BOARD OF MAYOR AND ALDERMEN

April 20, 1999 **7:30 PM**

Mayor Wieczorek called the meeting to order.

Mayor Wieczorek called for the Pledge of Allegiance, this function being led by Alderman Clancy.

A moment of silent prayer was observed.

The Clerk called the roll. There were fourteen Aldermen present.
Present: Aldermen Wihby, Klock, Reiniger, Sysyn, Clancy, Pinard, O'Neil, Girard, Shea, Rivard, Pariseau, Cashin, Thibault, Hirschmann

Presentation to the April recipient(s) of the "Spirit of Manchester" Award.

Mayor Wieczorek stated we wish to nominate Alan Jones of 98 Lowell Street, Manchester, NH 03104 for the Spirit of Manchester Award. Alan Jones came to the Manchester Downtown Farmers' Market as Market Manager for the first season. He gave his time, energy, administrative (oh boy, can't read all this writing) and enthusiasm to making the Market a success for the benefit of Manchester and its residents. At the same time, he joined the Cultural Arts Quadrangle Committee representing Grace Episcopal Church. Either to work together with his neighbors around Victory Park to remove the Hartnett Parking Lot so that all Manchester residents can be proud of the cultural center of our community. It was only a short time before he was urged to join the For Manchester Steering Committee. While others value his input, his perspective and his positive view of the possibilities for Manchester's future. Alan has served on the Pastoral Counseling Services Board of Directors and has been a long-time active member of Grace Episcopal Church offering his talents as Trustee and willing volunteer whenever he is needed. He worked especially hard as Volunteer Clerk of the Works overseeing the renovation of the house on Lowell Street adjacent to the Church, now known as Grace House. Renovation of the building provides extra space for the Church while at the same time contributing to the overall beauty of the Victory Park historic area. Perhaps most significant of all, Alan is known to his friends as a humanitarian. When he hears of someone in need or with problems, Alan is there along with his wife Jane to help out. He approaches all of this with humility neither expecting nor seeking attention for what he does. In his actions and his attitude Alan Jones has made a difference. He has helped to make our City a better community in which to live and that is the Spirit of Manchester. I knew Alan and I knew all of the things that we have related here to be true. It's unfortunate that Alan passed out Easter Sunday and to receive his award here is his wife, Jane, and Alderman Reiniger is going to present the award to you, Jane.

CONSENT AGENDA

Mayor Wieczorek advised he was removing the following items from the Consent Agenda entirely. They would not be considered.

N. Ordinance:

"Amending Section 33.079 (Vacation) of the Code of Ordinances of the City of Manchester."

R. Resolutions:

"Amending the 1998 and 1999 Community Improvement Program, transferring, authorizing and appropriating funds in the amount of Ninety-eight Million, six Hundred Six Thousand Dollars, ($98,606,000) for Various MAA Projects."

"Amending the 1999 Community Improvement Program, authorizing and appropriating funds in the amount of Fifty Six Million Ninety Two Thousand, Two Hundred Twenty Five Dollars, ($56,092,225) for the 1999 CIP 731599 Runway 17/35 Airside Project."

S. Bond Resolution:

"Authorizing Bonds, Notes or Lease Purchases in the amount of Thirty Four Million, Four Hundred sixty Nine Thousand, Two Hundred Twenty Five Dollars ($34,469,225) for 1999 CIP Project 731599 Runway 17/35 Airside Project."

Mayor Wieczorek advised that related items on the Finance Committee agenda and item 19 on the Board agenda were also removed.

Mayor Wieczorek advised if you desire to remove any of the following items from the Consent Agenda, please so indicate. If none of the items are to be removed, one motion only will be taken at the conclusion of the presentation.

Minutes Accepted

A. Copies of minutes of meetings held November 4, 1998 (two meetings).

Ratify and Confirm Poll Conducted

B. Approving paying the sum of $8,950 to Robert Gould and Karen Kean- Gould for the City's share in the demolition of the building located at 398-400 Hanover Street, upon completion of the demolition.
(Note: fourteen Aldermen voted in the affirmative.)

C. Approve removal of winter parking ban effective April 9, 1999.
(Note: ten Aldermen reached and voted in favor.)

Approve Under Supervision of the Department of Highways

D. Bell Atlantic petition #920211

Informational to be Received and Filed

E. Report of Committee on Bills on Second Reading recommending denial of a petition to rezone property at 866 South Beech Street; such petition having since been withdrawn all documents submitted for informational purposes only.

F. Copy of a communication from the Governor's Office of Energy and Community Services to Mayor Wieczorek relative to refugee resettlement in Manchester.

G. Communication from Executive Councilor Colantuono submitting a copy of the preliminary 1999 roadway resurfacing map published by the Department of Transportation.

H. Communication from Rich Davis, Executive Director of Intown Manchester, expressing their gratitude to the Highway Department for the removal of sand at the Intown Skating Rink last week.

J. Communication from Gerard Montembeault, President of Dobles Chevrolet-Buick, Inc., commending Police Officers Branch and Begley and advising of a donation in the amount of $1,000 to Crimeline and also two donations of $500 apiece in each of the officers names to the charity of their choice.

REFERRALS TO COMMITTEES

COMMITTEE ON ADMINISTRATION/INFORMATION SYSTEMS

K. Communication from MediaOne submitting a copy of its Fourth Annual Progress Report on Capital Spending for System Upgrades and Rebuilds for 1998 under the Social Contract.

L. Communication from Laurie Forbush regarding certain sales practices used by MediaOne.

M. Communication from Attorney Pestle submitting model documents to help municipalities and municipal attorneys relative to cable franchises and cellular towers.

REPORTS OF COMMITTEES

COMMITTEE ON ADMINISTRATION/INFORMATION SYSTEMS

U. Advising that it has reviewed and approved proposed Ordinance:

> "Amending the Code of Ordinances of the City of Manchester by adding to Chapter 39: Procurement Code a provision to allow the City to contract for services required by the City."

and recommends same be referred to the Committee on Bills on Second Reading for technical review.

V. Recommending that the Board approve the policies and procedures for use of the public areas and facilities maintenance of the city Hall Complex as enclosed

W. Recommending that a request of Linda Garriott, Intown Manchester, to install banners on lighting hardware for an arts and music event on Hanover Street in conjunction with the Downtown Farmers' Market and the Manchester Summer Concert Series to be held Thursdays on July 8, 15, 22, 19; August 5 & 19, 1999 from 6:00 to 10:00 PM be granted and approved.

X. Recommending that a request from the Parks, Recreation & Cemetery Department to waive the fair license fee for the annual fireworks display to be held at Arms Park on Saturday, July 3, 1999 with a rain date of Monday, July 5, 1999 be granted and approved subject to meeting all conditions set forth by the City Clerk, Fire, Police and Risk Management.

Y. Recommending that a request by Big Brothers Big Sisters of GM, Inc. to install banners on lighting hardware on Hanover Street, between Elm and Chestnut Streets announcing a "Yard Sale" to be held on Saturday, June 19, 1999 be granted and approved subject to meeting all conditions set forth by the City Clerk, Building, Fire, Police and Risk Management.

Z. Recommending that a request for a circus license by the Royal Palace Circus, Inc. for May21, 1999 be granted and approved subject to meeting all conditions set forth by the City Clerk, Fire, Police and Risk Management.

COMMITTEE ON BILLS ON SECOND READING

AA. Recommending that Ordinance:

"Authorizing the Mayor to dispose of certain tax deeded property known as Map 9, Lot 11, known as 1037-1045 Elm Street."

ought to pass.

HAVING READ THE CONSENT AGENDA ON MOTION OF ALDERMAN WIHBY, DULY SECONDED BY ALDERMAN CLANCY, IT WAS VOTED THAT THE CONSENT AGENDA BE APPROVED.

I. Communication from Henry H. Magdziasz submitting his resignation as an MTA Commissioner, effective April 1, 1999, due to health reasons.

Alderman Cashin stated that Mr. Magdziasz had worked with the City for over 40 years. He has not only a commissioner he is a personal friend of mine and a personal friend of the City's, and moved that the Board of Mayor and Aldermen accept his resignation with regret, and further that the Mayor present a key to the City of Manchester at Mr. Magdziasz's home. Alderman Cashin noted that he would meet the Mayor at his home as Mr. Magdziasz could not get out at this time. Alderman Pariseau seconded the motion.
Mayor Wieczorek advised that he concurred with Alderman Cashin and would so do the presentation of the key.
Mayor Wieczorek called for a vote. The motion carried unanimously.

P. Communication from Attorney David Howe on behalf of NH-Vermont Health Service d/b/a/ Blue Cross and Blue Shield of NH for the consent of the City of Manchester to the assignment of the Development Agreement dated August 11, 1992.

Alderman Shea requested a comment from the City Solicitor asking if it should concern the Board that because of the proposed sale of the Blue Cross/Blue Shield that the possibility exists that the operators of the Health Alliance could be transferring their particular operations to a

more centralized site in the near future. He asked if that would effect at all the sale of this particular building.

Solicitor Clark responded no, that they had reviewed the documents that Blue Cross has been providing and it was their understanding from those documents that they are selling the property but they are going to enter into a lease back arrangement where they are going to remain at the site.

Alderman Shea asked if that would be a long term lease.

Solicitor Clark responded affirmatively.

Alderman Shea moved to refer the communication to the Committee on Community Improvement. Alderman Rivard duly seconded the motion. The motion carried with none recorded in opposition.

O. Communication from the Director of Parks, Recreation & Cemetery, on behalf of the VFW 8214, requesting the placement of a Veteran's Marker at the corner of W. Hancock and Second Streets to honor Col. Gerald Hemlich, a Vietnam Veteran and West High School Graduate.

Alderman O'Neil stated that Alderman Cashin had worked hard on this, noting that he had worked with Alderman Pariseau to start a similar project at South Willow and Maple Streets, working with P.J. O'Sullivans who were trying to dress up the square in honor of the veteran there. Alderman O'Neil noted that the Planning director has done some preliminary work on this and Highway Department has offered their services on these projects. For informational purposes there is some planning going on and he encourage any of the aldermen to talk to Bob MacKenzie about it, some of his staff people came up with some nice concepts on how to dress up these squares a little bit.

Alderman O'Neil moved to refer the item to the Committee on Community Improvement. Alderman Klock duly seconded the motion. The motion carried.

Q. Communication from Ralph Sidore addressed to Jay Taylor requesting to acquire a strip of City-owned land between the western boundary of Canal Street and the railroad from No. Commercial to Kidder Streets.

Alderman Reiniger stated that Mr. Taylor had requested that in addition to sending this item to the Committee on Community Improvement, that reports and recommendations be submitted to the Committee at its next meeting from Public Works, Tax Collector, Board of Assessors, Traffic Director and the Planning Director.

Alderman Shea stated that according to the proposed terms of the agreement the City would receive approximately $20,000 and proposed that a financial study be made to determine if it would be financially beneficial to the City to retain the rights to this property and to lease out parking spots to the trade point systems, included in this analysis would be the cost of the railroad property as well as costs relating to a parking site of this nature.

Alderman Reiniger so moved to refer the communication to the Committee on Community Improvement with reports to be submitted by Finance, Public Works, Tax Collector, Board of Assessors, Traffic Director and the Planning Director. Alderman Wihby seconded the motion.

Alderman Wihby asked if this took away any of the railroad track.

Mr. Taylor responded no, stating that having looked at a plan done by T.F. Moran there is some city land involved and there is a small strip of Railroad owned property. In order to make this work, not only does the city have to agree but the railroad has to agree to sell their strip as well so there is some contingencies. Mr. Taylor noted that he was aware highway had some concerns and that was why he asked to have all the departments take a look at this to make sure we are not shooting ourselves in the foot somewhere along the line.

Alderman Wihby noted concern with if they wanted to someday make the train viable to use they did not want to give up the land to do that, but in the meantime rather than take a month and tell them no, was there something Mr. Taylor could look at for some other plan to give them some parking down there in case they did say no to the request.

Mr. Taylor responded that this particular tenant was looking at buying space in the 155 space – the Fratello's building as a condo. Their concern is that they do not want to be stuck in a situation where they own real estate and lease parking where the terms of the lease parking and the real estate ownership don't coincide and they get hung up high and dry. They would prefer if they can to own the parking in order to give them the comfort that they will have the parking available. That is the nature of the request, unfortunately there is not a lot of alternatives in that area to create additional parking. This was one that seemed reasonable to take a look at sieing that th property was not doing anything, if they could pick up 62 roughly spaces in that area, whether by lease or sale it made sense to do it if it could be done.

Alderman Hirschmann concurred with Alderman Shea that a lease with annual revenues would be the preference.

Alderman Girard commented that the proposal here was to sell the land so if it were in private hands this land would pay taxes. Mr. Taylor agreed. Alderman Girard commented that the owners of the land would be responsible for all of the maintenance the condition, the plowing, all of the stuff that if the city were to own it we wouldned get taxes and we would have to take care of the maintenance and all of that stuff.

Mr. Taylor concurred stating that the other issue that plays into that is that if the City decides that it wants to construct the parking and continue to own it, though not suggesting it was necessarily a bad idea the issue is one of timing and where does the money come from, and he did not have the answer and the request was somewhat time sensitive.

Alderman Clancy asked if they did not lease the parking in town at $40 per space a month.

Mr. Taylor responded that they had different prices, millyard surface parking is $25 per month per space; downtown surface parking is $30 per month per space; the garages are $45 per month per space.

Alderman Clancy noted that 60 spaces at $30 is $1,800 a month times ten months was $18,000 and we want to sell it for $20,000. Alderman Clancy noted they would get the money back in a year.

Mr. Taylor noted that the calculation used to by one of the assessors to come up with that value was taking the $30 per month fee, taking the annual income and capitalizing that using a 13 ½ capitalization rate, which suggests a value of $165,000 for the land itself, deducting from that the cost to construct the spaces which is estimated by public works nad a private contract to be around the $145,000 the net value of the land is $20,000. That's where they came up with the

number and they need to verify that which is why they suggested the assessors take another look at that and report to the committee.

Alderman Clancy questioned the $145,000 to construct 62 spaces.

Mr. Taylor noted that if they look at the land there was drainage that had to be piped, there was a considerable amount of work to be done on that to make it usable.

Alderman Girard asked if the assessed value of the land, once developed, be the $165,000. Mr. Taylor deferred to the Board of Assessors. Alderman Girard asked Mr. Tellier what would the assessed value of th4e parking lot be once constructed if in private hands.

Mr. Tellier of the Board of Assessors responded the income approach to value would be the most viable method used to calculate the value, hence a $30 value is applied per space, the common denominator is the cost to cure, or an improvement value. As Mr. Taylor articulated that site has significant problems inherent in the site, hence $145,000. It came about this way it becomes a policy issue for the Boar of Mayor and Aldermen to decide what they want to do, but they capitalized it at $30 per site.

Alderman Girard stated my question is what do you expect the assessed value of this property to be once it is a privately owned parking lot. He was not questioning the sale price, he was questioning what the assessed value would be once developed.

Mr. Tellier responded they would likely capitalize it at an income level of approximately $30 per space because that was the highest and best use for that and would convert that to the approximate value, it would be somewhere in the $165,000 range, he could not say exactly at this time.

There being no further discussion, Mayor Wieczorek called for a vote. The motion carried with none recorded in opposition.

Report of Committee on Accounts, Enrollment and Revenue Administration

T. Recommending that a request relative to the possibility of offering tax abatements to homeowners of condo associations to aid in covering some of their additional expenses of maintenance and repair to pumping stations be denied; and further that the Public Works Director make himself available to various homeowners associations to assist them in planning for the maintenance of their pumping stations.

Alderman Wihby noted that he had removed this item because he wished to oppose it feeling they should have been able to do something for those people.

Alderman O'Neil moved to accept, receive and adopt the report of the Committee. Alderman Rivard duly seconded the motion. The motion carried with Alderman Wihby duly recorded in opposition.

Report of Committee on Bills on Second Reading

AB. Recommending that a petition to rezone a certain parcel of land located near the corner of Sheffield Road and Mammoth Road from Residential Suburban Multi-Family (R-SM) to Industrial Park (I-2) submitted by Attorney head on behalf of Norman and Lillian Lee be denied.

Alderman Girard noted that this item related to the dog care facility, he was concerned that the committee's recommendation was to deny the rezoning request. He was particularly concerned because the person who owned the dog facility got all of the approvals they needed to get from

the Zoning Board, they did work with the abutters to come up with a plan that they felt was better for them and that the abutters thought were better for their properties. He was concerned because time and again the city is faced with situations that are adversarial where no one can come to agreement on anything and we try to encourage developers and neighbors to work together. We have a situation here where the developers and the neighbors tried to work together to come up with a better plan and the recommendation of the committee on Bills on Second Reading is to not allow that plan to happen. He did not understand why it was the committee was not recommending that an agreement worked out between the abutters be approved.

