

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(RE: FY2012 BUDGET)**

February 8, 2011

5:30 PM

Mayor Gatsas called the meeting to order.

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

A moment of silence was observed.

The Clerk called the roll.

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

Absent: Alderman Roy

4. Presentation by Anthem regarding health care costs.

Mayor Gatsas stated I can only tell the Board that we had done a presentation like this for the School District. I can tell you that the School District found it enlightening. They talked about the process and talked about understanding what was causing some changes in medical costs. I certainly want to thank everybody for coming this evening and I am sure that we will be enlightened with the discussions that Arlene will be presenting to everybody. Certainly let's allow her

to conclude her presentation and then we can open it up to questions. There was a presentation that was done, I want to say it was back in October, that I thought was very important and that is what created the discussions on where we were going on how we should change health insurance based on analysis that Anthem did versus other communities, the state and their norm. I think the numbers that we are going to have here are going to tell us the things that we have been talking about in health care over the last two months, how we change the conception of health care and how we get employees involved. I think those discussions are part of this presentation. I know that you will all find the things that she is going to talk about very informative. Arlene, with that, I will open it up to you.

Ms. Arlene Fishbein, BS, RN, Senior Health Information Consultant, Anthem Client Advisory Services, stated thank you for having us here tonight. On my left is Dr. Richard LaFleur. He is our medical director for Anthem New Hampshire. He is also a practicing internist in the State of New Hampshire. By way of introduction, my name is Arlene Fishbein and I am a nurse. I have worked at Anthem for the last fourteen years in a variety of different positions, the most recent of which is that I work primarily with large employer groups in New Hampshire, Maine and Connecticut. My primary role, although I have many, is to review the costs and utilization for these large groups and to make recommendations and talk about wellness initiatives for groups of your size. I think it is important for you to know that I use probably 15 to 20 different reports looking at your costs and utilization in a variety of different ways. I am looking at your finances but I am also looking at your utilization. Because I am a nurse, I have that clinical lens, so much of the presentation will have a clinical flavor to it. My role is to look beyond the dollars and cents, however, and at those key behaviors that are driving the dollars and cents, and we will talk about that. We were asked to come here tonight to share the facts about your costs and utilization for the City and that is exactly what we will be doing. Typically, with any large

group, I look at trends, year to year activity. However, in your case, I only have one year's worth of data, so I will be giving you a preliminary snapshot of what I see in the costs and utilization data that I looked at. Remember, with only one year's worth of data, it is very difficult to make true predictions of what will happen in the future. However, I will do my best based on information that I have found in your data. The reporting period that I used was from incurred claims. That is important to note. Usually we do paid claims, but I looked at incurred claims from when you came onboard. That was July 1, 2009 through June 30, 2010, but I included paid claims data with two month's worth of run off so that I could capture a more comprehensive picture of what a full year's worth of data would look like. When I look at any groups data, I typically look at other comparisons. I am looking at, in your case and in other groups in New Hampshire, the New Hampshire Book of Business for Anthem. I use that as a comparison. However, in your case, particularly because I only had one year's worth of data, I felt it was important to compare your information and your data in a variety of different settings. I first looked at the Anthem New Hampshire Book of Business, and then I chose two like industry norms. For us I chose two public sector accounts that were similar to the City. I took that a step further and looked at two private sector groups, so that you could see some comparisons there as well. I looked at two social service agencies because there are components to that which are very similar to your costs and utilization. I used two hospital accounts and then I used two educational groups, two school settings. I wanted you to have as much variety as possible, so that you would be able to compare yourself to a very like industry and to other industries that are not like yours at all. You can look at that from benefit structure as well as from costs and utilization. When I look at your data, I am looking at your entire membership. I am looking at the subscriber, spouse and children. This is very important for a variety of reasons. The number one reason is for wellness initiatives. You need to know which group you need to target for those wellness initiatives. You also need to know who is driving your

claims because that will impact short and long-term disability as well as presenteeism, absenteeism and productivity. I look at your entire membership. I also explore all of the different settings and want to know what kinds of issues and concerns there are in each of the settings. I have drilled down to the inpatient, outpatient, professional and pharmacy settings to show you what kinds of conditions, illnesses and costs and utilization are going on in each of those settings. I will spend a little bit of time talking about catastrophic claims. In our experience, for Anthem, we are looking at any claims that are over \$50,000 per member, during any particular time frame. We know that \$50,000 is a very low threshold because in a very short period of time you can hit that mark and go much higher, but for our purposes tonight, we are still using the \$50,000 threshold. It is a very good indication of what kinds of underlying conditions are prevalent in your population. You will see that there is almost a mirror to your catastrophic claims to what is going on in your population. The executive summary that you now have in front of you is very detailed and complete. As the Mayor said, I had presented that previously in October and was asked to present that with the data that was in there at that time. That is the reason that you have two separate dates on the front sheet. I am not going to go over every single page; however, there are pages that I will spend more time on than others. I will highlight all of the salient points, however. After I finished my analysis for the City, I found about five major points or themes that kept coming up throughout the data. The first is that your membership is approximately two years younger...and when I talk about the membership remember that I am talking about everybody...than the Anthem Book of Business norm for New Hampshire, as well as a like public sector group that I used as a comparison. However, your costs are driven by the age span of between 40 and 59. That is very significant in that almost 50% of your population is over age 40. There are chronic conditions in your population that are quite evident. That means that there are things like joint degeneration, people who have arthritic changes in any of the joints in their body. Asthma, chronic obstructive pulmonary

disease, which translated is usually looked at as emphysema and chronic bronchitis and the underlying cause of that is usually smoking. Heart disease and diabetes were very prevalent in your population as well. These are conditions that are very costly to treat, difficult to manage, and in fact they are very lifestyle related in many cases. There is also evidence in your population that you have a significant number of members that have both rheumatoid arthritis and multiple sclerosis. The reason I bring that up is that those are very expensive conditions to treat; there are no generics to treat these members. That is another costly piece of the puzzle that we are adding in here. Your benefit design is generous. That said, when I compare you to other public sector groups, you are very similar. Those other public sector groups are also very robust in their benefit design. When I looked at your conditions, diseases and illnesses, there is a common theme. There are 22 major practice categories that illnesses and conditions can be bucketed into. I generally look at the top five or six. In your population, what I was seeing were these, and in this order: orthopedics and rheumatology, that's anything to do with bones and joints; number two was gastroenterology, anything that has to do with the digestive track; endocrinology, which is usually just diabetes, high cholesterol and obesity; cardiology, which is anything that has to do with the heart and the vessels that go to and from the heart; and hematology, blood conditions and in the City's case, we are talking about cancers. Usually we are talking about lymphoma and leukemia. Lastly, we are talking about another driver and that is behavioral health. Translated that actually goes into two different areas; one is depression and the other is substance abuse and drug dependence. Many of these conditions are lifestyle related, where education, wellness initiatives, innovative programs and benefit change strategies could mitigate some of those costs. The City has already started some wellness initiatives that I am well aware of, such as the fitness challenge, and my recommendation is that you continue with that kind of a program and even expand on that a little bit more. Keep in mind that this is only one year's worth of data, however, and anything can change on a dime. With that

said, why don't we take a look at the financial snapshot, which is on page four and page five. Let me help you navigate through here just a little bit. On the left side there are some indicators of what we look at when we do a financial snapshot. I looked at again, that time period of July 2009 through June 2010 and compared you to a variety of different norms. As you follow the line across, you will see that there are numbers to compare the City's data to those other groups. Note that in some cases I have two sets of numbers: one that is in a color, so that you can tell the difference between the different industries and then one that is beside it in parentheses. That indicates that this is the current period. The parentheses indicate it's the prior period. I want to make a couple of points about that. In that one year's worth of data, the total costs were \$17,506,000 plus. Those are raw dollars. Again, I don't have another year's worth of data to compare that to, so I am not able to trend that data. In addition, the claims total was \$601,000. We always look at catastrophic claim dollars after that. In your case, the City spent \$3,778,000 plus. What is more important, from my perspective, is to know what the total percentage is in terms of the total that those catastrophic claims comprise. In your case, that is 21.6% of the entire total spend. When you look at that, that is over a fifth of your spend. Comparing yourself to the Anthem Book of Business, that is lower, but it is also higher than the public sector norm. Then if you follow those two pages across, you will see that there is a wide variety in which those catastrophic claims have a certain percentage based on the total. There are three indicators that tell us right off the bat how a group is doing. The first is we look at the top one percent of the claimants that are driving that percentage of the total spend. This is not a typographical error; it really is 21.6%. In your case there are 337 members who are driving 21.6% of the total claims. That is one percent. As we follow that across, you can see that that is a little bit lower than the Anthem New Hampshire norm, yet it is higher than the public sector norm that in fact I compared you to throughout the presentation. Following that across you can see there is a wide variety of percentages based on the industry that you are looking at.

