

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN**

June 29, 2010

5:00 PM

Mayor Gatsas called the meeting to order.

Mayor Gatsas called for the Pledge of Allegiance to be led by Alderman Roy.

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen Craig, Ludwig, Long, Roy, Osborne, Corriveau, O'Neil,
Lopez, Shea, DeVries, Shaw, Greazzo, Ouellette, Arnold

Messrs: T. Delacy, W. Sanders, T. Clark, T. Brennan, J. Gile, T. Brennan

4. Discussion related to the Agreement to Provide Medicare Early Retirement Subsidy Services.

Mr. Tom Delacy, Workplace Benefit Solutions, stated good evening, I am the City and School District's consultant. Mr. Mayor, I think there is some confusion with this. There is a Medicare Part D subsidy and that is the Medicare prescription drug program. That is separate from this. What we are talking about here is the Medicare early retiree subsidy. This was part of the health care bill that was just passed in March where \$5 billion was made available for retiree large claimants. Essentially what the government is doing is setting up a program that allows any employer, whether it is a municipality or private employer, to get 80% of claims back for claims between \$15,000 and \$90,000. The process to do this is mirrored off of the Medicare Part D subsidy process, where you do a filing to Health and Human Services. You have to be approved by Health and Human Services and then you are able to give information to the federal government on a monthly basis and if you have claimants between that \$15,000 and the \$90,000 threshold, the federal government will reimburse 80% of that. For example, if the City has a claimant who has \$50,000 in claims, they are going to reimburse 80% of the dollars above \$15,000. There has never been a program like this out there before.

This is really headed by the Department of Health and Human Services and they are basically saying that this money will probably last about a year; it might be two years. It is on a first come first served basis so getting your filing in quickly is very important. The application actually just came out today. Again, it is first come first served so whoever has their application in and completed is able to get that money. When this came out we were really looking at who can do this for us and how do we get this money for the City and for the School District. WBS had worked with a company called Part D Advisors. Their only business was to file for the Medicare Part D subsidies. The process for the Health and Human Services is exactly the same. We use them to file this on behalf of the City and the School District. Just so you have a sense of what this process takes, Health and Human Services says that it will take about 100 man hours to fill out this application and get it approved by Health and Human Services so there is an awful lot of work that goes into it. We have been gathering data from Anthem for the past week or two to get this information so that we can fill out the application. I just don't want there to be confusion between Medicare Part D, which we don't file for because we have the Medicare Advantage Program, and this is a little bit different. This is the early retiree subsidy.

Alderman Lopez stated I am curious about the City claims. Can you say what you just said about that?

Mr. Delacy replied sure, what claims are involved?

Alderman Lopez stated yes.

Mr. Delacy replied you are eligible to receive 80% of the claims between \$15,000 and \$90,000 on an individual basis. That actually includes your early retirees between ages 55 and 64 and their dependents, so if you had a dependent of an early retiree, it could be a spouse or a child who had large claims, they would be eligible as well. Again, this program hasn't been out before. The estimate is that it is somewhere around \$1,000 per member so retirees plus their dependents receive up to \$2,500 per member. No one really knows for sure. It is a little bit of a guess but somewhere in that range.

Alderman Lopez asked just to capitalize on that, if the City pays out are we eligible to receive that percentage?

Mr. Delacy replied correct, the City is self-funded so those claims are paid by the City and then 80% of that is reimbursed by the government.

Alderman Lopez asked is this for 2010?

Mr. Delacy replied this will become effective July of 2010 so the clock will start counting on accumulating those claims for 2010.

Mayor Gatsas stated as clarification for Alderman Lopez, I think he is looking for a dollar amount. What does this mean if we were to go out and have the same claims that we had in this last year? What are we looking at for dollar amounts? I think that is what Alderman Lopez is asking.

Mr. Delacy replied again, the anticipation is somewhere around \$1,000 to up to \$2,500 per member. So for the City, it could be in the range of \$200,000 to \$400,000. The School District is about 50% more than that.

Alderman Lopez asked so the City would have to submit this or would you submit this? How does this work?

Mr. Delacy replied that is what Part D Advisors does. This is not something that WBS can do. We are not qualified to do this type of work. This is something that Part D Advisors does. They would pull all the information together and file it with the federal government. Then, on a monthly basis, they work with Anthem to put the data in the right format that the federal government wants and send that to the federal government. As people start to break that \$15,000 threshold then you start to receive funds back.

Alderman Craig stated I just want to clarify something. Are you saying that we could be reimbursed up to \$400,000?

Mr. Delacy replied correct.

Alderman Craig asked is there a cap?

Mr. Delacy replied the only cap is the federal government has put \$5 billion away so when you think about what is out there, United Auto Workers has 350,000 early retirees, GE has 100,000 early retirees, so the estimate is that money could be

gone in nine months or it could be gone in two years. Again, these are all estimates, but from people who know this business. Even Health and Human Services isn't sure how long it will be available.

Alderman Craig asked why wouldn't we have considered hiring someone to do this versus outsourcing it for the 18% on \$300,000?

