

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN**

April 29, 2008

5:15 PM

Mayor Guinta called the meeting to order.

Mayor Guinta called for the Pledge of Allegiance, this function being led by Alderman Shea.

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen M. Roy, Gatsas, Sullivan, J. Roy, Osborne, Pinard,
O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Ouellette,
Domaingue

Mayor Guinta advised that the first purpose of the meeting shall be to discuss the FY2008 budget including details of expenditures relating to restricted and other expense items, and revenues projected through yearend.

Mayor Guinta stated we will begin with a brief presentation by Harry Ntapolis and Bill Sanders.

Mr. William Sanders, Finance Director, stated first Mr. Ntapolis is going to go through the workers compensation and CGL report that I believe was provided to the Board of Mayor and Aldermen yesterday.

Harry Ntapalis, Risk Manager, stated my understanding is that the Board was looking for projected balances in the area of workers compensation and casualty insurance for the remainder of FY2008, as well as any methods by which the numbers were determined. Probably the cleanest way to start this off is I am just going to go over the cover letter real quick and I think that would really set the tone for questions you folks may have of me, and I will try to keep it as straight forward. I know it is sort of a dry subject when you are dealing with insurance but I will try to keep it as interesting as I can. At the request of the Board, I enclosed the FY2008 documentation relative to the workers compensation account, which is restricted line 0214, and the Comprehensive General Liability account, which we refer to as a CGL. You will find that in the restricted lines of departments and that is line 0521. You will note that the budget appropriation that I had requested is in there, the actuarial reserve recommendations, the average annual claim expenditures, budget balances, and additional pertinent purchases that are made from these budget items to adequately fund the City's insurance program. You should also be aware that the Board of Mayor and Aldermen made a decision several years back for FY2001 to have me prorate total allocations that I received for insurance under restricted lines for each department and that was inclusive of Enterprise departments, as well as the School District. Prior to that, we dealt out of one fund for 0214, which was a lot easier to manage and to be able to track and the same thing with 0521, which is the CGL. There was one fund, but in breaking it out each and every year we set aside that money in a proration and put it into the departmental budgets that are restricted. Department heads don't have the ability to do anything with this as far as transferring those dollars for something different. So what we have been accurate to date in doing is monitoring the bottom line accounts at the end of the year and the City needs to at the end of each year meet its funding payment obligations and that is done through reconciliations. In other words, if a department comes up short in either of those two line items because they had unanticipated losses, what we do is the departments that have been in the

black all through the year or have ample dollars we will then put that money into those accounts and make sure that everyone comes out and the budget is balanced for both workers compensation and CGL. There has been a lot of confusion by departments and the Board of Mayor and Aldermen each and every year as to those particular numbers at the end of the year or at any given time during the year as far as where the balances might be, and it has also impeded the Risk Management Office's ability to track at any interval the balances simply because when the money is put in various departmental budgets, we don't have the ability to really look at those budget lines and be able to have an exact accounting at our fingertips without a lot of research. It makes it easier when it is in one particular location as had been the case prior to this. This is why I would again recommend consideration be given in establishing these two bottom line accounts. This would also eliminate the reconciliation process that Finance goes through at the close of each and every fiscal year to make sure there are ample funds to meet the remainder of the claims that are pending. By and large, that is what I believe the mission was that I was to accomplish for you tonight. I have enclosed all of the FY2008 documentation. I have put in a table of contents, which would make it a lot quicker for you to reference any section within my report and I would like to entertain any questions that you folks may have relative to workers compensation or CGL.

Mayor Guinta asked can you tell us what are in those reserve accounts currently and how that compares to the recommendations by the casualty actuary?

Mr. Ntapalis answered the casualty and workers compensation actuary is Everett Bishop from Liscord, Ward & Roy, Inc. He had recommended to the City of Manchester for this timeframe, the FY2008 budget, that we have \$3.6 million or closer to \$3.7 million in reserve for workers compensation. He also recommended for the CGL, which is the general liability but it also includes other lines of

coverage such as automobile, a total of about \$1.3 million in reserve for FY2008. We are underfunded in the area of workers compensation. We are more in the area of \$2.2 million. Mr. Sanders, am I pretty close? We are a little over \$2 million I believe in the workers compensation reserve.

Mr. Sanders asked if I could just clarify one item. I think when Mr. Ntapalis talks about the workers compensation requirements, you appropriately think including schools and including Enterprises so I just want to point out that just from the general fund point of view, the actuarial report stipulates a reserve for the general fund only of \$2,970,000. At the end of June of last year we had \$2,687,000. So we were about \$283,000 below the actuarial estimate on workers compensation and then on general liability insurance the actuarial estimate is \$989,000 and we have \$603,000 in the reserve so we are short on the general liability by \$386,000.

Mayor Guinta asked what was the actual on worker's compensation?

Mr. Sanders answered the actual reserve balance on workers compensation was \$2,687,000. That was the reserve balance at the end of June.

Alderman Lopez stated I have a couple of things. All of these numbers you are giving us are in the packet someplace, so if you refer to a number could you refer to the page you are speaking of so that we could all follow you? The other question I have is when you are recommending that it all be lump sum and back in the year 2000 we separated that with the argument of the department heads managing it more, do you have any idea...How long have you been here Harry? A long time before that right?

Mr. Ntapalis responded about 30 years.

Alderman Lopez stated I just want to make sure. Wasn't that done to give more management to department heads because it could cost us more without that management piece?

Mr. Ntapalis responded that is correct Alderman. I believe the thought process at the time was that they wanted more accountability on the part of department heads so department heads would be able to closely monitor losses that took place within those particular lines that affected their departments. The one thing that was somewhat overlooked is the fact that there isn't really a lot of control that a department head could have. They can see charges being made and obviously be able to pinpoint where the losses were occurring but we do provide quarterly reports to each department of loss experience or loss history for all of the years that I have been here. Department heads also became subject to a bit of confusion each and every fiscal year. They would talk to some of their Aldermen too because of that confusion and many times they would call me in a panic saying, look I think I have gone over my budget or I am going to be under my budget. Can I use the dollars for something else? That presented somewhat of a predicament because obviously these are restricted lines and they could not use it for something else and I had to bring that news to them. Many times it was really difficult for them to understand that if they were in the red that the reconciliation would take them out of the red provided that we had ample reserve dollars to do so or dollars more specifically from other departments who didn't experience losses. What made it difficult for someone like myself in risk management or any risk manager to do is be able to predict a year or sometimes 18 months out what kind of losses we are going to experience as a large municipality that is very multi-diversified with the types of jobs and the nature of our business, whether it be law enforcement or construction and so forth. What happens is we may experience years when workers compensation has a number of claims due to inclement

weather, etcetera. We may experience years where we have had mild winters and we haven't had a lot of third party losses, either with automobile or general liability so it is really tough to look at this and make those decisions, but when we place the dollars in each department in this particular fashion we do it on a prorated basis and not much has changed. We look at that bottom line amount that we had prior to the year 2000 and as long as we have what we believe for a self-insurer...we have been tracking over the last 20 or 30 years since we made the conscious decision to go self-insured in March of 1977 for worker's compensation and April of 1984 for all other liability. We are really working off that bottom line anyway.

Alderman Shea stated this had nothing to do with that but I noticed in some accounts there is over \$10 million. When the interest is accrued, where does that go? Does that go back into that account or does that go to the general fund? That is a question as I am looking at this. I have another sheet here.

Mr. Ntapalis replied was that for insurance. The \$10 million wasn't going back to...

Alderman Shea interjected no this is the revenue stabilization. There is \$10 million in that. We know that.

Mr. Sanders stated the interest earned on the revenue stabilization account just goes into the general fund. It does not get put into the reserve account.

Alderman Shea asked so no interest that is accrued in any of the accounts goes back into the reserves? They go into the general fund? Is that correct or do some of the reserve funds get interest that stays within those reserve funds?

Mr. Sanders answered some of them do earn interest and it stays in the accounts. I think the special revenue account might be an example of that where the interest earned on special revenue items does go into the special revenue account.

Alderman DeVries stated I am on Page 8, the additional expenses itemized out. Can you tell me first off, the Labor Department Administration of \$38,000?

Mr. Ntapalis responded as a self-insured we file as a self-insured public entity and in so doing we are issued a permit as a self-insurer and we participate in a proration that the Labor Department assesses annually since the inception of our going self-insured in 1977 and it changes from year to year. This particular year that we are talking about, FY2008, our assessment for our administration share as a municipality was \$38,000. There is another piece; the \$59,000 is a second injury fund that again goes to the Labor Department.

Alderman DeVries asked the Claims Administration, the \$193,000, that is workers compensation only?

Mr. Ntapalis answered no it is not. That covers both the workers compensation claims administration and all of the general liability adjusting and administration, automobile liability and most anything else plus electronic data processing that they provide for us with annual history and so forth. That is all inclusive.

Alderman DeVries asked can you break out the workers compensation portion of the administration?

Mr. Ntapalis replied I could. The workers compensation is the lion's share obviously. You are looking at \$60,000 for the general liability portion with the balance going to workers compensation.

Alderman DeVries stated so that brings it down to about \$130,000. That would be towards the \$982,656 in workers compensation claims on Page 7 looking at the year-to-date obligations? Is that \$130,000 inclusive?

Mr. Ntapalis responded the \$197,203 is the CGL so we will go over and look at the columns to the right and that is the balance of \$323,634. Your year-to-date of \$982,656...yes it is paid out of there and it has been paid.

Alderman DeVries asked so that is already built into the number?

Mr. Ntapalis answered yes. I apologize. The only outstanding...that is billed quarterly so we have done three fourths of this fiscal year. There is one more quarter that we need of that total of \$193,000 and that is going to come out of the \$323,634.

Alderman DeVries stated I have one final question. It appears that the administrative cost is about 10% and maybe I am off and maybe the Mayor would know the number, but that seems like a high administrative cost compared to say our health insurance administrative cost. Do you venture to...maybe Mr. Sanders would like to make a comparison?

Mr. Ntapalis replied that cost is reflective of several adjusters who are assigned exclusively to the City of Manchester. When you are looking at a City our size with over 3,000 W-2's...now I am also including...and it may be somewhat unfair, but the program I administer deals with the School District, Enterprise departments, aviation, utilities and the whole operating budget. You are also dealing with payrolls in total of about \$170 million. The yeoman's work that this claims administration does, and it is split between Concord and Manchester, for

field work for a third party claims administration, for auto, for anything that may come down the pike that has the smacking of civil rights issues and then in the area of workers compensation when you are dealing with nurse case managers and managed care providers and adjusters, we couldn't replicate that by hiring a number of adjusters and service staff internally and paying fringe benefits. It has been something that is very fitting for us and has been cost-effective. They haven't increased their pricing. Actually they have gone down with services that they have added over the years being a tight market.

Alderman DeVries stated I have one final follow-up. Harry, it is a great program and you know I sat on the citywide Safety Committee and a lot of work is done to prevent injuries so we don't pay out on workers compensation and I appreciate that. My question would be more when was the last time it was competitively bid and do we have a handle that that 10% is industry standard administrative cost for workers compensation?

Mr. Ntapalis responded it has been awhile, Alderman, to answer your question, as far as competitive bidding. What has happened is this: When we look at it we also look at the same time what the market might be like if we were to bid something like this. Again, being a self-insured you are dealing with claims administration instead of commercial insurance, which fluctuates with hard and soft market conditions. To answer your question, you build a relationship with a provider. There aren't a lot of claim services in the local area that have office hours situated here in the City that could do this scale of work. There are people that provide risk retention programs that I don't want to steer the City towards. We want to stay as a self-funded entity and take advantage of the governmental immunity and take advantage of the municipal cap. Could we go out to bid and have someone probably lowball us the first year and we lose the continuity and the history that we have with these people? We could. If there were increases, obviously, in their

service administration costs I would have done so, but it has been several years. They have changed hands a few times and since 1977 I believe we have only had three service providers in the area. So we have long-term commitments in this particular arena unlike the commercial marketplace.

Mayor Guinta asked how many claims per year do we have and how much does it equate to per claim in terms of administrative costs?

Mr. Ntapalis answered what we have been averaging in the area of workers compensation is about 450 claims per year. Mathematically we can calculate that out. Out of 450 claims in a given particular year for workers compensation, the vast majority are medical. In other words, you may have had first aid emergency room visits and the like. As we speak today, we are talking about 20 people who are out collecting a weekly check for workers compensation.

Mayor Guinta asked so of the 450 per year, how many are lost time?

Mr. Ntapalis responded probably two dozen that we are paying weekly indemnity checks to.

Mayor Guinta asked so I assume there is a different administrative cost for lost time versus a non-lost time claim?

Mr. Ntapalis answered we work a flat fee, Your Honor.

Mayor Guinta asked what is the flat fee?

Mr. Ntapalis replied that is the amount that we pay for the administration service.

Mayor Guinta asked what does it break out to for claims is my question?

Mr. Ntapalis answered probably about \$375 per claim for workers compensation. I don't have a number off the top of my head for CGL.

Mayor Guinta asked if of the 450, 24 are lost time, we are paying \$375 per claim...can you explain to the Board when someone is injured and they file a claim for no lost time how much time that adjuster is actually spending on the claim.

Mr. Ntapalis stated what the adjuster does is they receive a copy of that first report of injury, which initiates a file to be established. They are probably going to spend a very small period of time...usually what they will do is triage the claim, find out if indeed there is going to be any future medical expense. Many times they will close the claim in a quick turnaround because it is a one shot deal and they want to be put on notice that they have a claim in the event that within the next couple of years this claim turns into something, but there is no activity on it so they do not keep it open or charge to this particular file so we don't incur any type of an expense. Only those such as the case with one of our injured workers who most recently was run over by one of our trucks...he had a number of surgeries done to his ankle with bones that were broken. This has an expensive reserve. We are only realizing some of the initial upfront costs. We haven't received bills yet from the hospital or from the surgeons and this one is going to obviously stay open for quite some time and we will realize a lot more activity there, so the adjuster is going to be involved in that for many hours.

Mayor Guinta asked so on the no lost time are they closed within 30 days?

Mr. Ntapalis replied they are closed within 21.

Mayor Guinta asked so we are charged \$375 for a claims adjuster to open a file and call? Do they even make contact with the employee?

Mr. Ntapalis answered they not only call and talk to the employee but sometimes they make a personal visit, but more often than not in a claim like that it is by telephone. They talk to the supervisor also and if they need to do anything beyond that they do it.