The second is the average cost of a paid claim. In your case, the City spent \$5,100 approximately for one claim. Comparing that to other industries, you can see that you are like the public sector norm, but you are considerably higher, in fact, 26.3% higher than the Anthem New Hampshire norm. Following that across, there is some variety there in terms of the dollar amount, but you can see that it ranges anywhere from about \$3,700 to about \$5,500 for the average cost of a paid claim. The third indicator is the percentage of members that have no claims at all in the system. The number we are looking for here is to be as low as possible. We want members to seek services particularly for those preventive services and for routine visits. It is fairly typical for a public sector group to have a very low number, because they utilize a lot of services, although I cannot guarantee that it is for preventative services primarily or for routine screenings. That is something to keep in mind. If you look at that number, you are at 4.5%. The Anthem norm is 13.3%, but the like industry is closer to you at 5.6%. Following that across, one of the private sector groups is at 14.7%. You can see that the great majority of your members are seeking services for their conditions and are getting some preventative screenings and routine visits. Next we take a look at cost share. As I said before, and I know it is no surprise to you, in terms of cost share, your benefits are generous. If you look across, the City shoulders the greatest burden here at 96.7% of the total. The member bears the burden of 3.3%. Looking across there is variation; however, you are at the highest in terms of the City shouldering the greatest burden here. I also look at the annual cost per employee, because that's the member that is going to impact, to a greater extent, the short-term and long-term disability productivity and absenteeism. In your case, the average cost per employee was almost \$13,000. Following that across, again you are very much like a similar public sector norm, but there is great variation when it comes to a private sector norm or even a social service comparison. Then it is important to look at the average cost per member, looking at all of the membership in total. Here you were at \$5,177. The Anthem norm is approximately \$4,650. You can

see that as you follow that line across, it is anywhere from \$4,000 to \$5,800 for the average cost of a member. I also look at inpatient, outpatient, professional and pharmacy, in terms of the percentage of the total spend. We all know that the inpatient setting is the setting of the most costly services and the most complex conditions. We want that number to be as low as possible. We would like that percentage to be as low as possible. In the City's case, it is low. It is at 13%. As you follow that across, you can see that there is great variation there, as well. Outpatient costs comprise 31% of the total. That is much lower than the Anthem New Hampshire norm and pretty comparable, yet again, to the public sector norm. Professional costs is where you want your greatest spend, because this includes your office visits and routine visits and screenings. You would want that number to be as high as possible. You are high at 36.9% of the total and we will see what goes on in each of those settings. However, do know that your pharmacy costs are at 19.1%? That is much higher than the Anthem New Hampshire norm and slightly lower at this point in time, compared to the public sector norm, but there are other industries that have highs and lows. I next take a look at demographics in a lot of detail. I know you know how many members you have. I know you know that there are more males than females in your population, but I am looking at that from a different perspective. I want to know where the concentration of membership is in terms of age bands. That will give me a fairly good idea of what kinds of conditions, illnesses, and issues members are having. As you can see on the graph on the left, you can see that the greatest concentration of membership for both males and females is in the 40-49 age band. For males, however, the second highest is in the 50-59 age band. That is different than females in that the second highest for them is in the 7-17 age band. So it is likely that we are going to see different kinds of issues for males and females. What is really important is that the literature tells us that chronic conditions like asthma, diabetes and coronary artery disease are more prevalent in an older population, as well as progressive conditions, like multiple sclerosis, as well as rheumatoid arthritis. We also see

more catastrophic conditions like cancer, strokes and accidents as our population ages. Based on just this piece of information, I am able to see that I am likely to see chronic conditions and it is very important from a wellness perspective to try to hone in on the younger population to try to mitigate those costs later on. Now let's look at the impact of your demographics on dollars and cents. There is a very wide variation by age, as well as gender here. What you can see in the graph is, in each one of those age buckets, there is an N number. The N tells you how many members there are in each one of those buckets at any point in time during the year. Sometimes a member could be 19 in one year, and be counted there, and could also turn 20 within that year and they could be counted in that space as well. The greatest concentration of membership is in the 40-59 age band, as you can see there. Chronic conditions begin to show themselves in the 30-40 age band. It is very important to look backwards and try to mitigate some of those costs. The 70-79 age band and the 80-89 age band, from my perspective, is simply an outlier. I would ignore that at this moment. Female costs begin to rise at about the teenage years and they continue to rise, but slowly until they reach age 40-49, and then you can see that there is a pretty big spike there. Males on the other hand, have very low claims usually in the younger years, and not because they are more well, but more because they don't seek regular services until there is something really wrong. It is harder to get a male to the doctor when he is 20 than it is when he has a real problem at 40. We see evidence of that here as well. Interestingly enough, females have higher claims, until we reach the 40-49 age band and then we see this huge spike in male claims and they overshadow females in the 50-59 age band. They are pretty high in the 60-69 age band, when all of those chronic conditions, that in many cases are lifestyle related, have already been ingrained and they are far more difficult to manage, treat and keep from becoming progressive. Then I looked at the different settings, and of course there is a lot of detail here, so let me just simplify it for you. In the inpatient setting, the spend was \$2.3 million and it was 13% of your total claims. Again, this is lower than

both of the norms that I looked at. I saw medical admits, surgical admits, maternity admits and behavioral health admits. When we peel back that onion, I am looking at what kinds of conditions I am seeing in that setting. The top five begins with orthopedics, which actually translates into joint replacements. People have a lot of issues with knees, hips, backs and necks. We see a lot of surgical procedures and intervention at that point in time. A lot of that could be reduced by weight reduction and exercise and we wouldn't have as high costs in that area. Typically I see orthopedics, as well as cardiology, as the number two drivers, one and two drivers, in the inpatient setting. In your case, it was hematology, treatment for those blood cancers. Then it was pulmonology, which translated is asthma and chronic obstructive pulmonary disease that becomes progressive and needs inpatient intervention. The fourth driver was obstetrics, pregnancies and deliveries. Last was cardiology. Translated, that is members who have coronary artery disease, end up with coronary bypass grafts or have heart attacks and end up in cardiac rehabilitation. It's not a pretty picture. That is what you see in the inpatient setting. In the outpatient setting the spend was \$5.4 million and accounted for 31% of the total spend. Again, you are more like the like industry, the public sector norm. In here we see outpatient surgery, radiation, radiology, the emergency department and lab and pathology. When we drill down into that, we are seeing things like orthopedics, which means that there is a lot of x-raying going on and outpatient surgery for that torn meniscus, torn knee and a lot of emergency department visits for twists, pulls and broken bones. Cardiology, labs, stress testing and emergency department visits come in here. Hematology is the big driver for this particular point in time for your population because here this translates into chemotherapy and a lot of lab and pathology being done in this setting. Gastroenterology is more of the colonoscopies, the endoscopies and emergency room visits that are done in this setting. Last, malignant neoplasms are your cancers. Again, we are seeing a variety of things such as CAT scans, PET scans, x-rays, chemotherapy and radiation therapy, all in this setting. Here is

evidence of the Compass program that Anthem has in place for you, that tries to mitigate some of the costs associated with this. In the professional setting these are the fees that are associated with inpatient and outpatient services. There were no surprises here. I always like to share the good news when I am delivering the bad news, and the good news is that your number two driver was prevention, and that is great. To keep that in that spot would be wonderful because that says that people are getting routine screenings. They are going for routine visits and having their issues addressed in a less costly setting than waiting until they need to be in the inpatient or outpatient setting. Looking at pharmacy, again there is a lot of information here, but whittled down what I can tell you is your pharmacy costs represented \$3.3 million and over 19% of your total claims. These are the major therapeutic categories that I saw in your population. Number one is anti-hyperlipidemics; translated that is Lipitor. That is what almost everybody has heard of, and it is a very expensive brand drug. Simvastatin is an alternative. It is not exactly the same, but it is a generic select drug that has a dramatic cost difference. Lipitor costs \$183 per script. Simvastatin costs \$27 per script. That is a very big difference to treat the same issue. The second driver, in your population, for pharmacy, was ulcer drugs. You have heard of acid reflux disease, GERD. This is Nexium, the purple pill. This is the drug that is more commonly used in your population than other drugs and there are many alternatives. Nexium is a drug that costs \$269 per script. Prevacid is a common drug used for GERD, and that is \$274 per script. There are other drugs that are less expensive. There are generic alternatives. There are also over-the-counter options that are \$20 that do exactly the same thing. So there are many opportunities in that category particularly. The number three driver was antidepressants. The good news here is that in most of the groups I deal with, antidepressants are usually numbers one or two, so you are all the way down to number three. However, the issue here is that of all the choices of antidepressant medications, the City actually uses brand name drugs far more often than they use generic choices. An example for that would

be...and this is from your data...Lexapro is an antidepressant that is \$99 per script. Effexor is used in your population and it is \$187 per script, but the generic for Zoloft is only \$25 per script and Prozac is \$23 per script. There is opportunity there to move to some generics. When I looked at what was really driving the costs for pharmacy, it truly was the cost of drugs. When I look at the top five drugs that the employer is paying for, many of them were very special drugs to treat things like, as I said before, multiple sclerosis or rheumatoid arthritis. They are very expensive. Please note here what it costs per script for some of these drugs. To treat MS, one of the drugs used commonly is \$6,000 a script. There is no generic alternative. The member needs this, but it is very costly to treat. On page ten, from my perspective, this is the meat and potatoes of your group. This tells you exactly what conditions, illnesses and issues are prevalent in your population. The number one driver, as I said, was orthopedics. \$2.8 million was spent on orthopedic claims in that one year period. That is 16% of your total and accounted for almost 1,400 members. Like industry norm, LIN, is the public sector group. The number two driver was gastroenterology. Almost \$1.3 million was spent on that. Here we are looking at inflammation of the esophagus, GERD; inflammation of the intestines; irritable bowel syndrome and hernias. Endocrinology is also almost \$1.3 million and 7.4% of your spend. Diabetes accounts for \$423,000 of that spend. Notice that obesity, in your population, is a huge driver of the endocrinology spend and let me translate that a little bit for you. Obesity is the number one risk factor for diabetes. If you have that, your chances of being a diabetic and having diabetic issues, are far greater. There is definitely opportunity to work on that area. Cardiology is number four on your roster and accounts for again almost \$1.3 million and 7.3% of the total spend. It is about a quarter of the price to treat somebody who has high blood pressure, compared to treating somebody who has coronary artery disease and needs a coronary artery bypass graft. The caveat here is that it is difficult to screen everybody so that they know that they have high blood pressure and that they need to be treated. That is