Mr. Delacy replied it is really the expertise. These are the only folks that we knew had this expertise and when you are in a situation where the federal government is saying that if you file and your application is not accepted, you go to the end of the line, it seemed to us that you get the expertise to make sure you file correctly and you get in to get whatever dollars you can.

Alderman Craig stated the contract is a three-year contract and then it will be automatically renewed if we don't provide something in writing. When you are saying this will last only one to two years, why would we sign a contract for so long?

Mr. Delacy stated the program is set up to last four years. It is just that the money will probably not last for four years. So they will do the filing as long as the money is there. The federal government potentially could say they are going to add more money, sort of like they did with Cash for Clunkers. I find that a little bit unlikely but the piece beyond that is the federal government reserves the right to audit back six years so this company holds and warehouses all of the data that is used and sent to the federal government. So if you do get audited they are right there producing the data explaining the data that they used to claim that reimbursement. That is an important piece.

Alderman Craig asked that is covered within the 18%?

Mr. Delacy replied that is correct.

Alderman DeVries stated some of the questions haven't been asked. A little bit further on the clarification on the compensation, because there is an estimated fee of \$35.00 which will continue the length of the program regardless of whether we receive any compensation back.

Mr. Delacy replied actually the \$35.00 is a one-time up front payment.

Alderman DeVries stated that's good. Would there be say, in the third year, if the money had all been expended by the federal government, if we have a new retiree falling into the age, we would continue to pay the \$35.00 one-time fee for the length of the contract?

Mr. Delacy stated the agreement that we have is that \$35.00 is based on the retirees that you have right now. Essentially what the company is trying to do is recover some of their up-front costs because they don't know exactly when this money is going to run out so at least they have something. What they did is, in the negotiations, offered sort of a sliding scale. Either no up-front and a higher percentage or a lower up-front such as \$25.00 and 20% or \$35.00 and 18%, that type of thing.

Alderman DeVries asked do you have attachment A that deals with compensation in front of you? There was some handwritten information at the end of the contingency fee and I couldn't quite make that out. It would be helpful if you could read that.

Mr. Delacy replied what that was is in the negotiations, we wanted to make sure that whatever was paid that \$35.00 equaled, and let's for argument sake say it is \$5,000. We wanted to make sure we got that \$5,000 back first before the company got any percentage of the savings. Basically the City would recover whatever was paid before Part D advisors got any compensation above that.

Alderman DeVries stated one final question, if I might Your Honor. Was the estimation of between \$200,000 and \$400,000 reimbursement based on the past tracking that was done over the last several years of utilization of our individual employees?

Mr. Delacy stated that is actually based on estimates from Health and Human Services Department and other vendors. Some of the carriers have made their own assessments. Some of the large consulting houses have made their own assessments and we sort of took the average.

Alderman DeVries asked so if we have individual retirees that are trending more towards the \$90,000 cap in any given year, the reimbursement of 80%, we could see considerably more than \$400,000?

Mr. Delacy replied that is correct. I think as we have spoken in other meetings, the earlier retirees costs for the City are very high relative to the active employees so you can certainly be on the higher side of that number but again we are trying to be conservative.

Alderman DeVries stated the benefit is part of the national health insurance plan that went through and it was meant to incentivize employers to cover their early retirees and I had looked at that though obviously not in any where close to the detail you had and wondered if this would be a benefit to the City. So were are sure before we engage in the contract and know the company that if you already do ensure your retirees you are still eligible?

Mr. Delacy replied absolutely.

Alderman Long stated the 100 man hour application process, when is that expected to be finalized?

Mr. Delacy replied the process has really been ongoing, gathering data and reading the guidance from the government on how the application has to be filled out, although the application literally just came out today. They are giving guidance of what the application would look like. It is actually fairly similar to the Medicare Part D application. There are some differences but it is really gathering of the data and an actuarial analysis to try to determine... the federal government wants you to determine before hand what you think you will receive from this program. It's a little bit unclear whether they will take applications until we think we are going to reach that \$5 billion or if they are just going to keep taking applications and people get what they get. We are a little bit unsure right now whether they will stop applications when they believe they reach the \$5 billion or will they continue to take applications as the funds are used. That is just unknown right now.

Alderman Long stated a couple other questions, Your Honor. This is through the federal Health and Human Services?

Mr. Delacy replied that is correct.

Alderman Long stated the application is going there and we are also going to be invoicing them? July 1st this becomes effective. How do we invoice? Is it yearly? If I am an early retiree and I all of a sudden hit \$18,000...

Mr. Delacy interjected the company that we have hired to do this is going to take claims from Anthem and ship them off to the Department of Health and Human Services, and they are going to look at the accumulation of claims and then reimburse back to the City whatever money is above that \$15,000 and between \$90,000.

Alderman Long stated so once our retirees' hits over \$15,000 there will be a claim put in?

Mr. Delacy replied that's correct.

Alderman Long stated so it will be real-time claims?

Mr. Delacy replied I think the claims are going to be sent on a monthly basis. It won't be a direct feed from Anthem paying the claim and then to the federal government. I think it will be on a monthly basis where those claims are going to be sent to the federal government and we will get reimbursed by electronic fund transfer.

Alderman Long asked is this done electronically or is this done through paper?

Mr. Delacy replied it is done electronically.