Alderman Wihby noted that what they had was an agreement worked out between one abutter and not all the abutters and we saw a problem with it going on down the line later on where new development would be in the same particular location as this dog facility would be, and it looked like there was one tenant was there and no one would even speak to her and didn't know what her feeling was, so since they had the permission to go the other way with it, the committee felt it was better to go the other way with it and leave the land the way it was.

Alderman Wihby moved to accept, receive and adopt the report of the Committee. Alderman Pariseau duly seconded the motion.

Alderman Reiniger stated he could be wrong but thought this person had been notified and didn't bother to come or respond to notices.

Alderman Wihby stated his understanding was she had not communicated with anybody, and they didn't even try, it was not clear cut, he did not think she got a notice.

Mayor Wieczorek called for a vote. The motion carried with Alderman Klock, Reiniger and Girard duly recorded in opposition.

6. Presentation by Melanson, Heath and Company, Inc. relative to the FY1998 audit.

Mr. Frank Biron, President of Melanson, Heath CPA's, addressed the Board and introduced Scott McIntire also a partner with the firm. Mr. Biron stated they would walk through some of the highlights of the 1998 audited financial statements and then talk about a special report they were asked by this Board to prepare dealing with the school's over-expenditure for June 30, 1998 as well as management letter recommendations pursuant to the 1998 audit. Mr. Biron turned the presentation over to Mr. McIntire to present some of the highlights of the financial reports the CAFR.

Mr. McIntire addressed page 22 stating this was the second page of the City's balance sheet as of the point in time June 30, 1998. The first column of numbers is your general fund which is the main operating fund of the city. If I could draw your attention to the third number up from the bottom and the fourth number up from the bottom. Those accounts are labeled your unreserved revenue stabilization account with $5,102,000, and your unreserved undesignated fund balance of $433,000. Those two accounts represent the city's surplus. By itself the revenue stabilization account of $5,100,000 that's the rainy day fund that's discussed in the footnotes and also in the transmittal letter written by the finance director. Your undesignated fund balance is your actual surplus that could be used for expendable purposes. If you look at

those two numbers, as your existing surplus of June 30, 1998, they represent approximately 3.5% of your budget. I throw that percentage out there because many rating agencies when they look at the city's credit worthiness will look to see how much surplus you have in relation to your annual appropriations. Your are at about 3.5%. It's a healthy looking balance sheet. The revenue stabilization is a little over $5.1 million it looks very strong. Your undesignated fund balance that hopefully can grow in the next couple of years. We would like to see that a little bit higher. Couple of other highlights I would like to draw to your attention on the balance sheet. I need to go back one page to page 20, page 1 of the balance sheet, the sixth number down from the top, due from other funds of $16,000,638. First of all what due from other funds means represents is the interfund loans of cash betwee4n the general fund which really pools all the cash into the general fund, how much cash it has loaned some of the other operations of the city. Much of that $16 million number is made up of two pieces, the airport and the aggregation enterprise funds. I raised that this year because it's a significant asset to the general fund. What that $16 million represents is money that the general fund has loaned to the airport, approximately $10 million, and to the aggregation fund approximately a half million dollars that will be reimbursed from these two funds at a later time. The general fund holds the cash during fiscal year 1998 and as you will see when we go through the management letter the enterprise funds in particular, the airport and the aggregation funds didn't have the cash to do several of the things it was in the process of doing so the general fund loaned the money to those funds. If I could go back to page 22, now with these inter-fund loans in 1998 the airport sold bonds, and the airport was then able to repay the general fund the money it was loaned. The aggregation fund, as it will be further discussed in the management letter, still has not had an influx of cash or an influx of revenue into that fund. As a result a half million dollars in the general fund has been loaned to the aggregation fund that isn't currently due, or is due to the general fund but there is no way within fiscal year 1999 that those cash dollars can go back to the general fund. As a result going back to the bottom of page 22, this time if I could focus your attention to the fifth number up from the bottom, it's called advances of $575,000. What that represents is because the general fund loaned money to the aggregation fund that the general fund will not receive in a short period of time, therefore, generally accepted accounting principles require presentation to show this separately on the balance sheet. In other words, that $575,000 can't become part of your surplus, cause right now the aggregation enterprise fund doesn't have that cash to pay you back. I thought that was an important highlight to bring out it will be further discussed when we go through the management letter.

Alderman Hirschmann asked, the aggregation advance, is that a major concern for your CAFR letter.

Mr. McIntire responded it is not a major concern to the financial statement…

Alderman Hirschmann interjected because it is going out into the outer years, into the year 2000, 2001.

Mr. McIntire stated our concern and why we have put it in the management letter is the costs are being incurred here for which there is no current revenue stream to offset them. Once that revenue stream becomes a viable source then this fund will be self-sustaining and will pay back the cash it has borrowed.

Alderman Hirschmann asked if they had brought this to our attention last year.

Mr. McIntire stated this was a new issue.

Alderman Hirschmann noted that they had spent money last year on this program.

Mr. Biron stated it might have been minimally last year.

Mr. McIntire stated he was not aware of the amount of funds that were spent last year.

Alderman Hirschmann asked if he had done the management letter last year as well.

Mr. McIntire responded yes sir.

Alderman Thibault asked if we had any idea as to when these funds would start rolling back, is there a date, is there a time as to when these funds will be coming back on the aggregation program.

Mr. McIntire stated he would defer that to the finance officer.

Aldermant Thibault asked how did you figure that.

Mr. McIntire stated that why we have segregated the advance to the aggregation fund as opposed to the larger dollar value to the airport is because since the balance sheet date the airport has received its influx of cash. If we felt that by June 30. 1999 the aggregation fund was going to have cash to pay back the general fund this would not be an issue. We don't think that cash is going to exist by June 30 1999.

Alderman Thibault asked if we have a time frame as to when this may in fact start coming.

Mr. Clougherty responded tonight aldermen, there were two contracts they were going to be asked to approve that will start to deal with getting those dollars in. We also have with us this evening as we get into discussion of those items, the attorney who has been working the case so that we will be able to give you a definitive date on where we are going. Although we may not be able to deal with it for 1999 which is almost over, is the issue, we do see it being resolved in the following year and we think those are things we need to talk to you and explain to you because they are legitimate concerns and we agree with the auditors.

Alderman Thibault stated that was all, he wanted an idea as to when it might be coming in.

Alderman Pariseau stated he had two questions relative to the aggregation. Who authorized the lending of $575,000 to the aggregation fund.

Mr. Clougherty responded the Board of Aldermen took the action to approve the appropriation.

Alderman Pariseau asked is it the auditor's concern, I don't know if you have it, that EPD also contributed to the aggregation, Water Works, is this part of this $575,000.

Mr. McIntire stated segregating the $575,000 here is required by generally accepted accounting principles. Once the money is repaid to the general fund this goes away and drops back down into you surplus. The aggregation fund itself absent of anything with the EPD and Water Works that the fund which is an entity by itself spent this $575,000 so it's up to that fund to generate those funds to repay the main fund, the general fund of the city.

Alderman Pariseau stated that doesn't include the EPD monies or anything, this is in addition to.

Mr. McIntire responded that he was not sure of what costs the alderman was referring to with respect to the EPD or Water Works.

Alderman Pariseau stated I'm referring to the fact that this Board did authorize the EPD, Water Works, Aviation, and Parks and Recreation I think to contribute to this aggregation program. What they contributed is not represented by this $575,000.

Mr. McIntire stated no it is not.

Alderman Pariseau stated so how much did the aggregation program spend in 1999 that we are not going to get back I guess.
Mr. Clougherty stated 1999 expenditures to date, we have a couple of months left, is $287,000.
Alderman Pariseau questioned on what.
Mr. Clougherty responded primarily on consulting expenses that were involved in the rate hearings, that was involved in consulting to put together contracts that are going to be before you tonight in order to be able to generate the revenue to address this issue.
Alderman Pariseau stated didn't we somewhere along the line advise finance to hold up on future activity dealing with aggregation back last October, September maybe.
Mr. Clougherty stated that was not my understanding. We trimmed back. If you take a look at what the activity was the appropriation was made and we…
Alderman Pariseau interjected stating I would request that the City Clerk dig out some minutes of past meetings dealing with aggregation. I don't think we could have made it any clearer.
Mr. Clougherty stated that is not my understanding alderman.
Alderman O'Neil stated I'm sure when we get a little later this evening there is going to be many discussions about aggregation, but I'm not sure we need to tie that up right at this moment with the auditors. That's just my feeling.
Alderman Shea stated I concur with Alderman O'Neil, I have several questions dating back to 1996 and 1997.
Mayor Wieczorek stated okay so let's get tot he program.
Alderman Hirschmann stated with this piece here, basically you posted this as a receivable due to the general fund.
Mr. McIntire responded yes.
Mr. McIntire referred to page 24 stating the first column of numbers going from left to right this is your revenues and expenditures focusing again on the third number up from the bottom. You will see you had an excess of revenues over expenditures of $1,139,000. You ended the fiscal year 1998 in the black and it'' that surplus that helped add some funds to your revenue stabilization account. Moving quickly over to page 78 and page 79. These two pages show in quite a bit of detail the City's general fund expenditures compared to budget. The second to the last column on page 79 is titled up variance favorable and unfavorable. If you look down that column, probably one-third of the way down the page, you see one number in brackets. $339,985. That represents health costs incurred by the general fund that exceeded the appropriation for FY1998. Moving downwards, probably two-thirds down the page, you see two numbers in brackets, meaning an unfavorable variance. $1,249,000 and $19,000. The first number represents the school department over-expenditure that Frank will get into a little bit later, and the $19,000 represents the shortfall in the school food and nutrition program. Those are a couple of other highlights with respect to the general fund. Now if I could turn your attention to page 90. Page 90 is the results of your operations for your enterprise funds. Water Works, EPD, Aviation, Recreation, and Aggregation. We've talked a little bit about aggregation already as you can see the second to last column down near the bottom of the page you see currently a net loss for the year. You folks have indicated you will get into those further discussions latter tonight. Other than aggregation you can see that the third number up from the bottom in all of the other funds, there is a positive or an increase to the retained earnings in the

liquidity of all four of those enterprise funds. Each of them had strong results of operations for FY1998. That is a very quick overview of a very comprehensive financial statement. I'll entertain a few questions or turn it over to Frank to discuss the school overexpenditure report and our management letter.

Alderman Shea stated you pointed out the 3.5% is a healthy amount to have in the revenue stabilization, I thought 5% was somewhat looked upon favorably by bonding companies. Your comment.

Mr. McIntire responded it is. 5% would be preferable, but given Manchester's size, its current tax base, the resources that it has, 3.5% is also seen as favorable by agencies, but the direct answer to your question is 5 would certainly be better than 3.5.

Alderman Hirschmann had a comment relating to the management letter.

Mayor Wieczorek noted that this was not being discussed at the moment, they were still on the CAFR.

Mr. Biron stated the first report he wished to go over is the school over-expenditure report. Page one basically summarizes what we were asked to do and what we did and with that we get into the results and conclusions. Basically what we were asked to do is determine what the over-expenditure was at June 30, 1998. What the bottom line was. Identify the areas where over-expenditures occurred, and lastly determine how much of that over-expenditure was a result of mandated Special Ed and English as a second language programs. To accomplish that we began by reviewing all of the budget documentation that was available for the 1998 budget. Now, part of the problem we ran into in doing this analysis is the school's budget is not prepared on a program basis. In other words you can go to a report, you can't print out a report for special education only. The Special Ed costs are integrated throughout the school's budget. So we had to go through quite an elaborate analysis to allocate the budget amounts as well as the actual amounts between Special Ed, English as a second language and non-Special Ed costs. We did that by reviewing the budget documentation that was used to prepare the budget. We also obtained various H.T.E., the new computer system, reports to analyze the balances in there. We did an extensive analysis at the end of the year cut off. We basically looked at every bill that was paid from June 15, 1998 through September 15, 1998, to make sure that the expenses were being charged to the proper year. We also looked at all of the line items that had over-expenditures exceeding $50,000 and we did extensive testing of specific invoices that were charged to those to make sure that they were being charged to the right programs. The results of our analysis are presented in two schedules as part of this report. The first schedule summarizes the budget as it was approved by the school committee, showing the actual and the budget and the resulting over-expenditure. The bottom line as School mentioned before is that the school committee controlled general fund school appropriation was over-expended by $1,248,802. Now the specific line items, there are various line items that are over, and others that are under. Focusing on the large ones that are over. That is the ones that were over by $50,000. There were eight of them. They were severance, tutors, educational assistants, professional and technical services, special services transportation, supplies, textbooks and electricity. The second report that appears, the last two pages of this report, take that same budget versus actual but break it down into a lot more detail. It also allocates these same costs and the same budget between Special Ed and English as a second language and all other. The result of going through

that analysis is the bottom line is that the mandated Special Ed and English as a Second Language resulted in over-expenditures of $1,234,698 and the remained $14,104 was in the non-mandated programs.

Alderman Wihby commented severance, how does that weight into special needs.

Mr. Biron responded it doesn't. Those are line items that went over, not necessarily Special Ed.

Alderman Wihby asked should that be salaries rather than severance.

Mr. Biron responded that severance is part of the salary. On the first schedule it's included within the salaries, but the second schedule behind it breaks down the salaries into about 20 different line items. That would be the first 20 lines or so on that schedule and severance is one of them.

Alderman Wihby stated so 200 of the 685 is severance.

Mr. Biron responded yes. And that 200, none of that was considered Special Ed so that all went against the other, non-Special Ed. The way to read that report, we're looking at the last report which is the last two pages, the first three columns summarize the mandated costs, the middle column is the non-mandated costs, and the last three column is the grand totals. And those grand totals correspond to the same numbers on the page before this.

Alderman Wihby stated so the 685 on the first page in the salaries, some of that is Special Ed.

Mr. Biron responded yes. The 685 which is the first line of the first schedule would be the total of say the first 20 lines there of the second, which has a heading of salaries, then underneath it it goes school board, principals, teachers goes down for about 20 to 22 lines. Those would all be the equivalent of that salary line on the previous page.

Alderman Wihby stated okay.

Mayor Wieczorek stated he was assuming that they had made some recommendations to the Board of School Committee on what to do.

Mr. Biron responded they had.

Mayor Wieczorek stated you spent a lot of time putting this together and going through it twice to come up with the Special Ed and ESL, is there going to be a system next year so we can track the Special Ed and ESL.

Mr. Biron responded that was one of the management recommendations, and my understanding is that they are doing that now.

Alderman Shea stated just so I'm clear in my mind, what you have said is that the school department was 1.248,802 over budget but because of Special Education and the ESL program they actually overspent $14,104.

Mr. Biron stated I don't know if I'm understanding that right, what I am saying is that the $14,104 was the over-expenditure pulling out the special Ed and English as a second Language. So if the special Ed and ESL programs did not exist the school department would have been over $14,000.

Alderman Shea stated you are saying it a different way, I'm coming in the front door you're coming in the back.

Mayor Wieczorek noted they were in the same house though so it was okay.

Alderman Girard stated you said that the school board did not develop its budget on a programmatic basis and therefore it was difficult for you to figure out what expenses went where. If they are not doing it on a programmatic basis how are they doing it.

Mr. Biron stated on an object basis. Basically, what you see on the following two pages is what their budget was in FY1998. Limited to a handful of line items.

Alderman Girard stated so they are just looking at the line items and the history of expenditures and increases and saying well we have a problem here so.

Mr. Biron stated that his understanding was that historically that was what the chart of accounts was. My understanding is they have made some changes to the chart of accounts in FY1999.

Alderman Girard stated in Fiscal Year 1998 there was a Special Ed reorganization, a cost containment program that was budgeted for. Did you see any evidence that the school department tried to act on that reorganization.

Mr. Biron stated he could not answer that he did not know.

Alderman Thibault stated just so I understand this a little bit here, are we saying that if you take Special Ed and ESL out of this that the school department would have only overspent their budget by $14,000.

Mr. Biron responded yes.

Mr. Biron stated before I close on this report I just want to point out that the next thing I'm going to go over is the management letter which deals with city issues. We also issued an extensive management letter to the School Committee and we are going to be meeting with the School Committee in two weeks to go over that. One of the primary areas that we made a number of recommendations is in coming up with mechanisms to avoid future over-expenditures. Those issues are all discussed in that report and will be made available to this Board and will make ourselves available to come back and discuss it with you if you would like. One point though is that these mandated costs, the Special Ed and English as a Second Language. They are mandated costs so there isn't a lot of leeway in whether to pay them or not. So we have made a recommendation to the School Committee in that management letter that if a situation occurs in the future where those costs get out of hand again. Where there is a risk that they are going to cause the budget to be over-expended that the School Committee should not incur those costs until coming to the School Committee and coming to this Board to bring it to your attention so you can deal with it up front and not after the fact.