the trick here, to get people screened, identified, treated and managed appropriately. Your fifth driver was hematology and primarily driven by those blood cancers. The sixth driver is behavioral health. Depression was \$376,000 of that spend of \$1.1 million. Keep in mind, this was data that was retrieved through June of 2010, so that I could have an even better picture for you to share, I looked at the data that was complete through December of 2010, just recently. I found that some of these issues have changed. Mayor, you may remember that when I spoke about this, I said keep your eye on cancer. I suspect that we are going to be seeing that. In fact, cancer, which is not demonstrated in this pyramid, at the moment, is your number two driver. It has gone from number seven to number two, in a few months. Ten more members have been diagnosed or treated in some way, with cancer, that we didn't know about as of June of 2010. I wanted to make sure that the information that you received was absolutely as up-to-date as I could possibly get it. I think that this is a picture of where you need to be spending some time, in terms of targeting wellness, exercise, nutrition, weight reduction, smoking cessation, and stress management. I looked at your catastrophic, again that \$50,000 threshold, you had 35 members who fell into that catastrophic claim bucket. What I found was that it was cancer or hematology cancers that were driving the great majority of your high dollar spend. In fact, there were 14 of the 35 members and that equates to 52.8% of the total in catastrophic claims for cancer related issues. Knowing that, I suspected that we would be seeing more as time went on. Cancer is very costly to treat. Chemotherapy, radiation therapy, and follow-ups, as well as the radiology testing that needs to be done in order to diagnose this, is very costly. I always look at preventive screenings for any group. In your case, the data that you see in front of you is just preliminary. I would consider this to be baseline information because we don't have more than one year's worth of data. Some of the screenings that according to the guidelines don't have to be done every year, I am missing some people I am sure, so looking at it from a two-year standpoint will give us more information. However, I will

share this with you. When you look at mammograms, and that is one of our biggest indicators, the national guidelines tell us that a woman between the ages of 40 and 59, should have a screening mammogram every one to two years. Based on that information, we are looking for 50% compliance. Although, in this case, your data is immature, I looked at your mammograms from two different perspectives. I looked first at only preventive mammograms that were done, not because there was an issue, but I also looked at it from whether it was diagnostic or preventive. It almost didn't matter to me. I wanted to simply know that the women had had the screening done, so I provided you with the data for both of those. If I look at preventive only, your numbers are between 33.8% and 55.4%, so it is only the over 60 population that in fact is meeting that guideline or threshold. If I look at the entirety, anybody who had any preventive screening or who had any diagnostic screening, your numbers are far better. Looking at colonoscopies, the national guideline for this says that a member who turns 50 should have a screening colonoscopy at age 50 and every five to ten years after that, depending on what is found at the initial screening. I can't tell you how many 50 year olds you had in this one-year period of time, but I can look at the 50-59 year olds, so I used that age bucket in order to catch as many people as possible. My goal would be looking for 20% compliance with colonoscopies. You can see here that your numbers are pretty low. In fairness I will tell you, I see that in other populations and in populations where I am looking at years worth of data. There is definitely an area here where we could do some education. Anthem provides, what we call, 360 degree health programs as part of your benefit package to the City. One of those programs is called our ConditionCare Program that addresses the more chronic conditions throughout the United States. It looks at asthma, coronary artery disease, heart failure, chronic obstructive pulmonary disease and diabetes. Through our claim system, looking at medical claims, as well as pharmacy claims, they are put through a very sophisticated predictive modeling tool, to identify those members who would most benefit from programs

on how to manage these conditions. If they are low-risk, they are usually given things like education materials and tools. If they are determined to be moderate or high-risk, they have the opportunity to not only get the educational materials and tools but to work one-on-one with a telephonic care manager to help them deal with their condition, manage it more effectively but also to look at co-morbid conditions. Those are conditions that they have in addition to these chronic conditions. I have provided you with the activity that was done in the last year. We can see that we are making a difference. Two areas here to highlight are that asthma and chronic obstructive pulmonary disease, which is the COPD that you see here, are higher in terms of prevalence, in your population, than our Anthem New Hampshire norm. You can see that diabetes is right on the cusp there. I suspect that when the newest reports come out, from 360 Degree Health, we will in fact see that diabetes will rise up a little bit higher. 399 members were touched by this program to help them deal with their conditions in a better way to manage their conditions more effectively and ultimately to mitigate costs. The last area that I look at is a little bit different. I am looking at all of the claims from a very different vantage point. We know from the literature that 50% to 60% of all claims have the propensity to be lifestyle related. Translated, what that means is that if you are obese, and you end up with diabetes or you end up with heart disease, you could end up with chronic kidney disease and all of those dollars increase. If you are a smoker, you could end up with heart disease. You could end up with lung cancer. You could not as well, but there is a higher propensity that those claims are related. We look at those claims, from that vantage point, and see if we can see some areas in which we might do something to address ways to reduce that. In your case, 49.2% of your claims were determined to have the propensity to be lifestyle related. That is pretty high, with only one year's worth of data. The areas that should be targeted would be anything around orthopedics, because joint degeneration definitely is an area of impact; endocrinology, where we would look at diabetes and obesity; cardiology and high blood pressure would

be areas of the biggest bang for your buck. Pulmonology...translated is we need to stop smoking. The appendix that I have provided gives you some clinic fast facts that may surprise you in terms of some of the conditions and illnesses and issues that are prevalent in your population. They come from reputable sources. They are all tag lined. You may be very interested to see what they have to say about things like obesity or chronic obstructive pulmonary disease, any of those. What I will point out to you is, if you would turn to page 22 the very last line, about one-third of the expected cancer deaths will be linked to behavior related factors such as obesity, physical inactivity, and poor nutrition. There will also be more than one million skin cancers diagnoses, many of which are caused by indoor tanning and overexposure to the sun. In your population, there is evidence of obesity, physical inactivity and poor nutrition. That ends my part of the presentation.

Mayor Gatsas stated thank you very much. I will open it up to questions, but could you just go to the third page and talk about a couple of things that we had a very long discussion about when we met in October? It is the City of Manchester strategic questions and observations, page 3. There are four squares. Let me just give you the three and if you could discuss them, I would appreciate that. The first square says annual cost per member is 11.5% higher than the Anthem norm. If you could go down to, what are my opportunities, and talk about adjust cost shared to reflect greater member responsibility. The next one is explore emergency department co-pay increases to encourage appropriate settings for less acute conditions, if you could talk about those three. Also, regarding the pharmacy costs on the next page, I think this was a very long discussion that we had in October. The City norm is 19.1%, compared to the other norms listed there. If you would touch on those, then we will open it up to questions.

Mr. Fishbein stated the annual cost per member is 11.5% higher than the Anthem New Hampshire norm. That is reflected on the following page where it says the annual cost per member is \$5,177. If you follow that across, you are clearly in line with the other public sector number one, at \$5,179. However, following that all across, you can see that there is variation. It goes from \$4,700, \$4,100, \$4,200 all the way to \$5,846.

Alderman Craig asked is the annual cost higher because there is more usage per member or is it that there are higher claims? I read that and it says the annual cost per member is 11.5% higher than the Anthem New Hampshire norm. What I was wondering is, is it because we have members that are using our insurance more or is it because we have a smaller number of members that have higher claims?

Ms. Fishbein replied in my opinion, that would be because you have many members using many services, not just a small number of members who have very expensive claims.

Alderman Lopez asked we don't have page numbers, so can you tell us the title of the page?

Mayor Gatsas replied yes, the page we are talking about now, is the City of Manchester – Strategic Questions and Observations. It looks like it is broken into quarters. It is the second page after the cover. The next question is: what are my opportunities?

Ms. Fishbein stated there are a variety of opportunities that we see, one of which is that our programs are not utilized to their fullest extent. For example, our...

Mayor Gatsas interjected just so you understand, I am talking about adjust cost share to reflect greater member responsibility and then the bullet right underneath.

Mr. Fishbein stated your benefit structure is robust. If a member has more vested interest in looking at the finances, what gets paid for, they are likely to make more prudent choices in what kinds of services they get. Translated, if I know that the emergency room co-pay is really not terribly high, and I have a sore throat, I might forget about going to the doctor's office and go to the emergency room. Likewise, if I was thinking about going to the emergency room, I might consider going to an urgent care center as opposed to going to the emergency room. Another example of that is probably tying in with pharmacy because we had had this discussion as well and that would be that if I had to pay a little bit more for my medications, I might think twice about whether I was going to choose a generic or talk to my doctor about prescribing a generic as opposed to the \$250 drug that doesn't cost me very much.

Dr. Richard LaFleur, Anthem New Hampshire Medical Director, stated the only thing that I would add on that generic issue is that these drugs have equal efficacy across the spectrum. Individually patients may have specific susceptibility, but overall that is an easy option for many patients.