Alderman Roy asked did this come before a Committee previously and I missed it? The reason that I asked is that it was done in May and I think it is time sensitive here. It sounds like a great deal. I have the same questions and I thank everyone for asking them because I had all of those questions as well.

Mayor Gatsas stated I think the answer to your question and just so that I can be clear... These discussions came up during the insurance part of our discussions, not in great depth. We had the great depth discussions at the School side. When Tom came to me with the two contracts in May, he said it was time sensitive. I signed them and moved it on. It was certainly something I should have left to this Board before I did it and obviously I am bringing it now, because it needs to come

to this Board for discussion. So moving it forward, that is where it is at because the invoice came in and I was only moving it based on where we were in the School District. I thought we had the conversation here. It was mentioned but we never took a vote. That is why I brought it before you because I thought it was imperative that this Board have the discussion.

Alderman Roy stated fair enough. I thank you for that.

Alderman O'Neil stated thank you. That answered one of my questions about the procurement process.

Mayor Gatsas stated the other one on that, Alderman O'Neil, is about sole source provider because there isn't anybody else that we know of that does this.

Certainly, we have hired somebody to look at our insurance and find out where we can find the best bang for our buck. I think that is where we are at. When Tom came to me, it was about there being no one else doing it in this area and how do we get to make sure that somebody can offer it to the City.

Alderman O'Neil stated I would just remind everyone, elected officials and staff, we do have processes. Let's try to follow them. I think it is as important as ever that the Alderman be involved in these discussions. We have kind of kept out of some of them in the past couple of years and we need to be involved in them. We are the ones getting the phone calls. Tom, is there any fee to your company to do this work?

Mr. Delacy replied no.

Alderman O'Neil asked are the current 121, under 65 years of age employees eligible?

Mr. Delacy replied yes. We sort of went back and forth today, I think the number is around 180 now. It obviously fluctuates but I think the number is around 180 now.

Alderman O'Neil asked that is not subscribers, right? That is total number of...

Mr. Delacy interjected that is actually subscribers. The total number is probably in the range of 50% more than that, so maybe 250 or 270.

Alderman O'Neil stated because that is significantly different from when I met with you guys about five weeks ago.

Mr. Delacy asked the early retirees?

Alderman O'Neil stated I didn't bring it with me. You all told me it was 121. We need to get our number right here. There is a big difference. We couldn't have had 60 new, pre-65 retirees in a month or six weeks.

Mr. Delacy replied I asked the Human Resources Department today and they told me 180.

Alderman O'Neil stated I know I am right on that 121 number. We have to get our numbers right. That is a pretty big gap.

Mr. Delacy replied in this case, the more the better.

Alderman O'Neil stated understood, but when I am told six weeks ago there are 121 pre-65 and the number is closer to 180. We have to get our number right. So they are eligible, as is any new pre-65 employee as of July 1st, correct?

Mr. Delacy replied that is correct.

Alderman O'Neil stated I think it was Alderman Craig who talked about if it is expected that the money is going to run out, why wouldn't we have a one year agreement with some options with this firm?

Mr. Delacy replied first of all, the program runs for four years so it could be that the federal government extends it or it could be that it lasts two years or three years. I think from the perspective of the company that is doing this work, they are getting a minimal amount up front. Their hope is that they are able to recover significant dollars and make money on the back end. If you think about a consulting company, they are getting \$5,000 or \$6,000 to put in 100 hours of labor. Those 100 hours is an estimate from Health and Human Services who

created the forms and the process. That is probably a safe estimate. I think from the vendors' prospective, they don't want to be in a situation where they do all the work, someone comes in a year later and says we will do the sort of monthly filing, which is the lesser amount of work, and we will do it for ten percent. They would get undercut. I think they are protecting their interests and I think that is fair.

Alderman O'Neil stated they are taking a significant risk. You said a couple of times that it is expected the money probably won't last. They are taking a risk. They are not going to get paid because there isn't going to be any money down the line.

Mr. Delacy replied absolutely, they are taking a risk. The percentage ranges pretty dramatically and they sort of came back and said well, if we are able to get some money up front and at least cover some of our costs, than we are willing to go with a lower percentage. They are absolutely taking a risk as to what they will collect out of this program.

Alderman O'Neil asked once the federal money goes away, they don't get a penny?

Mr. Delacy replied that is correct. They get the \$35.00 per head, up front, one time and then they get 18% of what they recover after that. When the money is gone, the money is gone. As you were just saying, they really are taking some risks here.

Alderman O'Neil stated because of this program, will we see a rate reduction to the pre-65 retirees in fiscal year 2011?

Mr. Delacy replied that is actually part of the application process. They ask what you are going to do with this money. The money can be used to lower premiums or to lower costs. We are a self-funded plan. I think the preference would be to lower the administrative costs for the overall plan and that will benefit the retirees as well as the overall plan.

Alderman O'Neil asked the rate with Anthem didn't go up, correct?

Mr. Delacy replied the administrative fee went up by 3%, per the contract.

Alderman O'Neil asked that would be a decision of this Board though, correct?