Mayor Guinta stated so it is probably two calls – employee and employer and maybe a medical call.

Mr. Ntapalis answered right, and maybe a medical call. Sometimes they just deliberate with a nurse case manager, which is also in-house and the adjuster has the ability to talk to that nurse case manager.

Mayor Guinta asked so how many hours are they spending on a no-lost-time case?

Mr. Ntapalis responded it can vary. They can spend as little as an hour possibly or they can spend as much as a couple of hours. With no lost time, if the medicals are going to be out there for awhile, sometimes those medicals are going to trickle in. The person could say, look I went to the emergency room and I feel swell and the next thing you know you hear from their physician that they are sidelining this person for physical therapy. That could be ongoing and they could spend countless hours even without lost time.

Mayor Guinta asked and in your opinion is the \$375 administrative fee for a no lost time claim reasonable?

Mr. Ntapalis answered it is actually an industry standard or pretty close. It may fluctuate.

Alderman O'Neil stated on Page 6 it says budget forecast for FY2008. Are the dates correct up on the top? Then looking at that, it says current budget and it gives the FY2008 and current budget on the left. That is as of what date?

Mr. Ntapalis replied yes the dates are correct. What I do each and every year...and I know our topic of discussion tonight is only FY2008 from my understanding of what you were looking for, but this is to give you an example of what I prepare each year and break out by department for those two accounts. It is telling you that as of January 25, 2007 this is what I was projecting for July 1, 2008 for our bottom line cost for the operating budget, School District and Enterprises would be.

Alderman O'Neil asked so the column on the left that says current budget, that is as of when?

Mr. Ntapalis answered the current budget would have been the FY2007. Remember, when I am putting this together in January of 2007, your fiscal year starts in July.

Alderman O'Neil stated I thought one of the things we were looking for is some current information.

Mr. Ntapalis asked do you mean 2009?

Alderman O'Neil answered no I mean actuals to date. That is what I thought.

Mr. Ntapalis stated you have that on Page 7. All I was doing is giving you a sampling because I thought you wanted to know my methodology, so I wanted to make sure everyone had that for their review tonight. If you go to Page 7, you are going to see a comparison of what I asked for, what was revised for FY2008 which didn't meet what I requested but actually you gave me more in CGL if you look at the \$748,600 and you gave me less...I asked for \$1.5 million and the Board in its final analysis for 2008 workers compensation came in at \$1.3 million and that happens each year.

Alderman O'Neil asked so the bottom line tonight is we have a balance of \$323,634?

Mr. Ntapalis answered yes sir. That is correct.

Alderman O'Neil asked in workers compensation?

Mr. Ntapalis responded yes.

Alderman Lopez stated I want to clarify my numbers too but I think it totals about \$520,000 between the two – the \$197,000 and the \$323,000.

Mr. Ntapalis replied that is correct, Alderman.

Alderman Lopez stated we have had many discussions about this and to follow along I think your explanations are very good here. I am ready to go to the numbers. Let's see where we go from here. Alderman Gatsas requested to look at some numbers and I would like to hear them.

Mayor Guinta stated you said there was an industry standards of a \$375 administrative fee. Is there a standard for different fee structures based on lost time and no lost time?

Mr. Ntapalis responded the lost time is different. I didn't have that particular number for you. I gave you \$375 on the medical. I don't have the lost time.

Mayor Guinta asked so you are saying there is a different cost for the administrative fee of the no lost time?

Mr. Ntapalis answered that is correct.

Mayor Guinta stated so it is probably \$100 or less per claim.

Mr. Ntapalis stated roughly. Maybe it's \$275, but I can't venture a guess. I don't know it off the top of my head tonight.

Mayor Guinta asked when you get that number could you e-mail that to me?

Mr. Ntapalis answered I would be glad to do that. I will get it to you tomorrow.

Mayor Guinta stated distribute it to the full Board of Mayor and Aldermen please.

Alderman M. Roy stated one of the things that I find troubling with the way we do it in the budget broken out by department and then fixed at the end of the year depending on actual costs is like on Page 7 you have the placeholder in one of our smallest departments, City Solicitor, with \$291,000. Without knowing where that

is going to break out, there is no way for this Board to accurately budget and follow-up with what the actuary is telling you.

Mr. Ntapalis replied correct.

Alderman M. Roy stated so my questions would be about that \$291,000. That is a substantial number. Where is that headed? Have the department heads been able to manage that number or are they seeing it in the Solicitor's Office as well like we are where they have no ability to manage that number?

Mr. Ntapalis responded that has been the problem and I appreciate those comments. That has been a concern of mine as well. Again, they are placeholders. I am looking at the bottom line and what the actuarial has recommended to the City. I take that bottom line and I prorate the departments. The small departments obviously get a small amount. Basically in FY2000 and prior, we based the CGL numbers by department internally for our own purposes and for workers compensation on activity, claims activity, so when FY2001 rolled around and they said this is still what you need for a bottom line, it was just a matter of applying percentages either up for increases for years where we anticipated there may be increases or downward if we felt we were too high in one area. What ended up happening from year to year as you can see on Page 6, you can see the variations in the last two columns when I was putting together FY2008 as I have done budgets for the last 30 or so years with insurances, I give you the variations on those columns. You will know whether we are up or down. If it is 5%, 6%, 3% less. It does make it very difficult rather than just dealing with the bottom line.

Alderman M. Roy stated one of the things we are trying to get to, and I kind of alluded to it in my last question, is the ability for department heads to manage

those numbers. You have already stated in your letter that it should be a lump sum, non-departmental item, but do you feel the change has caused or given any of our department heads the ability to manage that number?

Mr. Ntapalis responded I personally feel that it has been ineffective and more troublesome for department heads and for this Board and certainly for my office and the reason being is twofold. I said this back in 2000 and 2001 and I know the former Finance Director was adamant in selling this particular thing to the Board and it was tried. I was against it from the get go. They are getting an amount of money that they have no control over and there is a misconception more often than not that they can use this money for something else. Then at some interval they get quite antsy, and reasonably so, when they are down to the wire seeing that number drift off into the red. Nobody wants to come back to this Board in the red in any line, fixed or otherwise, or they have a glut of money and they can't use it and they have to hire people. I think that was the crux of what this Board was talking about last week. I apologize that I wasn't here because I was on vacation but this is what I have understood you folks were wrestling with in talking with the departments and have done so each and every year. What would take the mystery out of this exercise would be having the funds established as they were prior to 2001, which gives us the latitude not to have to go through the reconciliations between departments, plus an ability for our office to be able to track and give you immediate results as to balances. I think that would rectify this particular exercise.

Alderman Domaingue stated on the second to last page in the packet that you provided us with, I just want to make sure I have an understanding here...but if I look at the line item for the City Solicitor's office and follow it through to workers compensation, the year-to-date obligations are substantially higher than the 2008 revised budget figure.

Mr. Ntapalis stated year-to-date you are seeing \$291,000.

Alderman Domaingue stated yes, it's \$291,613.

Mr. Ntapalis stated the reason that was in there is that we were actually reserving a little bit of money, I think about \$250,000 roughly. I thought Alderman Gatsas had removed that last year. I am pretty sure he had removed that so I am not certain why that number is showing in here if I am reading it correctly. Simply because I am located in the City Solicitor's office, in his department, that carries with me and it reflects there. That is why you see that big peak. I thought it was taken out.

Mayor Guinta asked just to follow-up on that, is that unspent money, the \$250,000 that you were allocating as a reserve?

Mr. Tom Clark, City Solicitor, stated that \$291,000 is obligations. It is not unspent money. It is money that was already spent. It is a placeholder in the budget at this point because it is not allocated to all of the departments. At the end of the year when everything is leveled out and adjusted, it will show that I haven't used any but it is just a placeholder at this point for accounting purposes.

Mayor Guinta stated so it is in the budget for the Solicitor's office. The reason that it is in there is because Harry is in your office.

Mr. Clark answered yes.

Mayor Guinta asked have you looked at that calculation in your projection for either shortfalls or surpluses? Have you taken that into account?

Mr. Sanders replied I have not taken any of the workers compensation or CGL amounts into account in the surplus projection.

Alderman M. Roy stated you were alluding to it a minute ago and I just want to make sure it is crystal clear that that \$291,000 is a placeholder, that none of the department heads can see or manage but will be put into their budget at a later date in June, defeating the entire purpose of asking our managers to manage their money. They are affected by that number in their budget when we say 2% or 3% cut off of their entire line item but they haven't had the ability to manage it and that is where I find the largest problem with numbers like that because though it is accounted for, it is not accounted to our managers.

Mayor Guinta stated I would agree.

Alderman Gatsas stated Harry, I am going to ask you to answer these questions with ten words or less.

Mr. Ntapalis responded I will try.

Alderman Gatsas stated if I take a look at your Page 6 that you have given us, when you say current budget, is that 2007 or is that the 2008 budget?

Mr. Ntapalis answered that would be 2007.

Alderman Gatsas replied so if I look at 2007, I am assuming that the expenditures that you are showing me in workers compensation should be actuals. Is that correct?

Mr. Ntapalis responded that is correct. It should be.

Alderman Gatsas stated it should be and it shouldn't be because if I come in and take a look at the Fire Department, you show me an actual of \$405,000 and when I look at Mr. Sanders' report in our big book...

Mr. Ntapalis interjected it differs.

Alderman Gatsas responded this one shows me \$189,000. If I look at Police, it does the same thing. So I guess my question to you is when I take a look because I know a little bit about workers compensation, when I go back to your obligations and I look at that page, your obligations are going to tell me that those line items for 2007 should total somewhere in the vicinity of \$1 million for workers compensation if I look at the actuals that are in this book, actual expenditures, because you have gone back in and adjusted within that department actuals.

Mr. Ntapalis replied you are right, Alderman. \$982,656 is the actual expenses as of the 19th of this month.

Alderman Gatsas stated no, that is not 2007; that is the current budget.

Mr. Ntapalis replied I don't have the 2007 in front of me but I believe you are correct.

Alderman Gatsas stated well, if I take a look at this report...because a lot of these things tie in. You just have to be able to follow them, and if you look at 2007 and you look at the workers compensation number it is payments of \$905,000. If your payments were \$905,000 and you put \$1.5 million in that line item, then I look at

it as a \$600,000 over-assessment in the budget and it moved somewhere. It didn't disappear.

Mr. Ntapalis responded I often wondered what happened. Your point is valid. When you talk about the 2007...

Alderman Gatsas interjected you don't have to give me an explanation. I am just asking for you to say to me, Alderman, you are wrong in your calculation or you are correct at what you are looking at.

Mr. Ntapalis replied you are correct in what you are looking at.

Alderman Gatsas stated so if I have a \$600,000 overage in a line and if I look at your averages for the last eight years, it tells me that the number is right around \$950,000.

Mr. Ntapalis stated well, remember one thing: There is a disconnect here. What I prescribe is a forecast for a budget that you see on my Page 6. What ultimately used to happen on this disconnect with Finance, preceding Mr. Sanders...

Alderman Gatsas interjected I am not looking for a disconnect. I am looking at your number and can you agree with me to say that the workers compensation average for the last eight years has been \$950,000?

Mr. Ntapalis stated I can't agree with that simply because if you look at page...and not that I am trying to be arbitrary but if you look at my average annual filing that I provide to the Department of Labor each and every year statutorily, you will see for the year 2007, because I don't have 2008 right now, they go by calendar year, but that 12 month cycle roughly has been for the last ten years about

\$1.5 million in expenses. Some years we are around \$982,000 and other years we are at \$2.75 million. It fluctuates but on average this was a good year, 2007, because it gives you a feel of what I actually spend in a given year that I file with the department – about \$1.5 million - and that is why I asked for the \$1.5 million roughly.

Alderman Gatsas replied but that is all funds. That includes our Enterprise funds.

Mr. Ntapalis responded that is correct.

Alderman Gatsas asked so are Water and Sewer carrying some amounts on their books?

Mr. Ntapalis replied correct.

Alderman Gatsas asked so when we look at the number they could be carrying another \$400,000 on their books?

Mr. Ntapalis answered correct.

Alderman Gatsas stated so I can only look at what you are giving me apple to apple. I am only looking at the funds that we have before us because I can't pick from the Enterprise funds and say okay we allocated \$400,000 and they only spent \$200,000 and I can grab \$200,000 over here. I am only looking at the departments that we have the availability to look at on budgeted numbers. We never look at Water and we never look at EPD, so those numbers probably are accommodating the other \$600,000 that you are talking about.

Mr. Ntapalis stated correct.

Alderman Gatsas asked so when I look at losses, the losses that you are showing me here, do they include the Enterprise funds or not?

Mr. Ntapalis answered they do not. Correct me if I am wrong, Mr. Sanders.

Mr. Sanders stated you are right.

Alderman Gatsas asked so are we comparing apples with apples?

Mr. Ntapalis stated that is correct.

Alderman Gatsas stated the budget shows me \$1.5 million in those departments and we are spending roughly \$950,000.

Mr. Ntapalis stated correct.

Alderman Gatsas asked so at the end of the day, if I did that same calculation, we have about \$600,000 that we have over-budgeted in line items.

Mr. Ntapalis answered roughly \$550,000 or so.

Alderman Gatsas asked so if we use that number, that means that at some point when you have done your calculations, preceding Mr. Sanders, there was a mysterious move of \$600,000.

Mr. Ntapalis answered by the time I presented my numbers and what ultimately ended up being approved by the Board, yes, there was always a change.

Alderman Gatsas stated let's look at today's number. If I take the number you gave us on Page 6, which says you put in those line items \$1.574 million...not you but Finance adjusted this budget to accommodate \$1.574 in workers compensation.

Mr. Ntapalis responded I will take the responsibility for the \$1.5 million. If there is any fault, it is mine at the \$1.5 million, but I did it as a best guesstimate that far out but it ultimately ended up being \$1.3 million.

Alderman Gatsas replied okay you said \$1.3 million so, Mr. Sanders, do you...I don't have to go through these budget line items to see if they total \$1.3 or \$1.5 do I?

Mr. Sanders responded it is \$1.3 million.

Alderman Gatsas replied so if we still take that \$950,000 and subtract it from the \$1.3 million we are somewhere around \$350,000 that we have access to before the Finance Department gets access to it.

Mr. Ntapalis stated I still have nine weeks to go in 2008.