Alderman Craig asked as a physician, do you typically prescribe the drug or do you find that patients are coming in and asking?

Dr. LaFleur replied patients definitely come in and ask. We know that is out there in the direct consumer marketing, but again, the physician still must be the one to help guide that recommendation. Certainly if you have incentives to help align the patient in the physician's approach, then it works easier for the member.

Alderman Craig asked from an Anthem prospective, do you do any marketing to physicians and subscribers regarding the generic drugs? You know who is taking what, so I was wondering is there a way that you can talk to them directly about cost savings.

Dr. LaFleur replied absolutely. That is a targeted issue for us because we do know that it helps a lot with members' claims and the employer's impact. There are a lot of programs that we work with physicians on, and on their quality rewards program for them for performance in the amount of generic prescription drugs that they prescribe. There is a lot of activity around that for physicians to be compliant along that line and to help members.

Alderman Craig asked then subscribers to insurance, do you do the same?

Dr. LaFleur replied right, subscribers would get information about generic opportunities. Frequently they will get a notification that they could have some savings because there is some co-pay impact to them if they have a generic versus a high-level drug.

Alderman Craig asked on those marketing programs, do you know what the rate is in terms of switching?

Ms. Fishbein replied that is a very good question. We know about the generic dispense rate. The generic dispense rate for the City is low compared to... I can get that number.

Alderman Craig stated what I was wondering is the conversion rate. So if you have a marketing program and you are going to someone who is on Lipitor, do you know what the return is?

Dr. LeFleur replied there is definitely an impact. I don't have the information for your exact population, but there is a definite impact for members. It is interesting that over the last few years, we have seen that impact have a more profound effect because of the economy. We are seeing people start to take recognition. Very similar to your Compass SmartShopper program, where members are starting to understand that there is an impact and it makes a difference.

Alderman Long asked when a doctor prescribes, is it the norm to prescribe the generic or the name brand?

Dr. LaFleur replied it depends on the individual. Most physicians are taught that they should be prescribing generics. However, a lot of that is habit. It is habit that a patient comes in and asks for a specific drug. Again, it is that conversation that has to happen between the physician and the member.

Alderman Long stated the wellness programs are employee oriented. Of our members, it seems like it is 40% subscribers and 60% dependents. When we are doing wellness programs we are targeting 40% of our members. When we concentrate on our employees, it is only 40%. We don't know this 1% claims. Do we know whether they are high dependents or employees? Does that qualify whether they are dependent members or whether they are employees?

Ms. Fishbein replied I don't know as though I have, at my fingertips, the answer to that. However, when I looked at each one of those major practice categories, I am able to tell you which part of the population is driving that. For example, with orthopedics, I know that it is primarily the subscriber and the spouse that are driving that, but children costs are fairly high. Not as high as the subscriber. The other piece to that, and you make a very valid point, is it is more difficult to target

the spouse or the dependents when you have issues than it is the employee. Generically, you have to get more creative in how you offer something. Sometimes there are incentives to go to an educational program or bring a friend. That kind of thing helps to get the family member involved as well.

Alderman Long stated with preventive, it shows that we have a good number. What is the definition of a qualifier for preventive? Are these earaches, a sudden lump, or is there something specific? We know that these are actual preventives and it is not just finding something that might be wrong.

Ms. Fishbein replied yes. There are a couple of ways to answer that. The first is that the way the claim will come in, it will tell us whether it was a routine mammogram for example or whether or not it was for diagnostic purposes. We don't need to know where the lump was, we just know that they came in because something was wrong. I am able to look at those claims and categorize them in that way. I look at both though.

Alderman Long stated so if I started to get an earache, would that be considered preventive?

Ms. Fishbein replied no.

Alderman Long stated so I would be treated for an earache, whatever the treatment was and that wouldn't be included in the preventive.

Ms. Fishbein stated something that would be included in preventive that is not mammogram or colonoscopy would be the routine yearly physical that an adult has. There wasn't anything wrong. You were simply going because a year has gone by, you haven't had your blood work done and you need to be screened.

That is a very good indicator of where you think you are fine, but then they do some blood work and they find that maybe your cholesterol is high or your blood pressure is high and they need to be looking at this.

Alderman Long stated preventive is good. We want to see more dollars going to preventive because that is telling us in the long run that we are going to avoid high costs. You are saying that our preventative is good. I look at it and say that is not really that good. What, in your opinion, would be good?

Ms. Fishbein replied that everybody would go for routine visits and preventive screenings when they are supposed to.

Alderman Long asked is there any programs or anything that you have... Are you seeing the insurance industry coming up with mandatory things? I am a diabetic, I smoke, I'm chubby and I exercise a little bit. If my insurance calls me, I blow that off. Sometimes I pick it up and they tell me they noticed that I didn't tell my doctor that I took my blood test. I kind of blow that off. It doesn't really work. What works is when I go to the YMCA and someone calls and says they will meet me there. That will work.

Ms. Fishbein stated the buddy system.

Alderman Long stated habits are hard to break. Our health insurance is sky rocketing here. If they are anything like me, I don't care. I should stop smoking. I should start exercising more. My wife's whoopee pies are the best. I am thinking that I am a normal person. If I can get serious, then I think we could get more people serious about this and the health insurance costs are going to go down. How do you do that? Live is what works, in my case.

Dr. LaFleur stated there is a threefold approach to that. You are absolutely right. That is where the individual responsibility comes in. How do you incentivize that at an individual level? The second one is, what we do from a plan standpoint, and that is the calls out, the reminder cards that you need something done. The third one is we work very aggressively with providers and with physicians to identify the members that they have taken care of, to notify them that their patients have not gotten the care done. A lot of our innovative programs are really to incentivize practitioners to build information systems for them to identify, so that we don't have to keep reminding them of that. It is a three-pronged approach. It is bringing those three together for the most effective result.

Alderman Long asked do you see in the future where they may be more... if I am going to continue to smoke, not watch my blood sugar, not exercise and stress out, is there a point where a doctor could say that he is all done with me and tell me to find somebody else? I am serious. That is the only way that I am going to stop, if somebody tells me that two years from now if I am not done smoking, they are all done with me. Or the insurance company says something. Is there a point you get to? You are fighting an uphill battle. My insurance company has to know that I am going to cost them a lot of money ten years from now.

Ms. Fishbein stated that brings in the cost share. If you have a little bit more skin in the game, then in fact you may think more about that. If it is going to cost you more, there might be things that you may want to address in order to save yourself money.

Alderman Long stated the cost factor would be an incentive. If I was paying out of my pocket...

Ms. Fishbein interjected for many people that is an incentive to look at things. The best example is probably the generics and looking at generic medication as opposed to the really expensive purple pill for GERD.

Mayor Gatsas stated you are talking about increasing co-pays and increasing employee contribution.

Alderman O'Neil stated I just want to touch on the program that you talked about with subscribers. I don't know if you said that there is a marketing program on the brand prescriptions versus generic prescriptions. Do you have any idea how many employees have actually switched once an original prescription was written for a brand name drug versus actually changing to a generic?

Dr. LaFleur replied I don't have that exact number at this point in time. As I said, that is changing in part, and is probably driven by where we are in the economy. I don't have those exact numbers right now.

Alderman O'Neil asked did you say that there is something similar to the Compass program for prescriptions? I am very familiar with the Compass program and I think they have 32 procedures or however many there are now. I might have misunderstood what you said.

Dr. LaFleur replied no, with prescriptions, members are notified where they can have a savings when they are on a drug for which there is an alternative.

Alderman O'Neil asked is there a formal name for that program?

Dr. LaFleur replied it is part of your pharmacy program.

Mayor Gatsas stated just to follow up on that, Alderman O'Neil, I was talking to an employee today and they said that they received from Anthem a form that said XYZ prescription is zero cost if you go get this versus your call drug at \$127 a script. The employee continues to fill them every two months. So Anthem is doing that and I am sure they are doing it with more than just one employee. I think what we would like to see back, if you could tell us how many you send and how many actually use it, that would be a good question. If you send it to 500 and only 50 are using it, why aren't the other 450 using it?

Alderman O'Neil stated Arlene, you used the example of a sore throat with the emergency room visits. My belief is it is an accessibility issue. Your primary care is not available on Saturday or Sunday or at night. It has changed. Or there is somebody that is covering and they are less likely to want to see you unless it is an emergency situation. You mentioned ideally you want to get to a doctor's office, but if it doesn't happen Monday through Friday, it is highly unlikely that it is going to happen. It's the issue of accessibility versus a doctor's office, versus an urgent care facility, versus the emergency room. I am only aware of one urgent care facility currently in our area and that is in Londonderry, because I have heard people from Manchester talk about it as a very positive experience. I believe when River's Edge opens up there will be a second urgent care, but how do you address that accessibility issue? I believe people go to emergency rooms because they can't get to their primary care physician. More and more the primary care physicians or practices are owned by the hospitals; that is a fact. I believe there is an accessibility issue. There used to be a great little practice up on North Bay Street with three or four doctors in an old Victorian house and you could go in on a Saturday or a Sunday and that doesn't exist anymore. Can you address the accessibility issue?

Ms. Fishbein replied yes, as a matter of fact I can do it twofold. When I used the example of the sore throat, let's not even look at the emergency room or an urgent care center; let's look at a 24/7 nurse line. If it is a sore throat, the chances are that it is not a true emergency. We have a 24/7 nurse line that is part of our package. All you have to do is call and it would be triaged. It would be answered by a nurse who will ask questions and do a full assessment to determine whether or not you really do need to go to the emergency room.