Mr. Delacy replied sure. If we recovered, for instance, \$400,000, but our administrative fees were \$1 million, when we are developing the working rates we could lop that \$400,000 off the administrative fee and instead of factoring in \$1 million for administration we would factor in \$600,000 and build the rates that way so that all the rates would be reduced by that \$400,000.

Alderman O'Neil asked can the rates be adjusted during the year or are we locked in for 12 months now?

Mr. Delacy replied you are a self funded plan so you could adjust your working rates throughout the year. I have to say that I have not experienced a company doing that or wanting to do that. I don't know if that would bump up against any of your bargained contracts but it is possible because you a self-funded group.

Alderman O'Neil stated well, the pre-65 retirees are taking by far the biggest hit. By far the biggest hit. That may be a decision this Board wants to make. Try to give them a little bit of relief. Thank you, Your Honor.

Alderman Lopez stated thank you, Your Honor. It is always a numbers game. We always seem to have different numbers. You indicated the more the merrier at 158. Did Human Resources give the number of 158?

Ms. Jane Gile, Human Resources Director, stated today we have an updated number and that is 186, according to the invoices that we received.

Alderman Lopez asked can this contract be amended to 186?

Mr. Delacy replied the 158 number was an estimate based on the data that we had from Anthem.

Alderman Lopez stated now, from conversation, had we not signed this would we not be talking about this program this year?

Mr. Delacy replied I believe that to be the case, yes.

Alderman Lopez stated Your Honor, as Chairman of the Administration Committee, I move that we move forward with this, since it has been signed and the explanation I accept.

Alderman Craig stated on page 10 there is a point that is titled Demands for Overpayment. It says that in certain cases HHS may overpay the City and in those instances the City would be responsible for reimbursing the overpayment. Would PDA then reimburse the City for our percentage of that overpayment if that were to happen?

Mr. Delacy replied I would assume so but not being an attorney, I can't speak to that.

Alderman Craig asked is that something you can look into and we can incorporate?

Mr. Delacy replied it would seem reasonable.

Alderman Craig stated thank you.

Alderman DeVries stated I think I know, because Alderman Lopez briefly asked the question of him, but there is nothing in this budget for either the fees to the company or any potential revenues, correct?

Mayor Gatsas stated the \$5,000 is not in this budget that has come forward, but the fees have not been accounted for on the income side either.

Alderman DeVries stated we have had a couple questions. We haven't determined how we would like to... Let me ask the consultant first, being the federal government, do you anticipate within our budget year that we will see a reimbursement?

Mr. Delacy replied yes, I think we will start to see reimbursements. My guess would be in the fall.

Alderman DeVries asked Your Honor, would you allow a friendly amendment to be made to this, approving the contract to go forward tonight but to send back to the Human Resources/Insurance Committee the item to determine how we would

like to see any of the particular revenues appropriated within our budget and have that portion of the discussion? I think, as Alderman O'Neil has already alluded, that is an important discussion that should be considered under this Committee.

Mayor Gatsas stated I don't have a problem sending it to HR or to whatever committee you folks want, but before anything is expended it should be at least discussed at this level. I agree with you, from the revenue side.

Alderman DeVries stated we have the two Chairmen, sitting beside each other. They can duke it out between Administration and HR.

Alderman Lopez stated I think, Your Honor, I'll ask Mr. Sanders to help us out here, because we have a budget and just because it goes to HR, we are not appropriating it in the 2011 budget. It is revenue coming into the City and it goes into the revenue fund. The cost of the \$5,000, in my opinion will come out of the Health Insurance Trust or the Health account, if you will help me along, Mr. Sanders.

Mr. Sanders stated yes, the \$5,000 would be charged to the Health Insurance account. Sitting here this evening, I think the rebates or the refunds, or the payments that we would receive from HHS would be reimbursement of costs that the City has already charged to its health insurance so those amounts should be credited to our health insurance account as well in the budget. If the Aldermen want to do something further with that I guess that is within their purview.

Alderman Lopez stated to follow up with what Mr. Sanders has said, I understand where the Alderman is going as far as allocating or appropriating the money coming in as revenue when the budget is already set.

Mr. Sanders stated I didn't see this as revenue. I saw this as reimbursement of previously incurred expense, but if it was deemed to be revenue, the Aldermen have already appropriated the budget and subject to certification and verification by the Mayor and the Finance Officer, there are City-wide new revenues. They could not appropriate any additional amounts.

Alderman Lopez stated thank you.

Mayor Gatsas asked is it possible that we could set up a separate account to receive those funds so that at least the Aldermen have the opportunity to see what has come in from this and have them set aside so if the Board decides that going forward in 2012, we want to see the portion for the under 65 retirees premium reduced, with application from these funds, that that is something we could do?

Mr. Sanders replied yes, we could separate the amounts received from HHS and make those available in the 2012 budget. That would be something we could take to the HR Committee or whichever Committee is appropriate, yes.

Alderman O'Neil stated just to follow up on that specific item, am I hearing both you and Mr. Sanders say that we could not do anything with their rates this year then? I don't even know what threshold we have to hit that would make it feasible.