Alderman Gatsas responded I know you can manage your budget because your numbers have been coming in the same. So that is \$350,000.

Mr. Ntapalis replied I have \$323,000 as a balance to finish out the year.

Alderman Gatsas stated so I am assuming that maybe just by looking at your runs here...

Alderman Lopez interjected can we have a clarification on one thing? I am following him so far but I just want to clarify something in my own mind. Harry you said that on Page 5 the average is \$1.5 million?

Mr. Ntapalis responded that is what I spend in a particular year on average over the last ten years. This is what I file with the Labor Department but Alderman Gatsas's point was correct. It is all inclusive. I am including the School District and Enterprises in that number.

Alderman Lopez asked so now do you have \$1.3 million?

Mr. Ntapalis answered correct, and the reason for that \$1.3 million is in January you submitted \$1.5 million as your projected request of what you would need for the operating portion of our budget. That is exactly what I did and ultimately the operating portion was at \$1.3 million. If I included the Enterprises and everything else, it would have been substantially higher and that is also reflected and broken down for the Board's review tonight on Page 5 as well.

Alderman Lopez responded thank you. I just wanted to clarify that.

Alderman Gatsas stated let's move over to CGL. If I take a look at your computation again, it shows me that in your line items for...well how about if you give me what is actual because I am looking at \$651,985. That is on page 6 so everyone can follow along.

Mr. Ntapalis responded the actual revised for 2008 is \$748,600 for CGL.

Alderman Gatsas stated and your payments...

Mr. Ntapalis interjected as of 4/19/08 is \$551,397.

Alderman Gatsas asked how do those payments run? They mostly run on the front end of the policy, don't they, and the tail is much smaller?

Mr. Ntapalis answered that is correct and we don't actually even pay them every week but this is mostly front end loaded.

Alderman Gatsas asked what is the amount you have in hand?

Mr. Ntapalis asked do you mean what I projected for a budget or what...

Alderman Gatsas answered what you have spent.

Mr. Ntapalis responded what I have spent to date is \$551,397.

Mayor Guinta asked is this general fund?

Alderman Gatsas yes, it is all general fund. I haven't moved from that bucket yet. So that is about \$197,000?

Mr. Ntapalis replied for a balance, right, with nine weeks to go.

Alderman Gatsas responded right, and usually the tail is zero.

Mr. Ntapalis stated that is correct, but we had better be careful about the tail of this winter because we are still paying off some pretty big claims.

Alderman Gatsas stated let's take \$300,000. We are somewhere around \$497,000 if I take the \$197,000 in CGL and taking \$300,000 from workers compensation and leaving you \$23,000 for the last nine weeks.

Mr. Ntapalis responded you can't do that.

Alderman Gatsas replied let's assume I do it just for assumption purposes. Don't get nervous. So that is \$497,000, correct?

Mr. Ntapalis answered that is correct.

Alderman Gatsas stated being a municipality we truly don't need any reserves because we have the ability to tax at any time if we need that reserve line by law, correct?

Mr. Ntapalis replied yes, we have the ability to tax.

Alderman Gatsas responded so we could run with zero if we so chose but I am not...

Mr. Ntapalis interjected that wouldn't be recommended obviously.

Alderman Gatsas stated and I agree with you and I am not suggesting that we go there but I am suggesting that the reserves we have in place certainly are sufficient if we are a taxing entity.

Mr. Ntapalis replied we are still underfunded on those reserves based on the current actuarials for 2008.

Alderman Gatsas responded well, I can remember when I was screaming about those reserves sometime in 2000 and we had \$274,000 in that medical reserve account and I didn't hear boo from an actuary or a boo from Finance. I didn't hear anything from anyone according to this sheet.

Mr. Ntapalis stated I remember because I was there being grilled by you as to why the reserves weren't up and that is why we proceeded with those actuarials trying to close that gap and bring them up as close to what the 100% recommendation was as possible.

Alderman Gatsas replied well, I am glad somebody around here listens to my recommendations once in awhile. So let's just for a second say we have enough reserves in place because we are a municipality and we have the ability and we have certainly gone in eight years from a \$274,000 medical reserve account to somewhere around...I don't know what is in there now, \$2 million?

Mr. Ntapalis responded \$2.2 million I believe.

Alderman Gatsas stated let me ask you the tough question. I understand the rest of the School District and the other Enterprise funds, but do you charge an administrative cost for administrating their workers compensation and CGL?

Mr. Ntapalis answered yes.

Alderman Gatsas asked how much do you charge? What percentage of their base?

Mr. Ntapalis answered it fluctuates from year to year. What I receive in revenues approximately for those particular annual chargebacks and when I charge them it

is usually in the autumn of each and every year for their prorated share of administrative costs and their prorated share for premiums on commercial policies, such as our fire and extended coverage. They probably pay us in total about \$360,000 a year and this includes the School District, and they have paid up through November of this past year everything that was owed to us.

Alderman Gatsas responded I am sure it is public information but I will ask you the question. For those four Enterprise funds being School, Water, EPD and Aviation, if they had to put an individual at your position to manage their claims I think the \$360,000 number when you look at wages for four people, one at each department, the \$360,000 is not even close.

Mr. Ntapalis replied given salary and fringe and so forth maybe not.

Alderman Gatsas stated it is probably closer to \$480,000. I would say that we are probably undercharging. That is my opinion not yours. That is coming from me. I am saying if you truly had to look at somebody who was administrating workers compensation claims for lost time and doing all of those things and paying attention to get that person back to work at a lesser duty to protect their side, it is much different than the \$360,000 number.

Mr. Ntapalis responded since this one is the tougher question, can I go over ten words in my explanation?

Alderman Gatsas replied I will give you fifteen.

Mr. Ntapalis stated your point is well taken. There was a method to the madness as to why with the Enterprises we do what we do. Obviously if they were to fragment away from the City of Manchester, they would have a certain buying

power and they could replicate what we do and run their own programs. Ideally it would be a lot less work for me. What we would be doing though is possibly fragmenting our risk pool and our buying power. Again, the market is not hard now so I am not so worried about that but your point is well received in that if you are looking at the \$360,000 and is it a high enough charge or is it too low, soon we are going to be adding...and I don't know if Brandy realizes it, but we are going to be adding her to the Enterprise charges each and every year so that will beef it up a bit.

Alderman Gatsas responded let me stop you for a second because if they had to individually go, one of those groups could be held to the assigned risk pool, which means their rates would be much higher and their costs would be a lot higher.

Mr. Ntapalis replied that is correct.

Alderman Gatsas stated so there is a big advantage to being able to play on the City's side. That is, as I look at it, certainly worth something for us to administer and keep them out of the assigned risk pool. You see what I am trying to do and I think some of the other Aldermen see what I am trying to do. That assigned risk pool to Water Works or EPD could probably cost them...I don't know what are their wages at Water Works and EPD because if you start throwing those truck drivers and excavators in by the time you are done...

Mr. Ntapalis interjected sure, the job classifications. I think they realize that. I know the School District did because at one time we...

Alderman Gatsas interjected I am not too interested in the School District because they are a much lower level as teachers. They are probably at \$2.40 per \$1,000...

Mr. Ntapalis interjected as opposed to \$15 for high risk categories yes.

Alderman Gatsas stated so I look at those and say those are chargeable accounts that we need to take into consideration when we do chargebacks.

Mr. Ntapalis responded I think I have been conservative on the chargebacks. I am not going to make any bones about that. I have often been told that I have been conservative at times. Part of it is the wherewithal with what is happening to their ability to do the kinds of things they need to do and us experiencing a windfall when it comes to taking advantage of soft market conditions and lower premiums and lower administration fees. I pass it on to them rather than bring it up on them.

Alderman Gatsas stated now I have some questions for Mr. Sanders. If I look at this \$497,000 that is in the current budget we are in, you have not allocated that anywhere in your cost savings or in any numbers that are available, correct?

Mr. Sanders replied correct.

Alderman Gatsas stated I went back to your sheet. Have you given us an updated sheet?

Mr. Sanders responded I did this evening and you should have it. It was part of a big package.

Alderman Gatsas stated I am looking for the shorter version. Remember the shorter version of that single page sheet? So nowhere on this page does it show us the \$497,000?

Mr. Sanders replied that is correct.

Alderman Gatsas asked where do you suggest that I put it in these columns?

Alderman O'Neil stated just for clarification you are using \$497,000 and the actual I think is \$528,037. I know you rounded off to leave a little bit in workers compensation.

Alderman Gatsas responded right. We have to leave some in workers compensation and the number may be a little more but let's try to go off this number first. So that is \$497,000 roughly.

Mr. Sanders replied yes.

Alderman Gatsas asked so where do you want me to put it? Do you want me to put in non-departmental? How about if I just leave it on the side because I will probably have some use for it. I am just going to leave it off to the side here and I certainly will yield to some of my colleagues if they have questions because I have a few more.

Alderman M. Roy stated I see where Alderman Gatsas is going with the \$497,000 but my concern is that the numbers are actually \$323,000 left over and \$197,000 roughly left over with nine weeks left and you divide that out by the 43 weeks that we have had there is still money to be paid out. While I don't disagree with looking at saving that money and using it towards this budget to balance it, I do have a concern that we are using the right number to balance it and Harry is motioning to speak.

Mr. Ntapalis stated just to give you an indication, in looking at the remaining nine weeks, let's just take the workers compensation column for example. My office today just processed \$65,000 in workers compensation. That is just strictly medical. We are not even talking lost time. Now that is an unusual amount of money to be processing. It is getting towards the end of the fiscal year and a lot of the bills are coming through. We do have sleepers. When I mentioned to you that we haven't received some large medical bills from hospitals and doctors, particularly that young man that was hurt in the foot, we are going to be looking at some substantial billings when they do come in. On average, we could be running anywhere between \$20,000 and \$35,000 in a given week towards the end of the year for workers compensation. If this money was taken away, the \$323,000, the risk that we run obviously is that I am definitely going to be tapping the reserve account.

Alderman Gatsas stated you let the cat out of the bag, Harry.

Mr. Ntapalis stated for the CGL, we have had a bad winter and are experiencing more claims than we did last year at this same period.

Alderman M. Roy asked Harry, per the reports you are getting and forwarding out, our current reserves are underfunded...even though they are substantial they are still underfunded from where you believe they should be, correct?

Mr. Ntapalis answered based on what the actuary has recommended to us over the years and again he, too, is a conservative individual but he has recommended in the reserves higher than what we have in place for 2008. So they are underfunded.

Alderman M. Roy stated so tapping them would not be your first choice.

Mr. Ntapalis stated it wouldn't be my first choice if we had money still sitting in these particular operating accounts for the departments to finish out 2008. No it wouldn't be my first choice.

Alderman M. Roy asked if we were doing this exercise five or six weeks from now for 2009, you would be much happier with a flat line item, right?

Mr. Ntapalis responded we could look at it at that point.

Alderman DeVries stated let's continue down the road of the reserves because you did give us the statute and I appreciate that. You said \$2.2 million was our workers compensation reserve for the City and that includes all of the Enterprises, right?

Mr. Ntapalis responded no it doesn't. I am trying to keep it apples to apples. I think we are just talking strictly from my understanding that reserve amount for workers compensation is just the operating budget. Am I correct Mr. Sanders?

Mr. Sanders replied we just handed out a schedule a little while ago titled "City of Manchester General Fund Reserves" and it has health insurance, workers compensation and CGL balances. If you have that piece of paper...if you go down that schedule all the way to the bottom, there is a line that says balance as of June 30, 2007. Do you see that?

Alderman DeVries responded it says \$2.6 million.

Mr. Sanders replied that is correct.

Alderman DeVries asked so are you saying that is the City side?

Mr. Sanders answered correct. That is City only. No School District and no Enterprise funds.

Alderman DeVries stated now I would like to go to the statute you gave us and it is labeled as Page 2 on the handout. When we address the claims, I am looking at Part 3, which says that we need to fund the financial reserve appropriately to make sure we have financial reserve until all outstanding claims are disposed of. I am assuming that runs within current year and we are not talking about as the Assessors would have to fund for future abatements. This is all current year claims, correct?

Mr. Ntapalis responded correct.

Alderman DeVries stated so back to where Alderman Gatsas was trying to take us, it seems clear to me even by statute that there is some understanding that the reserve can accommodate even the current year's outstanding claims.

Mr. Ntapalis replied in all reality when you are talking reserves and you are referencing the statute, which for the record it is RSA 281-A:11, as a public entity that is self-insured, the governing board obviously has the ability to reserve the amount of dollars that are recommended actuarially, and actuarially we have to submit to the Labor Department that we do have reserves on hand but from their standpoint in the City of Manchester based on the filing I make every year, they want to make sure to cover our tail as Alderman Gatsas mentioned earlier, that we at least have \$550,000. Now I am not talking about all municipalities. I am just talking about how this particular thing affects the City of Manchester. It's \$550,000 in the event they ever pull that permit and they had to pay off say an

outstanding tail of claims. We have to have this as real money. It can't be funny money anywhere. It has to be dollars that are set aside. Above and beyond that, based on the losses and the history that we have had, the actuary comes up with the additional dollars that you see bringing it up to \$2.9 million on the operating end. Of course, if you talk to the actuary he would feel to be 100% funded from his standpoint you should be at \$3.6 million.

Alderman DeVries stated Harry, let me take you down a different road now. The interest on the funds for the Enterprise, where does the interest on that end up? Does that come back to the general fund?

Mr. Ntapalis responded I can't answer that. Maybe Mr. Sanders can.

Mr. Sanders stated the interest earnings of the Enterprise remain with the Enterprise funds.

Alderman Lopez stated may I suggest to my colleagues that we get all of the numbers. We have \$497,000 that we are not doing anything with. Let's use that number for right now. Let's get the numbers that the Aldermen want because we can be here until midnight arguing about this. We are not making any policies right now. Let's find out the numbers he has in mind so we can analyze them and then make some policies with verification from the Finance Officer and the City Solicitor whether we are doing it right. Otherwise we will be here until midnight just talking about it. Is that okay with everybody? What are your numbers Alderman?

Alderman Gatsas replied Alderman, if you are looking for me to take you down the road that is the yellow brick road, I am not here to do that. Either we are going to make policy decisions tonight...not to come back and have understandings of

where those numbers are going to go because I understand what you are looking for. You are looking for the yellow brick road and I think if we are here we should take care of policy decisions tonight.