Alderman O'Neil asked is that any different than what CMC used to have, Ask-A-Nurse? I don't know if they still have that.

Ms. Fishbein replied it is a similar program.

Alderman O'Neil stated I am going to guess that the Elliot Hospital offers a similar program, as well.

Mr. Fishbein stated you could in fact reduce some of the ER costs by using a 24/7 nurse line, particularly when there are many instances when people go to the emergency room for not something as simple as a sore throat, but a twisted ankle. The person can move it, but they want to get it checked out. Maybe if you put a call in to the provider, or maybe if you called a nurse line, you would get information that would help make a prudent decision.

Alderman O'Neil asked is there an industry percentage on the number of people that would use that, how many emergency room visits that cuts down on?

Ms. Fishbein replied I don't know from a national perspective.

Alderman O'Neil asked or even just the experience of Anthem itself?

Dr. LaFleur replied I think when people use the line, there is an impact.

Ms. Fishbein stated because they don't end up in the emergency room, except for true emergencies. If you have chest pain, you need to go to the emergency room. If it ends up being indigestion, oh well. You still needed to go to the emergency room.

Alderman O'Neil stated you have answered it, but I still think there is an accessibility issue. If you are having an upper-respiratory infection or something, it is my experience there is not much that the 24-hour nurse is going to be able to tell you. You probably need an antibiotic, and you know that from past experience, to get rid of it. You probably didn't call the doctor's office on Friday because you were feeling okay, but then Saturday night or Sunday morning comes and it has knocked you for a loop.

Ms. Fishbein stated that part is true, but if you hadn't waited until Saturday or Sunday to take care of that, again it is member responsibility to know when your doctors office is open and in fact doctors are on-call so they can have a conversation with you. You may not be able to get in. The provider at 2:00 in the morning is going to tell you that it is that bad, after an assessment; yes this is an emergency room case.

Mayor Gatsas asked why would you put the emergency room, unless you saw utilization of the emergency room on our list of how to reduce costs? Obviously you must have looked at a number and saw a lot of emergency room use.

Ms. Fishbein replied I did see a lot of emergency room use. I look at the top 100 diagnoses for why people from the City, and I look at this for any group, go to the emergency room. I always find that there are areas that we could reduce those costs. The example is the sore throat. Another example that I see frequently is the earache of the child that started at 2:00 in the afternoon, but by the time you really do something about it, it is 2:00 in the morning and you are sort of stuck and your child is screaming. I see a lot of emergency room visits, and I am sure that Dr. LeFleur could address this as well, for GI problems, a lot of stomach aches or stomach bugs. What you really have is a bug, but you go to the emergency room. Some of those cases could be addressed in either a different setting or a phone call, in my opinion.

Alderman O'Neil stated there is nothing about an emergency room visit that is very enjoyable. You go in for one of those less critical items, you could end up being there for five, six or seven hours.

Ms. Fishbein stated you are absolutely right.

Alderman O'Neil asked do both of you believe that people are doing that regularly? Are they going to sit there for five, six, seven hours to try to get that sore throat addressed or the ear infection? I guess with a child you probably would.

Ms. Fishbein replied with a child you probably do, but I do think that you make a valid point in that members don't expect to be there for five or six hours. They end up there for that long, but that is an after the fact issue. I think that if there is no disincentive to take care of it earlier and there are not a lot of dollars coming out of your pocket, than there is no reason not to.

Alderman O'Neil asked does anyone know what our emergency room co-pay is?

Mayor Gatsas replied \$50.

Alderman O'Neil stated even if it is \$100, you have that child and maybe at 2:00 in the afternoon on a Friday, it is minor and you think it might pass and then 2:00 Saturday morning comes. I honestly don't see whether you are paying \$50, \$100, or \$200 for an emergency room visit, when you make that call for your child, you are going to the emergency room. I don't see that as an incentive or a disincentive to not go.

Ms. Fishbein stated how about if we look at that a little bit differently and instead of the \$50, it is \$100 that you think about, so you might do something before 2:00 in the morning. Or at least make the phone call. I say that, not to just answer your question, but I have worked with other groups where they have increased the co-pay for the emergency room considerably and it has reduced their ER costs.

Alderman DeVries stated I would like to drill down a little bit more on the pharmacy piece. Let me just start, if I could, with the financial analysis that is on page three. You are showing the pharmacy costs being 19.1% of our total claims paid, which you stated is a very high percentage.

Ms. Fishbein stated for one year's worth.

Alderman DeVries stated for one year's worth of claims, which is not a good statistical group. Then you went on to tell us about the top five conditions, one of them being hematology, lymphomas and such that had no generic drugs available and that was driving a very high prescription cost component.

Ms. Fishbein replied that was the example.

Alderman DeVries stated that was the example that I heard. That is one of our top five claims drivers, if I understood that.

Ms. Fishbein replied major practice category, yes. Not drug, but yes, a major practice category.

Alderman DeVries stated I am trying to piece this together so that maybe you can help me get there. Then going to the pharmacy overview page, on the bulleted points, the fourth one down, generic dispense rate is 66.1%, which is lower than the state norm of 68.9%. I am looking at those two statistical numbers and saying it doesn't sound like a big difference, 66.1% versus 68.9%. Help me understand, is that small differential between those two numbers really that significant?

Ms. Fishbein replied yes, but before I answer that, that has nothing to do with the drugs that would be used to treat hematology. We are talking about two separate things here, right?

Alderman DeVries replied yes, but if I understood the trend of the conversation, we were drawing an assumption that our high percent of total claims paid, driven by pharmacy, which was very high is because we are not using generics. That is why I put the threat of hematology in there, because there was no generic, yet that is one of our highest. I am trying to figure out is it really that we are not using generics that is driving that high 19.6% number or is it that we just had a lot of lymphoma type, very expensive medications?

Ms. Fishbein replied there are several different thoughts in here. The first is that the costs of drugs are expensive and that is what is driving that 19.1% of the total expenditures. Now in that bucket, there are all kinds of drugs. Let's use multiple sclerosis as just the example. That is not included in your top major practice categories because that is not really what is driving overall, but drugs for multiple sclerosis have no generic and that is driving a lot of the costs. That and rheumatoid arthritis are driving some of your pharmacy costs. Another piece, separate topic, is the fact that there could be more use of generics and it would make a difference in the bottom line for pharmacy, if generics were used. The difference between 68.9% and 66.1% does, in fact, convert to a dollar savings. I can't remember what the conversion is, to be honest with you. It is different than those specialty drugs. Those specialty drugs are simply expensive.

Alderman DeVries stated that is exactly where I wanted to take you. Is there a way that we can quantify this in dollars, so that our workers can see that if they were able to make the conversion, it actually represents X million or X hundred thousand or whatever portion of our claim this difference between the state norm and the generic dispense rate of our group?

Mayor Gatsas stated I think that chart is on there. I think it is on page eight. If you take a look at Lipitor, it tells you that \$985 scripts were written.

Alderman DeVries stated I think that is just an example of a few though.

Mayor Gatsas stated the major ones.

Alderman DeVries stated I was thinking that the number might be actually a little more exceptional than that because it would be the percentage difference on the total 19.1% Book of Business that you are giving us, right? It might even be a bigger number than what you gave us in the top five.

Ms. Fishbein replied yes, it could. I think we could run a pharmacy report that would give that information to you. I will talk to the pharmacies about that.

Alderman DeVries stated I don't think it is as simple as a conversation. I know my physician and I had the conversation and it is not black and white. It is not because people are always just abusing. There were some medical factors given to me on the reason why. She actually told me she preferred me to stay, but if I wanted to change, I could change. She preferred that I stay because there are, in the generic form of what I am prescribed, some side effects that she prefers I avoid. I don't know if it is lack of education to physicians, to patients or to others, but I don't always think it is black and white abuse that individuals are saying they just don't want to be on a generic.

Dr. LeFleur stated it is a combination.

Alderman DeVries stated I think it is a very personal conversation with physicians that you have to allow. What really gets me going would be are we missing opportunities that private companies or others are using out there to really push better lifestyle? The behavioral lifestyle change, with especially, as you said it kind of had to be the pre-40 age group, to prevent chronic diseases. Are we missing opportunities in the City? I know it is always hard with tax dollars to think about conditioning and things to keep our employees healthy. There are many large companies out there that have the in-house gyms. We are spread out

throughout the City. We don't have those opportunities. Have you seen anything out there that you think we should be doing to try to help drive our employees to a healthier lifestyle because that is where we would really save our money?

Ms. Fishbein replied I think you made a great start with the fitness challenge and I think that had a positive impact, and taking that a step further would be a good road to go down.

Alderman DeVries asked can you give us specifics on plans that would help us understand how we might try to implement something that takes it the step further, if it is based on any anecdotal coming from other plans or other companies? You don't have to do it tonight. Some of this can be follow up, but to me that is where we really need to be steering the ship, if we want to see major dramatic savings, not just for today, but five years from now.

Mayor Gatsas stated I think you made a great point. I don't think that gives you an impact for today. It might give it to you for three or four years from now.

Alderman DeVries stated or a decade or 20 years out, but that's where the real bang for the buck is.

Mayor Gatsas stated the fitness challenge was good. It even got me walking. I am just a little upset that Alderman Long has never shared any of his wife's whoopee pies with us.