Mr. Sanders stated I would want to know what the collective bargaining agreements say about resetting rates during the year. Some could be better and some could be worse, just to isolate in on one group. The other thing that I am not sure of and it is a legal question, I believe that our pre-65 retirees are by state statute, if we provide a health insurance plan, we have to offer it to them at the same rates that we offer it to our active employees. I don't believe...I could be wrong but I do not believe that you could offer the pre 65 retirees a lower rate for example than the active employees.

Alderman O'Neil asked could you, as you are increasing rates, could you set two different rates going forward?

Mr. Sanders replied I don't believe so.

Alderman O'Neil asked so they are really considered part of the active and there is no way that you can have two different rates. It is too bad because the active employees are all seeing some adjustments in their pay and the pre-65 employees are seeing hardly anything in adjustment and they are carrying the burden. It's a pretty expensive plan. Thank you, Your Honor. Thank you, Alderman Lopez, for yielding on that.

Alderman Corriveau stated thank you, Your Honor. Mr. Sanders, I can't recall who but another Alderman mentioned this matter might be time sensitive. Is that the case and if so, why?

Mr. Sanders replied well, the new fiscal year begins on Thursday, that is July 1st and the claims that we begin to incur on July 1st. We want to be prompt in getting our filings in to get our refunds back. First in line gets the money and the last one in line the money might run out. So it is time sensitive from the point of view that if there is \$5 billion there, we should get our filings started as promptly as possible to collect our money.

Alderman Shea stated you made mention of the fact that this pertains also to the School District. Is that in combination with the City or separate from the City? Have they decided at their level that we are going to their health?

Mayor Gatsas stated those discussions happened during the budget process when we had open discussions about it. That moved forward at the School District already. What happened was that he came to me with two contracts, one for the School District and one for the City. I signed them both and gave them back to him. So when the bill came in and it landed on my desk, I thought it was appropriate that we talk about it at this level.

Alderman O'Neil asked so the Mayor's Office is paying the bill then?

Mayor Gatsas stated it probably is. Just like everything else.

Alderman Shea stated we have had problems with the health benefits so your suggestion for putting it to a special fund, I would feel that would be appropriate at this time rather than referring it to the Human Resources/Insurance Committee.

Mayor Gatsas stated the reason why I suggested that is that I think Aldermen O'Neil and DeVries were thinking that maybe we could apply it to the under 65 retirees. I am not too sure that we can do that but we should at least have it set aside so that we know how much we have gathered in and how much we have the ability to go forward with. I think that is going to be some discussion and again if we see that during the course of the year our health insurance costs have been depleted in that fund, we may as a Board decide that we want to put them back into the health reserve account and leave them there. I think you will see that we

should be trying to build somewhere around \$3 million in reserves in the health insurance account going forward. I am not too sure that in the last couple of years we have done that.

Alderman Shea stated if you need a motion to that effect.

Mayor Gatsas stated I think there is already a motion and I think Alderman DeVries was trying to add a friendly amendment. Maybe what you are asking is can we set up that separate account?

Alderman DeVries stated certainly, I was asking for the discussion to be had at the Committee. Setting up the special account is fine. Also I was thinking more than trying to get it designated back to the pre 65 retirees. I wanted to make sure that it didn't hit the surplus of the City, that it did at least go back into the health insurance reserves. Also, I can't help but wonder if maybe we can help with our tax rate setting when we go up in November, if by chance we see reimbursement before then. I thought that would be a nice discussion to have at the Committee, with that friendly amendment.

Mayor Gatsas stated I agree. I think we all understand that it is based on a percentage of once they hit a certain level. If we are fortunate enough that the employees in the City don't go in for any major surgery from now until let's say March and nobody has hit that threshold of \$15,000 and everybody is under it than we don't get any money. If it comes after March and everybody is at \$90,000, you see the majority of the money coming in when those rates come in.

Alderman Shea stated I have one follow up question. The 186 number, is that a permanent number of people that are going to retire within the next few months or not? Is there a cutoff date for the number?

Mr. Delacy replied no, as retirees come into the plan, they will be included.

Alderman Shea asked so anyone between the age 55 and 64, who does retire between now and when the program is ongoing would be part of this situation?

Mr. Delacy replied that is correct. Mr. Mayor, if I may, further guidance is needed on this and it will probably come out over the next few months but there is a requirement that these funds be used to lower the cost of the health plan. I think

being able to track those funds and have them in a separate fund so we can see what it is. I think we are going to have to somehow prove that we have used those funds to lower the health insurance plan costs. Just keep that in mind.

Alderman Lopez stated I don't mind this going to the Committee. I just don't want to get into Committee without the legal determinations and what we can use and other than just opinions. Once we get opinions we will be in the meeting for three hours.

Mayor Gatsas asked how about if we bring it to the full Board, have that discussion here and then send it to a Committee?

Alderman Lopez stated I agree with that. Mr. Sanders can do a follow up with the financials and get it to the full Board.

Alderman Long stated thank you, Your Honor. The application process...are there two applications that we are filling out, one for the School District and one for the City?

Mr. Delacy replied there are two; one for School and one for the City.