Alderman Lopez responded we have to make sure that the policies we make we are not making without staff's input here. I mean, you are arguing \$497,000 and Alderman M. Roy has a good argument and Alderman DeVries has a good argument. I just want to know what the numbers are.

Alderman Gatsas stated with all due respect, Mr. Chairman, you just heard from the gentleman who has been running that department for the last 20 years tell you that the actuary, if they were going to shut us off, all we need is \$500,000 in reserves, not \$2.6 million. I am not making any insinuation that we should be reducing the reserves that we have in those account lines.

Alderman Lopez stated I am right with you. I just want to know what the numbers are so that we can make those policies.

Alderman Gatsas stated they are the same numbers that he has given us on these sheets. They are not going to change.

Alderman Lopez asked so what is your recommendation?

Alderman Gatsas answered my recommendation is that we go through this budget on the revenue side as I was just asking Mr. Sanders about...to find out what revenues are here, hear from the departments about the numbers that are here, so maybe we can make some decisions on the Board as to what numbers we can move into 2009 to take some of that effect of that budget away.

Alderman Lopez stated I agree with you, so let's get all of the numbers on the table and then we can make those policies.

Alderman Gatsas replied we can do it tonight. We were here until 11 PM last night.

Alderman Lopez responded we can do those policies once we know all of the numbers. That is all I am saying. I am agreeing with you but I can't sit here until midnight fighting over one little item and say we do this and then we wait here. That is all I am saying. Let's get all of the numbers on the table.

Alderman Gatsas stated my line of questioning in the last 15 minutes found you \$497,000.

Alderman Lopez replied okay \$497,000 is the number I have.

Alderman Gatsas stated well, I have a little bit more than that but I haven't given it to you yet.

Alderman Lopez responded well, I am waiting for the numbers.

Alderman Gatsas replied let's go through the numbers on your projections, Mr. Sanders.

Mayor Guinta stated I did recognize Alderman Shea and then we can go back to Alderman Gatsas.

Alderman Shea stated Bill, before I asked you about the interest on reserves and the interest on the rainy day fund...now according to this, we are \$1.5 million

short. How much interest do we get on the \$10 million? In other words how much interest did we get on the rainy day fund? Could you explain how much it is? I mean ballpark. You probably don't know exactly.

Mr. Sanders responded depending on interest rates during the year - they obviously move around - but approximately, if you assumed interest today was about 3%, we would have made about \$325,000 on the rainy day fund.

Alderman Shea asked is that going to go towards reducing this amount by \$300,000, this \$1.5 million?

Mr. Sanders answered it is interest income to the general fund but that would have been in the original budget at the beginning of the year when the budget for interest income was established of \$2.6 million for this fiscal year. There would have been an assumption probably that we would have made a little more than that actually because interest rates were a little bit higher six or eight months ago. So at the present time, that interest income on the rainy day fund was already comprehended in the budget and would not serve to reduce the...

Alderman Shea interjected where does that go in the budget? What line item is it?

Mr. Sanders responded it is in the Finance Department as interest income.

Alderman Shea asked so that is under your department?

Mr. Sanders answered that is correct.

Alderman Shea asked so in the FY2009 budget when you project interest, can you use that money to reduce the money that we owe? You can't do that can you? In other words you cannot reduce the...

Mr. Sanders interjected the \$300,000 is incorporated into our full year interest income budget and it is not new money or different money. It is all in the same account.

Alderman Shea asked so will it be included in your revenues for FY2009?

Mr. Sanders answered that is correct.

Alderman Smith stated Harry, God forbid, what if we lose somebody in the line of duty. What would that do to us?

Mr. Ntapalis responded those are the things, Alderman, that are hard to predict. The question that you just raised does come up unfortunately on a periodic basis. That is kind of the reason why we began to reserve dollars, not only for the workers compensation in the event we lose an employee but if we have a bad catastrophic liability occurrence like an auto wreck or whatever might happen. What ends up happening to us is that if you don't have the money to pay for that claim you could run into a problem. Again, unfortunately we have seen that happen in recent years with Firefighter Anderson and Officer Briggs. Both of those gentlemen died in the line of duty. The reserves that we are paying out to their survivors are considerable over the period of time until the young children are going to be of age and out of school. Those dollars are set aside and reflected in loss history that we do put together. It is in the total reserve package and it is amortized out over a number of years going forward. The same thing if you had firefighters or a fire company with multiple injuries fighting a fire and we have

had some tremendous alarms this year with some significant fires. You can have multiple injuries and again those tend to spike up the price of business.

Alderman Ouellette stated I am just going to go through this in my mind to try to understand how I think the process works. We budget, or each department budgets, for we'll say workers compensation and they go through the year. We'll say certain departments have \$100,000 left over. Whatever is left over at the end of the year falls into the reserve account. Is that correct?

Mr. Ntapalis responded what is left over in June, the department's have what is called the reconciliation of the dollars, those that are high and those that are low and those that end up over expending are going to be supplemented by those who didn't spend anything or have money left over.

Alderman Ouellette stated say there is a balance.

Mr. Ntapalis responded that balance would go into the reserve. Correct.

Alderman Ouellette stated let's say the next year that line item at the end of the year after everybody reconciles gets to a deficit. Does that money come out of the reserve account?

Mr. Ntapalis replied no. What has historically happened since 2001, that is then going to come from another...when you are shaking down the figures at the end of the year, provided there is money left after payment obligations have been met, that is going to come from another department that didn't have or a number of departments that didn't have the usage during the course of the year.

Alderman Ouellette asked when do we draw out of these reserve accounts?

Mayor Guinta answered when we have a deficit.

Mr. Ntapalis stated when we have a deficit or you have a catastrophic situation that occurs.

Mayor Guinta stated a catastrophic incident would theoretically create a deficit.

Alderman Ouellette asked when you have a deficit in the workers compensation allocation, not a deficit in each department, right?

Mr. Ntapalis answered yes. In that workers comp line item 0214 if there was a deficit.

Alderman Ouellette asked you said that these numbers you gave don't include the Enterprises and the School District, correct?

Mr. Ntapalis asked which page are you on?

Alderman Ouellette answered page 7. Those numbers don't include Enterprise or School District?

Mr. Ntapalis responded correct. It is strictly the operating budget.

Alderman Ouellette asked when they make their budgets do they get a figure from you or your office in regards to what number to use?

Mr. Ntapalis answered yes they do. We do that for them.

Alderman Ouellette asked when the School District has money left over in that line item, in their workers compensation line item, at the end of the year, that money goes into this reserve account?

Mr. Ntapalis answered no.

Alderman Ouellette asked what happens to that money?

Mr. Sanders stated no, it does not go into the City's accounts. If there was a surplus at the School District it would factor into the overall surplus of the School District and would serve to reduce the tax rate for them in the subsequent year. They do not have a reserve for workers compensation in the School District.

Alderman Ouellette stated so on the school side if there happened to be a deficit in the workers compensation and they didn't have the money to cover that deficit within that budget, they would not be able to draw out of the reserve account, correct?

Mr. Sanders replied that is correct.

Mr. Ntapalis stated they established their own reserve account. They talked to us about that and it is a very good point. That could happen and of course they can't draw from the City side so they do set aside money. Off the top of my head I don't know what that final figure is that they do. I believe it fluctuates from year to year, but they do have a reserve account.

Alderman Ouellette stated Bill, you are shaking your head no. I don't know that they do for workers compensation.

Mr. Ntapalis asked am I wrong Bill? You worked at the School District, not I.

Mr. Sanders replied I am not aware of any reserves at the School District. They are not permitted to carry them.

Mr. Ntapalis responded I apologize then. I suggested that they have a reserve account but whether they established it I don't know.

Alderman Ouellette stated I would suggest that as well. Are we obligated by law to have a reserve account as a City?

Mr. Ntapalis replied I wanted to be honest with you folks early on. The reserve that the Labor Department looks for is that assessed value based on the filings that I make annually. They are looking to cover a tail in the event something should happen. It could go up or down but it currently stands that you must have real money set aside, at least \$550,000 for that federal ID number, and both the School District and the City of Manchester, and all Enterprise departments work under that one federal ID number for workers compensation purposes.

Alderman Ouellette asked did you say we are all working under the same federal ID number?

Mr. Ntapalis answered yes for workers compensation purposes. As a self-insured, when they issued that permit they looked at the City of Manchester as a whole, whether it be Water Works or Aviation or the School District and that is where they make assessments and things along those lines.

Alderman Ouellette asked so can the Labor Department tell them they have to have a reserve account?

Mr. Ntapalis responded the Labor Department tells me this is what you need to have for real money on hand, but to answer your question further, I believe your question was is there anything by law that indicates you have to have a specific reserve account. Other than what I understand the Labor Department wants us to have on hand and what is prudent financial management that the auditors look at each and every year...as a matter of fact when you look at Pages 2, 3 and 4, I gave you copies of the actuarial recommendations and they copy the City auditors. When they make their recommendations on reserves it is again from a financial management standpoint. I don't believe there is anything statutorily that regulates a specific amount.

Alderman Ouellette stated I am not sure...I was on the School Board for nine years and I don't think we ever had that discussion about having a reserve account for workers compensation. I would think that your office may have had these discussions with the Administration and I'm not sure but isn't that something your office would recommend to them?

Mr. Ntapalis replied I have recommended it in the past. I can't remember specifically when or to which administrators. It wasn't a strong recommendation. I didn't beat them up over it. Again, it was a suggestion that a reserve account be established. I didn't tell them what to put in it and until tonight my understanding was that they had some sort of contingency if they went over their expenditures.

Alderman Domaingue asked just to follow-up on Alderman Ouellette's inquiry, the money that we have in our reserve account now on the City side, does that take into account potential tail claims on the School side or not at all?

Mr. Ntapalis responded it doesn't. We don't co-mingle it to my understanding. Maybe Bill Sanders could qualify it but I don't believe we co-mingle any of that for the School side.

Alderman Domaingue stated my second question along the same lines would be if for some reason there was a claim on the School side and there was no money in the reserves to cover it, could they hit the reserve account on the City side?

Mr. Ntapalis replied I don't believe so. Again, that might be more of a legal and financial response.

Mr. Sanders stated I don't believe they could.

Alderman Garrity asked Bill, if the School District was a department of the City could they hit that reserve account?

Mr. Sanders answered yes. They would be a participant in the workers compensation program of the City.

Alderman Garrity stated another reason to make the School District a department of the City.

Alderman Shea stated that is exactly what I was going to say.

Mayor Guinta stated it is 6:45 PM. I know there are probably some more questions for Harry. I am not sure what other questions Aldermen may have for Bill, but everyone has had an opportunity to look at the FY2008 projection sheet, so let's try to finish up with Harry on reserves and move onto the projection sheet

and see if anyone has any questions there. Are there any other questions for Harry?

Alderman Gatsas stated I am not sure that you look at the School Board's budget, Harry, and you probably don't, but if I told you that in their 2009 budget request they had a cost of \$250,000 for workers compensation, does that sound like a reasonable number, when I tell you that in 2004 they spent \$78,000?

Mr. Ntapalis responded in tracking them I know they submit a number of claims, a large amount of claims, but they are minor claims in nature based on the type of work – usually slips, trips and falls. It doesn't surprise me that they track around the \$100,000 or less in any given year.

Alderman Gatsas asked if I tell you that in 2007 the actual was \$324,000 what would you tell me?

Mr. Ntapalis asked is that what they are providing to you that they have spent?

Alderman Gatsas answered that is showing as an actual expense.

Mr. Ntapalis asked under the line item of workers compensation?

Alderman Gatsas answered that is correct.

Mr. Ntapalis stated I would have to look at it. It seems significantly higher than they have been tracking. We have been looking at about \$100,000 a year on average, but they could have had a bad year and something has come in that off the top of my head I can't remember. I don't track their budget real closely but I will look at that.

Alderman Gatsas stated Mr. Sanders, I guess we are going to go back to your single sheet here if I still have it and maybe we should have the departments come up and sit next to you. Let's just go through your surplus numbers. Are these projections current as of today?

Mr. Sanders responded they are current since Thursday or Friday.

Alderman Gatsas asked are these your numbers or are these numbers from the departments?

Mr. Sanders answered these are numbers from the departments. I made some adjustments to them but they are their numbers – 99% of them.

Alderman Gatsas asked if we leave the revenue side as negative \$1.8 million as you have it and the expenditure line...because if those revenues aren't in that, that is what we can attribute to the rainy day fund, correct?

Mr. Sanders responded that is correct. Technically the amount that gets charged to the rainy day fund would be the net number of revenue and expenditure so if we had an expenditure surplus that would serve to reduce the amount charged to the rainy day fund but your basic point I agree with.

Alderman Gatsas replied if I go through the expenditure line and take a look at let's say the Building Department and they are over \$16,000...is that correct?

Mr. Sanders answered yes.

Alderman Gatsas asked so if I went in and looked at their expenditures and said the Building Department has \$16,000 and let's say periodicals for 2009 were \$16,000 and this Board authorized them to pre-buy those periodicals with these dollars, that number would go to a zero and the line item below would increase. Is that correct?

Mr. Sanders answered yes, that is generally correct.

Alderman Gatsas stated so if I look at these line items and there is not much in there...there is that one and there is the Clerk's office but if I look at those line items and go through them, the Finance Department, Mayor's office, Fire Department, Health Department and all of those line items do you know what they would total to the bottom? Let's just use a round number and say it is \$300,000. I don't know what it is but for discussion purposes.

Mr. Sanders replied what you are suggesting, just so I am clear, is those are all of the surplus numbers you are adding up.

Alderman Gatsas responded on the expenditure side I am adding the additions.

Mr. Sanders stated I will call it surplus.

Alderman Gatsas stated if I look at the revenue side and I take the same line item in the Assessor's office that shows you a revenue and took that revenue of \$62,000 and told them to buy their periodicals for 2009 because they have additional revenues...okay you are shaking your head.

Mr. Sanders replied I don't believe they could do that sir. They cannot overspend their expenditure appropriation.

Alderman Gatsas responded I am not asking them to overspend their appropriation. They have minus \$15,800 so if I go in and look at the \$15,800 I hear what you are saying and that comes up to \$47,000 and I told them \$62,000 minus \$15,000? \$62,000 is a plus on the revenue side and the expenditure is \$15,000 that they are in the negative so that gives me a plus \$47,000.