Alderman Shea stated is it not true that the federal government mandates these programs.

Mr. Biron stated that is true.

Alderman Shea stated is it not true that the federal government is suppose to provide 40% but they provide now 8%, is that not true.

Mr. Biron responded he did not know.

Mayor Wieczorek stated that was correct.

Alderman Shea asked if that was one of the problems in your judgement ythat faces the school department when they incur expenses that are unforeseen but come upon them during the course o the school year.

Mr. Biron responded absolutely.

Alderman Shea stated and what you are recommending that if that were to be the case that they should come before the Board of Mayor and Aldermen and discuss their problems at that time so as not to incur serious problems as in the past they might have occurred.

Mr. Biron stated exactly because they may be mandated costs but it's still inappropriate to over-expend the budget.

Alderman Shea stated there is some discussion about a contingency fund available, and that was available a few years back when there was a different administration in the school department. Would you suggest as an auditor that this may be a way of handling any urgencies that may develop.

Mr. Biron moved on to discuss the management letter stating this is an area where we don't talk numbers any more we talk issues. Areas where we think improvements could be made either in the internal controls to strengthen procedures or just to improve efficiencies. This year's management letter has a lot more issues than we've discussed in the past few years. The past few years the management letters have really only had two or three items per year. This year I believe we have thirteen items. The majority of them are related to the computer conversion that the City has gone through and is still in the process of going through. In addition to this management letter, as I mentioned before, there is another report that we will be going over with the School Committee and there is another management letter that we will be going over with the Airport Authority. So those are both additional management letters that will ultimately make there way to you that you should look at also. Now Fiscal year 1998 was a very difficult year for the City finance office primarily because of the computer conversion that occurred. The conversion occurred on the first day of the fiscal year July 1, 1997, and it really took a lot of the city's personnel time to implement. In addition during the course of this year's audit the city went through moving from the Hampshire Plaza building to over here so that's another complicating factor that went through in this year's audit which caused some delays. The way that this management letter is structured we first discuss a few of the items that we mentioned a year ago that are still open issues that haven't been fully addressed and then we are going o get into the current year issues. So these issues begin on page 4. Some of these issues are what we call reportable conditions. Reportable conditions are what we consider to be more serious in nature. They are areas where errors or irregularities could occur and possible not be detected by the employees in performing their functions. So the ones that we consider to be reportable conditions, we call them reportable conditions in their headings, and in the table of contents. The first issue which is a prior year issue we are calling a reportable condition. And that's re-establishing interim record reconciliation procedures. We mentioned this last year when we were doing the audit. Talking about the 1997 audit now. The 1997 audit which occurred during Fiscal Year 1998 was delayed because the City at that point was in the first stages of going through the computer conversion and what we found is that the finance Office staff was really consumed in going through that conversion. As a result it caused delays in us completing the 1997 audit, and we also noted that some of the key reconciling items that normally would occur in the finance office such as proving the general ledger cash balances, and receivable balances, and payable balances weren't occurring in a timely manner. So in last year's management letter recommendation we suggested that the city re-establish the timely reconciling procedures. The current year status, the computer conversion continued to consume the finance office's time during 1998. As a result there were substantial delays in completing a lot of the key reconciling accounts. That was the primary reason for the delays in completing the 1998 audit. Our recommendation is that the City take steps to re-establish timely reconciling procedures. Now one of the key things to getting that accomplished is some of the problems that currently exist

with the HTE, the new computer system, and those are areas that I'm gong to discuss in the fourth comment. So in order for the City to re-establish these timely reconciliation procedures certain things have to happen with the HTE system.

Alderman Pariseau stated I just have to ask the question, what problems do we have with HTE. We heard complaints about it yet Finance kept insisting it was the way to go and here you tell us that we've got a problem.

Mr. Biron stated he would go on to comment number 2 and then I'll address that if that is okay.

Alderman Pariseau responded affirmatively.

Mr. Biron stated comment number two deals with formalizing administrative regulations within a city. Now the city does have a Code of Ordinances which are approved by this board but they tend to be more general and broad in nature as opposed to very specific policies and procedures for the various departments to follow in items such as E-Mail, petty cash, grant reporting, payroll processing. It's especially more of an issue now because with the new computer system a lot of that processing is done on a decentralized basis, at the departmental level. So it's important that all of the departments be very consistent in the way that they track, report and account for information. So a year ago we made the recommendation that the city develop some formal administrative policies and procedures for the departments to use as guidance and consistence within the city. As a follow up during fiscal year 1998 no action was taken on that so we are making the same recommendation this year that those policies be established. We are expanding it a little bit to in saying that we feel that the city should adopt a formal conflict of interest policy statement, which the main point of it is to make sure that no city employees could be misusing their position for personal gain. If any of you have been reading the Boston Globe over the last two or three days they have been doing feature stories on Massachusetts communities that are having a lot of corruption in dealing with conflict of interest of their employees. That's a situation that I'm sure that none of us would like to see the city of Manchester get involved in and it might make sense to take a pro-active approach in developing your own formal policies and procedures relating to conflicts of interest. The next issue deals with establishing a policy and procedures manual to deal with accounting policies. A year ago we made this recommendation because under the new computer system all of the policies and procedures have changed for the most part. As a follow up really nothing has been done there. I can understand why nothing has been done there just because of the difficulties in going through the computer conversion it has required a lot of time but it is an area that we feel is still very important and should be addressed as soon as possible. Mr. Biron noted that this summarized last years management letter comments in a follow up. There were other management letter comments from a year ago that have been corrected.

Mr. Biron stated he would get into current year issues. Comment Number 4 deals with the computer conversion problems, what we consider to be the HTE problems. As we went through the audit we met with basically all of the key financial people in the city to go over policies and procedures because the policies and procedures have changed substantially under the new system. What we found was there was a lot of frustration on some employees' part dealing with what we consider to be four specific areas. Now granted there were other problems that occurred during the computer conversion process, the issues were addressed, they were dealt with, corrected. These are the areas that we feel are still hanging out there that are causing a lot

of inefficiencies in the city, as well as control problems. The first one deals with the postings to the general ledger cash accounts. Under the old system a normal check run, or a normal day's receipts would result in just a handful of postings to the cash account to summarize that entire check run, or that entire payroll, or that day's receipts. Now under the new system we are literally talking about hundreds, if not thousands of postings for each of those check runs and receipts that are coming i. It's excessively detailed and it's not summarized in a logical manner either. To get a printout of the cash account you are talking about a very thick report, and the finance office right now in order to reconcile cash has to go through that very detailed report and try to create trails and try to identify the postings, the deposits that are going into bank statements, and trying to identify which of those postings in the general ledger those represent. That is the area that caused the major delays in closing the books this past year. And that's a continuing problem right now. To current the cash reconciliations have not occurred yet in fiscal year 1999 between the general ledger and the bank statement balances because of this problem.

Alderman Girard stated you say we went from a handful of postings to hundreds and thousands.

Mr. Biron responded yes.

Alderman Girard stated and that the system is excessively detailed.

Mr. Biron responded as far as the postings to cash accounts yes.

Alderman Girard stated I don't know if this is a question for you or Mr. Clougherty, but is there a way to simplify this. I mean to go from a handful to hundreds and thousands it's staggering just to think of it. Is there a way to simplify the system so that it can be addressed.

Mr. Clougherty stated we can address it in a couple of ways aldermen, and I'm not sure that going from hundreds or to thousands is necessarily a bad thing. On the one hand it sounds great having hundreds, but you did not have the detail but you did not have the information or the detail before. You have to realize that the city of Manchester is a large fortune 500 corporation. We're the eighth largest employer in the state of New Hampshire. We go through thousands if not millions of transactions on an annual basis. So there is a medium in between there that you have to strike, and when you put it into the computer system you understand that the first year you are going to be working through those happy mediums to figure out the balance. The answer is not to go back all the way to where you were but to try and resolve something going forward. Part of the problem that we have had with the reconciliations is that to a certain extent the city's organization is based a very decentralized operation as Frank has said. When you go into computer software, no matter which software you look at, it's all designed for central accounting, central administration, central purchasing. And when you start to allow for a decentralized entry from multiple departments what happens is that they are not putting it in on a regular basis or if they are making errors and you go through a period where you have to reconcile that. And that's okay. The city's charter says that you have to make those adjustments then you are going to have to work through that period. And that is what we are going through now. The departments are getting better at using the system. The information is getting resolved through the reconciliations that we have had to makeup because there was this learning curve and there was kind of a build up. And we are working with HTE to try to reconcile where we think it is prudent some of the unnecessary elements. There is a three pronged attack that you have to take.

Alderman Girard stated so in short you are trying to get from the point that is excessively detailed to one that is practically workable.

Mr. Clougherty responded right.

Alderman Shea asked if this excessability been caused because of the adoption of the HTE system or because of some other reason.

Mr. Clougherty stated he did not catch the first part of what the alderman had said.

Alderman Shea stated is this particular problem caused because of the adoption of the HTE system, is that why we have this particular problem at this time.

Mr. Clougherty stated no, I think no matter, you have to realize that cities and towns all across the country are trying to deal with the year 2000 problem. They are putting in software programs and they are looking at these things over two year periods. There is a lot of these conversions going on. The City of Manchester I think has made a lot of progress with its system, but it's not something that you are going to accomplish in one year.

Alderman Shea stated so your answer is it has indirect or direct the cause is HTE.

Mr. Clougherty responded I think it's the adoption of a new computer system.

Alderman Clancy stated you have 26 departments in the city now, is the HTE system working properly in all the departments.

Mr. Clougherty responded yes, in my opinion what's happening is that the software end is working, all the departments are up the learning curve enough to be using it the way they should. There are issues with the software that we are going to have to work with, as we would expect with any software package that we would have acquired. You have to understand the first year that you put in any system that you are going to have these things that you have to deal with, and we try to make sure with each of the departments that those things are being reconciled and being taken care of. I think that what we are advocating is as we move into this next year, a lot of these issues as the audit says have identified resolved. These are the ones remaining that we have to take care of.

Alderman Clancy noted they had been at this for about ten months.

Mr. Clougherty stated I think you have to put this into the proper context. The last time the city went through a systems conversion, if you want to call it that, was when we put in an LGFS system in the late 80's. When that system went in, and again that wasn't' a whole city-wide issue, water still had it's system, it was just a smaller piece. We didn't have financial reports for 20 months because of that system. There are other cities and towns that are suffering through that. Melanson is presenting you tonight with a comprehensive annual financial report and a management letter three months later than you would ordinarily have it, and that includes our having to deal with moving in the middle of this thing. So I think that the city has made great strides. I think there are still things that we have to do with the software which includes making the hardware stronger and bigger to get processing faster so that the departments can get more utility out of it. But I think that is the major issue we have to deal with, is the size of the box. Once you get those things behind you there will be these items that we have to resolve. But if at the end of the first year of a major city-wide conversion system, this is the list of the items that you have and you have a financial report that says you have come through this year with a good health bottom line, I think the city has done very well and the departments have done very well. That is not to say that everything is going to wash out in a nice clean management letter, and we

said that to you last year. That we embarked on this as something we had to do. You can expect that there are going to be issues and it we're going to take a couple of years to resolve them, but by the year 2000 we would be in a position to move into the next millenium with a good system, with good reports that would be more detailed and require a more sophisticated entry by the departments and we are working to do that. Frank is justified in bringing up these issues and we welcome them. That's what we need from him, is to say this is where you say you've past these problems you still have these to focus on and we appreciate that direction.

Alderman Clancy stated that he was getting reports that some of the departments haven't got their HTE systems fully implemented.

Mr. Clougherty asked if Randy had heard anything.

Mr. Sherman stated he would fully agree with that. And I think there is a couple handfuls of departments out there that haven't even tried to fully implement the system. There are modules in this system that some of these departments aren't even going to attempt to undertake. You've got departments out there with vehicles that don't want to do fleet management. You've got departments out there that should be using work orders that aren't using them. You're largest department has stopped using the project part of the system. I mean the system can only do so much for these departments.

Alderman Clancy stated so that shows we have no accountability in some of the departments.

Mr. Clougherty stated that what you have is a system that has the capability to do a lot of really great things for the city, but you have to use it. Now, in other cities if you had central purchasing or you had central accounting you would have people that would be knowledgeable in those areas and they would be using all the modules as Randy pointed out. But when you get to some of these other departments that are on line now, they are not fast or they don't have that accounting expertise to take advantage of the module so you have to go up a learning curve and that is what we are climbing. Some of the departments are doing marvelously, others are still learning to get up there. And it is slow and in spurts. And that's what we are seeing happening. And that's what we had said and we had said this would be done by 2000, and I think we are still on track to do that.

Alderman Clancy asked who was overseeing this.

Mr. Clougherty responded the financial accounting side is being overseen by our office, but there are aspects that we don't control Info Systems, we have to coordinate with the people at Info Systems as well as an advisory committee.

Alderman Clancy stated he still thought there was some accountability that was not being taken care of.

Mr. Clougherty stated he appreciated that, as they had said right along, this is not something that is going to be an easy process and it was not something that was going to be instantaneous, it was something that was going to be a Year 2000 effort and we are moving in that direction and I think we have met the critical threshold that we have laid out for them.

Alderman Clancy stated if a department head is living up to his expectations, he should be mandated to do this stuff.

Mr. Clougherty stated we agree, and part of what we have to do before we go around, I think you get more working with the departments, I don't think there is anybody deliberately not trying to use it, I think they are just, we need to do a little more in the area of training, and we

need to work with the Committee on Accounts and make sure we bring in these items as we are going through them so they can be resolved and I think that is what is going to happen.

Mayor Wiecozrek stated if Alderman Clancy had any specific questions regarding any particular department you should contact the Finance Director and let him know what they are.

Alderman Clancy stated he probably would.

Alderman Shea asked when Mr. Clougherty had said the HTE system was adopted for the City.

Mr. Clougherty stated that fiscal Year 1998 was the first year that they fully operated with the new system.

Alderman Shea asked when did we go into the system was 1997 or 1998.

Mr. Clougherty stated you provided the funding and went through the solicitation process for at least a year before that.

Alderman Shea stated so it was in 1997 that we began it gradually, was that correct.

Mr. Clougherty responded yes.

Alderman Cashin asked when they went on line with HTE.

Mr. Clougherty responded July 1, 1998.

Alderman Cashin asked if it were possible that the system did not have the capacity.

Mr. Clougherty stated no, that the software has tremendous capacity. The hardware I think needs to be expanded to accommodate the capacity of the system because that is what is going slowly. Once that is taken care of I think you are going to see the ability for departments to get in and do a lot more.

Alderman Cashin asked if there was a request to fund a half million dollars to update the capacity of the hardware.

Mr. Clougherty responded that was in therefor Y2K, as I believe Information Systems put it into this year's CIP.

Alderman Cashin stated so we do have a capacity problem someplace either in software or hardware.

Mr. Clougherty responded in our opinion right, and we are working with the vendor to deal with that also.

Alderman Cashin stated if they are asking for a half million dollars there must be something wrong with the capacity.

Mr. Clougherty stated our feeling is that it is under capacity, you have to expand it.

Mayor Wieczorek stated I think when you get software as detailed, providing as detailed information as you get here it doesn't take too long to use up capacity.

Alderman Cashin stated you're right, but if you are not posting it anyway I don't see what difference it makes.

Mayor Wieczorek stated hopefully they will be posting it.

Alderman Cashin stated they were not doing it now.

Mayor Wieczorek stated to Mr. Clougherty you are going to post it.

Mr. Clougherty responded yes we are. I think you have to look at where the concentration has been on the system in terms of the postings and what are our main focus has been on the largest part of our operations which is the payroll, and those areas, and that's where we've concentrated to get beyond that threshold and now these others are going to be coming I think a little more rapidly.

Mr. Biron continued the presentation stating some of the other issues relating to the HTE conversion where we saw problems is in accessing information from the system also. The system as it exists right now, what is being used by the departments, departments can't run reports by sorting by account number. And they can't run reports for particular periods. Run disbursements for a one or two month period, and look at the activity that occurred in that period. We understand that there is a report writer module that the city has and will be implementing that will be able to do that, but up until now nobody has been able to do that and it has caused some problems. Mr. Biron stated that monitoring the budget is also difficult primarily because the employee benefits is intermingled with departments' budgets, so when a department reviews their budget report, they have their normal budget line items for which they are responsible for not exceeding but intermingled with that is employee benefits and there are no subtotals between those two major categories. So in order for them to determine where their bottom line is for that department they have to mechanically go through and back out the employee benefits. So the system would be doing sorts in the department so they can track their regular budget items as opposed to the employee benefits it would definitely be beneficial. Lastly is the issue that was addressed by Kevin, is that the system is slow right now basically. When employees want to process some information and print out a report oftentimes they're waiting five hours or so in order to get those reports. It all depends on what is going on on the system at that point in time. If there is a major check run going on or major postings going on it will be an all day project in order to get a report off the system. I believe those are the capacity issues that Kevin was eluding to before, that hopefully with more capacity the system would be speeded up.