Alderman Long stated so there are two applications we are filling out. Like Alderman Lopez had mentioned, the requirements of this money...we may not be able to set a different rate for a certain group of employees but we may under this requirement, because it is targeted towards early retirement. So going before a Committee, knowing what qualifies as...besides reducing health insurance for home, for the active employees, for the early retirees... All of those answers would be helpful.

Mr. Delacy replied there is more guidance that is going to come out on that but right now it looks like, if we were going to use it to lower the administrative fees that across the board benefit all of the employees, I think that would be suitable for the federal government's purposes.

Mayor Gatsas stated once we have at least seen some funds come in, then we can have the discussion at the full Board with what this Board wants to do with those funds.

Alderman Lopez stated if there are some things that need action, get them to the City Clerk for the Human Resources/Insurance Committee as soon as possible.
Thank you.

On motion of Alderman Lopez, duly seconded by Alderman Ouellette, it was voted to authorize the Mayor to execute the agreement with Part D Advisors, Inc. to provide Medicare early retirement subsidy services and to create a separate account for any future revenue or reimbursements.

5. Update from the City Solicitor regarding the Purchase and Sale Agreement with Brady Sullivan Properties, LLC for property located at 195 McGregor Street for the purpose of relocating School District administrative staff, if available.

Mayor Gatsas asked would the School District staff please come forward in case there are any questions?

Alderman DeVries stated thank you. If I could ask questions of the City Solicitor first. I am assuming that the P&S agreement that I should be working off is the one that was delivered at home?

Mr. Thomas Clark, City Solicitor, stated it was the one that went out the other day from the City Clerk's Office.

Alderman DeVries stated there have been a couple of changes dealing with the garage. Some of the language has been changed on that. Could you just walk me through the substantial changes that were made?

Mr. Clark stated there has been an Exhibit B prepared, which is basically a map of the parking lot that exists in front of the mill building now, showing where the 70 spaces are.

Mayor Gatsas stated just to clarify, Alderman, those are the 70 spaces before the garage is built.

Mr. Clark replied correct.

Alderman DeVries stated that exhibit was not attached but that's okay.
That's fine.

Mr. Clark stated it is just a plot plan and I apologize if you didn't have it.

Alderman DeVries stated that's okay. You are saying that you have designated the actual 70 spaces...

Mr. Clark interjected there are 70 spaces designated in the parking lot. There are designated common areas spaces for the School District. It also shows where the garage is planned to be placed. Until that garage is built we will have sole use of the 70 spaces. The purchase price has been revised so that the \$700,000 that is allocated for the spaces in the garage is not paid until the garage is constructed and the permits are obtained for it to be used.

Alderman DeVries asked I'm sorry, can you repeat that again?

Mr. Clark stated the \$700,000 will be paid once the garage is constructed and they receive all necessary permits to use that garage.

Alderman DeVries asked so we are not entering into the \$700,000...

Mayor Gatsas stated just for clarification, we must put it in to the Bond Resolution because if we don't have it there, as we did when we did the MST renovations, if you remember, the state had to see us putting up our portion of the 60%.

Mr. Sanders stated the City had to put up 25% to MST.

Mayor Gatsas stated so we have to put that up and show it in good faith so that we can recover the 40%. So the Bond Resolution must say \$2.4 million. We are not distributing money if they don't build a garage they don't get \$700,000. So we would have \$700,000 that is sitting there to do whatever projects we may deem fit but we have to do it by the 30th to get the resolution out to the state.

Alderman DeVries stated I understand. We had no problem being reimbursed when we went through the design/build for the parking garage at Central, correct? Wasn't that reimbursable through the state?

Mr. Sanders replied yes, it qualified for state building aid.

Alderman DeVries stated I didn't see any language in the document, but what would happen if by chance the garage is never built?

Mr. Clark stated then we don't pay the \$700,000.

Alderman DeVries asked was there actual language that addressed how that gets refunded?

Mr. Clark stated we don't pay it.

Alderman DeVries stated we just don't pay it. Okay. We bond it but don't pay it. I was trying to think of the statutes that deal with reimbursement of state aid, which is typically after expenditure. They will consider the bonding to be the expenditure?

Mayor Gatsas stated in our good faith, we are showing them that we are going forward with it. So that is what they look at by June 30th. If we don't spend it, because they only do it on a reimbursed basis, they are not going to reimburse us.

Alderman DeVries stated the space is less than what you have existing space in the Millyard today. Is that correct?

Mr. Thomas Brennan, Superintendent of Schools, replied yes, that is correct. We have 75 spaces sprinkled throughout the complex.

Alderman DeVries stated I remember that was problematic. I think I visited your office with another Senator and the number of parking spaces was problematic. Do you think you will be able to make do with the 70 spaces?

Mr. Brennan stated I believe that will meet the needs of our staff that works in the building. The people who visit there, I believe, will find enough space, more than they currently have available at our current site.

Alderman DeVries stated so what will be missing will be the public that might need to do business at the School Administrative building but certainly there are I think 600 or 800 spaces in the Mill Complex. Hopefully they will be able to find something and it will be less of an issue after the garage is built. I understand that. The actual square footage of the build out is less than what you currently have as well?

Mr. Brennan replied yes, it is.

Alderman DeVries stated and we just didn't get the attachment of the floor plan or whatever it was referenced in the documents. How is that being accomplished? Is there a Board room?