Mr. Sanders replied no it doesn't.

Alderman Gatsas stated explain to me why it doesn't.

Mr. Sanders answered under the rules, under the RSA, the expenditure authorization stands independent and discreet to each department. The revenue estimates are fungible and they are not tied to the expenditure. No department head is required, if I can say it that way, to generate revenue to pay for the department's expenditures. Once the Board of Mayor and Aldermen approve an authorization for expenditures, the department head is authorized to spend it. It is disconnected from the revenue. The Finance Office could generate zero interest income in a year for example but still spend its entire authorization on the expenditure side.

Alderman Gatsas stated so if I took that line and said out of the revenue side this Board decide to spend \$47,000 of the revenues of the Assessor's, which would leave him at a zero balance...

Mr. Sanders interjected no. You can only spend what the Board of Mayor and Aldermen have authorized as an appropriation for a department and in the aggregate for the entire City. We cannot take...

Alderman Gatsas interjected excess revenues and buy things for 2009.

Mr. Sanders stated no sir.

Alderman Gatsas responded that is not what the auditor said. He said when I asked him the question about salt when he was here and I said to him do we have the ability to take excess revenues in a given year and buy forward salt for the next year his answer was yes you can.

Mr. Sanders replied I didn't recall your question exactly like that and I believe what the auditor was saying was that if you had excess balances within your expenditures for this year, you could use the surplus expenditures to purchase items for next year. I don't believe in my recollection that the auditor was speaking about excess revenues.

Alderman Gatsas asked not excess revenues?

Mr. Sanders answered not excess revenues.

Alderman Gatsas asked what RSA is that?

Mr. Sanders answered I don't know off the top of my head. I don't know if the Solicitor could help me there.

Mr. Clark stated I don't have the exact RSA but this Board and the City is only authorized to expend appropriated funds. The Board does not appropriate revenues. Revenues are estimated when you are making your budget. If you have excess revenues come in during the year in the aggregate, you are then allowed to do a supplemental appropriation to allow those to be spent but I don't think that is

the case here. Again, you are not allowed to spend revenues. Revenues go to the general fund and you can only spend appropriated funds.

Alderman Gatsas asked so the only way we can take additional revenues is by a supplemental budget that this Board would have to pass?

City Solicitor Clark answered under our Charter, yes. The Finance Officer and the Mayor would have to certify that there are excess revenues over those anticipated in the aggregate I believe.

Alderman Gatsas responded okay. Well there aren't many numbers in that left column. There are probably more numbers in the right column so the expenditures we can do without a problem, right?

Mr. Sanders replied that is correct.

Alderman Gatsas stated okay so another \$500,000. There is an additional \$500,000 on the expenditure side so that expenditure is going to move to \$1.7 million. Is that correct? I am just using round numbers. It is going to be a deficit of \$1.7 million.

Mr. Sanders responded then I would have to advise in the aggregate that we would be in excess of the annual appropriation for this year and we could not spend that. We could not spend up to \$1.7 million deficit.

Alderman Gatsas asked how do you come up with that number?

Mr. Sanders answered if you look at the schedule right now, at the department level we have a deficit of \$1.266 million. Then we have non-departmental offsets

totaling \$1.580 million. In your example, Alderman, I believe that you could take the \$1.266 million up to \$1.580 million and you could do that but anything that goes in excess of those offsets I have a non-departmental and you are going to be going into an overall deficit on the appropriation side and that is not permitted.

Alderman Gatsas replied but if we take the other \$500,000 that I have on the left hand column...the \$497,000 number, we haven't put it anywhere. Where would you like me to put it now? How much of that can I spend along with the \$500,000?

Mr. Sanders responded I wasn't prepared tonight to certify as I am required to under the Charter that we have the \$497,000 or the \$500,000. I would have to do additional work with Mr. Ntapalis to certify that number.

Alderman Gatsas asked can you explain to me why you have to certify that number? You don't do it during the budget process.

Mr. Sanders answered in reading the Charter over the last few days, the line item transfers or department transfers can only be initiated if the amounts are certified by the Finance Officer and approved by the Board of Mayor and Aldermen. I could not certify to the Board of Mayor and Aldermen this evening that there is \$497,000 available in the workers compensation line item. I would need to do additional work.

Alderman Gatsas replied but there is \$500,000 in the expenditure line item. That you have already certified.

Mr. Sanders responded first off, I didn't add these numbers up but I will stipulate your \$500,000. I am not certifying to these numbers. These are estimates

provided by department heads, and I believe they know their departments best, but I would not want the Board of Mayor and Aldermen to think that I certified or guaranteed that these numbers are correct.

Alderman J. Roy asked in the City Clerk's office they went from a deficit of \$47,000 to \$41,000 plus. That is an \$88,000 swing. Is that accurate?

Mr. Sanders answered yes. I have met with the City Clerk on that item and she is generating savings from the open positions and probably the \$47,000 deficit was a little bit too conservative. Yes, the \$41,000 is her latest estimate.

Alderman J. Roy stated and at the same time their revenues are projected to be \$90,000 lower.

Mr. Sanders responded that is correct. That is what the City Clerk has estimated.

Alderman DeVries stated Mr. Sanders, I would like to go back to the workers compensation and the number certification for appropriating. That seems like it would be a moving target and there may always be new claims coming in on the day that you are coming in to certify those numbers so I am wondering how you are going to go about getting that certified for us. Will you look at the number...say if you are coming back at our next meeting will you just get an accounting that day or...

Mr. Sanders interjected no. I take the job of certifying a number very seriously and if I did say that I had certified it, I would have indeed certified it and guaranteed it. Just a couple of points on that...I mean, different categories of costs are more difficult to estimate. The amounts in inventory or accounts receivable or cash are easy. Healthcare costs are pretty complicated to even estimate over two

weeks let alone 60 days or nine months. We put workers compensation somewhere in between that. I wouldn't say it as complicated as health insurance but it is not like cash in the bank either so I would have to sit with Mr. Ntapalis and go through our open claims and the status of all of those open claims and what the payment stream has been and what the experience has been over the past two years and I would like the open period, that is the amount that I am actually certifying to, to be as short as possible on a category like workers compensation so I doubt that I could certify that to you at the beginning of May. I think I would probably have to be into June before I could certify that number.

Alderman DeVries stated Mr. Sanders, when we look at the state statute it allows us to utilize our reserves in workers compensation at least for outstanding claims so I am not sure that I agree here right now that it might be as complicated as all of that. I am not in your shoes and I am not the one certifying it and I can appreciate that that is a very serious venture.

Mr. Sanders replied I should also say that I have not yet been asked to certify any numbers as the Finance Officer for the City, so I would want to go back and see if my predecessors had been requested to certify and to what standard they held their work in that particular circumstance.

Alderman DeVries stated my final question...taking us back to the 2008 projections, it looks like you are able to allow us to appropriate or pre-spend or whatever we want to call it up to the \$1.580 million in the budget and that is give or take \$300,000, not the \$500,000 that Alderman Gatsas was speaking about earlier but it is still a good number at \$300,000. Is that the number you are comfortable with?

Mr. Sanders responded it is a projection and I don't mean to be too evasive here but it is a projection by a number of people who are sitting in the back here. I haven't verified every single one of them in detail but certainly right now it would appear that the answer to your question is yes we likely would have \$300,000 in surplus expenditures this year absent any odd situations arising.

Alderman DeVries asked you might know that number when? You don't have to certify but you are verifying, so when might we see that?

Mr. Sanders answered certainly as time passes I become much more comfortable with the projections and I think the departments become more confident in the projections. I am more confident in this projection than I was in the one a month and a half ago or even two weeks ago so I would think as we got to the middle of May confidence would be high in most of these cost categories. I would need the department heads co-signing with me that they were highly confident.

Alderman DeVries responded just to verify again, and I see it is in very light print, but these numbers you are giving us today are as of April 29 it looks like.

Mr. Sanders stated that is the date I had it typed. The department heads have been providing me information over the past four business days basically.

Alderman Lopez stated let me take it one step beyond, Mr. Sanders, on the certification. Could we transfer \$497,000 out of the appropriation account to you as the Finance Officer to get it out of there if for no other reason then if there is a claim somewhere down the line we will have to go into the reserves? Can we just move the money to your department until you do certify it?

Mayor Guinta asked are you talking about the workers compensation line item or the reserve?

Alderman Lopez answered the \$323,000.

Mayor Guinta replied I am not sure what that number is.

Alderman Lopez stated it is workers compensation. The money has been appropriated.

Mr. Clark stated the Charter states that you cannot transfer appropriated funds from one department to another or from non-departmental to someplace else until after the Finance Officer has verified that those funds are unencumbered.

Alderman Lopez responded I understand that. I guess...maybe Harry can answer this. You have approximately \$323,000 left in workers compensation. If you get any other claims do you have to use that money before you go into the reserves?

Mr. Ntapalis replied that \$323,000 would have to be exhausted before we would look at reserves, Alderman.

Alderman Lopez responded thank you. I just wanted to clarify that.

Alderman O'Neil stated I thought Alderman DeVries went down that road with you before and I thought the answer was different. Maybe I misunderstood.

Mr. Ntapalis replied no.

Mayor Guinta stated whatever is appropriated has to be exhausted prior to utilizing the reserves.

Alderman DeVries stated I just want to make sure, Mr. Sanders, that I understand because we have now woven the workers compensation into the individual budgets for a best guesstimate of their utilization. Is that included in the same 2008 projection run that you gave us?

Mr. Sanders responded workers compensation is not included in this deficit projection that I am giving you.

Alderman DeVries asked so in that total number of \$1.580 million that we appropriated up to, it has no workers compensation component?

Mr. Sanders answered to the best of my knowledge that is correct.

Alderman Shea asked Bill, do you anticipate additional department heads coming in with greater surpluses in either expenditures or less revenues or more revenues? How do you calculate between now and the end of June?

Mr. Sanders answered there are a couple of things that could...there are always two sides of the coin. On the good news side...the Tax Collector, Ms. Porter, should really speak to this but the auto registration situation seems to have stabilized over the last couple of months. We actually beat our estimate in March and we are pretty close to a tie here in April. We will close April probably about \$350,000 short on auto registrations and we are projecting right now \$550,000 so we have left about another \$200,000 of bad news. It is possible that that could turn good. The projection on the expenditure side does not include two items that the CIP Committee considered a couple of weeks ago and I think it will be on the

Board of Mayor and Aldermen agenda this Monday night. One is approximately \$50,000 of CIP cash accounts that are going to be put back in the general fund. That has not been included in here so that would be good news of \$50,000. Then there was also a discussion at the CIP meeting about a parking renovation fund, a sum of money that was in the Parking Enterprise of about \$157,000 for some work at Victory Garage that is not going to be done and I think the Board of Mayor and Aldermen needs to approve or direct the Parking Director to not complete that work and return the money with her yearend reimbursement so that would improve the parking dividend by \$157,000. That would be a revenue item to the Finance Department of all places. So there is \$200,000 there and auto registrations could get better as I said. I am not aware of any other...

Alderman Shea interjected so about \$550,000. If that were the case...

Mr. Sanders interjected I have more like \$400,000.

Alderman Shea stated well \$150,000 and the \$50,000 is \$200,000 and the \$200,000 is \$400,000. What you are saying is that would then reduce the deficit by that amount?

Mr. Sanders replied that is correct.

Alderman Shea asked so are we looking at possibly taking out of the rainy day fund \$1 million rather than \$1.5 million?

Mr. Sanders answered that was good news that I gave you. It is not in the bank yet, but yes, I think based on what I know right now the number is more likely to go down than to go up.

Mayor Guinta stated I know Jack Sharry is here. If anyone has any insurance related questions I would be happy to have him come up at this point.

Alderman DeVries stated I thought that was part of what we had been hunting for for dollars at the end of the year.

Mayor Guinta stated he has briefed Bill so maybe Bill can answer the questions and Bill is maybe not necessarily agreeing with that.

Mr. Sanders stated I will try to answer the questions and explain where we stand on health insurance right now for this fiscal year, and if Mr. Sharry can come up to help me, that would be great.

Alderman DeVries asked what am I referencing?

Mr. Sanders answered I didn't have a handout for this evening. I have some material that I will be sending to the Committee on Accounts for next week but as of the end of March we expect a surplus in the healthcare account of somewhere between \$300,000 and on the high side \$500,000 for the FY2008. The number has been coming down in the course of the year. You may recall numbers in the \$800,000 range. We have been bringing them down over the last two or three months as experience has not been what was anticipated. Some of that is due to the migration from plan to plan of people in the course of open enrollment that was not originally forecast but right now we would expect to be about \$300,000 to \$500,000 better in health insurance than we budgeted.

Alderman DeVries stated so when we made the move from Anthem to CIGNA there was a projection made that we would save \$1 million.

Mr. Sanders stated \$1 million to \$1.3 million.

Alderman DeVries asked and that is becoming actually \$300,000?

Mr. Sanders responded \$300,000 to \$500,000. That is correct.

Alderman DeVries asked and you are saying that is because of what? Claims experience?

Mr. Jack Sharry stated I track the claims on a monthly basis and I am almost in April now and we are getting close to the end. We are running a little bit better in April than in March and February. It is a moving target but the surplus, as Bill and I have talked, is somewhere between \$300,000 and \$500,000. I am looking at it tonight and we could come in somewhere around \$700,000 if April looks as good as it does and we have a good May and June. Here is the issue that has come up...well, there are a couple of things actually. When the projections were first made, there were an additional 30 new subscribers on the health plans and there has been a significant migration from one of the plans, the Point of Service Plan. Traditionally, in any open enrollment period, and again these projections were made before open enrollment, but traditionally you will see maybe a change in the enrollment from one plan to another in the 5% to 7% to 8% range. Quite to everybody's surprise, the migration from the Point of Service Plan for which the City pays 87 ½%, that migration was 20%. So 20% of the subscribers in the Point of Service Plan moved to the HMO. That caused havoc with the contributions because employees pay 5% for the HMO as opposed to 12.5%, so there have been some issues that have gone on in migration from plans that were significant and that has had an overall effect on the claims.

Alderman DeVries asked that migration, is that not part of the stipulation that new hires be on that plan?

Mr. Sharry stated well, it appears that there are 30 more subscribers on the plan than there were at the end of last year and it looks as though they all went to the HMO. There are 30 more people than I had anticipated that came on. The biggest issue is we had 112 people move from the POS plan to the HMO. I am optimistic that the surplus will be higher than \$500,000 and maybe in the \$700,000 or \$800,000 range. I am not sure yet until I watch April and May come in.