Mayor Wieczorek stated so you're talking about items such as the tax bills that tie it up for days.

Mr. Biron continued stating going on to the next item, number 5, again this is a reportable condition. This deals with the procedures for approving vendor bills for payment. It's a very decentralized process right now where all the departments, there is basically a payables clerk at all of the departments that are doing the data input for the vendor bills to be paid. Check runs occur on a monthly basis, on the 15th of the month. Under the old system the Finance office would run an edit report, provide that to the department head, the department head would give a formal sign off of this report, called the A900 form, and return it to the Finance and that would be an official authorization and okay to pay those bills. Well all of that process is happening right now, except for the requirement that the department head sign off on that report and return it to the Finance office. So right now there is no documented evidence that the department heads are actually approving the bills before they are paid. So we are recommending that the city go back to the process it had before requiring that the departments document that information report it to the Finance office before the checks are issued. The next issue, which is the last of what we consider to be the reportable conditions, deals with access to the Human Resources System. The payroll and personnel system. When we were in doing the audit during the fall, we were made aware that certain departments, including the Finance Department, School Department, Water Department personnel had access to the personnel system and the payroll system. We consider that to be inappropriate. It creates a lack of segregation of duties, as well as confidential information that shouldn't be accessed by other departments. Our

recommendation is that the access to the information be limited only to Human Resources personnel.

Alderman Clancy stated so what is going to happen now that these departments have access to personal information.

Mr. Clougherty advised that the reason we had to have that as you recall when the system first went in place we had to do some reconciliation for school accounts and in order to be able to do that we had to provide that access to the department. That has already been taken care of. There is no access other than the Human Resources Department and Info Systems right now, that's it. So a lot of these items have been resolved. Item number 6 is taken care of there is no access other than that I've checked with Human Resources and Info Systems today and they concur on it.

Alderman Clancy noted that the other departments did have access at some time, and questioned for how long.

Mr. Clougherty stated when it started.

Alderman Clancy stated for how long.

Mr. Clougherty asked Mr. Sherman.

Mr. Sherman advised at least for the first year, but again it was only the school department which was processing its own employees and the water department, which was processing its own employees, it wasn't open to ever department. Again, school and water used to run their own payroll and when we came onto the HTE system they continued to process their own personnel transactions.

Mr. Clougherty noted that Item 4 had also been taken care of too. The A900 was always produced, now having people sign it is not a problem. The reason we didn't have people sign it is with the new system the department head has to specifically identify those people he wanted to have access to the system, and that was the control. This is something extra and we will be happy to do that.

Mr. Biron stated that the next issue, umber 7, deals with payroll edits. The Human Resources Department requires department heads to approve the payroll information for employees under their control, and report that to the Human Resources before they actually process the payroll and distribute the checks. They had that policy, but we found that not all departments were cooperating and providing that information and approving the employee information for employees under their control. Our recommendation is that that policy be enforced, and departments must approve the payroll information for employees under their control before the payroll can be run. The next issue deals with conrol over check stocks. Unused checks. And this is an issue that we ran across. Our audit encompassed at the Hampshire Plaza building as well as at the new City Hall. This was an issue that we encountered at the Hampshire Plaza building, where what we noted that the control over checks, there were boxes of unused checks that were being maintained in a back room. That room was accessible to the Finance Office personnel, also there was unused checks that were being kept in a laser printer. Unused checks were being kept in the paper feed of that. Our recommendation is that controls be improved to have security over unused checks and we understand now that at the new facility there is a vault and there is control over the check stock and they are no longer being kept in the printer.

Mayor Wieczorek responded that there was great control. It was like Fort Knox.

Alderman O'Neil asked if the contract Mr. Biron had with the City allow you to do a follow up on the management letter. If a number of these have been addressed since you took a look at all of these different items, or do we have to wait until the management letter of next year.
Mr. Biron responded no you wouldn't, that's something that we could do for you. Give you an update on the management letter issues.
Mr. Clougherty commented on the check stocks stating the Finance Department as you know did not have control over the assignment of space in the other building, we went over there and were given one room really to serve as a vault. It wasn't a great situation we let everybody know that, we've put in additional security around it but it still was not workable space that we had to go through. That's why we planned with this building we have over here to deal with that and get the ball taken from play, cause we understand more than everybody the importance of dealing with the check stock. That wasn't a good situation for us, we didn't like that, I believe they handed out to you a letter that I have written tot he Board that addresses each one of these items and our response, and you'll see that in there we say that this has been resolved also.
Mr. Biron stated that number 9 deals with monitoring the 1998 airport bond issuance. Now this is something that technically fell outside of the scope of the 1998 audit because the airport bond issuance occurred in October 1998, which is fiscal year 1999. But because it was such a big issue we did look into some areas relating to that and constructions costs. What we are discussing here is that the bond itself, one of the requirements of the bond documents is that various accounts be maintained in the accounting system in order to track various reserve accounts that are required by the bond. That account structure has not yet been established in the city's accounting system. So our recommendation is that that account structure be established and be monitored and it will make sure that interest income is being allocated properly to follow the various reserve accounts as required by the Bond. In addition we're recommending that the city and the airport authority work together to monitor the various covenants associated with this bond to make sure that the city is meeting the requirements of those covenants. Instead of waiting until year end to do an analysis then, it's something that should be done during the course of the year to just to circumvent any problems that may result at year end. Number 10 is dealing with the Aggregation Fund. We just wanted to point out in this comment that this Aggregation Fund at least through 1998 has spent money, about $575,000 for which there have been no related revenues coming in yet. In addition, we understand that some money has been spent in fiscal year 1999. This is more just our observation to point out to you that keep an eye on this, you don't want it to get out of control. You want to make sure that there is going to be a revenue stream. In order to pay this money back, technically that fund at some point is going to have to operate at a surplus, because right now it's in a deficit of about a half a million dollars.
Alderman Wihby asked that $500,000 did that effect our surplus, or our carryover.
Mr. Biron responded it indirectly does.
Alderman Wihby stated that 400 and something number, a thousand would have been a million if it wasn't' for the aggregation program.
Mr. Biron responded the fund balance would be increased by.
Mr. McIntire your undesignated fund balance, roughly $434,000, had these monies not been spent on the aggregation fund it would have been $434,000 plus this $575,000.

Alderman Wihby asked so is that a good accounting practice to spend money before we get it.
Mr. McIntire responded my understanding is that's the way the statute was written. That the statute was written that tax dollars were not suppose to be used to fund this, but if tax dollars aren't being used, what is. Future dollars is what's being used. So hopefully, there will be future dollars.
Alderman Girard stated this $575,000 has been expended over several fiscal years, not just the last one.
Mr. Biron responded well actually, when we were going through the report it does look like it's fiscal year 19998 that all the money was spent because there was no beginning deficit at the beginning of the year. It all occurred during 1998.
Alderman Girard stated you made the statement there were no revenues coming into the fund, Mr. Clougherty what about the money the city received from the cities of Nashua and Keene to establish this, did that go into the enterprise or did that go into the general fund.
Mr. Clougherty responded no, it has gone into offset against this, and again as we go into the items we have a handout and a presentation later this evening that will show you where the dollars are and how it's been expended and what the difference is.
Alderman Girard stated then it is not a correct statement to say that this enterprise has not received any revenue.
Mr. Clougherty stated it has got some, this is the difference.
Mr. McIntire stated we are looking at the point in time of June 30, 1998. We are saying through that point in time no revenues were received.
Alderman Girard stated well I think the Finance Officer just said that there have been revenues.
Mr. Biron stated I think I could clarify that. I think the monies that have been received by the other municipalities, didn't flow through as revenue, instead they flow through as contributing capital, as equity going directly into there.
Alderman Girard so without that equity or without that capital this $575,000 would be more.
Mr. Biron responded yes.
Alderman Shea stated if you recall Your Honor, I had asked Kevin Clougherty about the Aggregation Fund and you at the time said that I should come down to City Hall. I still haven't received that information from Kevin Clougherty Your Honor, but I did manage to get information and the point that I want to bring out is the fact that in 1996 and 1997, which is not covered in the report that you received, for a pilot program we spent $15,611.01 and for restructuring we spend $595,051.54 and of that amount the EPD contributed $96,413., the Water $52,000 plus, Aviation $34,000 and Parks and Recreation $23,000 for $259,000. Now I didn't get the information from your department but I did manage to get it, and I consider when an alderman calls a department head and asks for information and it takes six or eight weeks, I feel that the finance department either just doesn't know what they are doing, or doesn't want the information to be revealed or there is some other cause. So, you could explain really how much money has actually been spent on the Aggregation fund up until this time. Do you know.
Mr. Clougherty stated yes you do alderman, it has been reported to you on several occasions. And the numbers that we'll give you tonight, will give you a complete breakdown of the expenditures from day one.
Alderman Shea stated including the 1996-1997.

Mr. Clougherty responded yes.

Mr. Biron stated item number 11, reestablish quarterly reporting and internal audit functions. Up until fiscal year 1998, the city finance office provided very detailed comprehensive and accurate timely quarterly reports to the City's Committee on Accounts. An update of cash balances, revenues to date, expenditures to date. The finance ofice also had a mechanism of departmental internal audits, going out to various departments looking at different areas to make sure that internal controls were strong, and that policies and procedures were being followed. Again, we feel primarily related to the issues of computer conversion and the personnel resources that were required to go through that computer conversion both of these areas did not occur during fiscal year 19998 and into 1999. Our recommendation is that the city re-establish those quarterly reports as well as re-establishing the internal audit function. Particularly now that the departments are doing a lot of processing at the departmental level. The next issue deals with the CIP project approval process. The capital improvement program. We are making this recommendation is what we see is that the timing of approving these projects doesn't flow real well with the construction season in New Hampshire. Now the specific example we give here deals with the airport projects of last year. The CIP budget was approved for some of these projects in April 1998. However, and monies started being spent once the approval process happened. At June 30, 1998 they had spent about $10 million on these projects. But the bond itself wasn't approved by the Board of Mayor and Aldermen until August a couple of months after the $10 million had already been spent. So we look at that as a risk that in the event that the Board doesn't approve the Bond issuance, the $10 million has already been spent and would have to be made up for elsewhere. So our recommendation really is twofold, that the timing of the CIP budget and the budget authorization be at a relatively similar time and also that those approvals happen early enough so the departments can get bids out there for the various construction projects so that the work can be done in the limited season for getting construction work done in New Hampshire. The last issue deals with documenting cash reconciliation. It's primarily related to that issue I discussed before with the HTE and the detailed postings to the cash account. Because of that the Finance Department has had to create very elaborate spread sheets, very detailed spread sheets, to summarize all of the receipts and all of the disbursements flowing through the bank accounts as well as being posted to the general ledger. And basically proving the information between the two. It is a very elaborate spread sheet. They have a number of personnel involved in the process. We think it's important that there be a number of people involved in the process to have an adequate segregation of duties. We're recommending that everybody that is involved in that process sign off on that reconciliation, so there is documented evidence after the fact that there was an adequate segregation of duties over the cash reconciliation process. That summarizes the management letter.

Alderman Pariseau stated I really don't have a question, but I think I personally owe the School Department an apology as it relates to the HTE issue that they kept insisting was a problem and Finance was saying no it wasn't. So apparently it was a problem, and I personally apologize to Superintendent Tanguay and members of the School Board, we do have a problem and hopefully it will be taken care of this year, by the end of this fiscal year. It's foolish. I know there is other complaints it takes 13 screens to reconcile some cash, people have to go through

this process 13 times. Isn't that a waste of time. And then you people don't do it anymore you passed it on to the departments.

Mr. Clougherty stated no alderman.

Alderman Pariseau stated you guys are all screwed up.

Mayor Wieczorek comically asked if he could be more specific.

Mr. Clougherty asked to respond and was recognized. Mr. Clougherty stated first of all as we said last year going into the HTE process. The reports that you were getting were timely and accurate. I think the information that you've got regarding school provided you with a good informational basis to make decisions. We said that we thought the deficit was going to be in the area of $1.4 million after the auditors went through and did the very detailed work to make sure where things were charged it's $1.2 million. Those were some items that weren't included. I think the process to say that information wasn't available is not accurate. Are there problems that need to be resolved. Yes there are. Are their departments that are laboring with screens, yes there are. And we need to do a better job of helping them to understand how to get through that. But alderman, you're going to have or would have had those problems no matter the software you bought because the software that's on the market for large cities deals with central accounting, central purchasing and once you try to take those applications and apply them to a decentralized area you have expect that it's going to be a longer learning curve which is what we explained to the Board at the start of this process. And I think the departments have done a good job in terms of climbing up that curve. Some are farther along than others and we're going to see by the end of the year, by the end of 1999, that we can get people up and over the hump and we're working on that.

Alderman Hirschmann stated thank you to Melanson & Heath for this report. I find it very informative as an alderman. I'd like you to know that this Board as a group has been very, very sensitive to the issues of HTE software over the last two years, that's why they keep hearing the comments and the questions about HTE, negative, positive, we are very sensitive to what is going on. We are very concerned because we're not always sure we are getting the right story. What I see in front of me is a report card. It's the City's report card as a whole but I do see Kevin, some C minuses on here from the Finance Department that's really like telling a son that you're not happy with the report card, well, I'm not happy with the report card. And I know some of these issues are corrected, I think that your focus is a little wider than it should be, I think aggregation doesn't belong in Finance. I think you have to focus on last year's issues, this year's issues. I compliment these gentlemen for basically working for you and coming to us and telling us straightforwardly the problems that are at hand, and they may not be all great and insurmountable, but there is a list of problems and I'm really concerned myself as the chairman of Accounts. You know we have asked for reports, and I've been patient. I lived through moves away from City Hall moves to City Hall, computer upgrades there is always some obstacle, well, it's time to give us the reports. Time to give us the timetable of when we are going to get the reports. A timetable of paying back the general fund the 500 or 800 thousand dollars. All these sensitive things the aldermen are waiting for, I don't think there is patience in this room, and I don't say this just for myself, I think there is 14 people that are running out of patience, not with you in particular but with these issues let's say. This is going to come to a

head so I would say these follow ups that Mr. O'Neil asked for are right in line and believe me when I say that, I'll end it there … it's a C minus and I don't think that we can accept it.
Alderman Thibault one question I'd like to know, do you have any feel or idea as to how long it will take for the City to recover the money that it has in the aggregation problem. How long will it take for the City to recover that amount, plus interest, and is that plus interest.
Mr. Clougherty responded tonight when we get into the contract, you're going to see how the process works and what we need in order to recover the dollars. And the dollars that we are talking about at risk that have been mentioned here, $500,000 to the City. The numbers that you're talking about reaping in terms of an offset to that $500,000 are millions. You have some big, big dollars. This electricity issue has always been a big, big commitment that the City has had to invest in. And I think you have to understand that. You've made a commitment, you've made and investment. And tonight we will explain to you what you've gotten back in the short term for that investment. Because there are savings that we have received. But they are reflected in the other city department budgets. So when you start to take a look at all of these items together, the Aggregation program takes on a different perspective. I think what Frank is saying here is absolutely true, but you have to understand where we are in the process and why it's important to approve the contracts that are on the agenda later on to be able to move this along. I think it's going to come rapidly, once that happens but we have the attorneys here and I am going to let them speak to that and give you a detailed presentation.
Alderman Girard stated during the presentation I had an opportunity to read Mr. Clougherty's letter in response to the management audit, and it would appear that a majority of the issues raised are either in the process of being addressed, or have been addressed. But what I wanted to do was make a statement, in the last year and one half this department has been through two moves, two audits, and has spearheaded part of this systems conversion the magnitude of which is unlike anything I think anybody in this room will ever see anywhere. I know when my own personal system was corrupted it took me two weeks to get the thing back and running, and that's just a personal home computer. So I think rather than pistol whipping the department and chastising sons with C minuses I think we ought to be a little more cognizant of the difficulties that they have had and the work that they have done, because really I don't believe that there have been undo patience requested of this Board on any issue having to do with aggregation, the conversions or anything else, and I just am amazed that when a department performs this type of work, under this type of pressure, under these types of circumstances, that the criticism is as personal and caustic as it has been. I just wanted to offer a word of support to the department and to thank the Finance Department for not only addressing so many of the items listed but for continuing to keep these conversions and what not on track, it's not an enviable task.
Mr. Clougherty stated you do run the risk of having, for a long time the city of Manchester had financial management letters, they were unblemished. We had absolutely nothing in there for any type of a finding. As we approached the year 2000 you had to do something with your computer systems. You had to do some things with a lot of your management systems and they had to be upgraded. And we took that initiative and we've done that. And you always do that at the risk that you're not going to have the unblemished management letter the next year. But when I look at what we've gone through and I look at the items that have been listed in the management letter, and how many of them have already been resolved. I think the city, bottom

line, is posting great numbers in terms of maintaining its credit rating, and its fund balances. $500,000 for the Aggregation program that you can see is still considered in that area and will be worked out. Not only have you spent at the expense of $500,000, you've got in place the contractual infrastructure to go ahead and reap much more money going forward. And that has to be explained to you and granted we perhaps haven't done the best job in explaining that to you. But that's a good program that needs to continue and needs to have the support of this Board, because it's going to generate additional revenues for the city. The other thing that we take a look at is what was accomplished during this period. If you take a look at the comprehensive annual financial report, and you turn to page one, and just thumb through that for a couple of seconds and it tells you what was going on during the year. We put in the new accounting and financial management system and that's been a 2000 project but you also put in a reclassification study during the year. We did a major bond issue during the year for the airport to get that going. We did Hackett Hill, and got that started and did a lot of the leg work and the preliminary work to get this done. Business expansions along Elm Street. We worked on the civic center, the river walk, a major effort by the city to get that groundwork going, did some work with archives, the city hall restoration, if you keep going through here the list goes on and on in terms of not only what was accomplished in the enterprises but in other areas. The City during a very difficult computer transition accomplished an awful lot and at the end of the day we have got a good financial statement and are in a position to move forward. The one challenge to us going forward is the school funding issue which is confronting everybody. Other than that your financial house is in order and is reeling to move forward. And that's what we plan to do, is to take the advice of the auditors, take advice of the updates which we welcome and move forward. But you have to understand that there are going to be these things, nothing is perfect and when you put in something new there is going to be these challenges.

