on. The Treasury at that time had agreed to reimburse 35% to 45%, depending on the type of bond we issued and we were collecting about \$800,000 a year in rebates in 2012. When the Department of the Treasury came out with their sequestration plan, one of the items they said they were going to reduce was their building America bond rebates by 8% and that has started. We had previously adjusted when we did the tax rate for most of that, but that is definitely a delta between this year and last year and we have also, as we put our budgets together for next year, assume that

sequestration is here to stay. If that does get restored... Whether other departments are seeing anything, I haven't heard anything in sequestration, although I could expect that some of our grants and some of the other items may be affected by that as we go forward.

Alderman Corriveau stated just to clarify my understanding, the \$110,000 shortfall in federal revenues is attributable to sequestration's effect on the Department of the Treasury and our Build America bond rebates.

Mr. Sanders stated that's correct. It is about \$80,000 of that number.

Alderman Corriveau asked of that \$110,000?

Mr. Sanders replied yes.

Alderman Corriveau asked how do we forecast something like that out? It is so hard to predict what is going to happen in Washington, between the branches of government and building their budgets or these self-created problems like sequestration. When we look at building this next year's budget, how do you and how do we as policy makers take something like that into account?

Mr. Sanders replied this was actually an item, when we did the budget, when the aldermen approved their budget last year in June, it was not known how the sequestration was going to play out. I believe it had been passed, but administrations really left it to the departments to determine how to meet their targets under sequestration. Fortunately, by the time we went to the DRA tax rate meeting many departments, including Treasury, had released their sequestration items and we reduced out forecast for revenues which we are permitted to do, or increase them as the case may be, but that certainly wasn't the case in

sequestration so we reduced it at the time of the DRA tax rate setting. I don't mean to be a forecaster of doom and we want to be optimistic when we do the budget or at least realistic when we do the budget and we were owed that sequestration money, we complied with the law and we complied with the rules so at the moment we are assuming in the budget for 2014 that sequestration will remain and that is a permanent reduction.

Alderman Corriveau stated that was going to be my next question.

Mr. Sanders stated we haven't assumed that they will do another sequestration above and beyond that.

Alderman Corriveau stated so Bill, you believe it would be safe to say that we should plan on the shortfall in Build American bond rebates to be a permanent situation. That is how we should look at this and we are going to bite the bullet for sequestration. Is fair to say?

Mr. Sanders replied yes, that would be my view. I don't predict political activity. I couldn't even begin to understand it all.

Alderman Corriveau stated I had no idea that the federal sequester would have such an impact on us. Over \$80,000 is very significant.

Mr. Sanders stated over the next ten years if you add it up, it is a big number. Any time some can drop something and not get their hands slapped, the changes that they might do it again are still here. The rebates are not as guaranteed as I would have thought they were two years ago.

Chairman Pro Tem Long stated from what I understand, if we go into full sequestration, each department had between 8% and 12%. We had two bonds, correct, for the complex. One was a 35% rebate and one was at 45% rebate. Are they both Treasury bonds?

Mr. Sanders replied yes, they are.

Chairman Pro Tem Long asked do we know what their anticipated cut would be?

Mr. Sanders replied I think the 8% was the department wide direction and I don't think they pick on these because these bonds were issued in the billions and billions across the country; a significant sum of money that Treasury signed up for in the communities, states and cities all over the country. I believe that they just took their 8% target and they just applied it.

On motion of Alderman O'Neil, duly seconded by Alderman Shaw, it was voted to accept this item.

Chairman Pro Tem Long addressed item 5 of the agenda:

5. Communication from David Gosselin, School District Athletic Director, requesting authorization to utilize the gate receipts in the athletic budget to be used for uniforms, supplies and equipment.
(Note: Forwarded from the Board of Mayor and Aldermen on 1/15/2013)

On motion of Alderman O'Neil, duly seconded by Alderman Shaw, it was voted to discuss this item.

Alderman O'Neil stated I believe this came out of some discussion regarding ice hockey. It, for some reason, took an awful long time to get to us and before we vote on a blanket policy. I certainly would be more comfortable if we had detail on what sports they charge for now, what sports are they looking to charge for and some background like what they charge, are they going to do up next year. What sports to they currently charge for, what sorts are they looking to charge for and what sports will they not charge for? I'm certainly willing to consider it. I think they missed the window for the indoor sports for the winter. I'm not sure if they charge for a high school baseball game. I don't think so unless it is at Gill Stadium and I'm not even sure they charge there. High school lacrosse, tennis track... I'm interested in supporting the School District on this, I think we just need some information. I don't know if the clerk picked up on my bullet points, but I can make them again with a motion if you so chose, Mr. Chairman.

Alderman Arnold asked can we also see if we can get a ballpark of how much money we are talking about, actual figures? I would be interested in seeing that as well.