Alderman Shea stated I want to mention that I have been taking advantage of your program for about ten years, going to the Executive Health Club that Alderman Ouellette's wife is involved with. They do have an incentive there that if you go 33 or 39 times, you get a rebate of a certain amount. I think that is a

very wonderful program. You do have to pay to belong, but it is a very good incentive for my wife and me. We go about three times a week and we lift weights and walk and do things like that. The other point that I want to also add is there are certain physicians that one goes to that will prescribe not generic drugs, but the other types of drugs, simply because of the condition of whom they are treating. I believe that does sometimes require a determination on the part of the doctor and the patient relationship. I did want to mention that. The third is, I have been reading where certain physicians now are doing certain practices, in Massachusetts I believe, they are initiating this, I am not sure if it is the Brigham and Women's Hospital, taking part in how to reduce costs on the part of patients. We have spoken about the costs incurred by patients going to physicians, but the physician care is certainly part of how expensive medical care is. Therefore, I think it is certainly incumbent not only upon people that are recipients of Anthem and other types of programs, but it also is a responsibility on the medical profession to not incur costs that are unnecessary or begin to investigate types of practices that would have less impact on the expense incurred by people. Could you comment on that, Dr. LaFleur?

Dr. LaFleur replied absolutely, that is a lot of the programs that we are looking at and partnering with physicians and how to build programs, whether it be medical, home or the accountable care organizations and work with physician groups, work with physicians and work with organizations, to build that sort of approach to the care of the patient. They take the responsibility of understanding the whole spectrum. You are absolutely right. We are already working on that in the state, individually, but also working collaboratively in the state.

Alderman Shea stated thank you. I think that that would probably impact what Alderman O'Neil was saying in terms of how to get in touch with your physician and how to have a relationship with your physician, rather than having no relationship on a weekend or something like that. I wanted to bring that up. Thank you.

Alderman Ouellette asked did anybody take a look at, as Alderman O'Neil alluded to, the Compass program and how many employees may be taking advantage of that?

Ms. Fishbein replied as a matter of fact...

Mayor Gatsas interjected the total dollars in the Compass program was \$69,000 and \$9,000 of that was paid to employees. So the savings to the City was about \$60,000. That was over a year.

Alderman Ouellette stated that was supposed to save us somewhere in the vicinity of \$500,000 to \$700,000, if I remember correctly. I think that having the programs is great and good incentives to do things is one thing, but I am a little disappointed that not as many people are taking advantage of some of the programs that we have. I think that is more due to the lack of education that maybe the City or even the health care provider is providing the employees and the members of the health plan. Are there ways that we can do a better job in the area of letting our people know exactly what sorts of benefits are out there that are incentives of saving money, not only for the City, but also for them?

Ms. Fishbein replied yes, there are ways. You make a valid point about education. We need to advertise more, the City needs to promote that more and then we will see a greater savings and more people using the program.

Alderman Ouellette stated I think follow up would be very important. We could put a poster of Alderman Long in every single area of the City where we have employees, but you have to follow up. We have to say, this is what you could be if you do not eat your vitamins and whatnot.

Ms. Fishbein stated we could certainly bring that piece of information back to you.

Alderman Ouellette stated even if we could have the Human Resources Department blast emails every once in a while, to get messages out or a message in your pay envelope. I think that education and getting the word out to employees is very advantageous to everybody. I also think that when I was prescribed Prevacid, it was more of the fact that I didn't want to pay the \$35 that it was going to be. That is what it took me to look for other alternatives. Every time I go to the doctor and he prescribes me something, the first question I ask is if there is a generic. He will either say yes there is or no there is not a generic. I still don't want to pay \$30 a month when I don't have to. That to me is where the incentive is to go to the generic brand. If you tell me that I should go get a generic because I am going to save the health care provider, or in our case the City, some money, it really is not going to resonate. When it hits my pocketbook and my livelihood, that is when it is going to resonate and I am going to try to look to cut costs. We need to look at changes in that area as well. Again, that saves everybody money. Those are just some of my observations.

Alderman Lopez stated thank you very much for educating us. I watched you present to the School Board. This is great information. I will never be an expert like you. Doctor, sometimes people go to get their prescriptions and the pharmacy doesn't have that prescription and they say here is a generic drug. The patient says that they don't want that and they call the doctor and they say it is okay. Have you experienced that type of situation with the pharmacies pushing the high paying drugs?

Dr. LaFleur asked the pharmacy themselves?

Alderman Lopez replied yes.

Dr. LaFleur stated I have not experienced that personally. Certainly the pharmacist is usually very helpful to the member's request to get a generic and notify the physician's office.

Alderman Lopez stated just to follow up on that, what would you say if people say they do not want a generic?

Dr. LaFleur stated what was brought up before, it is a conversation that you have with your physician. The physician should be able to look at your situation and say whether you can or not, for the particular drug and condition, use the generic. The other opportunity there is that you can try it and when you see the physician back or you notify him, you can then go over it more to say it is not working as well and go to another option. That is about having a conversation and it is about education.

Alderman Lopez stated Ask-A-Nurse was mentioned and I can tell you from experience, my daughter, who pays a high premium, learned to ask my wife about their kids, if they have an earache and all that, so there are pretty good resources that save my daughter a lot of money. Just asking her mother has saved her a lot of money, for an example. Do you plan on doing a follow up in 2011 of the same data?

Ms. Fishbein replied absolutely.

Alderman Lopez asked will that give us a better perspective or not?

Ms. Fishbein replied it certainly will because you will be looking at two years worth of data so there will be some trending information.

Alderman Lopez stated looking at the third page in, on the cost, we were compared 2009 to 2010. Are we comparing Anthem and the others in a one-year bracket for percentages?

Ms. Fishbein replied yes. I wanted to keep things as clean as I could.

Alderman Corriveau stated on page three regarding opportunities, I have noticed the theme of all of these bullet points; the verbs promote, encourage and educate is the theme of these opportunities. Obviously there are some things that the City can do right now to adjust cost share, work on co-pays and that sort of thing. In your experience, is there any precedent for other municipalities having some sort of wellness officer or wellness office, some individual whose jurisdiction it is to do that educating, promoting, advertising, a person whose profession is to bring down all those costs within the City?

Ms. Fishbein replied as a matter of fact, I know of two instances that there has been a person who has been employed in the role as a wellness coordinator or facilitator or director, someone who is responsible for the wellness for that group. That person would be planning activities, putting a wellness committee together so that there is buy-in from a lot of different people. There needs to be buy-in from management in order to promote that. In these two cases, that I am well aware of, there was that support.

Alderman Corriveau asked in those two cases, did you see any evidence that it was having a beneficial impact on costs?

Ms. Fishbein replied in one I know for fact that it did. That person was very, very involved in that group. It was a large group. In the other one, I don't know for sure. I am hesitant to guess at that. I can tell you, in one of these, it was definitely... Here is an example: This person put in a promotion about preventive screenings and would go from place to place talking about the virtues of having the mammogram and what it costs to have breast cancer that is advanced compared to finding it at a very early stage, as an example. That wellness person did screenings for blood pressure, for cholesterol, for blood sugar, for diabetes and was able to work one on one with the employees. That person was a nurse.

Alderman Corriveau stated the reason I ask this question is, one of the most interesting things about your study, to me, was I was certainly unaware that the average age of City membership is only 34 ½.

Ms. Fishbein stated that is counting all members.

Alderman Corriveau stated I know we have had discussions about this, yet our biggest cost driver is, as you say, the 50-59 group and 40-49, particularly men. It makes me wonder, if we do have maybe a long-term opportunity ahead of us with having that 34 ½ median age, to possibly, in the long-term, start bringing those costs down. My concern is that as an Alderman, I don't want there to be 14 Aldermen and the Mayor doing our own social promotion efforts and I would prefer HR be focusing on positions rather than promotion. I would rather have the Health Department working on city-wide issues rather than City membership health issues. All of your information had me wondering if maybe it is worth the City undertaking an effort to have an individual whose charge it would be to look for these efficiencies and do the encouraging, promoting, and educating to really have a focused effort on...

Ms. Fishbein interjected to execute the plan.

Alderman Corriveau stated yes, to execute this plan. It is all well and good for us to look at this plan, but unless we empower someone to execute it, we will just come back here another year and ask what is different about this plan. I will just leave it at that. Thank you very much. This was very informative.

Ms. Fishbein stated you are absolutely right.

Mayor Gatsas stated let me give you a follow up on where Alderman Corriveau was. My bet is that the person that you saw that was the health officer or health coordinator in a company was probably in the private sector, correct?

Ms. Fishbein replied yes.

Mayor Gatsas stated if it is in the private sector and you said that the top management had to have a buy-in, then obviously there was a carrot in the stick. Obviously management could look at an employee and say, 'You aren't participating with the health officer. Why is that? If you don't, here is the penalty.'

Ms. Fishbein stated actually I don't know as though that piece is correct.

Mayor Gatsas stated something had to be in there as a driver.

Ms. Fishbein replied yes, the driver is that the leadership of that organization fully supported the wellness initiative itself. I want to be clear that in terms of that leadership knowing that you did or I did or Dr. LaFleur did participate in an exercise program, the answer to that is no. That is private information and that was not shared with leadership in terms of who was participating.

Mayor Gatsas stated if they came back and said that 80% of the employees are participating, then you know that was a positive.

Ms. Fishbein stated absolutely.

Mayor Gatsas stated if they said there was only 4% of the employees participating, I would certainly assume at that point, management would say either you are not the right person for the job or the employees aren't listening to you and we must take some other positions to get you to 80%.