Alderman Shea addressed Mr. Biron stating my understanding is that what you conducted was an external audit. Could you explain what an external audit is.

Mr. Biron stated an external audit is an audit performed by Independent CPA's where we come in and we start off by reviewing the internal controls and procedures that the city has in order to maintain its accounting records in order to ultimately report in a financial statement. And then we take those numbers, typically from the general ledger, which are the same numbers that are reflected in this report, and we test those numbers to make sure they are accurate.

Alderman Shea stated right, so the information that you receive in an external audit is information that's presented to you by the finance office. Now would you tell me what an internal audit is.

Mr. Biron stated an internal audit is performed by employees of the city. Typically it would be done of employees of the finance office to go out to visit other departments to make sure that they're following the policies and procedures that they are suppose to be doing. Very similar to what we would be doing, except it is done internally by city employees.

Alderman Shea asked Mr. Clougherty if we have ever done an internal audit.

Mr. Clougherty responded yes we have done internal audits, and we have done reviews. During this period and particularly lately trying to get the CAFR resolved and reconciled the internal auditor, one of the roles that is played is to work with the auditing to make sure that these financial statements are prepared and explained. So we're interest in getting back into that

cycle. We usually work with the Committee on Accounts in selecting those areas for internal review, so it's not me going out and selecting them on my on volition. And we expect to get into that regular cycle again.

Alderman Shea stated so you have conducted internal audits, and there is evidence of that and it is presented to the accounts committee is that correct.

Mr. Clougherty responded we've done internal audits in the past.

Alderman Shea asked when the last one was done, did he recall.

Mr. Clougherty respond we've done them with respect to providing information on police details, the airport, done them trying to think of the last one done out. A lot of times the internal audit function is not necessarily going out and doing a particular in depth, or maybe going to a department as payroll is being handed out to make sure those things are being done properly. So that's the role of the internal auditor also. Off the top of my head I don't have it, but I'll respond.

Alderman Shea stated we haven't received any evidence of that as aldermen have we.

Mr. Clougherty said yes, we have done internal reviews and presented that information for you. And if Committee on Accounts has a particular questions, oftentimes, it's the internal people who that will go and research that and get the information for them so it's done independently.

Mayor Wieczorek stated overall gentlemen you would say that the city is in pretty good health, it's not too bad. There are a lot of things that have to be done, there are a lot of things that already have been taken care of, more things have to be done, and we are going to be hearing from you sometime in the near future as to how these other conditions were handled.

Mr. Biron responded yes.

Alderman Wihby asked about the one time problem they had with the school department last year. Did that reflect at all on the bottom line of ours.

Mr. Biron responded yes. The over-expenditure of roughly $1.2 million definitely had a detrimental effect on the undesignated fund balance.

Alderman Wihby asked where that would have been, near the 434.

Mr. Biron responded, yes, that number would have been $1.2 million higher than it was or at least split between the stabilization account and that account. But there were other departments that turned back funds and on the revenue side, revenues exceeded estimates for the year overall for the city. So the bottom line was there was a surplus of about $1.1 million for the year.

Alderman Wihby stated and then some went into the revenue stabilization account, asking what the normal amount for a year.

Mr. Biron responded you're not in a business to make a profit.

Alderman Wihby stated when you look at a number like 432, it's look all right like you are saying, but that number really is bigger if it wasn't for the one time problem, and that number is actually real good.

Mr. Biron stated if it was there it would be real good, yes.

Alderman Reiniger stated that in looking at the management letters I don't see any mention of over-expenditures in connection with the problems with check stocks and documentation.

Mr. Biron stated that was correct. These are observations based where we felt there were weaknesses there which would create the opportunity for those situations to occur, but we did not see any situations where there were any missing checks at all.

Alderman Reiniger stated so there were no over-expenditures.
Mr. Biron stated there was no misappropriation of funds, put it that way, that we identified.
Alderman Reiniger stated now turning to the over-expenditure, we do know about the $1.2 million of the school department, the letter we have doesn't detail the reasons for that, it refers to recommendations being made about accounting controls. There has been a suggestion that somehow the $1.2 million over-expenditures is connected to the Finance Department, or HTE, do you know what the causes were of the over-expenditure at the school department.
Mr. Biron stated that to say that over-expenditures occurred because of the HTE I would say certain costs were incurred, minimal costs were incurred, more in a range of $50,000 to $100,000 of additional costs in order to implement the HTE for the department.
Alderman Reiniger stated so the HTE issue is largely irrelevant to the $1.2 million overspending of the schools.
Mr. Biron stated that the only relevance it has would be in the ability of the school to have the information during the course of the year to see that the deficit was occurring as it was occurring.
Alderman Reiniger stated but were the internal controls that were lacking at the school department and have those been correct in the meantime.
Mr. Biron stated talking about the school department. There were a number of weaknesses in the internal controls at the school. Those are all addressed in the management letter for the School Committee, and the majority of those have also been fully implemented as of today.
Alderman O'Neil asked if they had made a presentation to the Airport yet.
Mr. Biron stated no, we haven't. We anticipate that that will happen over the next couple of weeks or so.
Alderman O'Neil asked for a copy of that as well.
Mr. Biron responded certainly.
Alderman O'Neil asked how soon they could get back to us on a follow up to what has been corrected already.
Mr. Biron responded we can do that within a couple of weeks also.
Mayor Wieczorek thanked the presenters.

Nominations to be presented by Mayor Wieczorek.

Mayor Wieczorek nominated Chet Raymond to succeed Judith J. Gibson as an Alternate Member of the Zoning Board of Adjustment, term to expire March 1, 2000.
Mayor Wieczorek noted that Judith is the one that he had nominated and has now been confirmed as a regular member of the ZBA, so it left the opening for an alternate.
Under the rules, Mayor Wieczorek advised that the nomination would lay over to the next meeting of the Board.

Alderman Cashin nominated Ronald Roy to fill the unexpired term of Henry Magdziasz to the Manchester Transit Authority.

Alderman Pariseau moved that nominations be closed. Alderman Shea duly seconded the motion. There being none opposed the motion carried.
Alderman Cashin moved to suspend the rules to confirm the nomination of Mr. Roy to the Manchester Transit Authority. Alderman Pariseau duly seconded the motion. The motion carried with none recorded in opposition.
Alderman Cashin moved to confirm the nomination of Ronald Roy to the Manchester Transit Authority. Alderman Pariseau duly seconded the motion. The motion carried with none recorded in opposition.

On motion of Alderman Shea, duly seconded by Alderman Pariseau, it was voted to recess the meeting to allow the Committee on Finance to meet.
Mayor Wieczorek called the meeting back to order.

OTHER BUSINESS

Ordinance:

> "Amending the Code of Ordinances of the City of Manchester by inserting a new section in Chapter 152. Planning and Development, Section 152:33. Adoption of RSA Chapter 162-G relating to the Acquisition, Development and Disposal of Industrial Land and Facilities."

On motion of Alderman Reiniger, duly seconded by Alderman O'Neil, it was voted to read the Ordinance by title only and it was so done.

This Ordinance having had its second reading by title only, Alderman Wihby moved on passing same to be Enrolled. Alderman Pinard duly seconded the motion. The motion carried with none recorded in opposition.

Alderman Klock moved to recess the regular meeting to allow the Committee on Accounts, Enrollment and Revenue Administration to meet. Alderman Reiniger duly seconded the motion. The motion carried with none recorded in opposition.

Mayor Wieczorek called the meeting back to order.

A report of the Committee on Accounts, Enrollment and Revenue Administration was presented advising that Ordinance:

> "Amending the Code of Ordinances of the City of Manchester by inserting a new section in Chapter 152. Planning and Development, Section 152:33. Adoption of RSA Chapter 162-G relating to the Acquisition, Development and Disposal of Industrial Land and Facilities."

was properly enrolled.

On motion of Alderman Thibault, duly seconded by Alderman Reiniger, it was voted to accept, receive and adopt the report of the Committee.

A report of the committee on Traffic was presented recommending that a request from C. Meyer, Conference Coordinator of the Center of New Hampshire, on behalf of the State Republican Committee to close Pleasant Street from Canal to Franklin Streets on Sunday, May 2nd, from 6AM to 10PM and to erect a tent for their annual dinner be granted and approved subject to meeting all conditions set forth by Fire, Highway, Police and Risk Management.

On motion of Alderman Klock, duly seconded by Alderman Pariseau, it was voted to accept, receive and adopt the report of the Committee.

13. Discussion relative to a Natural Gas contract.

Mr. Sherman addressed the Board stating I would like to talk about the Natural Gas contract that the MAP program has negotiated, but before I get to that I know you obviously have a lot of issues and concerns with the Aggregation Program in general. To my left is Attorney Peter Grills who has been representing the city on these issues for the last number of years and I'm going to let Mr. Grills start this presentation and talk a little bit about what the city has been doing and before I let Mr. Grills start on my right is Gus Fromeau, who is the individual representing AGF, who the city has negotiated this contract with in case you had any questions for him. Once Mr. Grills is done I will be passing out some numbers because again I know you have concerns on those numbers and we can walk through those.

Mr. Grills addressed the Board stating I asked Randy if I could take the opportunity and I'll try to get through it quickly simply to put the whole matter in context. I think there were some really good questions that were being raised. Some hard questions. There's been money spent and I think Your Honor, and each member of the Board needs to know where that money was spent, and why it was spent. I think before you do that you got to know the nature of the animal that you're dealing with. New Hampshire is at a historic juncture here. You've all received your electricity for the last hundred years through a regulated monopoly. And that's not going to happen any more. The State Legislature has enacted law that says that each member of this Board as well as every resident in this city is going to be able to buy their power competitively. Why is that important. It's important because New Hampshire has the highest electric rates in the country. The reason it's so important is because you pay the highest electric rates in the

country. Your seniors that are on fixed income are paying 13 cents per kilowatt hour. I am paying 4 cents per kilowatt hour in the Midwest. It's important because your industrial residents, your small businesses, throughout this city are paying the highest rates in the country. And that's important because you can't attract business with those kinds of electric rates. You can't even keep your small businesses and your industries in your community at that rate. The transition that you are making involves extraordinarily complex issues. It involves issues of structuring the market, setting up independent system operators so ;your transmission system will work in a competitive environment. Structuring a competitive environment so no one competitor or incumbent utility gets an unfair advantage. Extraordinarily complex issues. And extraordinarily important issues in terms of dollars. Stranded costs alone in this state involve billions of dollars to your rate payers. I want to take one quick moment to make sure everybody understands how those decisions are going to be made. And where you fit into those decisions. Stranded costs, billions of dollars to your rate payers. It is going to be decided by the Public Utilities Commission. And it's going to be decided in the context of an adversarial proceeding where there will be various parties who will advance their position. And there be evidence presented. And there will be witnesses that testify and exhibits that will be admitted into evidence. And that evidence will be tested through cross examination. And by the adversarial nature of the proceedings. And it's a good system. And the PUC is going to make a decision involving billions of dollars based upon a record that's been developed. Now if you are a party that decides not to go to the dance and not to advance your position. That commission can't do a thing for you. You simply have no opportunity to protect your interest. And so it's important to be a party to this historic moment in terms of the restructuring of the electric industry. Let's look at who the parties are here in New Hampshire. And who the players are in this proceeding in New Hampshire. You've got Northeast Utilities out in Connecticut, who are calling the shots for PSNH. And they're at the party and they have financial experts, they have accounting experts, they have engineering experts, they have all the official officers of their company there. They have a huge amount at stake. And you know what else, they also have a huge amount of resources that they are throwing at this proceeding. And whose on the other side. It's the customers. And right now in the proceeding who you've got is you've got the office of Consumer Advocate and I can't say enough about them. They're doing a heck of a job. But they have extraordinarily limited resources. And they're not just involved in restructuring they are involved in a whole variety of other proceedings. You've got Cabletron. Cabletron spent a lot of money. But they are taking an extraordinarily aggressive position. They're taking a position that we as a city simply can't buy into. PSNH is the largest employer. It's the largest taxpayer. We can't take a position that would harm them financially. Then you've got the City of Manchester. The largest city in the state. And they have stepped up to the plate. And I can assure you that they have been a major, major player. They have been the leader in this proceeding. They have sponsored a witness in this proceeding. They have put on testimony in this proceeding. They have briefed the legal issues in this proceeding. And the commission has looked to the City of Manchester as a leader in this proceeding. And they've taken a position and they've advanced an important position. And I want to say this about the positions the city has taken, it's been extraordinarily balanced position. It's included a real hard look at balancing the interest of the shareholder with the rate payer. The City in advancing their position took on

the rate agreement head on. And we advanced the position that dealt with all the issues that are now being heard by a federal court judge in Rhode Island. And we dealt with them. Now, we weren't giving away the ship. We weren't giving them everything they wanted. PSNH wanted about $1.4 billion over three years in interim stranded costs charges. The City's position said that they should have been entitled to about $450 million. So what happened when the commission came out with their initial order. And they didn't accept the city's position. They took the position of their own consultant that said buy into this average regional rate, two days after their order came out Northeast Utilities in Connecticut sued them. And so now the situation is you are in federal court down in Rhode Island because our federal court judges here had conflicts. Now the federal court enjoined the commission from doing anything. But they did allow them to go back to re-hearing to address some important issues. And the re-hearing was important because Northeast Utilities came back and now we are not asking for 1.4 but we are asking for about 900 million in interim stranded cost charges. Now the City and PSNH are only about 300,000 apart, 300 million apart at the time of re-hearing. Another interesting thing, it is not only PSNH that is moving toward the position that the city advanced but the Governor herself sponsored a witnesses who took the very same methodology that we originally proposed in advance and now is tweaking it and is on board with the city's approach. After that re-hearing the commission came out and vacated their original order and indicated that they were going to go with the approach of the city and adopt a cost based stranded cost, to avoid a lot of the issues in the federal court case. But then they sent it up to the supreme court and we are not to a point yet that we can decide the stranded cost issue, Supreme Court come down with their decision, commission decides they are going to go back, finally determine this issue just recently, Northeast Utilities has got them back in federal court seeking them to stop the re-hearing proceeding. And that motion was just argued. By way of note this judge has been tough on the commission. We attempted to intervene to protect our interest in the federal court litigation as did many other consumers. But they were denied intervention. But you know the federal court judge allowed the intervention by all the other utilities. That's what we are dealing with. So the federal court judge was pretty tough on the commission last week, a week ago, when they argued, and enjoined the permanent rate case, enjoined their best efforts case, enjoined their transmission case, but he did say you know I really don't know what the commission is going to do with the stranded costs so I'm going to allow them to go back and I'm going to re-hear this stranded cost issue and come up with a final order because maybe they'll do away with a lot of the issues, which it should because right now we have a very unique opportunity to move that commission to move the parties to our position and literally save hundreds of millions of dollars. And I would like your honor and the Board members to understand the order of magnitude of dollars that you're dealing with. And the impact it has on your community in terms of what they are going to be paying in the future for electric rates. So you spend a lot of money and if you look at the figures that Mr. Sherman is going to show you here in a minute you are going to see the majority of the money was spent on being an effective participant in the restructuring proceeding. And just briefly in terms of the Aggregation Program and the concept. The concept is one that Manchester picked up on early. They are one of the first pilot programs in the country. One of the most well designed pilot programs in country and the concept is rather than taking and paying your electric bill at 362 meters that you

have, you aggregate your load. And Manchester took it one step farther, they said we are not only going to aggregate the load on our 362 meters, but we're going to let each resident throw their load into that big municipal load so I don't have to go out there and do it on my own, because the supplier isn't going to be interested in that little residential guy, but if his load is in a big attractive load like the City he's going to get it at a better rate. And it's going to help your commercial customers that come and throw their load in and your industrial customers. The other thing that Manchester did that I have not seen done by any community in the country, and I practice all over the country, and I've practiced this kind of law for over 25 years, is they decided to meet the market head on. You are seeing a lot of big mergers going on with investor owned utilities. You are seeing the gas utilities and electric industry merge, and you have big energy companies that want to be your partner now. So the city of Manchester decided to take that market head on and instead of piece meal things and just aggregate electric, why don't we look at our natural gas load. And we'll aggregate our natural gas load and not only our municipal loads that we can aggregate but we'll go out to our industrial customers in the community and say do you want to aggregate your load with us. And they've had initially some very keen interest by some very large industrial users. I haven't seen it done in the country. And then they have a third prong, or third dimension to their procurement, and that's energy efficiency. And they've gone into their municipal buildings and they are saying not only how can we reduce the cost of the commodities natural gas and electric, but how can we reduce our consumption of electricity and natural gas. And so the third dimension of the procurement that you are going to also hear tonight is to implement energy efficiency measures and energy inefficient buildings. And you are going to see that there are substantial savings associated with that dimension of the project. What's so frustrating now is you're going to start beginning to see the results of the natural gas aggregation dimension of the program as well as the energy efficiency dimension of the program. But it is frustrating because that litigation is ongoing and we cannot go to market. We have gone to market the RFP for the electric is out there. But we cannot solicit that proposal until we get an order from the commission that will allow competition in New Hampshire. But when we do, you are going to see substantial benefits, I think not only in terms of reduced costs associated with the $6 million you are paying annually for electricity for municipal accounts, but I think you are going to see some very substantial interest by your residential, your small businesses, and I think your large industrial users. I haven't seen it been done, I think it's a great approach that the city's taking and I think you are going to see some major dollars be saved and I think you've got to look out into the future. This is not a one two year program. This is ten, fifteen, twenty-five year program. And I think over that period of time you are going to see some very substantial savings. Mr. Grills advised that Mr. Sherman would provide them with some numbers.