Alderman DeVries asked are you saying with the HMO we are not saving as much money as we are with the POS?

Mr. Sharry answered correct.

Alderman DeVries asked and that is because of the cost sharing amount?

Mr. Sharry replied partially.

Alderman DeVries asked what else is contributing to that?

Mr. Sharry responded one of the things that was unexpected was that the CIGNA network, their HMO network, is wider and more extensive than the Anthem network was and frankly what I expected it to be. So people have been able to utilize the HMO network, which is a lower cost than if they went outside the network. When you go outside of the network there are more cost sharings in the part of deductibles so that has had an impact. So there are three or four different moving targets that we have been watching during the year to try to get our hands on why there was such a significant migration from the POS plan, that is 20%,

when the norm is in the 5% to 8% range. That caused a shift that we hadn't expected and we are still, shall we say, negotiating with CIGNA over why that happened.

Alderman DeVries stated I have a couple of more questions because we haven't had an HR Director to assist us with some of the feedback that we hear from employees throughout the City. I still hear frequently that there are not direct similarities between our plans, the CIGNA compared to Anthem. We don't seem to be able to iron that out easily. I seem to recall very stridently a guarantee that we were looking at identical coverage. I just wonder from your position what you think about that.

Mr. Sharry responded it is a good question and a good observation. I don't think that...there have been issues that have come up during the year and there have been differentials in the plan that weren't recognized early on and every time there has been a differential we have come up with, we have gone back to CIGNA and told them that they have to make that change to match the benefit network. In any given year you are going to have issues that come up even if you don't make changes that coverages aren't always what people think they are but it is an issue and it is an issue that is addressed in every monthly meeting that we have with CIGNA and since Virginia Lamberton has left I have participated in those meetings with people from the HR Department and we are holding CIGNA's feet to the fire on those. If something comes up we go over it and we go over the specifics and they change them. In the last month or so I have heard less but I wouldn't be surprised if you are still hearing a few things and when they come up we address them. There is no question. There cannot be a differential in the benefits because that was part of the whole process that we went through. I expected there would be a few and there seems to still be a few but we will resolve those.

Alderman DeVries stated \$300,000...I don't know if I had been told way back when that that was the savings that I would have thought it was significant. There has been a lot of heartache on the part of the employees and I know a lot of claims were not paid by CIGNA. Because of the trouble, they never came back for reimbursement to fight the fight because it does seem like it has been a battle each time. I guess I am a little disappointed with the number and I can only hope that your \$700,000 projection is what we are dealing with. When do you think you might know that?

Mr. Sharry responded I don't think I will know that until the end of May. Back to your other issue, if there are people still out there and those situations haven't been rectified, we need to know that because that is not acceptable. We need to know if there are people who had to pay for things that they didn't have to pay for under Anthem. We are aware of a good number of them but if they are still out there, get them to us.

Alderman DeVries stated maybe you could share with me your cell phone to make it easier for me to run you down for easy contact. I would appreciate that.

Mr. Sharry responded I can give you the 800 right now. 1-800-229-8008.

Alderman Shea stated my understanding, Your Honor, was that when the bid came you allocated so much money in the budget for the amount so we are talking in addition to the lower amount of money I assume that we have to spend in order to change from Anthem to CIGNA. Is that correct, Jack?

Mayor Guinta responded I had projected in the budget presentation a number based on Anthem projections. What was adopted in the final budget...the

projection was far less and that is where this dialogue has occurred for the entire year. What do we do with that excess? The excess has turned out to be, through some of the reasons that Jack just enumerated, less than what we originally anticipated but in my view we would still view that as a surplus because I don't think it should have been appropriated in the first place.

Alderman Shea stated so in essence we received lower premium rates from CIGNA then we received from Anthem. Is that correct, or at least they were compatible?

Mr. Sharry replied at the 13th hour Anthem's rates became compatible with CIGNA's but the decisions were made prior to that. It is an area that we are studying even more so to get our hands on what happened to cause such a tremendous migration from the POS plan to the HMO. It is a significant issue.

Alderman Gatsas stated Jack, let's not forget to remind everybody that the contribution for employees also was reduced. So it had an impact on employees that they ended up paying less and I think once people discovered the ability to go outside the network, which was much more constrained in the Anthem plan and the expansion into Massachusetts with the HMO portion that we had with CIGNA, the reduction in monthly premium and I don't have it in front of me and I don't know if you do Mr. Sanders, but it was probably \$30 a month to get the same services with a lesser cost.

Mr. Sharry responded that is correct.

Alderman Gatsas stated I think that is what caused the migration but that is a good thing for employees, not a good thing for the City but certainly a good thing for the employees.

Mr. Sharry replied it is but to be repetitive we expected some of that would happen. We expected it would be...

Alderman Gatsas interjected but we never expected that the base of where these employees could go to would be as broad as it was.

Mr. Sharry responded we sure didn't. I would be happy to come back as this process moves forward.

Alderman Lopez moved for unanimous consent for Alderman Smith to bring in an item that is very urgent.

Mayor Guinta stated we have one clarification for Mr. Sanders and then we will go to Alderman Smith.

Alderman M. Roy asked your FY2008 projections, the spreadsheet that gets sent to me and the Accounts Committee that is the month ending where we see obligations through the end of that month, the restricted line items, the CGL and workers compensation, is that included in these projections?

Mr. Sanders answered no it is not. They have been removed.

Alderman M. Roy asked so this has been washed of restricted line items?

Mr. Sanders answered workers compensation and CGL yes.

Alderman M. Roy asked so when we see a positive in the expenditures, that is money that the department head has access to outside of our recent spending freeze and things like that but that is management controlled dollars?

Mr. Sanders responded we made the best effort to do that.

Alderman Gatsas asked the number that you see in the Fire Department's expenditure line item of \$207,000, they...I guess I will make it in the form of a motion.

Alderman Gatsas moved that \$130,000 of that line item go to purchase breathing equipment for FY2009 and the remainder of \$43,000 go into purchase of radio equipment in the FY2009 budget, which is line item 0533...or \$40,000 for a total of \$207,000.

Mayor Guinta asked where is this coming from, Alderman?

Alderman Gatsas answered the expenditure line projections for FY2008 that we see in the Fire Department's line item of \$200,000. \$130,000 for breathing apparatus from the CIP budget of FY2009 and \$40,000 in radio parts in the FY2009 budget for a total of \$170,000 with future discussions about moving those funds into his salary line for FY2009 as we move forward in the budget. I just want everybody to understand where I was going.

Alderman Lopez duly seconded the motion.

Alderman Lopez asked when you are talking about those items are you talking about cash, Alderman? I can only find one item for the Fire Department for cash

for \$66,000 and in the FY2009 budget under protective clothing \$50,000. I am wondering where...

Alderman Gatsas interjected in the CIP budget for cash there is \$130,000 for breathing apparatus in FY2009.

Alderman Lopez responded I do not see that. Can we have the Fire Department come up here? I agree with what you are trying to do. I just want to make sure we are doing cash to cash.

Alderman Gatsas replied not a problem. I agree.

Alderman Lopez stated what I am looking at under CIP is 411059 for \$66,000 for defibrillators. Do you want to help us out here Chief?

Mr. Jim Burkush, Fire Chief, responded I would rather spend the \$66,000 for defibrillators that is in this FY2009 budget.

Alderman Gatsas stated Chief, I am going to give you the ability to spend \$200,000 so why don't you tell this Board where you would like to spend it. It has to be cash in FY2009.

Mayor Guinta stated before you do that Chief, I am...with the exception of what Alderman Smith is going to bring in tonight, I would object to any additional spending in FY2008 based on the fact that the FY2008 projection before us is still showing a \$1.5 million deficit. It is April and we still have two months left in the fiscal year. Some of the items that the Alderman is referencing are proposed in the FY2009 budget. I would strongly urge this Board to work on erasing the deficit before we continue to deficit spend in this current fiscal year. I appreciate the

Alderman's concern about some of the apparatus that is being requested, but it has been placed in the FY2009 budget for dialogue and I think that is where the proper debate really belongs. You are talking about spending \$200,000 and it would increase our deficit.

Alderman Gatsas responded with all due respect Your Honor, this is a document that was created by the Finance Department and this Board has the ability to move along on items, and you can call it deficit spending but I certainly take exception to that, but I can tell you if you want to have a debate I would ask you to step down and we can have that debate. I think that obviously we have a problem in the FY2009 budget. We have the ability in FY2008 to look for a shortfall in revenues that we can go into the rainy day account for, and the only way we can approach that and it is not one time money because it is money that is being appropriated in FY2008 so it doesn't cover that one time effect if people want to talk about one time budgets because I voted against the \$3.5 million, Your Honor, of one time spending in this budget that we are having a problem with.

Mayor Guinta stated what I would do is recommend that we try to erase the current deficit, which started in March at \$2.4 million and we are now down to \$1.5 million. We are doing a good job of it. I think with next week's meeting we have an opportunity to erase probably another \$200,000 based on some CIP items that we can eliminate in the FY2008 budget. If things go well in workers compensation and health insurance, you are looking conservatively at another \$600,000. That still leaves a deficit for the current fiscal year. I think our first priority would be to try to...

Alderman Gatsas interjected with all due respect Your Honor, the health insurance...when somebody wants to put on the medical reserves or medical services, and I don't know if that is the same because it is not appearing anywhere

on this sheet, but can somebody tell me why there is nothing that appears on this sheet when we just had our expert at \$375/hour come up here and tell us it might be \$700,000?

Mr. Sanders responded there is nothing on the sheet for workers compensation, CGL or health insurance because they all have special reserve accounts and amounts under ordinance at this point that if we have excess money in health insurance it goes directly into the reserve account. It does not flow to the bottom in fund surplus. So health insurance, workers compensation and CGL are similar in that regard and that is why they have been excluded.

Alderman Gatsas asked and there is nothing that says that this Board can't move those items?

Mr. Sanders answered correct. There is nothing that says the Board can't move those items.

Alderman Gatsas replied and if we move those items, that is about \$1.2 million. We have a serious problem in FY2009 and we are talking about laying off firemen when safety is supposed to be the top issue in this City and we have 33 people who are going to be laid off at Highway and firefighters that aren't going to be hired. Those are the things we have heard from these departments. I am only trying to take some of the pain out of FY2009 when we have the ability to go to the rainy day fund in FY2008.

Mayor Guinta stated Alderman, going to the rainy day fund should be a last resort. We don't have to go to the rainy day fund.

Alderman Gatsas stated with the problem we have in FY2009, it should be the first resort that we are in right now.

Mayor Guinta replied Alderman, we have a deficit in FY2008. Let's try to erase that deficit in which case we wouldn't have to go to the rainy day fund in FY2008. We are going to continue the deliberation on the FY2009 budget over the next two months.

Alderman Gatsas responded or raise taxes, because the only option we have for FY2009 to meet some of the criteria that we are looking at is raising taxes. So we can either take a look at the rainy day fund, which this City has never gone to, with an obligation that says we need to be more responsible with the department heads we have in this City for FY2009. Now those may be philosophical differences between you and me; there is no question. I believe the rainy day fund if we took a vote of this Board I would think, and it is not one time spending, it has nothing to do with that because it doesn't have an impact on the budget number.

Mayor Guinta stated however, you are asking for additional spending in FY2008.

Alderman Gatsas stated no, I am asking for additional spending in FY2009 to help take care of some of the problems we have in FY2009 with funds that are within these departments.

Mayor Guinta stated I think...are you referencing the FY2008 budget line item projections.

Alderman Gatsas responded yes that is exactly what I am doing.

Mayor Guinta replied so that would be an FY2008 projected surplus that could go towards reducing the FY2008 deficit.

Alderman Gatsas stated it also would allow us to go into the rainy day fund for that same \$200,000.

Mayor Guinta responded right, and I am saying let's not go into the rainy day fund. Why would we go into the rainy day fund?

Alderman Gatsas replied because we don't have the ability to get any of these departments in any other financial position unless we raise taxes, so if we have \$1 million that we can move in to FY2009 based on rainy day funds, then my suggestion is we do it. Mr. Sanders, how much is sitting in the rainy day account?

Mayor Guinta stated \$10 million.

Mr. Sanders stated there is about \$10.9 million.

Alderman Gatsas asked and what did the auditor tell us was prudent? How much of that is over what we should have?

Mr. Sanders answered I don't recall what the auditor said. I think a general rule is that you would be looking to have reserves equal to 15% to 20% of your overall general fund budget.

Alderman Shea stated point of order. The auditor said that if we take money from the rainy day fund it would not impact negatively on our ability to bond. That is what he indicated.

Mayor Guinta replied I don't want to keep arguing the point. Obviously there is a difference of opinion here but he has plenty of spending he would like to happen in FY2008 so right now there is a motion on the floor and there has been a second.

Alderman Garrity stated I am concerned that we are going to be spending money in FY2008 and these are FY2008 monies and we are in a deficit. I don't think it is responsible of this Board. I think we should concentrate on the deficit that we have right now and I think it is irresponsible to do this at this time.

Alderman O'Neil stated I have a question for the Chief and then Mr. Sanders. One of the concerns you pointed out previously was a concern about not having personnel for the high vacation time going into July 1 and you would need to address that in this fiscal year and bring people on board and/or make promotions. I know this all came up tonight and you probably haven't had a chance to think about it but is that a higher priority than the defibrillators or the breathing apparatus going into the next fiscal year?

Mr. Burkush responded the defibrillators are a very high priority. As you know, the new technology is out there and the old technology has to be replaced. The concern about the personnel is will we have continuous funding to maintain the personnel in FY2009 if we hire in FY2009. The sheet that we passed out tonight talks about the anticipated costs for minimum staffing without uncommitted personnel, if you have that sheet that Alderman Shea requested. That is \$62,000 just for vacation leave. If we had the uncommitted personnel, the minimum staffing costs would be zero to cover vacations. That is just for the month of July.

Alderman O'Neil asked Mr. Sanders, if you look at your FY2008 projections as of the 29th, \$1.8 million shortfall in revenues and as of today about a \$1.2 million shortfall in expenditures, do you see that we will be able to make up a significant

difference in either revenue or expenditures between now and the end of the fiscal year?