Ms. Fishbein stated one of those positions is that you get leadership to participate with the employee in these programs.

Mayor Gatsas stated I walked a mile one day and there were only 22 people that came with me.

Ms. Fishbein stated try it again tomorrow.

Alderman O'Neil stated in demographics we talked about age and sex. Is the data available to draw where the employee works within the City? Which department they work in? For instance, do we see certain increases in heart issues or the orthopedic issues? I am going to guess they are going to come from the labor intensive departments: Police, Fire, Public Works, and Parks. These are just assumptions.

Ms. Fishbein stated I want to make sure that you hear this piece; when you mention those areas, remember if they were hurt on the job that becomes an issue that...

Alderman O'Neil interjected I understand that, but a lot of employees that may not happen. There may be a condition that in all honesty, if you are ever able to figure it out, it might have been workers compensation. We may never know that. Is there any way to get that data on where the breakdown is?

Ms. Fishbein replied I don't know the answer to that, but I can certainly ask the question for you.

Alderman O'Neil stated just to see if there is any correlation... You don't think so, Your Honor?

Mayor Gatsas stated I think HIPAA is going to jump in pretty quick.

Ms. Fishbein replied we wouldn't be sharing names.

Alderman O'Neil stated I am not looking for names.

Ms. Fishbein stated I don't know.

Mayor Gatsas stated let me just give you an example. If you said it was breast cancer and you had one in the Mayor's Office, you only have three to pick from. I think at that point you would be crossing HIPAA lines.

Ms. Fishbein replied that is right, in that case...

Alderman O'Neil interjected but there may be a way to say administrative services versus public safety, versus public works. Put it in a larger category.

Ms. Fishbein stated I don't think we have that as an identifier, but I can certainly ask that.

Alderman O'Neil stated we may be targeting a certain item, which really may be related to one specific department, back injuries for example. You are right; one would hope the employees would follow the process of workers compensation if they were hurt on the job, but maybe there were factors that happened on the job and they were at home when they threw their back out or got a knee injury. Maybe there were some earlier factors. I don't know how helpful it would be, but it might allow us to target the issues a little better. Thank you, Your Honor.

Alderman Craig stated this information was fantastic, but what I am interested in now, is what the next steps are. At the beginning of your presentation you mentioned that there are benefit change strategies that are evident to you, that would decrease our costs. Are you in a position to make recommendations to us on what those are and what the potential cost savings would be?

Ms. Fishbein replied in answer to the first question, we have had discussions generically about changing the benefit structure. In terms of specifics, that is a discussion that needs to occur with some of the business people at Anthem. I believe that there are discussions about having those discussions. If you are asking me if I am the person to do the cost savings with that, it is the business side of our house.

Alderman Craig stated then there are also the opportunities that were listed. Would that also be the business side?

Ms. Fishbein replied some of those opportunities clearly came from me. In terms of our programs, they are in my estimation, underutilized and I would definitely feel as though a program would benefit promoting those programs.

Alderman Craig asked is it the City that needs to implement that program or would it be Anthem?

Ms. Fishbein replied it depends on the program. We already have programs in place from Anthem that just need to be utilized more. If you are speaking about wellness programs, in terms of a wellness strategy or a wellness initiative, you would certainly work with Anthem and some of the business people to put that into play.

Mayor Gatsas stated just to follow up where Alderman Craig was, you do a lot of these comparison and analysis for other companies. Can you tell me how many companies that you do this analysis for have a five dollar co-pay and a 5% contribution rate on their medical plan?

Ms. Fishbein replied none.

Mayor Gatsas stated so there is nobody else in Anthem's Book of Business that has...

Ms. Fishbein interjected I don't do all of Anthem's clients.

Mayor Gatsas stated of the ones that you have done, and I am sure you have done more than one or two.

Ms. Fishbein stated yes.

Mayor Gatsas stated I assume you are doing these for large groups.

Ms. Fishbein stated I only do large groups.

Mayor Gatsas asked so of all the large groups that you have ever participated in, you have never done one for a group that has a five dollar co-pay and a 5% contribution rate?

Ms. Fishbein replied I don't believe so.

Alderman Ouellette asked to follow up with your question, how many of those businesses are self-insured?

Mayor Gatsas stated the ones that she is doing, I assume are.

Ms. Fishbein replied most of them are. I do some fully-insured groups as well. I don't know as though I could give you a percentage, but many of the groups that I work with are self-funded.

Alderman Shaw stated I was just wanted to comment on the discussion with Alderman Corriveau. I believe it was Anthem that encouraged the City to start wellness programs within the City. The School District, I know several years ago, had a wellness program where they had volunteers from each of the schools that were on a committee and then they would bring ideas back to the school and run wellness activities within the school. I think we have to give some credit to other departments who really do promote wellness in their departments and are trying to get a healthier staff and work on it. I think all of this should be taking into consideration and we can all work together to get some strategies and programs and things going. I am glad that you are talking about possibly changing the structure of benefits because I would like to see some results from that.

Mayor Gatsas stated that is something that has to be changed by us or the unions. They can offer up whatever they want. They can tell us that their average is a \$20 co-pay and a 20% contribution rate, but that doesn't do anything for any of us. I agree with you; that has to change. There have to be changes in the medical plan.

Alderman Ludwig stated in my employment with the City, I believe I paid 12.5%.

Mayor Gatsas stated on the point of service maybe, but that number has changed, Alderman. When we came out three or four years ago...

Alderman Ludwig interjected you are going to explain, why the employees went from 12.5% to 5%.

Mayor Gatsas stated I have no problem doing that. Four years ago we changed and went to the CIGNA plan, we as a Board, and I was a member of that Board at the time. The Board said that any new hires, because we were trying to control costs, would have to go on the HMO plan. That contributory cost was 5%. The point of service was 12.5%. At that time we had roughly 900 people that were on the point of service plan and about 150 that were on the HMO. When we went with CIGNA, their network was identical for the two plans. They could go to any doctor, any hospital, anywhere in the county, and that was part of their CIGNA plan. When that happened, the employees got very smart; they saw the shift. We now have about 150 people on the point of service and 900 people on the HMO. Why? Because the cost went from 12.5% to 5% and they could get the same services and reduce out of pocket expenses on their own. That is how that transformation happened, through nobody's fault. I don't think that we as a Board ever thought that the migration would be that quick. We never thought that the network was going to open up and now Anthem's network is exactly the same. You can go to any doctor, any hospital, whether you are on the HMO or the point of service. Again, it is not to anybody's disadvantage that that happened. The employees took advantage of a situation that was offered to them and there was nothing wrong with that. It was there. I am shocked that we still have 150 people on the point of service plan. Are there any other questions? Thank you very much. It was very enlightening and certainly gives us a lot to ponder. Thank you.

5. Discussions relating to the proposed FY2012 department revenues for the following departments:
 - a) Fire
 - b) Police
 - c) Highway
 - d) Health
 - e) Solicitor
 - f) Tax
 - g) City Clerk
 - h) Finance
 - i) Parking
 - j) Human Resources
 - k) Highway
 - l) Welfare
 - m) Planning
 - n) Aviation
 - o) Information Systems
 - p) Library
 - q) Economic Development
 - r) Office of Youth Services
 - s) Senior Services
 - t) Assessors
 - u) Manchester Transit Authority

Mayor Gatsas stated I think everybody has received their books on the proposed 2012 department revenues for the departments. You have the book. I would hope that everybody had an opportunity to take a look at it before tonight, rather than having departments come up that may not even have any revenue. You just got it tonight. I apologize. Let's start with Finance. I know there is an order here, but I would rather take a look at the ones that have a much higher volume of revenue than Fire, which is a much smaller one. We will get to you Chief, don't worry. I wouldn't let you down and not give you the opportunity. Mr. Sanders, what page will you be speaking on?

Mr. William Sanders, Finance Officer, responded I am on page seven and eight. I will actually just start at the bottom, if that is okay, in terms of overall what is happening with the Finance revenues, at least what we are projecting today. Obviously we are, like all departments, trying to project out 18 months, if you want to think about it that way, into June of 2012. Right now we are projecting total revenues for the Finance Department of about \$5,371,000. That is a \$750,000 increase over what our budget was originally for 2011, and it is about \$1.2 million higher than what our final DRA budget was for revenues this past November. There are really three major reasons why our revenues are significantly higher. The first of those is the Build America Bond rebates that you might recall, the 35% rebate and 45% rebate, principally associated with the new municipal facility. Those are up \$830,000, we project for fiscal 2012. That is a pretty firm number. The bonds are issued. We know how to do the arithmetic, so I think we are going to do that. We are also projecting about \$125,000 increase in interest income next year. We are hoping that rates will strengthen somewhat over the next few months. We are also beating our budget for this year on interest income by a little bit so we have gone ahead and moved up our 2012 budget by about \$125,000. Then finally we have the Parking Division dividend, which we are projecting will be about \$387,000 higher next year than it was in our DRA budget. As you can see at the bottom of page seven, we are looking for about a \$2,100,000 dividend from the Parking Division. As you know, the Parking Division remits to the City its excess of revenues over expenditures. They are unlike other Enterprise funds in that they are not permitted to retain any reserves. All amounts are remitted to the City, so we have an expectation on the revenue side. There have been some additional revenue opportunities that have opened up and we expect there to be an increase there. Those are the major drivers for our increased revenue for next year. I feel very confident about the Build America Bond item. I am highly confident on the interest income, but there is a little bit of

hope there in terms of what rates do and I think Brandy Stanley will come very close to that dividend projection as well.