Mr. Brennan stated we have a very large conference room but that would be one because we are able to use City Hall, the Board of School Committee is, and also with the reductions that have occurred over the last three years, we have found that we no longer need as much space as we once thought we did.

Alderman DeVries asked that would be reductions in staff?

Mr. Brennan replied yes, ma'am.

Alderman DeVries stated when this project was over on the School side, I think there was a question about IT and whether they were included in the floor plan. Are they included in your project today?

Mr. Brennan stated yes, they are.

Alderman DeVries asked and the space is adequate?

Mr. Brennan replied yes, ma'am.

Alderman Roy stated thank you, Your Honor. This is a condo. Maybe I missed it in the contract but what are the condo fees and how often can they change them?

Mr. Brennan replied it is \$2.09 per square foot.

Alderman Roy asked is that in the language of the contract here? Did I miss it?

Mayor Gatsas replied it is \$2.09 per square foot for a three-year fix.

Alderman Roy asked how many square feet?

Mayor Gatsas replied \$12,760 square feet. That is about \$26,000 in condo fees.

Alderman Roy stated thank you.

Alderman Long asked how many entities are in this association? Are we going to belong to a condo association? I thought I counted four. I was wondering if we knew how many.

Mr. Brennan replied I am unaware of that number.

Mayor Gatsas stated there is still additional space that is available that they are actually going to be renting out. The spaces that are gone I believe are the Moore Center, the State of New Hampshire has some, I think CMC has some, and we are taking some. It leaves the space that we had looked at originally before this document. That is available. There is also the third floor, I think, and the whole other side of the building.

Mr. Brennan replied yes, sir, from what I understand.

Mayor Gatsas stated so I can't tell you how many will end up there. One entity could take a whole floor.

Alderman Long asked do they all pay by square footage?

Mayor Gatsas replied correct.

Alderman Long asked so we would have a seat on this condominium board, I would assume?

Mayor Gatsas replied there would be an association. I am sure we would be a member of it.

Alderman Long stated as far as taxes, the School District doesn't pay taxes on it. This would be exempt.

Mr. Clark stated there would be taxes on the common area as part of the condominium fee.

Mayor Gatsas stated the \$2.09 includes the common area.

Alderman Shea asked Tom, how many people actually work at the administration building?

Mr. Brennan replied 57.

Alderman Shea stated and then there would be principals meeting there, about 22 at the elementary level. Would there be room when you have those meetings?

Mr. Brennan replied we believe so. We actually enlarged that conference area so that we could accommodate principals meetings.

Alderman Shea asked is there parking available too?

Mr. Brennan replied I believe they would have parking, Alderman, because we have our seventy for our employees. There are about 12 that they can park in but also with the large space that is there they would be able to find parking a lot easier than they can currently.

Alderman Shea asked you still conduct the principals meeting at the central administration now?

Mr. Brennan replied yes, sir. Actually the last few meetings we have been at MST and we may continue to do that.

Alderman DeVries stated again, for Mr. Clark, the warranty deed, doesn't look like what was addressed in the Purchase and Sale. Are you comfortable with a quick claim?

Mr. Clark replied yes, I am. I have had discussions with them. Everyone else that has bought down there has received by quick claim deed, including the State of New Hampshire. I have received assurances that everyone who has bought down there has received title insurance and with title insurance I am comfortable.

Alderman DeVries stated okay. The State is leasing from them so they are not in the same position but...

Mayor Gatsas interjected I don't think they are leasing from them. I think somebody bought the space and they are leasing from them.

Alderman DeVries stated right. I am just saying that the State of New Hampshire hasn't purchased in the building. Your Honor, I have one final question. We heard the suggestion the other night and I don't know if it is something that would pass muster or not but we heard the suggestion that this might be a short-term arrangement and that there might be other arrangements that are being considered for the School District in the near future. You certainly have some background and have looked at the deal. Is this something that you feel the dollar amount, the investment today is going to be solid if we are planning to turn this around in two or three years? And can you weigh in a little bit on the purchase price? We are at the appraised value and above it with the parking.

Mayor Gatsas stated well, not necessarily because the parking again, is an entity that comes in. I think you will find that \$10,000 per space is going to be less than what the appraised value is. I think your point is absolutely right. There is no question that right now the School District is spending about \$300,000 a year. If we look at that number based on the rent that they are at if they continue to stay where they are. I know we could all say we could find them different space but I don't think we would move from a leased area to a leased area. I think the number we are looking at because of where we are and the 40% reduction, if my memory serves me right, the net is about \$127,000 when we get our 40% payback from the state. So that is

about \$173,000 a year we would be saving or we could spend \$900,000 over a three year period which we would never recoup. To look three years down the line, we should have that vision to be looking at. Let's assume that tomorrow we found an ideal spot for the School District which would cost them zero and gave them the space that they need, would we be looking at leasing the space that they are in or reducing the cost by let's say \$600,000 and that would bring you down to \$1.1 million? Could we sell it at that? I think those are all the parameters that we must look at. If I had that crystal ball going forward I certainly would invite us all to go out and do some other ventures in this City because all I am looking at is \$900,000 that we aren't going to get any value for versus \$127,000. As I said that is over \$510,000 over the course of three years that we have gotten to our advantage. I know that the discussion is there. We can find them a space that will cost them nothing. That should be an advantage for the School District. It would have to be the right space.