Mr. Sanders answered just one point I would make, Alderman, is that in looking at the expenditure number of the \$1.266 million you can also take into account the non-departmental surpluses that I have noted below because those are expenditure authorizations as well. So on the expenditure side if you net the non-departmental and the departmental, we have about a \$300,000 surplus on expenditures and a \$1.8 million deficit on revenue. As I mentioned a little earlier, the auto registration number under the Tax Collector could possibly get better. Right now we are at a \$350,000 shortfall so we have left money in there for additional deterioration but that might not happen. Recent months have been decent. That could be better by \$200,000. I also mentioned that the CIP is going to be bringing forward pulling \$50,000 of CIP cash back into the budget so that would be a \$50,000 improvement and there is going to be potentially a \$157,000 improvement at the Parking Enterprise after Tuesday's Board of Mayor and Aldermen meeting. So I think that it is more likely to get better than it is to get worse.

Alderman O'Neil stated so taking those comments into consideration, the revenue shortfall could be somewhere around \$1.4 million then.

Mr. Sanders responded yes that would be fair.

Alderman O'Neil asked and you are saying if we take the non-departmental into the departmental expenditures as of today we will be on the plus side?

Mr. Sanders answered that is correct.

Alderman O'Neil stated I am sure the Mayor, though, is looking to make up for that if possible.

Alderman DeVries stated I would like to go back to the Fire Department. So the \$66,000 for the defibrillators was one item that you identified in FY2009 for cash. Is there anything else that you were aware of that is a priority cash paid item?

Mr. Burkush responded we haven't seen the MER account if that is what you are referring to. That is the only thing that was approved in our CIP cash that we could see, the \$66,000 for defibrillators.

Alderman DeVries asked what did you say about the MER account? You haven't seen it? So that is under the control of the Highway Department, correct?

Mr. Burkush answered that is correct.

Alderman DeVries asked so you don't know if you have anything in there yet?

Mr. Burkush responded there were requests made but we don't know if they have been funded.

Alderman M. Roy asked Chief, the letter you handed out...just to quickly break it down...when it talks about savings in FY2009, minimum staffing in Fire Department terms is strictly overtime, right?

Mr. Burkush answered that is correct.

Alderman M. Roy asked and your overtime budget for next year the Mayor has at \$700,000?

Chief Burkush replied that is correct.

Alderman M. Roy asked and is it your contention that you can save \$62,000 of that by hiring and doing the promotions you have been looking for?

Mr. Burkush responded no. The \$700,000 is the full budget. With the positions, we would anticipate without uncommitted personnel that is what it would cost us for the month of July for vacation coverage.

Alderman M. Roy asked Mayor, have you had an opportunity to read this?

Mayor Guinta answered yes, I have.

Alderman M. Roy stated you mentioned you were working on it. Where are we?

Mayor Guinta stated at the last meeting I said it was my hope to approve these promotions by May 1st. I have a couple of meetings scheduled tomorrow to do some final analysis prior to making an authorization but at this point I would like to try to make it for May 1st.

Alderman O'Neil asked just to follow-up, you said promotions but it also could include authorizing him to hire.

Mayor Guinta answered what I am looking at right now is line two that states Deputy, two District Chiefs, three Captains and three Lieutenants.

Alderman O'Neil stated I think at the Fire Department's presentation last week the Chief referenced that in working with Deputy Chief Campasano, what they

were going to do if they had certified firefighters on the entry level is greatly cut down on the introductory...and I don't want to call it recruit school but something similar to that which in prior years might have been 10 or 12 weeks. Am I correct, Chief?

Mr. Burkush replied yes it was an 11 week program and we believe that if we move quickly we can get people on board by mid-June to work up against the overtime.

Alderman O'Neil asked is that something you are going to consider as well, Your Honor?

Mayor Guinta answered before I do I would like to have a follow-up meeting with the Chief, his Deputies and the Finance Officer. What I am focusing on for May 1st are the promotions.

Alderman Lopez stated I seconded the motion because I think we are in dire need. The FY2009 budget is...I don't even know what the right word is but it is bad, disastrous or whatever the case may be. I think that any money we can take out of the budget, like in CIP the \$50,000 and the \$60,000 that is \$116,000 that we have. If you make the promotions, the money is already in the budget for the promotions for FY2009, correct Chief?

Mr. Burkush replied correct.

Alderman Lopez stated so that takes care of that particular problem. I like to work things out one at a time. I asked the auditor when he was here, and Alderman Shea is absolutely correct in what he said, I asked would we be hurting bond Counsel, since we haven't touched our rainy day fund and because of the

dire need that we have in this City and his answer was no, but if you did it all the time that would be looked upon as using the rainy day fund for that. Everybody is bleeding. There is no question about it. If we can save \$116,000 going into the FY2009 budget I am all for it and I agree with Alderman Gatsas. I think this is appropriate in my viewpoint. Again, if we save that money it doesn't mean that CIP can spend it on something else because we are looking for that money. I think we ought to move the motion and see where it goes.

Mayor Guinta responded I would typically agree regarding year end spending if we are running a surplus. However, this is obviously a different situation which is why I am suggesting the Board really focus on eliminating the current year deficit prior to taking items that are proposed in the FY2009 budget, removing the dollar amounts and spending the money now. There is no guarantee that you are reducing spending in the FY2009 budget.

Alderman Lopez replied there is no guarantee, Your Honor, but there is no guarantee in looking at the numbers that the Finance Officer has. I would bet a month's pay that he is not going to make up that difference on the backs of the department heads. You might get it down to \$1 million or \$1.2 million but we don't know what is going to happen.

Mayor Guinta stated I think we can get it under \$1 million at least.

Alderman Lopez but that money is still going to come out of the rainy day fund. Would you agree with that?

Mayor Guinta stated of course. Any deficit is going to come out of the rainy day fund. However, why wouldn't we do everything we could to minimize that impact is my point? One of the things I talk to every department head about when we

have our department head meetings is we need to look at this budget and this deficit not as individual departments but as a team. We all need to work together to strive to eliminate this deficit. The department heads, I have to tell you, have been doing a great job trying to eliminate this deficit. I see on a weekly basis what is coming into Bill. Bill, I think, is being very reasonable in his responses to the departments about the spending requests. Everyone has been working very diligently to reduce this number. Since March 1st we have gone from \$2.4 million to today a projection of \$1.5 million. Next week I think if we eliminate the \$157,000 for Victory and \$50,000 out of CIP cash, we will be at \$1.3 million on Tuesday and that is before we count workers compensation and health insurance and any other additional savings we can find in the final two months of the fiscal year. I will take the vote but I would urge that we not spend until we get a better feel as to where we are through the end of the fiscal year and let's work on the FY2009 budget. I presented it. We have had meetings with the three departments and we have had a public hearing but that's it. We haven't had any breakout meetings or any Finance Committee meetings or any full Board meetings to try to resolve some of the issues that are before us for FY2009. That is what I am asking the Board to do.

Alderman Shea asked could you wait another month before you receive those defibrillators and other apparatus? Is it a necessity that you get the money tonight or next week?

Mr. Burkush answered no. Those requests have been in for over a year. We can wait another month.

Alderman Shea what I am suggesting, Mayor, and again, all of us have our own thinking processes going here, but I think that if we were to wait until the end of May there would still be enough time and we would know pretty much if we have

an additional amount of resources and then we could discuss this and Alderman Smith could go home tonight reasoning that he did have a more pressing need than some other needs. My point is, Your Honor, that tonight every department should be treated fairly and if we treat this department different than some other department, why can't they come in with some request and so forth? We are a community and we should look at things in that particular venue. The Highway Department...Alderman Smith and I have been working with them. They are in worse shape than the Fire Department and the School District we don't even want to go there because we heard last night where they are. Until we get a better handle on things, I think we should wait until the end of May and make a judgment and then from there we probably would accept that motion and if you don't we can overrule you at that time. That is my thinking.

Alderman DeVries stated I don't think there is anybody in this room tonight that doesn't want to work cooperatively to the expectation that we are doing everything possible to protect public safety, educate our children and meet the needs of the City and I can't agree more with Alderman Lopez and Alderman Gatsas that we are in dire times and we need to do something creative. I have heard loud and clear from constituents by phone and at the meeting last night begging and imploring us to do something to not have an outrageous tax burden but also to not allow the City to crumble. I just look at this as one more step along that road. Spending whatever we can this year to offset the needs of next year...we have all been very conscientious in not hitting our rainy day fund. If we need to go there in order to make next year work so that we don't have drastic cuts in public safety and in education, then we need to go there in my opinion and I know you will be there, Your Honor, because I know you value these things. My question is going to be of Mr. Sanders, because I don't know if the best road is going to be us trying to work with our existing budget or trying to work as I think Alderman Gatsas has suggested with a supplemental budget. I don't really understand what the process

is of a supplemental budget and I don't know if there are questions for Fire and I don't mean to have them stuck in the hot seat here but Mr. Sanders, help us understand the timeline and what goes into a supplemental budget and how quickly can we fire that off and have it certified or whatever needs to happen so we can make the best use of the extra dollars that we can get our hands on before closing our books.

Mayor Guinta asked would you like me to answer that or would you prefer Mr. Clark to answer that?

Alderman DeVries answered I will take both but I will start with Mr. Sanders.

Mayor Guinta stated there is a legal answer in your question.

Mr. Sanders responded I would prefer to have Mr. Clark answer the question.

Mr. Clark stated Alderman DeVries, I don't think we are talking about a supplemental budget. Supplemental budgets are only allowed when there are excess revenues over and above those that you estimated in your budget, which is not the case here. I think Alderman Gatsas is approaching it from a different angle.

Alderman Gatsas stated supplemental is a bad word but we should be coming in as a Board and looking at every line item in the existing FY2008 budget to see what we can create and move out of that position because we don't have the ability to bring in a supplemental budget. I don't know what the terminology is with supplemental but it is looking at a budget and what you can create in there to eliminate expenditures from the year going forward.

Alderman DeVries stated I will end with where we started because there is no doubt we are going to work collectively as a Board to make those transfers because I don't think we are going to let the City be damaged. It may hurt your feelings but I think your budget proposal does damage to the City. I don't mean to be argumentative with you. I personally thought it cut too deep into the marrow and I am going to do whatever I can to adjust that.

Mayor Guinta responded that is fine but we have a process for that. I provide a budget presentation in March to the Aldermen and then the Aldermen are supposed to work on that budget and adopt something. Again, you can adopt exactly what I propose or you can increase it, decrease it, or modify it and keep the overall number the same. That is the right and responsibility of the Board.

Alderman DeVries stated Your Honor, part of the process this year is going to include us utilizing the rainy day fund, unfortunately, and it is not utilizing the rainy day fund. It is maximizing the expenditures that we can make this year out of FY2008 dollars.

Mayor Guinta responded I think my response to that would be, I don't see how more spending gets us out of a spending problem.

Alderman DeVries replied it is pre-spending, not more spending.

Mayor Guinta stated it is more spending. There is no guarantee from this Board that you are going to eliminate those dollars.

Alderman DeVries interjected it is going to get spent next year anyway.

Mayor Guinta stated Alderman, you are not guaranteeing, no one is going to guarantee tonight that they are going to eliminate those dollars in the FY2009 appropriation, so again I think the more prudent course of action is to reduce the current deficit and on a parallel basis work on the FY2009 budget. There is nothing that says anyone has to take a vote to spend more money today in the FY2008 budget when still currently are running and projecting a deficit.

Alderman Garrity asked can we move the question and get a roll call?

Alderman O'Neil stated I think we need a little more debate on this subject. I have a question for the Fire Department and then a point. Chief, regarding the hiring of new firefighters, because as much as the Mayor has mentioned he is willing to look at the promotions and their effect on overtime, the hiring of firefighters will affect overtime for July and August and all of the peak months, correct?

Mr. Burkush responded correct.

Alderman O'Neil stated you have on your letter here that if it is approved you need to bring them on by June 15th. Is that correct?

Mr. Burkush responded that is correct.

Alderman O'Neil asked so if it was the end of May or approximately June 1st would that give you enough time to notify them? They could give two weeks notice and then they could be on the job.

Mr. Burkush answered no, we would have to know by next week. We have to offer the position and they have to be scheduled through HR for physicals. You are really pushing the limit.

Alderman O'Neil asked so the discussion Tuesday night can be up or down on that, correct?

Mr. Burkush stated usually this process is done, as you know...the Chief does one hiring per year in the department, usually in January, to get on board for July. We are really getting to the end of the time where they will be effective in those positions.

Alderman O'Neil stated Your Honor, just a point...Aldermen Gatsas, Lopez and DeVries are on to something. There are moves or actions we can take in this fiscal year that greatly affect what happens in the next fiscal year. I think failure to do some of those...we need to have a discussion with the Police Department about it. They are either going to offer jobs and they need some commitment so that the police officers are on board for an academy class the second week of July. Now if we are willing to let it go and miss that academy class, I am not comfortable with that. There are actions that this Board has to approve in this fiscal year that absolutely set up what happens in the beginning of the next fiscal year.

Mayor Guinta responded I don't disagree with that. The very big difference this year is that we have a deficit as opposed to past years when we had a surplus.

Alderman O'Neil replied we just heard from the Finance Officer his best estimate going forward and I am not going to hold him to this but we may get the revenue shortfall down to \$1.4 million and maybe based on a surplus of \$200,000 or \$300,000.

Mayor Guinta stated no that is not...

Alderman O'Neil interjected that is what he said, Your Honor.

Mayor Guinta asked were you talking about an overall surplus, Mr. Sanders?

Mr. Sanders answered no.

Alderman O'Neil stated no on the expenditure side. There is still going to be a shortfall on the revenue side of \$1.4 million.

Mayor Guinta responded that may be true, but my point is, let's do everything we can to minimize the deficit on both sides, revenue and expenses. That is my point.

City Clerk Carol Johnson stated I just wanted to clarify the motion on the floor and I want to make sure the Board is doing what they started to do. They started with...

Mayor Guinta interjected let's have Alderman Gatsas restate his motion.

City Clerk Johnson asked well can I just finish so he can clarify it as the process, because he stated \$130,000 for the breathing apparatus equipment based on a CIP number and there was a question over here of \$66,000 so I want to make sure that he is moving what he intended to move in that process.