Alderman Wihby asked what the odds were that they loose that court case.

Mr. Grills responded stating I think there are always the odds that you are going to loose that court case. I'll give you my own two bits on it and it is simply my own two bits. I think it was fortunate that the federal court judge allowed us to go back to rehearing. Because the last time testimony was presented at rehearing the parties were very close. The commission came off this regional rate methodology. They said that they were going to establish interim standard rates that were cost based. That takes away all the accounting issues. PSNH came to rehearing and

said we're no longer going to fight divestiture. We are going to agree to divest our energy plants. That takes away another whole spectrum of issues. So there are not that many issues left and I don't think the parties are that far apart. I'm hopeful that if we do get a chance to go back to rehearing that we either get an order that is going to be sustainable, or that we get a settlement out of it because the parties are so close. And that again, Northeast Utilities could decide again to appeal that order, they could decide to try this federal court case, and you could loose on the contract clause claim that they have in that case. There's that risk.

Alderman Wihby stated so this could go on for a number of years if they keep appealing, how many times – to they get to appeal after they are in federal court.

Mr. Grills stated certainly, if in fact they come out with an order and the contract clause claim still exists in federal court, and the matter is tried it could go up to the circuit court of appeals and could be appealed to the US Supreme Court. I just think that the parties are too close to have that happen. And I am just giving you my view based upon our participation, my involvement in the litigation, but that's not to say that Northeast Utilities will take that approach.

Alderman Wihby asked if it was to their benefit to delay it for three or four years, or would they have to…is anything retro-active, or back dated or anything or will they have saved another 3 or 4 years worth of changes.

Mr. Grills stated again I'm going to give you my own two bits on it, and I can't speak for Northeast Utility, their mindset, I don't think it's to their advantage. They are trying to stay in the market and be a competitor. They are trying to get out there and position themselves well too. They've already portfolioed generation plant in New Hampshire and they are getting ready to put it out to market and sell it. And we will talk about that when we talk about Amoskeag a little bit later in executive session. But they are moving to get ready to compete. And so in my own view I don't see how its going to be their advantage to engage in protracted litigation. And I don't think that is the mindset of the new management at Northeastern Utilities. I think they are moving quickly positioning themselves to compete and I'm hopeful of a resolution within at least a short time.

Alderman Shea stated a bill now is going through the Main Legislature, and that bill is to enhance competition when the electric industry is deregulated in less than a year. This is currently making its way through the Maine Legislature. The utilities commission in Maine has given its unanimous blessing to a bill to let counties join together to buy power, and under that existing law municipalities, school districts and business associations can join forces to for aggregate power purchases, can't the same thing happen in new Hampshire. In other words we are paying money for an aggregate, but the state legislature could do the same thing here as they are doing in Maine and allow municipalities and other types of businesses to join together and that would amount to the same thing that your representing the city.

Attorney Grills stated that new Hampshire lawmakers passed that act I think two years ago. And that in fact is the act we are proceeding under. The New Hampshire Legislature has authorized municipalities and counties to aggregate, to purchase not only electricity but energy related services and that is the act we proceeded under in going to market for our electric, natural gas, and energy efficiency measures. So that act is already in effect in New Hampshire.

Alderman Shea stated it hasn't taken effect because we are not deregulated.

Attorney Grills stated it hasn't taken effect in terms of the electric component you are correct, but as soon as we get that resolved, and I'm hopeful that it will resolve itself on rehearing, I could be dead wrong, but I'm hoping that it will be resolved on the rehearing, you're going to get bids on the electric aggregation program that you already have out in the market place right now.

Alderman Shea stated there were a lot of communities that have not opted to join Manchester. I know Nashua did, Keene did, but Bedford refused to and other communities refused to, yet we're providing them with information, I would assume to encourage them to join us. However, they prefer to wait, aren't we in a sense doing some subsidizing as a community at this time.

Attorney Grills suggested Mr. Sherman respond.

Mr. Sherman responded we have tried to encourage a lot of communities to aggregate with Manchester. Again, under the theory that the big dog is not only going to eat first he's going to eat best. And the bigger that we are the more that we can bulk up, the more we can spread around administrative costs the better it is for all of us. You're right, in making those pitches to the other communities we obviously have provided them with information, but Bedford is not a competitor to the City Of Manchester in that regard. Anything that we can do to better the business environment, anything for anyone's residence we are all for that. What these other communities are saying to us is not that they don't want to join into the aggregation program, but they want to sit back and wait and see what happens a little bit longer. In the contract that we have with the city of Nashua, there is a penalty for any other communities that join the program after a certain point because we are incurring costs, and if any of these other communities should decide to come in and join the program, they will have to come in and pick up those back costs. Their fair share of those costs. Now my belief is should this contract for natural gas go forward, we can only offer that to the industrial customers within the boundaries of Manchester and Nashua. If the city goes out and markets that outside the boundaries my guess is you are going to start getting pressure from some of the industrial customers to their communities to join MAP because they can't take advantage of this program. We get contacted a lot from the businesses around the airport, and the real answer back to them is you're in Londonderry, we can't help you, you have to go talk to the selectmen down in Londonderry. And we've been down to Londonderry numerous evenings, at least five or six selectmen meetings down in Londonderry making the presentations to them for their public hearings. I think Londonderry was all set to join the program until the gas plant came in, you know all the talk about putting the power plant in down by the air park, but even the folks that are proposing to build that plant have come to talk to us because they don't want to be in the market of selling this power, they are looking for an aggregate to help them sell this power. Now they are down there to Londonderry telling them to join the MAP program so that they can get all of the benefits. People are out there. We'll go to meetings with subsidiaries of Northeast Utilities, who tell people join the MAP program because this is the way that it's going to be. As you spoke, Maine has realized that. If you go to Massachusetts, competition has been down in Massachusetts for a year now. My parents live in Massachusetts, they have not been solicited once. They are paying the standard rate off of it because nobody else wants to sell them power, and what you are seeing down in Massachusetts now are aggregation programs. All of Cape Code is going to aggregate together. They have to do that. If you go down to Pennsylvania

where they've started if you read the trade journal you'll see that they are all starting to aggregate. That's the only way you are going to get any savings to the residential accounts.
Alderman Shea asked how many states besides New Hampshire have not deregulated.
Attorney Grills responded there have been approximately 14 to 15 states that have either restructured their industry through a comprehensive regulatory order , or enacted a statute. Now, New Hampshire was one of the first. And you're probably farther along except for this litigation than most states. I think Massachusetts and Rhode Island have been able to move ahead of you because of the litigation.
Alderman Shea a stated and Maine as well is moving ahead. They sold Central Power, so they are moving ahead.
Attorney Grills responded that is correct, and California has moved ahead too.
Alderman Girard asked if it was fair to say win or loose on any of these law suits that the City's position is far better now than if the City had never participated.
Attorney Grills stated it is far ahead, in terms of meeting the market where you want to meet it. You want to be there when the frenzy is on. And that is as soon as competition opens up. And what I tried to explain to a lot of cities in the mid-west, they are going do we want to aggregate, our rates are low and this is not a good deal, and I can say you can sit around and whine all you want, but the problem is there is a 24 month to 18 more month planning horizon, and there is a lot that goes in to developing those procurements. You have to design it to make sure you protect yourself from legal exposure. You've got to design it to make sure you create the frenzy. And then you've got, here in Manchester, to develop a request for qualifications of interest, then you have to develop your RFP, and then you've got to get it on the street way ahead of time that the market opens up so that you have time to negotiate your agreements and create the legal documents so you can start taking power on the day it opens up. So the City of Manchester is very well positioned in terms of maximizing its leverage in the electric market.
Alderman Girard stated if the city hadn't been a participant to this point, would it be reasonable to expect that the City's interest as a city that buys power, and its residential interests would be nowhere near where they are now. Would not have had the representation, would not have seen the process effected as it has been effected.
Attorney Grills responded I don't think they would be anywhere near the position they are now. I've talked to people across the country, I lecture on this topic across the country, and people are very surprised to see the approach and how well developed the approach is in Manchester, New Hampshire. They are surprised to see the cooperation between the two largest cities. They are enormously surprised to see that the comprehensive approach to rolling in electric with natural gas and energy conservation, it's just not being done. And I think you are going to be a model.
Alderman Girard stated so the upshot is that because the city has been as aggressive as it has been, that we've come to the threshold to being able to realize not only significant savings for the city government, but significant savings for the residential and commercial/industrial uses as a result of this aggregation plan.
Attorney Grills stated I think you are going to see that and I think you are probably better positioned than any community in the state.
Alderman Girard stated savings that would not have been recognized otherwise.
Attorney Grills stated I think that's true.

Alderman Girard stated there has been some concern expressed at this Board about the $575,000 that have been spent to date. Is it safe to say that if we were to decide that we didn't want to proceed any further, that we would not only loose our influence in the process but would also loose the $575,000 that we have invested thus far.

Attorney Grills stated I think it would be tragic to fall out of the process right now because you are so close. The order is not even out of the federal court judge yet, I just read the transcript, and he's going to take it back to re-hearing. And I think you are close and I'm telling you, you are a player in that proceeding.

Alderman Girard stated so if we pull out now we loose everything we've put into it.

Attorney Grills stated well, you'd certainly detract from the investment considerably so.

Alderman O'Neil stated I am not going to sit here tonight and debate the numbers or the savings, what my concern is the process on how we got here. I believe there was a vote back sometime in the summer, we were still over at the school administration building to kind of put a hold on this, catch our breath, take a look at where we are at, there was some talk about putting an aggregation team together made up of staff of finance, water works, highway. And I thought there was a clear directive on that, there was a vote taken. What concerns me is that apparently that vote was totally disregarded and this process has continued. And I have some real concerns with that. Alderman Hirschmann earlier mentioned that the Finance Department needs to get back to handling finance issues. We, Committee n Accounts tonight couldn't get reports on where we actually stand. I don't know if it would be appropriate to table this, to send it to a committee but I don't think that at quarter after ten we are going to resolve anything here tonight and it's probably going to get pretty ugly.

Alderman Thibault stated I thin Mr. Sherman answered the biggest part of my question and I think the Board should look at very carefully, if you understand what Randy said before, that any of these communities that have not come in with the City of Manchester and Nashua and Keene, as they do come in they are going to have to pay a penalty because they didn't do that, and we will be able to recover a little bit more of our money as I understand that.

Mr. Sherman responded that's correct.

Alderman Thibault stated that was something we have to think about and look at.

Alderman Rivard stated asked who Attorney Grills was representing.

Attorney Grills responded he represented the City of Manchester.

Alderman Rivard stated so you were hired by the Finance Department, who hired you.

Mr. Sherman responded going back all the way to 1996, the Board authorized the Finance Officer, the City Solicitor, and the Economic Development Officer, to enter into a contract with utility attorney and utility consulting engineers to address all these issues.

Alderman Rivard stated so when you say he has been working for the city for a long time you are saying he has been working for the city since 1996, and was hired by that group of individuals that you just mentioned.

Mr. Sherman stated as ratified by the Board, yes.

Alderman Rivard stated so he is here tonight representing the aggregation committee and the Finance Department, he's here on your behalf.

Mr. Sherman responded that Mr. Grills was representing the City on all of these utility issues.

Alderman Rivard responded that he had never seen this gentleman before, so I was just wondering where he came from tonight.

Mr. Sherman responded that he had been before the Board before.

Alderman Shea stated that the alderman to his left mentioned something about savings that the City has received, is this because of the aggregate fund o what savings have we received.

Mr. Sherman responded if I can before you decide what to do with this item and the next item, I'd like to go through the numbers with you. I know alderman that you think you have the numbers, but let me tell you, you don't, I know where those numbers came from and they are not anywhere near being accurate, and I'd like to at least be able to provide the true numbers to you. And I certainly don't want you to be mislead, this $500,000 has been thrown around, I'd like to clarify what that number is, where the dollars have been spent, and where the savings and the benefits have been realized, and then explain to you what the benefit is of moving forward with this item and the next item that is on the agenda.

Mayor Wieczorek suggested Mr. Sherman proceed.

A handout was distributed to the Board.

Alderman Pariseau stated that something like this should be brought up at a special meeting instead of the foolishness.

Mayor Wieczorek stated he understood, but asked how long Mr. Sherman's presentation would be.

Mr. Sherman responded not long, he would walk through it real quick, and he thought this could address some of the questions that were brought up earlier.

Mr. Sherman stated Alderman Shea did request that we try to go back and try to come up with all the costs that we have paid on these energy related issues. And they do go all the way back to 1996.

Alderman Cashin asked Mr. Sherman if Alderman Shea had gotten the information from you people he had requested.

Mr. Sherman responded not until tonight, and he also never called either myself or Mr. Clougherty. Mr. Sherman stated I know who he called in the Finance Department, he called the Finance Department, and I know who he spoke to in the Finance department, and I really don't think we want to go there tonight, but he never called me or Mr. Clougherty to the best of my knowledge.

Alderman Shea stated alright to the best of your knowledge, I called Kevin Clougherty a number of times, didn't I Kevin, yes or no.

Mr. Clougherty stated Alderman Shea has requested information and the information has been provided.

Alderman Shea stated no, the information that I requested from you on six different occasions, I met you out in the hallway, I asked you several times and you said you'd get the information to me and you never did.

Mr. Clougherty stated the information that you are receiving alderman is information that has been provided on several occasions and it's been reformatted, but the information has been available and has been provided in different forms.

Alderman Wihby requested they proceed since they now had the numbers.