Mr. Sanders stated this was at the last meeting and you had asked me to look into it a little bit and I have done that. Alderman O'Neil asked some questions that I do not have the answers to, but I did have a conversation with Ms. DeFrancis at the School District about this matter and today, the gate receipts are about \$45,000 district wide. What that covers in terms of actual events I do not know. Today, that \$45,000 is a revenue in the general fund of the School District. As I understand it, what Mr. Gosselin is proposing is that that money would be taken out of the general fund of the School District and would be put in a special account to be used for the expenses and that sort of thing that he discusses in his letter. If that were done, without getting too deep in the weeds here, that \$45,000 would have to come out of the revenue accounts at the School District and would require

a commensurate reduction in their expenditures of \$45,000 or it would have an affect on the tax rate. This issue has been talked about for some year and there has been back and forth over at the School District. I think the answers to your questions would be appropriate and I just wanted to share that you did ask me to do something and I did try to do it.

Alderman Corriveau stated Alderman Shaw and I were just talking. I don't know if this will help, but I'm happy to offer it. If we would like more information or further testimony from School District officials on this particular matter, that is an item that the Special Joint Committee on Education could take up and get that information for us, if we so desire. If we don't, that's fine, I'm just making the offer along with Alderman Shaw.

Alderman O'Neil stated that would be fine with me. I think the information that I asked for, and Alderman Arnold asked for, could then be forwarded to the Special Joint Committee on Education. So the things that I had asked for and the cost per student next year would go to the committee. I believe Alderman Arnold was asking the overall impact. Today, it is \$45,000 based on what they do charge for today. Depending on what sports they include, what would be their projection?

Alderman Corriveau stated if you wanted anyone in particular to testify we would be happy to make that request; Dave Gosselin or Karen Burkush.

Alderman O'Neil stated that would be at the purview of the committee. I would hope that they would be there or Karen DeFrancis.

Alderman Corriveau stated we will get that done.

Chairman Pro Tem Long stated I had spoken with Mr. Gosselin today and at the end of the year they are looking at about \$40,000 from the general fund. In essence, Mr. Sanders, what you were saying is that they are looking for this money for uniforms, supplies and equipment. I have two questions and one may be for the solicitor. Do we need to approve a revenue source being applied to a specific line item? I'm not sure if you have an answer for that.

Mr. Arnold replied as you know, Alderman, all the Board of Mayor and Aldermen does is give the school department a single line item. I think in line with the finance officer's comments probably what is germane to this discussion in particular is that if there is a change in the School District that would have an impact on your tax rate because those revenues would be removed and like any City department, it would be reducing their revenues and its impact on the City of Manchester's budget.

*On motion of **Alderman O'Neil**, duly seconded by **Alderman Arnold**, it was voted to refer this items and questions from aldermen to the Special Joint Committee on Education.*

Chairman Pro Tem Long addressed item 6 of the agenda:

6. Discussion regarding the City's Revolving Loan Fund.

*On motion of **Alderman Arnold**, duly seconded by **Alderman Shaw**, it was voted to discuss this item.*

Alderman Arnold stated my questions specifically relate to exhibit four and I guess this is a question directed at the City Solicitor's Office. There is a proposal here and I'm wondering if you could weigh in on it and let us know what your perspective is from where we sit today on the likelihood of getting more, should we not approve the proposal.

Mr. Arnold stated I really couldn't weigh in at this point. I wasn't directly involved with the back and forth, so to speak, on this particular account. I know that Peter Chiesa, of our office, worked with Finance and he may have offered some opinion. I apologize; I didn't speak with him this afternoon to get an update.

Alderman Arnold asked does Finance have any feedback?

Mr. Sanders replied the loan balance that is due the City is \$27,000. We hold a lien or a mortgage on a property of a friend of the person who has the actual loan. It is a second lien. It is not the first. We are behind another mortgage. The mortgage on a private residence is underwater. There is a refinancing that they want to do. It is the only leverage that they need our signature to remove the lien in order to do the refinancing so they have made an offer to pay us \$5,000 on the \$27,000 or they will pay us \$125 per month for the next 18 years to pay off the \$27,000. I think there might be an opportunity to get more money. Without our assistance there is no where to go. On the other hand, the business is out of business that we loaned the money for. The economic development purpose of it is gone. I don't believe we are going to get \$27,000 out of this. I don't think we are going to get double digits out of this, but I think we might get more. I would be interested to, with the solicitor's assistance, we could have some conversations with them and Ms. Wickens about maybe increasing the sum amount. I'm not real keen on the \$125 a month for the next 18 years, candidly. If we could reach a

lump sum settlement that will be significantly less than the \$27,000, personally, I would probably recommend that the board do it, but we brought forward their proposal because that's what we are supposed to do. It doesn't mean that we exactly agreed with it.

Alderman Arnold stated I agree with you. I would rather not see a periodic repayment. I would rather see a lump sum settlement. That being said and I'll yield to the committee's wishes, but I think it would be great, before this committee took action on it, we had a recommendation from City staff, either Finance or Solicitor's Office, indicative of what they thought the best outcome could be. If we are not there yet, we are not there yet.