Alderman Gatsas answered it is \$130,000 because that is what I was led to believe was in that line item. The clarification of the motion... Your Honor, if you look at the budget for FY2009 to meet the standards of what Highway needs, for

what Police needs and what Fire needs, and I haven't even looked at the rest, those are probably a little more incidental than what those three departments are. To get them in a position of being so that they are at full complement at each one of those departments is about \$2 million. Now I understand about deficit spending because I have run a company and I had to worry about making payroll on Fridays so I am not here to tell you we should deficit spend but we don't have the ability other than by raising taxes in 2009 to have the proper safety in this City, and to have the proper cleanliness in this City, because we can sit here and say we are going to work on the budget and I certainly will sit here until midnight of every night for the next two weeks but we are not going to find \$2 million in synergies in any of those departments. I applaud you for what you have done in reducing the deficit. However, when you start looking at \$500,000 that was in workers compensation and CGL...we have a Finance Officer and a Risk Manager and a Mayor. That took a calculation of about 40 minutes to find \$500,000. I think it would be awful to take that money and not apply it to next year where maybe the Fire Department gets whole because we can move the balance of their money into their salary adjustment account and look at that for every other department in CGL and workers compensation and move that into the salary account so they can hire people. In every department we have the ability to do that and only put a line item in there that is required that we need to put on a separate line like we did with health insurance. However, if we don't get to the rainy day fund, we aren't going to have the ability to find \$2 million without raising taxes. The \$2 million just about gets us home on this side of the street and the more we find and leave the revenue number at a high number, that is what gets us into the rainy day account. There is \$10 million sitting there for these purposes.

Mayor Guinta stated I have a couple of points. On the workers compensation and the general liability I agree with you in the sense that we probably over-budgeted in those numbers and they shouldn't have been in there in the first place.

They are part and parcel of why we have a deficit this year, so why not apply the FY2008 surpluses in those line items to the FY2008 budget and then reduce the FY2009 projections?

Alderman Gatsas responded because that is only \$500,000.

Mayor Guinta stated but it is another \$500,000 that we didn't have at 5:15 PM today.

Alderman Gatsas responded that is \$1.5 million that we need now to get home. If we take the \$500,000 it is only \$1 million we are looking for.

Mayor Guinta stated but if we use the rainy day fund and this happens again next year, it becomes...what happens if we have the same situation next year? Part of the problem this year...some of it was unavoidable. Some of it was weather related. We got \$1.6 million I think just in Highway. Half of that was weather related. If we have the same situation next year and we use the rainy day fund again next year between \$500,000 and \$1 million and we keep doing that, it is now becoming a permanent revenue source for the City and that is not its intended purpose.

Alderman Gatsas replied then we ought to build a budget that is much different than what we have before us.

Mayor Guinta stated we have to realize that the only revenues we have here...you know property tax is the largest revenue generator we have. The rest of them...the next largest I think is auto registration and that is not moving too much. In my opinion we have to do what we can to try to live within our means. Through the budget deliberations for FY2009 let's sit down with the departments

again and again and again to try to figure out how we can make...I don't agree with all of the numbers that have been talked about.

Alderman Gatsas responded auto registration, Your Honor with all due respect, has moved \$350,000 in less than two weeks.

Mayor Guinta stated in a \$276 million budget...

Alderman Gatsas interjected I am just looking at line item and that is 50% of what we were shown two weeks ago. You just said auto registration and I am looking...

Mayor Guinta interjected I said that is the next largest revenue source we have after property taxes.

Alderman Gatsas stated and it dropped 50% in two weeks. My point is that this revenue line could decrease and the more that revenue line goes down because revenues are coming in, it is less of our ability to get to the rainy day fund. That is a clear statement.

Mayor Guinta responded well, my goal is not to get to the rainy day fund. I am looking at that as a one time revenue account that we shouldn't use. I mean, we should exhaust all other...

Alderman Gatsas interjected with all due respect then why didn't you veto last year's budget because it had \$3.5 million of one time monies in it?

Mayor Guinta stated first of all, I didn't have the votes to sustain a veto.

Alderman Gatsas replied you still could have vetoed it.

Mayor Guinta responded okay well the budget still would have passed and we still would have used the \$3.5 million. In my opinion, we should not have done that as a city. I stated it at that time but we are essentially going to do the same thing if we continue to spend in FY2008 while we have a deficit is my point. I think it is more prudent to eliminate that deficit or reduce it as much as we possibly can. The rainy day fund in my view is available to us should we have shortfalls based on unexpected occurrences in the City. There have been some but if we can manage that, I think we have an obligation to try to do that first.

Alderman DeVries asked is it \$66,000?

Alderman Lopez answered it is \$66,000 on CIP 41409 and \$50,000 on operation line 776 in the Fire Department for \$116,000 total.

Mayor Guinta asked is that the motion?

Alderman Gatsas answered I am going to withdraw the motion and ask for the Finance Director to come in with certified statements on the \$497,000, along with a statement from the Risk Manager that certifies the number in the FY2009 budget and also certifying Mr. Sharry's number of \$700,000. I would like that in writing from the professional that we pay \$375/hour to come up here and give us information.

Alderman O'Neil stated Alderman Gatsas, the \$497,000 is really \$520,000 and change. You were leaving some money in workers compensation I believe.

Alderman Gatsas responded right. *I will withdraw that motion and ask for certification so we can do this correctly at the next meeting.*

Alderman Shea stated I made a comment before to wait until the end of May and then we would be in a better position and all departments should be considered at once so we don't alienate one department or show favoritism towards one department. We should look at all of the different aspects that we receive at that time and make a decision concerning whether we want to help out with the FY2009 budget. I think that is only logical. Why would we want to do something tonight and then alienate some other group. It doesn't make sense to me but it does make sense to me to look at the things at the end of May when we will have better statistical data as far as what we have available to us in order to make sure we treat all departments fairly and equitably. That is my opinion.

Alderman Ouellette asked Chief, if we wait until the end of May, will you be able to get the personnel you need to hire on board in the proper timeframe you are looking at?

Mr. Burkush answered no. We need to start this next week if we want to realize any savings. July is the highest vacation period that we experience so that is just the reality of the situation.

Alderman Ouellette stated so if this Board is serious about getting him the help he needs, we need to act tonight.

Alderman O'Neil stated next Tuesday we could.

Alderman Ouellette replied you are right. I would like to state that I think this is a good discussion and I think this is showing the citizens of Manchester that this

Board...in terms of looking towards next year, because we are going to make a statement if we hire these people by next week and the statement is this: that we are not going to shut down fire houses and we are going to keep our streets safe and we are going to keep teachers in the classroom because that is what is important to the City. I think that doing this next week it would be senseless to hire people that we will not be able to fund in next year's budget. I think this Board is making a commitment to at least work very hard to strive to get to a place where as Alderman DeVries said, this City does not crumble.

Alderman Lopez stated I have a couple of things, Your Honor. I have been very patient. I keep hearing this \$3.5 million and I keep hearing about safety. I think the majority of this Board last year looked at that. Yes, we took money out of the one time account. Do you know what we did with some of that money? We gave \$682,000 to the Police Department to hire five officers and gave \$291,000 to the Drugs and Guns program that has been very successful. I want to get off this \$3.5 million because it is irritating me and it is not right. We want to work together; we want to all work together and try to do what is good for the City. Last year by majority vote we did those things. In the Youth Services Department \$11,000 was funded to pay the lease that they had over there. We gave \$11,000 to them. I can go on and on up to \$1.8 million that we had to do an operation in order to survive. That is not there this year. The Fire Department needs \$1.852 million. If we hire those firefighters, we have to find that money in their budget. They don't have it and the minimum I think, and you can correct me Chief, is \$1.629 million and that leaves nine vacancies. Let us not kid ourselves. Alderman Gatsas is right. We don't have...I don't want to hear that \$3.5 million anymore as long as we understand where the money went to and let's face reality. The revenue aspect of the budget last year was overestimated. It is overestimated this year. I want to work with the budget and I want to work with everybody to try to do something. This budget going into FY2009 is very devastating to the entire City.

Mayor Guinta stated first of all we do have less revenue next year than this year. If we are going to hire more personnel in FY2008 and spend more money in FY2008 someone should bring forward a budget next week that shows those dollars on a balance sheet for next year, a budget summary sheet so that we have an idea of what the impact is in FY2009. I think it is only fair for that to come forward.

Alderman Lopez replied we are looking for that. There is \$116,000 that we didn't have to spend by just authorizing \$116,000 to go out and get those items. I am willing to wait and willing to withdraw my second but let's everybody stop kidding ourselves. This is going to be a devastating budget.

Alderman J. Roy stated Chief, let me ask you about these new hires you are talking about putting on in July. Are they going to be certified Firefighter I's?

Mr. Burkush responded Level II.

Alderman J. Roy asked certified HazMat?

Mr. Burkush answered that is correct.

Alderman J. Roy asked EMT?

Mr. Burkush answered that is correct.

Alderman J. Roy asked are they going to have their tractor trailer license?

Mr. Burkush answered they all currently have the certifications that we need.

Alderman J. Roy stated so the only thing they need is Career Certified Firefighter up in Concord, which is a two week program that they can get anytime during the first year that they are employed. That is a state law.

Mr. Burkush responded that is correct. We were going to send them in the off time.

Alderman J. Roy asked in the fall?

Mr. Burkush responded that is correct.

Alderman J. Roy asked so if you hire those people in the beginning of June, why can't you put them on a piece of apparatus in July? You are saying you have to have them by next week and I don't see the correlation.

Mr. Burkush answered we have to have the authorization and then we do interviews and they have to be fitted for protective equipment. Our anticipated starting date would be June 15, but to get through the process of physicals through HR it takes about a month.

Alderman J. Roy responded as far as the physicals go, they have already gone through our gauntlet of tests with the mile and a half run and all that kind of stuff. I mean, these guys are in pretty good shape.

Mr. Burkush stated they need employment physicals.

Alderman J. Roy asked if we give you the okay, where are we going to get the money to hire these guys this year, if we hire them in this fiscal year?

Mr. Burkush answered we have money in this year's budget for two weeks of salary, which is on the letter for the nine positions.

Alderman J. Roy asked is that in that \$200,000 number? So we have to make sure that we leave that in there?

Mr. Burkush answered that is correct.

Alderman O'Neil stated regarding the Fire Department, they need some kind of commitment from us because they need to hire by June 15th. That is our process, not theirs, the physicals and other stuff. I believe with the Police Department any new hires will be in FY2009 but they are going to need some direction from us pretty quick so they can make commitments.

Mayor Guinta stated I am anticipating meetings with both Fire and Police over the course of the next ten days. I am going to have one meeting with Fire before Tuesday on the promotions issue. It sounds like people might want me to add in the second item of the new hires. With Police, I will be doing the same thing but not before Tuesday.

Alderman O'Neil asked wouldn't it be wise to have some discussion by Tuesday with them? I don't know if there is a vote required by us at some point.

Mayor Guinta answered I don't know if I can schedule that between now and Tuesday.

Alderman Lopez stated whatever discussion you have, if you want to authorize the Fire and Police Departments to move forward then you have to increase your

budget for FY2009. If you commit to that and we haven't passed the FY2009 budget and you end up with your budget, I don't know where you are going to get the money to pay these people.

Mayor Guinta replied that is why I said earlier someone should bring forward a budget for FY2009 that reflects some of these things we are talking about. Again, I have no objection to us talking about these things but we should have more than one meeting with Police, Fire and Highway before we start making these decisions and we should also have some financial implications in writing before us so everyone has a clear understanding of what we are talking about. The intention here is good. Everyone wants to make sure that safety is the number one priority and of course we want to make sure we have the right number of police and firefighters. I don't disagree with that. Again, I would like to have all of the information. We have only met with the big three once. I haven't even had a chance to follow-up with them.

Alderman Lopez responded I am willing to assist with that because I want to make sure that if you make a decision as the Mayor that you are willing to hire nine firefighters and authorize the additional police, then what you are saying is you want to increase your budget. You are saying the same thing we are saying.

Mayor Guinta stated not 100%. I will explain it. I don't necessarily agree with all of the comments that have been made by the departments to this point. Typically what I would do is go back and meet with them and look at alternatives to what they were stating to the full Board. Again, as we spoke about earlier today, that is one of the things I want to talk to you about when we meet this Friday. There are some things that I think we can do that have not been discussed yet in public to close some of the gaps.

Alderman Lopez responded I am willing to work with you and come back to the Board with your decision.

Alderman Gatsas stated to discuss where we are going?

Mayor Guinta responded earlier today Alderman Lopez and I were talking about meeting on Friday to talk about the budget.

Alderman Lopez replied just so there is no misunderstanding, he reached out to me to meet and have a conversation about different things as Chairman of the Board. I don't think anything is wrong with that.

Alderman Gatsas responded I was just asking a question. I didn't know if it was a public meeting.

Alderman Smith stated as you well know, for several years I have been after cleaning up the property over on Blaine Street and we finally got a court order and we got a lien on the property over on Blaine and Cleveland Street. It has been talked about for years. In fact there were derogatory comments with the trailway because of the blight and safety matters there. This has been going on for six years. We finally got a court order but with this comes a cost even though we have a lien on the property. I am looking for my fellow Aldermen to give us \$81,000 so we can start tomorrow or next Monday to demolish the building. If anybody isn't familiar with it, it is Cleveland Street, that big junk yard and on Blaine Street the old Belgium Club.

***Alderman Smith** moved to give \$81,000 to the Building Department for the demolition of properties on Cleveland and Blaine Street.*

Mayor Guinta asked where is the money coming from?

Alderman Smith answered probably the salary adjustment account.

Mayor Guinta stated well, I think the contingency account would be more appropriate.

Alderman Smith replied if Mr. Sanders agrees I certainly will. I know my timing is not the greatest this evening.

Mayor Guinta stated I did earlier make this exception because this is something we should have done six months ago.

Alderman Ouellette duly seconded the motion.

Alderman Gatsas asked is this deficit spending?

Mayor Guinta answered no it is not. Alderman, earlier in the night I said with one exception and it was Alderman Smith's request. This was something that should have been done six months ago. It is actually a health hazard.

Alderman Gatsas responded I am not disagreeing with the motion, Your Honor, but it is deficit spending.

Mayor Guinta stated I will make up the \$81,000. I have plenty of ways to make it up.

Mayor Guinta called for a vote on the motion. There being none opposed, the motion carried.

There being no further business relating to budget discussions, on motion of Alderman Garrity, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

City Clerk