First in 1996, again this was when the pilot program first started out and you will see that we spent the $63,000 that was to get Mr. Grills and the engineering consultants on board, to get the RFP done, to negotiate that contract and to get the pilot program running. That's been rolled into 1997 where the restructuring hearing started. We got into the majority of the1997 costs for restructuring. It also at the request of the Governor, includes costs of the City participating in the Governor's attempt to mediate the situation. So part of those costs are in 1997. As Mr. Grills also discussed, the temporary rate case started in 1997, and the federal court case also occurred in 1997. Now the rate case takes on significant meaning as the move to deregulation is held up in court, those rate cases become more and more important because that is where you are going to see your rate relief. In 1998 for fiscal 1998, again at the recommendation of the finance Officer, the City Solicitor, and the Economic Development Office, the City adopted a plan for aggregation. Now the plan for aggregation allowed us to procure on an aggregated basis energy services. So it covered gas, it covered electric, it covered energy efficiency matters. That plan also allowed us to negotiate and contract with the City of Nashua and to offer those services to other communities. In 1998 is when we started adding some staff. We had two people on board mainly to care of starting to get the RFP process together, and also to again go out and deal with the other communities. The bulk of the payments again are in the incidentals/consulting account and if you look down at the second section there again most of that was for the restructuring, again there were significant dollars spent on the mediation process at the request of the Governor. Now that is $705,000 that was spent in 1998. It was not $597,000 as the auditors reported. The difference is the numbers that are on the financial statement are net of what Nashua and Keene gave us. And some of the Enterprise funds. Then we move over to 1999, most of the staff has moved on at this point. Again we get into the consulting that is mainly putting together the RFP dealing with the contracts, writing the contracts and doing the negotiations. These numbers are brought right up through the end of March. We currently have no employees in the program, it's really being run on a cooperative basis between the Highway Department and the Finance Department. We'd like you to focus on the bottom part of this report where the money came from to pay for this. Now at this point the general fund has kicked in $190,000. Most of that was in 1996 and 1997. The only amount the general fund has kicked in 1998 and 1999 were to cover the costs of the pilot program. Because the pilot program is not part of the adopted MAP program. The Enterprise funds again at the request of the Board of Mayor and Aldermen, contributed to the up front costs of 1996 and 1997. They contributed to part of those costs. They were receiving part of the benefits that paid for part of the cost. The next three items are what will be recouped through the aggregation fee. There is a certain amount that we have incurred on gas. There is a certain amount that we have incurred on electric, and again the bulk of that is the restructuring hearing. And there is a certain amount that we have incurred to date on the facility improvements. The two contracts that we have in front of you tonight, we allow us to recoup the gas and the facility improvement dollars. If those contracts aren't approved by the Board, those cannot be recouped. And the last two items are what Keene and Nashua has put into the program. And keep in mind that both Keene and Nashua were on inter-municipal agreements that we had with both of those communities. And what I would like to do is pass out the sheet that has the benefits on it. Before we move on Alderman Girard has requested I explain the total column. Obviously the total column just adds

the four years across over the four year period we have spent $1.6 million on all of these items. I would like to focus you on the sheet that has currently been handed out. We'll start at the top and go down all of these items. Now I've broken the savings and benefits into two columns. There is a column that the City of Manchester, and I've labeled them municipal column, those are the savings or benefits that have actually gone to the City of Manchester. The column on the right are the non city of Manchester, non-municipal, but its residential, commercial, industrial and also the City of Nashua is in that column. The first area of savings that we had was on the pilot program. If you look at the municipal side, the municipal accounts have saved $83,000 on their electric bills, and that was on 31 accounts. And we have over 300 accounts, only 31 were selected for the program. But that $83,000 has been realized in those departmental budgets. On the non-municipal side, the residents who participated in the program had saved $82,000. Also under the pilot program, through the extension of the pilot program, the last contract that we negotiated the city received a $5,000 grant or donation towards and energy efficiency project and I believe that program is going to be given to the Parks and Recreation Department for changing the lights out at JFK. And one of the suppliers did donate to the City Hall program. The next area was the temporary rate case, which is currently in place. Through participation of the City there was a 6.8% decrease to utility bills. That was not only the utility bills but it was also again your residential, commercial and industrial bills. I shaded in the 549,600, that's how much the city has reaped from the temporary rate case savings to date. That represents 16 months worth of savings.

Alderman Girard asked if that was just on the 31 accounts or was that city-wide.

Mr. Sherman stated no, that is city-wide. Temporary rate case relates to all accounts. The savings to the residential accounts, commercial accounts, and industrial accounts, and this does not include the city of Nashua, is calculated to be $13.1 million over that same time frame. We're not talking chump change here, these are big dollars.

Alderman Wihby stated that wouldn't have happened if we weren't in this program.

Mr. Sherman responded it's hard to tell whose testimony and whose presentations convinced the commission which way in certain items. But it is very clear as Mr. Grills said that there are limited parties. The state does not participate in the rate cases. The state hasn't even participated in restructuring until we got to federal court. So your parties are really the City, and the OCA, Cabletron does put some on but again as Mr. Grill said they sometimes tend to be so to the extreme that it's really almost discounted out of hand. So it's really the City and the OCA that put this presentation up.

Alderman Shea asked if that was the only pilot program in the state, ours, or were there other pilot programs.

Mr. Sherman stated we had the only aggregation program. Well actually that's not true. BIA tried running an aggregation program and I believe Retail Merchants tried an aggregation program.

Alderman Shea asked if there was one over in Peterborough.

Mr. Sherman stated Peterborough's was not an aggregation program. What Peterborough did is they sort of gave a good housekeeping seal of approval to a supplier, but then the supplier still had to go out and get all of the customers, where what Manchester did is we brought all the customers together and went out and got a bid.

Alderman Shea now the pilot program lasted only a certain amount of time because the Green Mountain decided to divest themselves.

Mr. Sherman stated no, the pilot program is still in operation, and we've actually increased the participants up to 280 at this point. We've got almost 40 percent of the people that were selected for the pilot program in Manchester as participants. Mr. Sherman advised that Peterborough has now been left out in the cold, their supplier walked, because again they didn't have a contract. They didn't have the protections in there. Not only do we have a contract, we've got a performance bond with our suppliers so if they do choose to walk our residents and participants do not loose any money and they would continue to get the savings. Mr. Sherman stated that the next line under the 549 are the continued savings that will be recurred annually if we should stay under the temporary rate order and never get a permanent rate order. So that 412 would represent the municipal accounts and the $9.9 million for the residential, commercial, and industrial accounts is an annual savings going forward. The next one is the permanent rate case. Those numbers have not been decided yet but the position of the parties, really the OCA and the City is that we are looking at between a 10 and 15 percent rate decrease through the permanent rate case.

Alderman Girard asked what the OCA was.

Mr. Sherman responded the Office of Consumer Advocate.

Mr. Sherman continued his presentation stating that the permanent rate case will be retro back to July of 1997. So even if we take from July 1997 through April, the first line there, that's a$1.1 million savings to the City. And this is based on 10 percent, if you get 15 obviously it's 50% higher. That's a $27 million savings to your residential, commercial and industrial accounts. On an annual amount it's about $600,000 to the City, and $14.4 million to your residents. The next item is restructuring. Now again, we have spent a lot of money on restructuring. As Mr. Grill said, it all comes down to the discussion on the stranded costs. Now I used a number here of 1.2 billion, the number keeps fluctuating on what PSNH asks for, but 1.2 billion, I sort of darkened these numbers because they are not rally savings but in the municipal column 7.2 million is what PSNH is asking the City of Manchester to pay. They want you to just pay that as part of your bills going forward. 172.8 million is what they are asking your residents to pay. That's what we are fighting over in Concord. It may be only 1 or 2 cents on your electric bill, but it's a lot of dollars going forward. Now the case that the City put on that Mr. Grills explained to you that has brought PSNH more towards our position, and kind of brought them down, the annual savings over a three year average for the interim stranded costs would save the City $1,084,800 per year for three years. That's just the movement that we've been able to attain out of PSNH since 1996. Have we realized it yet, no. But we will realize that when we get a final settlement, and we are convinced we can move them even further. Now on the residential side, we've moved them $26 million. That's $26 million our of the $172 that they asked the residents to pay for. The next area that we've worked on are two energy efficiency matters. The NORESCO deal which was really the changing of the lights and some motors and fans over at the school department, is reaping you an annual savings $450,000. You're saving that right now. All the shaded areas on that sheet you are saving now. You also received $102,000 energy grant. PSNH provided that grant to the city because of the reduced energy that you are using. It saves them money by not having to have that energy available. The contracts

that you have in front of you on the next agenda item are with Virginia Electric and Power or Advantage, a subsidiary of Virginia Electric. The savings for the City of Manchester, $504,000 a year. The audits that we are going to receive as part of this program are another $143,000 one time. That $504,000 though is an annual savings. Nashua on the other side will be saving $24,000 a year and their audits are 67. The big discrepancy there is when we initially did this we put out eight Manchester buildings, we only put out two Nashua buildings. But we also found out that Nashua is far and away ahead of the City of Manchester in doing these energy efficiency matters. They've done this over the last ten years, and the City is really just getting into it. So that is item 14 on your agenda. The item that we are currently here talking about is the natural gas contract. The savings that we are looking at based on the contract that we negotiated for the City of Manchester is $20,000. It doesn't sound like a lot, but the City of Manchester uses very little natural gas. We have not done a lot of conversions. Again, the City of Nashua has done a lot. And also the way that the tariff structure is with the natural gas is it really only relates to your large users. And because we mainly use natural gas for heat and not for process, we have very few that can actually qualify for the savings here. If you look on the flip side, Nashua will be saving $35,000. Now these two items with Virginia Electric and AGF on the natural gas, where you start to see Nashua, this is where we start to recoup some of the funds from the City of Nashua. We start to recoup that $51,000 on the natural gas, and we start the $71,000 on the facility improvements. The next item that I would like to point out under the natural gas is on the non-municipal side is the $136,000. The natural gas, again because of the tariffs, is for the big users. We have talked to only three actual natural gas users in the City of Manchester. Jay Taylor has talked to more than that but we just didn't have the time to meet with every one of them individually. All three that we met with are very interested in the program. They currently buy their gas on a contracted basis, but they certainly would be willing to join the City of Manchester program and what we calculated from the contract that we've negotiated is on a annual basis just those three customers alone, would save $136,000. That's why you're doing this program. To get the benefits out to those that can't get the benefits on their own. And even though they are big industrial complex industries, they are not negotiating the same contracts, they don't have the same expertise that the City has. Also as part of the contract that we have, is that we are guaranteed at a minimum a 5 percent decrease on our natural gas prices. So if Energy North should happen to move their prices from where they are now and where we have done our analysis, our savings can't drop below that 5 percent. So with this contract we can't even get back to a break even we are always going to save at least 5 percent. A couple other items that this group has worked on. It was contacts through the MAPS program that brought ENRON to the table and showed an interest in the civic center. Now that is going to be part of your 20 percent capital contribution from the private sector. And we are figuring that number is in the $4-5 million range. If you didn't have this program, if they didn't think they wanted to be associated with the City of Manchester in this program you wouldn't have gotten that contribution. The last three items there we are currently in contact with NH Community Technical College and the DOE grant. Back in the 70's when you had your oil embargoes you had a first in the nation down there at the tech school. With their solar house. And here we are 20 years later, effectively we've got our own state-wide energy problem, and they're updating that and the City is working with them on that grant. The ZAPCO deal is the

utilization of the landfill gas. Currently I believe that gas a lot of it is being flared off and burned and not used, and the deal that we are trying to work with them is actually to wheel that power down to the wastewater treatment plant. If they wheel that power down to the waste water treatment plant you are going to be saving 6-7 cents per kilowatt hour for the power that's used down there. And that's $103,000 annual savings from the calculations that we have and that's going to flow right back to the users of the treatment plant. And the last item on here is the Amoskeag Hydro station. I didn't put any numbers on here because we will be discussing that later in executive session, those really aren't ready for public conception at this point. The last line on there, again all the areas added up, those are the savings and the benefits that you've realized to date through your MAP program.

Alderman Wihby stated that it sounded like the natural gas one is an easy one to take. It's not costing any money, we are getting into a contract, we are going to save some money, but one of the questions I have is like the $136,000 potential savings for three accounts, how do we get anything out of that.

Mr. Sherman responded that they would be paying their aggregation fee. So now you start to recoup your fee back.

Alderman Wihby asked how much was in aggregation.

Mr. Sherman stated we figure that on the energy efficiency matters probably a half of a cent per reduced kilowatt hour, one time half of a cent. On the gas, it all depends on how big the program was. Initially we were talking probably in the 3 or 4 cents per therm rate. But since talking to these industrial customers we figure we are probably be in the half a cent to one cent range.

Alderman Wihby stated so every time you are saving money for the non-municipal people, in that number we are making money on that ourselves.

Mr. Sherman stated you're getting paid back for the investment that you've laid out up front.

Alderman Wihby asked if the bottom line going to be that whatever investment we have we recoup that and that's it, or do we recoup on top of our investment.

Mr. Sherman stated the way that you adopted the aggregation program, is that you were allowed to keep a surplus as an operating surplus but you're not in the business here of making money on it. So we will go through, we will cover the costs of developing the RFP, developing the contracts and the negotiations, and then the day to day administration of the program. I would say that with the natural gas program with the exception of obviously the contacts, hopefully from the industrial customers, the day to day administration is really falling on the supplier. They are the ones that are going to be doing all the nominating for the gas supplies not the city.

Alderman Wihby stated so after we recoup all of our expenses the money is going to go back for the consumer, they'll just get cheaper rate.

Mr. Sherman stated well the aggregation fee will go down, going forward.

Alderman Wihby stated we will save whatever the electricity or the power that the city uses itself.

Mr. Sherman responded exactly.

Alderman Wihby stated an on the gas, how many buildings do we have with gas.

Mr. Sherman stated at this point we only came up with three Manchester meters. But at this point we don't have a full year on McDonough. We don't have a full year on City Hall. And

once we get into the energy efficiency matters, that's where you start doing some conversions over to the gas, which are part of your savings.

Alderman Wihby asked where the third was.

Mr. Sherman replied there were two at the Airport, and one school at this point. It was the Voc-Ed/Skill Center.

Alderman Wihby stated so there are 4 or 5 city-owned facilities that are part of this contract that we will be saving this money.

Mr. Sherman replied that's right.

Alderman O'Neil stated the handout that was given on the natural gas, it doesn't show any Manchester facilities, it only shows six Nashua schools.

Mr. Sherman stated it appears that you have the wrong attachment. I apologize for that. We actually have two contracts, one for the City of Nashua, and one for the City Of Manchester. We are authorized to negotiate on behalf of Nashua, but not obviously to sign their contracts. Their Board has to do that.

Alderman O'Neil stated go to the savings and benefits. You have at the bottom total realized savings or benefits to date. NORESCO, $450,000. That's not true at all. We haven't even got into this thing yet with NORESCO. They've barely started the project.

Mr. Sherman stated no, NORESCO is a year in, they've been putting those lights in all year.

Alderman O'Neil stated I guarantee you there is not a $450,000 savings right now, there may be down the road.

Mr. Sherman stated to be honest, I'm not privy to the process of putting those in, but I know if PSNH is giving you $102,000 energy grant, you are saving funds. And that 454 was what we calculated for an annual savings.

Alderman O'Neil stated so these are potential savings, they shouldn't be put as total realized savings, benefits to date.

Mr. Sherman stated I think they are in the fact that you've got those contracts in place. And those are guaranteed savings. When these contractors come in and they make these proposals on energy efficiency matters, they guarantee these savings. If we go through and continue to monitor these accounts over at the school department, and we're only savings $375,000 you've got an issue with NORESCO. You go back to NORESCO and say your numbers were wrong. Because they do all the calculations on what you are going to be saving for kilowatt hours, what your demand is going to be reduced by.

Alderman O'Neil stated go back tot he expense versus funding source. On the bottom, aggregation fees, I get in enough problems with my checkbook, but if I certainly ran my house based on $900,000 in potential fees to balance it I'd be in a lot of trouble right now.

Mr. Sherman stated you have to understand that you haven't, it's not unlike building an industrial park. You are putting an infrastructure in place. And you always have costs up front.

Alderman O'Neil stated but you are trying to spin this to show that it's a break even right now. It is not a break even. It has cost the taxpayers of this city $700,000 any way you look at it.

Mr. Sherman stated no I think it's far from break even. I think you're right. I think you're right. I think that the taxpayers of Manchester have saved over $16 million. You saved $1.8 on your municipal accounts, and they saved 14 our of their own pockets.

Alderman O'Neil stated we could debate that all night.

Mr. Sherman stated the other thing I would like to bring up and I had a note on here and skipped right over it. There is currently, has passed the House, and has been sent to the Senate, House Bill 318. It is legislation that allows participants in the restructuring docket to be reimbursed for their costs. Obviously that's of interest us. However, there is one problem with it and I think we could marshal up some support from our own delegation and take care of this issue. It pays for everybody's costs except municipalities. Now why it was written that way. We talked to the representative that wrote it, and really haven't got much satisfaction from him. And he's also capped the dollar amount which I think is highly inappropriate. We may have spend on restructuring to date $845,000. The state has spent $2.4 and has recently asked for another $1.6 million. PSNH has in their 1999 budget $1 million for their defense, and those are the types of things that you are up against. Mr. Morris at NU just got a $1.6 million bonus. Those are the types of resources that you are fighting against. And there aren't many parties up there doing it. The last time that nobody paid attention to what was going on you got slapped with a 40% rate increase. And that's hurting you. All we have to do is mention JacPac. They were going out of state. They weren't going to stay here. They couldn't afford the electric rates any more, and the only reason they stated is cause the City gave them a grant of $300,000 and the Mayor went up on their behalf and negotiated a special contract with them, that's why they stayed, that's why they expanded. It is big business. And as we get into this and start to meet with the industrial customers, not only are they interested in the natural gas side of the issue, all three of the ones we met said when you are ready on the electric side, call us because we need to do that as well. They're talking $2, 3 million electric bills.