Alderman DeVries stated one follow up to that, if I might. We have had some discussion that in the near future with the Municipal Complex that we might actually be selling the Rines Center on Elm Street and though I don't believe that is in any way sufficient to meet the needs of the School District, I am just wondering if we have started to separate. If we are looking at something that is a short-term facility, if we were to separate the needs, would we be better served staying where we are for one more year not assuming any additional costs? Being sure that the market doesn't get under water on us that this market doesn't continue to depress so that we have... As opposed to building or having something else that we are hoping to market in a few years.

Mayor Gatsas stated I think that our best prognosis for the Municipal Complex is probably somewhere, maybe three years at the forefront. There is no way that I believe the School District will be moving anywhere for at least a three year period. With that we are looking at at least \$300,000 a year. Certainly if we were looking at the possibility of moving within a year, I would probably tend to agree with you but on a three year basis that is \$900,000 that we are going to be spending. As I said, the worst case scenario is \$510,000 that we would be saving. That would have to be a decision that the School District would make first and then come to this Board with what they wanted to do.

Alderman Shea stated if the School District were to stay in that facility to the year 2018, they would make up the \$300,000 per year that they are paying down at the Millyard right now. They would own that facility.

Mayor Gatsas stated I think they would make it up probably sooner than that.

Alderman Shea stated I am just saying that assuming they had to pay \$300,000 per year, for eight years, which they have already spent five years there, if they spend three more years. I think it is a good investment.

Mayor Gatsas stated that would be \$2.4 million, I guess, that we could have paid for this whole deal with.

Alderman Greazzo asked what is the time frame for paying back on these bonds?

Mayor Gatsas responded the timeframe payback for these bonds is 20 years and the 40% from the State comes for those 20 years. The State pays 40%.

Alderman Greazzo asked why is it such a long period?

Mayor Gatsas stated that is a good question. I don't know. Do you want to make it shorter?

Alderman Greazzo responded well, if we are spending \$300,000 a year now and Alderman Shea said they can pay it off in eight years, why pay it for 30 years?

Mr. Sanders stated all due respect to Alderman Shea, the \$300,000 a year doesn't include the interest that we will have to pay as well so it will be much higher than...I'll say even in the \$400,000 range approximately. At 20 years, it is a long term investment. It is a long term capital project. It would easily qualify for a 20 year bond and oftentimes we do have to issue bonds in shorter periods for vehicles and other less than 20 year lives but if the Board was so inclined they could authorize the bond for ten years.

Alderman Greazzo asked is there a benefit to paying it off sooner? Do we save money on interest?

Mr. Sanders replied the benefit to paying it off sooner, is the longer the term is the interest rates in the out years are a little bit higher so just like on your home mortgage if you pay it off quicker you will save interest costs over time, yes.

Alderman Greazzo asked can you give us a breakdown on paying it off sooner as opposed to later and how much we would save?

Mr. Sanders replied certainly.

Alderman Greazzo stated thank you, Your Honor.

Mayor Gatsas stated the only problem is this has got to move forward tonight. We can get you the information. We haven't floated the bond so I guess if that discussion comes back to this Board we can move the bond at a different rate.

Mr. Sanders replied the Board has already approved the bond, which needed to be done by tomorrow in order to qualify for building aid. The resolution itself doesn't stipulate that it has to be a 20 year bond; I think that if the Board decided later to still bond \$2.4 million but do it for ten years that could still be done.

Mayor Gatsas stated I am not sure if this Board can make that decision for the School Board.

Mr. Sanders stated fair enough. That is correct. It would take both of them I believe.

Alderman Greazzo stated it seems kind of backwards, Your Honor. We are talking about the bond first and then we are talking about the building second. We can really decide on what we do. The School Board does it but we are buying it for them.

Mayor Gatsas stated Alderman, I couldn't agree with you more. I have had this conversation with a lot of Aldermen. We bring this forward to this Board and normally what we do is just move it forward because the School District is the one who is going to incur the indebtedness. They know what their budget is. Why we bring it here, to go to Lands and Buildings Committee and then come back to this full Board for approval when they have to pay the bill, I am not too sure.

Alderman Greazzo asked Mr. Brennan, what is your thought process on paying this bond off sooner rather than later? Is that something that you have considered?

Mr. Brennan stated yes, sir. We have talked with the State to find out about buildings aid and any impact it has. We will investigate with the building aid department head.

Mayor Gatsas stated we have two minutes before we have to start the public hearing.

On motion of Alderman Ouellette, duly seconded by Alderman Lopez, with Alderman DeVries voting in opposition, it was voted to accept the revised Purchase and Sale agreement for property located at 195 McGregor Street for the purpose of relocating School District administrative staff.

Mayor Gatsas advised that this being a special meeting of the Board, no further business can be presented.

On motion of Alderman Arnold, duly seconded by Alderman Ouellette, it was voted to adjourn.

A True Record. Attest.

City Clerk