Chairman Pro Tem Long stated I could accept a motion to decline this with that information forthcoming. There are two actions here, one is the consideration of settlement and then the other three are workout plan payments. I reviewed all three of them and they seem reasonable to me. If we want to stay on the settlement consideration then I will accept a motion to deny, pending further information.

Alderman Arnold stated if I may, Mr. Chairman, I guess I would make a motion that we continue discussions with the entity and/or individuals on that specific one.

Alderman Arnold moved that City staff continue discussions with Pochito's on a settlement agreement. The motion was duly seconded by Alderman O'Neil.

Alderman O'Neil stated for Attorney Arnold; Tom, if your colleague is the one who works on it, either you have to get updated from him or he has to be at the meeting.

Mr. Arnold stated as I said, Alderman, I apologize. Ordinarily, I would have gotten an update.

Alderman O'Neil stated we have to have information so that we can make a move. Either Peter needs to be here on this item or you need to be updated by him on this item. It would be helpful to us. We can't keep getting delayed because staff haven't talked to staff members. That is important. Thank you, Mr. Chairman.

Chairman Pro Tem Long called for a vote on the motion that City staff continue discussions with Pochito's on a settlement agreement. There being none opposed, the motion carried.

Chairman Pro Tem Long stated the other action is the three workout plans for exhibits one, two and three. I'll entertain a motion to extend their loan plans.

Alderman Arnold asked Bill, you are recommending approval of these three workout plans, right?

Mr. Sanders replied yes, we are.

On motion of Alderman Arnold, duly seconded by Alderman O'Neil, it was voted that the City approve the loan extensions for Mary's Closet, Aviation Technology, and OLK-12.

Alderman O'Neil asked are these time sensitive, where they should be referred to the board tomorrow night?

Ms. Wickens replied no, they are not time sensitive.

Alderman Corriveau asked on page 6.12, do we also have to move on proposed new due dates?

Ms. Wickens replied we are trying to streamline the billing process. Right now the due dates are all over the month. We are trying to make it either the 1st or the 15th based on the borrower's cash flow. If you could move on that, that would be great.

Alderman Corriveau asked of these five, with their proposed new due dates, may I assume that the remaining borrowers already pay on the 1st or the 15th? Is this the first step of many? If it would help, I would rather just give you blanket authorization to move all borrowers to the 1st and the 15th.

Ms. Wickens replied you could. I think there are only two that aren't on here and one is because I haven't met with the borrower yet.

Alderman Corriveau asked would that speed things along for you?

Ms. Wickens replied I would.

Alderman Corriveau moved that the new due dates for the borrowers in the City's Revolving Loan fund be approved. The motion was duly seconded by Alderman Shaw.

Chairman Pro Tem Long stated just for clarification, Sharon, I know you are working to get these loans on a consistent basis. Is the 1st a target or are some of them going to be different dates? Can we just give you the authorization to change due dates as to Finance? I know one is on the 15th.

Ms. Wickens stated that one has a cash flow issue where it is preferable to have it on the 15th. We want to accommodate the borrower.

Chairman Pro Tem Long stated so his motion to propose due dates to the 1st, that means that everyone else has to be on the 1st. Is that okay?

Ms. Wickens replied or the 15th. I try to give them a choice.

Alderman Corriveau stated that motion would be for all borrowers, not just the five listed.

Chairman Pro Tem Long called for a vote on the motion moved that the new due dates for the borrowers in the City's Revolving Loan fund be approved. There being none opposed, the motion carried.

TABLED ITEMS

7. Report of the Committee on Accounts, Enrollment and Revenue Administration:

The Committee on Accounts, Enrollment and Revenue Administration respectfully recommends, after due and careful consideration, that the AMR Ambulance Contract audit, submitted by the Independent City Auditor be accepted.

(Unanimous vote)

(Note: An addendum received on 1/10/2013 is attached. Referred back to the on Committee on Accounts, Enrollment and Revenue Administration by the Board of Mayor and Aldermen on 12/4/2012.)

This item remained on the table.

8. Communication from Alex Walker, General Counsel for Catholic Medical Center, regarding assessment and taxation of hospitals.
*(Note: Tabled 9/18/2012; **Communication from Richard Elwell, Senior Vice President and Chief Financial Officer of Elliot Health System is attached.**)*

This item remained on the table.

9. Communication from Kevin Buckley, Independent City Auditor, submitting an audit of the Office of the City Clerk, Business License and Enforcement Division.
(Tabled 10/21/2008. Retabled 2/22/2010 until the implementation of new software is completed.) On file for viewing with Office of the City Clerk, One City Hall Plaza.

This item remained on the table.

*There being no further business, on motion of **Alderman Arnold**, duly seconded by **Alderman Shaw**, it was voted to adjourn.*

A True Record. Attest.



Clerk of Committee