Alderman O'Neil stated he just wanted to follow up on his earlier comments stating I believe there was a directive in the summer time about not to expend any more money on aggregation. I believe that directive hasn't been followed. I don't think anybody can sit here and make a judgement on whether or not these savings may occur, but I think we've got to get a handle on this thing because it's out of control. We've got to figure out where to go with this. I'd still like to see this tabled tonight.

Alderman Wihby stated we are talking about the gas contract right now basically. I don't see anything wrong with approving this tonight, we are saving money, it looks like it's going to work. I think the biggest factor is if we can get big business to buy into this they are going to have a significant saving and I'll move the gas contract.

Alderman Girard seconded the motion.

Alderman Rivard stated if I understand this document I have in front of me the aggregation program saving rate reduction and benefits that I guess the program takes credit for savings now and projected savings in the future. Is that correct.

Mr. Sherman responded that's correct.

Alderman Rivard stated can you tell me Zapco and the landfill gas project what role you folks played in this.

Mr. Sherman stated we have spent a number meetings and consultations with the attorney that the city has, meeting with the folks over at Highway, specifically Kevin Shepherd, meet with Zapco, reviewing the contract proposals, doing the financial analysis on the presentations that they have. Our consultants have reviewed the power purchase agreements that have been

proposed, and made suggestions to that. So those numbers and the time we spent on that are included in these MAP.

Alderman Rivard stated so you are telling me that CLD didn't play a role in this and that you folks take the credit for this.

Mr. Sherman responded oh, no. I'm not saying that CLD…

Alderman Rivard interjected stating that he remembered signing the contracts with CLD, and CLD was the people for this, and CLD has been making the contacts and making the progress, so we have two people working on this project now.

Mr. Sherman responded no, CLD's expertise is not in power purchase agreements. CLD has the expertise in landfill gas. They've got experts in that. But when it comes down to the pricing , and it's come down to the actual agreements, Hank Stebbins has looked at it, CLD has looked at, our consultants have looked at it, we've run the financial numbers. You have to be real concerned with for example the PSNH tariffs, if you get off of their system you have to pay back up power. If that treatment plant goes down because the generator up at the landfill goes down, your costs are actually going to go up, you've got to buy back up power. And we've made sure that all of those precautions and measures are in place. And those weren't things that CLD was looking at. They were looking at they had asset at the landfill and what was the best way that they could deal with that.

Alderman Rivard stated so you weren't aware that Manchester Highway Commission and Frank Thomas at Public Works has talked with CLD about this type of a project and wheeling the power down there and doing these same things that you folks are doing.

Mr. Sherman responded oh yea, they contacted us.

Alderman Rivard stated okay.

Mayor Wieczorek advised that he had a motion on the floor by Alderman Wihby, seconded by Alderman Girard to approve the contract and authorize execution subject to review and approval of the City Solicitor, and called for a vote, a roll call vote was requested.

Alderman Pariseau stated these are potential savings, we haven't saved a dime.

Alderman Wihby stated this was not costing anything. This gas contract is not costing a dime.

Alderman Pariseau stated that this whole aggregation program, when we were here last time they told us that they would spend Tina's salary and be very conservative with their expenses. Now tonight we find out that they have spent a quarter of a million dollars.

A roll call vote was taken. Alderman Pariseau, Cashin, Thibault, Hirschmann, Clancy, Pinard, O'Neil, Shea, and Rivard voted nay. Alderman Wihby, Klock, Reiniger, Sysyn, and Girard voted yea. The motion failed.

Alderman Girard gave Notice for Reconsideration.

Alderman Clancy moved to table action on the gas contract. Alderman Shea duly seconded the motion. The motion carried with Alderman Wihby, Klock, Reiniger, Sysyn and Girard duly recorded in opposition.

Alderman Cashin asked Mr. Sherman in the sheet handed out, you've got general fund $190,882 being spent out of the general fund for aggregation, is that right.

Mr. Sherman responded that's correct.

Alderman Cashin stated in the management letter, item 10, it says approximately $575,000 of aggregation funds be funded from future revenues because the current dollars are spent with no

current offsetting revenues. This fund has operated with no funds borrowed from the general fund, now who is right and who is wrong.

Mr. Sherman responded both are right. The $190,000 relates back mainly to 1996 and 1997. Prior to the aggregation program.

Alderman Cashin asked if the aggregation program borrowed $575,000 from the general fund for aggregation.

Mr. Sherman responded I'm going to get to that alderman.

Alderman Cashin asked yes or no.

Mr. Sherman responded yes, I told both were right.

Alderman Cashin asked Mr. Sherman how he could say it was only $190,000 in his figure.

Mr. Sherman responded the $190,000 was spent during 1996 to 1997. The 597 or whatever the auditors had there, was spend in 1998. They reported on the 1998 financial statements, and that's the number that they are talking about.

Alderman Cashin stated so what are we saying, 575 plus 190.

Mr. Sherman responded the general fund has loaned the aggregation program and the aggregation program is being charged interest on that.

Alderman Cashin asked we've loaned you how much.

Mr. Sherman responded the $575,000.

Alderman Cashin asked about the 190, where did that come from.

Mr. Sherman stated that was not going to be paid back by the aggregation program, you did not have an aggregation program when those dollars were being spent, this Board sat here and appropriated those dollars.

Alderman Cashin asked if the 190 came out of the general fund.

Mr. Sherman responded yes.

Alderman Cashin asked okay so is it 575 plus 190 out of the general fund.

Mr. Sherman responded 190 has been paid for out of the general fund, the 575 has been loaned to the program to get the program started.

Alderman Shea stated prior to your discussion you mentioned to me that my figures were way off, is that correct.

Mr. Sherman responded yes.

Alderman Shea stated the figure that I gave, just to make a correction, I gave a figure of $595,051.54 for restructuring, and that was 1996-1997. You gave numbers of 63,840. And 552,738 which adds up to 596,576. Where was I wrong.

Mr. Sherman responded because how much did you say for restructuring.

Alderman Shea responded 595,051.54.

Mr. Sherman stated and I think if you look at the handout I think what we paid for restructuring was $460,000.

Alderman Shea stated you have here the expense involved with $63,840 and 552,084.

Mr. Sherman stated but that was not all for restructuring.

Alderman Shea stated that was not all, I have documentation here listing each.

Mr. Sherman stated that's the problem alderman, with getting the information from where you got it from.

Alderman Shea stated provided to the enterprise funds by the Finance Department for justification of cost reimbursement.

Mr. Sherman stated that I am telling you that these are where those funds have been spent by purpose.

Alderman Shea stated this is why the Board of Mayor and Aldermen have concerns, because sometimes we get figures back that don't always jive with different questions that we may ask. I asked a question of Tina when she was presenting and I asked for information at that time. That was way back, I don't know how many months ago.

Mr. Sherman responded that was in January right before she left the Finance Department.

Alderman Shea stated and I asked if there was expenses in 1996 and 1997, and I was told at that time that that information would be forthcoming to me.

Mr. Sherman stated that you were also told at that point that you had already received that information and we would go back and re-put those numbers together and that's what we have done for tonight.

Alderman Shea stated so it took from January to tonight to get these numbers.

Mr. Sherman stated it all turns out alderman to be a matter of priority and what we can get done when we can get it done. As the auditors have just told you the Finance Department is buried, and we've got a lot of work going on down there. Right now the Finance Department is down 20% of its staff.

Alderman Shea stated and there may be a reason for that as well.

Mr. Sherman stated yes there is.

Alderman O'Neil moved to table items 14 and 22. Alderman Cashin seconded the motion.

14. Communication from the Deputy Finance Director submitting an Energy Efficiency Measure (EEM) contract with Virginia Electric and Power Company. (Note: available for viewing at the City Clerk's Office and forwarded under separate cover to Mayor and Aldermen.)

22. A motion is in order to enter into non-public session under the provisions of RSA 91-A:3 Paragraph II(d) regarding the Amoskeag Hydroelectric Station.

Alderman Girard stated there have been a number of concerns expressed about this for some time, and I find it somewhat ironic that as the program and this enterprise are starting to bring forward the proposals that they a have been talking about, proposals that will save the city money, proposals that will save business and residential concerns in this city money, we are all in a hurry to table everything. The fact of the matter is your honor, is that this Board never issued a directive to say don't do anything more. What this Board said was don't hire any more personnel. And there have been no additional personnel hired for this program. How is it logical to assume that those that administer this program are going to be able to develop the programs and the proposals to bring before us to generate the income we all say we are concerned that it generate to cover the money it spent. So now here we are with proposals before us, with contracts before us, that are designed to do exactly what the program all along was suppose to do with the people who are involved in the program have been telling us all along it's going to do, and now somehow, it doesn't make any sense we've got to table

everything, we've got to slow it down, we've got to stop dead where we are , for how long and to what end I have no idea, but right when we are about to step over the threshold we are going to stop. And as far as information coming from the Finance Department or coming from the aggregation program, you know routinely the department has been hammered for not passing out information. I think if it's had any fault, it's probably given us too much information, and it is complex and it is complicated, but to sit here and make the accusations that have been made here tonight, I think go well beyond the pail and I think it's awful.

Alderman Cashin stated I'm not going to belabor this we went all through this several months ago, the same questions came up we pulled the minutes of the meeting and it was pretty explicit, and I think the City Solicitor will verify it, that you people were told to back off and stop, now those are in the minutes, you know it and I know it.

Mr. Sherman stated I can tell exactly what the minutes say alderman because I reviewed them and I know you sent them to the City Solicitor's office. And I think if you look at the expenses between 1998 and 1999 I think we've been quite sensitive to the Board's issue about how much money is being spent here. You have adopted an aggregation program that aggregation program has been funded. We are keeping those expenses to the absolute minimum. But as Alderman Girard says, you are to the point now to where you are going to start recouping those dollars. And to walk away from the program at this point you can take that $900,000 in aggregation fees and kiss it good bye, because you are never going to recoup those dollars.

Alderman Cashin stated nobody suggesting that we are walking away from anything. We've tabled something.

Mr. Sherman stated you have two contracts tonight that can move forward and start recouping some of these dollars that are real savings.

Alderman Cashin stated when this Board is comfortable, I'm sure we will act on them.

Several requests were made to move the question.

Alderman Wihby stated if we are going to table this maybe we ought to get a special committee made up and have the special committee look at it. Members of the Board so concurred.

Mr. Sherman asked if he could address the executive session.

Mayor Wieczorek advised no he had the motion on the floor to table and called for a vote. The motion carried with Aldermen Wihby, Klock, Reiniger, Sysyn and Girard recorded as opposed.

Mayor Wieczorek stated Alderman Wihby wanted to establish a special committee. Alderman Wihby stated he would advise the Clerk regarding the membership. Mayor Wieczorek advised that was taken care of.

15. Communication from Chris Kehas, Chair of the Manchester High School Central Alumni Network requesting matching funds of $3,000 to complete the war memorials by erecting a granite "apron" surrounding them.

Alderman Klock moved to approve the request. Alderman Sysyn duly seconded the motion.

There being none opposed the motion carried.

16. Communication from R. Sean O'Kane, General Manager of the Center of NH-Holiday Inn, requesting the City join efforts in sponsoring "Meet Me in New Hampshire" with a sponsorship of the Program in the amount of $10,000.

Alderman O'Neil stated he had spoken with Mr. O'Kane and $5,000 might be more reasonable and moved to approve $5,000. Alderman Hirschmann duly seconded the motion.
Alderman Klock asked what they would be getting for the sponsorship of $5,000.
Alderman O'Neil responded if we wanted to get into this convention, noting 35% of the business of the center is convention and meetings, if they want to continue to expand that we have to give them a reason to come to NH and that's what this meet me in NH is all about. We discussed a little bit about a convention and tourism bureau person but he said before you get to that you have to give them reasons to come here and that's what the Meet Me in NH program is all about, promoting.
Mr. Clougherty advised there was a balance of $74,000 in contingency and civic contributions, $8,000.
Mayor Wieczorek advised it would have to come from contingency. Mr. Clougherty indicated they would prepare a resolution at the next meeting. Mayor Wieczorek called for a vote. The motion carried with Alderman Pariseau duly recorded in opposition noting he had opposed it last year as well.

17. Ordinance

"Amending the Code of Ordinances of the City of Manchester by inserting a new section in Chapter 152. Planning and Development, Section 152:33. Adoption of RSA Chapter 162-G relating to the Acquisition, Development and Disposal of Industrial Land and Facilities."

On motion of Alderman O'Neil, duly seconded by Alderman Clancy, it was voted to read by title only and it was so done.
This Ordinance having had its third and final reading by title only, Alderman Pariseau moved on passing same to be Ordained. Alderman Thibault duly seconded the motion. There being none opposed the motion carried.

18. Appropriating Resolution and Bond Resolutions:

"Amending a Resolution 'A Resolution Approving the Community Improvement Program for 2000, Raising and appropriating Monies Therefor and Authorizing Implementation of Said Program'."

"Amending the 1999 Community Improvement Program, authorizing and appropriating funds in the amount of Ten Million, Six Hundred Fifty thousand Dollars ($10,650,000) for various 1999 CIP Projects."

"Authorizing Bonds, Notes or Lease Purchases in the amount of One Million, Nine Hundred Thousand Dollars ($1,900,000) for the 1999 CIP 510199, Riverfront Development."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Five Hundred Fifty Thousand Dollars ($550,000) for the 1999 CIP 511099, School Recreation Facilities/Parking Lot Improvements."

"Authorizing Bonds, Notes or Lease Purchases in the amount of One Million, Eight Hundred Fifty Thousand Dollars ($1,850,000) for the 1999 CIP 511299, Park Capital Improvement Program."

"Authorizing Bonds, Notes or Lease Purchases in the amount of One Hundred Seventy Five Thousand Dollars ($175,000) for the 1999 CIP 710999, Annual Parking Facilities Improvements."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Three Hundred Thousand Dollars ($300,000) for the 1999 CIP 750299, Sidewalk Construction Program."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Eight Hundred Fifty Thousand Dollars ($850,000) for the 1999 CIP 820999, Motorized Equipment Replacement."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Five Hundred Thousand Dollars ($500,000) for the 1999 CIP 821099, Y2K Contingency & Computer Upgrades."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Three Million, Three Hundred Seventy Five Thousand Dollars ($3,375,000) for 1999 CIP 830199, School Capital Improvement Program."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Two Hundred Fifty Thousand Dollars ($250,000) for the 1999 CIP 831499, City Space Improvements."

"Authorizing Bonds, Notes or Lease Purchases in the amount of Nine Hundred Thousand Dollars ($900,000) for the 1999 CIP 831599, Fire Facility Improvement Program."

On motion of Alderman Pariseau, duly seconded by Alderman O'Neil, it was voted to dispense with the readings.

Alderman O'Neil moved that the Appropriating Resolution and Bond Resolutions pass and be Enrolled. Alderman Pinard duly seconded the motion. Alderman Girard noted that he was in objection to projects relating to the Child Care Coordinator and the Teen Health Clinic. It was noted by the Clerk that he could note opposition to programs but had to vote in favor or opposition of the entire appropriating resolution. Mayor Wieczorek advised to record Alderman Girard recorded in opposition to the appropriating resolution (first resolution listed). The motion to Enroll carried.

TABLED ITEM

20. Appropriating Resolution:

"Appropriating to the Manchester Aggregation Program the sum of $808,118 from Aggregation Fees for the Fiscal year 2000."

(Tabled 4/6/99)

On motion of Alderman Pariseau, duly seconded by Alderman Klock it was voted to remove this item from the table.

Mayor Wieczorek advised that under the Charter this item has to be referred to the Finance Committee and public hearing.
Alderman Pariseau moved to refer the resolution to the Committee on Finance and to Public Hearing with the Mayor's budget. Alderman Klock duly seconded the motion. The motion carried.

NEW BUSINESS

Mayor Wieczorek advised that with regard to the vote to approve the $3,000 requested by Chris Kehas, it was not identified for source and suggested civic contributions.
Alderman Sysyn so moved as the alderman of Ward 4 to approve $3,000 from Civic Contributions for such purpose. Alderman Shea duly seconded the motion. The motion carried.

Mayor Wieczorek addressed HB636-FN distributed to members of the Board, an act relative to public safety employees collective bargaining negotiations for certain public employers under the Public Employee Labor Relations Act. What they are asking is to have the cities enter into binding arbitration on this, and our Fire Chief is opposed to it, and our Police Chief is opposed to it, so I would like to have this Board go on record as being opposed.
Alderman Pinard so moved that the Board of Mayor and Aldermen go on record in opposition to HB636-FN. Alderman Clancy duly seconded the motion. The motion carried with Alderman Wihby duly recorded as abstaining.

There being no further business, on motion of Alderman Pariseau, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

City Clerk