Mayor Gatsas stated thank you, Mr. Sanders. Next, if we could hear from the Tax Collector. Is there somebody here from the Tax Collector's Office? No. Let's talk with Planning.

Alderman Lopez stated I was just going to make a suggestion, Your Honor. In going through this, if any Alderman looks at any particular item, as they take this with them, they can call that department head; there is always an Ordinance in place that they can have a discussion. Also, in the audit that we got, if you look in the back of the book, it has what the costs are that we are receiving. I think the major item was the Finance Office and I think the second item would be the Tax Collector's Office and I think she is on vacation.

Mayor Gatsas stated yes she is. Maybe we can just talk to Planning and the City Clerk because they have two big ones also. Then we can get the Fire Department, because I know that they have a change in their revenues.

Alderman O'Neil stated I heard recently the state increased a portion of the fee on auto registrations.

Mayor Gatsas stated they are trying to eliminate the \$30 fee.

Alderman O'Neil asked is that strictly 100% State revenue or does some of that stay with us? Do you happen to know that?

Mayor Gatsas stated that \$30 was going back as a structure to come back for road improvements, so we were getting it back but \$5 of the \$30 was staying here. It went into a pot and then was delivered back to the communities. That is going away. I don't know what Concord is going to do with that. Kevin, the \$30 portion on registration on cars, do we get a percentage of it back from the State? I think it is \$1.7 million.

Mr. Kevin Sheppard, Public Works Director, replied I would have to check.

Alderman O'Neil stated somebody was telling me that they were talking about changing it.

Mayor Gatsas stated they are looking to eliminate that fee, unless they are thinking of getting their block grant somewhere else.

Mr. Leon LaFreniere, Director of Planning and Community Development, stated thank you. The Planning & Community Development Department revenue budget has been prepared with the assumption that we have the same revenue generating capacity that we have this year, that I am talking about the staff that is able to generate the revenue. The revenue figures that we have presented will be more difficult, if possible at all, to achieve if we have staff reductions, because the staff of the department does generate revenue. The primary...

Mayor Gatsas interjected these revenues are based on the projections you came to this Board with.

Mr. LaFreniere replied they are, which assumes, as I say, our full revenue generating capacity. The number that we have come in with is the \$2,469,200. That is an increase of \$120,000 from the original projection. That results from some of the anticipated projects that we see coming in, as well as the fact that we do see an increase in activity. We are hopeful that the increase in activity is an indicator that the economy is improving slightly. The changes that you will note on the report in front of you, some of the quick highlights that may raise questions, we are showing a 100% decrease in our NSP revenue. That is because the program is ending; however, there is an increase in our CDBG revenue in excess of that decrease so there is a wash there and actually an increase in our CIP revenues. Our program administration revenues are what I am speaking to there. Other than that it is primarily a level fund from last year with those minor increases.

Alderman Long asked the second line down, 4035, is that CDBG? I have been reading where the feds are looking to cut that authorization. Did I hear that these numbers are based on what he had last year?

Mr. LaFreniere replied yes, I can bring Sam Maranto up. He can speak to that.

Mayor Gatsas stated we had the delegation in the department head meeting this week, on Monday. Senator Shaheen's Office, Senator Ayotte's Office and Congressman Guinta's Office were represented. I can tell you that we have drafted a letter and received information from all the non-profits that participate in the CDBG funding. We had them send a letter in, so that we could follow up and send those letters out to the delegation so they would understand what it means to the City of Manchester. We asked them to support the CDBG funding that is before them. We have taken some steps.

Alderman Long asked did you get any indication as to what they are looking at cutting?

Mayor Gatsas replied no. There was no discussion directly from them. They were going to take the information back. I think Sam brought it up. He has had conversations with my staff on drafting a letter. That letter has gone out, along with the other letters that Sam has diligently worked on from the non-profits to come in and say, these are the number of people that you are affecting if you change this process.

Alderman Long stated I guess there would be a follow up on if there is going to be a cut, what is going to be cut. This is pretty substantial, an increase of 24%.

Mr. Samuel Maranto, CIP Manager, stated also Alderman, last year's administration budget did not reflect approximately seven months, for one staff person, who was hired last January. That reflects that person's position.

Alderman Long asked did I hear correctly, also, the revenues are contingent on staff?

Mr. LaFreniere replied yes.

Alderman Corriveau stated Leon, in regards to your budget presentation matrix, one of your items, in regards to the department, could realize approximately \$100,000 in new revenue if new fees, and across the board increases of existing fees, are adopted. I understand that is not indicated in your presentation right now. Will you be issuing this Board a communication about that potential \$100,000 in new revenue?

Mr. LaFreniere replied I would be happy to do that. That represents a policy discussion that the Board will have to have on whether they wish to pursue increasing fees, in this particular economy. I think that approximately half of that \$100,000 that I targeted would result from increasing the existing base fee structure and the other half would be from new fees for service that we currently don't charge fees for now.

Alderman Corriveau asked would that be like the certificate of occupancy?

Mr. LaFreniere replied yes, exactly. Whenever the Board is ready for that discussion, I would be happy to bring additional information forward.

Alderman Corriveau stated okay. I will be ready whenever my colleagues are. Thank you, Leon.

Alderman Lopez asked can I follow up on that? What do you mean by discussions, Leon? If you have something why don't you just present it to us in the Finance Committee?

Mr. LaFreniere replied as I say, I am happy to do that. I have had a number of discussions over time with the Board and with the Mayor about the issue of raising fees. I think that there is an opportunity to raise fees because we haven't for enough of a period of time where it is a reasonable endeavor to undertake, in reflecting our increased costs over time. However, I am very sensitive to the issue that we don't want to raise fees to the point where we have put ourselves at a competitive disadvantage with other communities because our fees are higher.

Alderman Lopez asked can you present it to the Administration Committee so that we can iron it out? That way, 14 of us don't have to sit with this. Get some type of recommendation to the Committee so they know what the ins and outs are.

Mr. LaFreniere replied I would be happy to. I think that might be an appropriate venue for that conversation.

Mayor Gatsas stated in the conversation that I have had with Leon; there are good things that are happening in this City. I just don't want to go out and tell contractors that we are increasing fees based on them trying to come in... If anything we would be looking to see if we are competitive with Nashua and decreasing fees so that people would want to migrate here to do business, because whenever he is charging less, and maybe somebody is building more, it means our tax base is going up. I would rather see the tax base dollars going up than us looking at increasing fees. I just don't think that now is the time to be throwing a curveball at contractors with fees.

Alderman Lopez stated I am just responding to the Alderman's question so that we can have the pluses and minuses to present to the Board. The next Administration meeting, work it out with Matt Normand, would you please?

Mr. LaFreniere replied absolutely.

Alderman DeVries stated Your Honor, the question would be for you. If I understand the conversation we have just had and your comments as well, it means that when you present your budget to us you will be using the \$2.345 million number rather than the \$2.5 million number. That is really where the relevancy is.

Mayor Gatsas stated absolutely. I am using the number that you see in this book.

Alderman DeVries stated that is including the new fees.

Mayor Gatsas stated no, it is not including the new fees.

Mr. LaFreniere replied no.

Alderman DeVries stated I thought that was Alderman Corriveau's question to you. Does it include the \$100,000 projected new fees that you could get and I am seeing that...

Mayor Gatsas interjected no, he is talking about the matrix that he had for when he presented his budget. That matrix said that if he increased fees, he would see an additional \$100,000. That is not here. What Leon has here is what he has proposed without increasing fees. Is that correct Leon?

Alderman DeVries stated which is a \$100,000 increase with staffing. Is that what you are saying? It just happens to be \$100,000?

Mr. LaFreniere replied yes. The \$100,000 for potential fee increases is not in this number.

Mayor Gatsas stated not in this budget.

Alderman DeVries stated with the same amount it is a little confusing.

Mayor Gatsas stated I agree. Are there any other questions?

Alderman Lopez asked Your Honor, can you give us the total amount of revenue, since all the department heads have submitted? I can't find the total in here.

Mayor Gatsas stated I don't have the total in front of me, but I can get it. As soon as Matt comes up and starts his discussions, I will go out and get that total revenue for you. It is not in this book. Another question was what 2011 was. I can get you both. I will let you proceed Mr. Chairman.

Chairman Lopez asked are there any questions for Matt Normand?

City Clerk Matthew Normand stated I would just say real briefly, our projected revenue budget for FY 2012 is essentially flat from FY 2011. There is a slight increase of about \$3,000. One key line item that we see a little bit of trouble with is our mechanical amusement devices. We had projected in FY 2011 about a quarter of a million dollars. I think that we will probably be around \$200,000 so there is a projected FY 2012 number of \$200,000. It is a fairly static number. Beyond that the numbers are fairly similar to FY 2011. There is one other caution that I would have; HB 617 is currently in committee and that potentially removes the City's ability to license businesses for Sunday activities and that would be about a \$100,000 loss for the City. It came through last year and was deemed inexpedient to legislate, but I am not sure where that is going to go this year. I have had some discussions with the Mayor. If it does happen to get through the House, possibly talk with the Senate and make it enabling legislation. A lot of communities don't license or would not have the revenue impact that we would have here in Manchester.

Mayor Gatsas stated for clarification purposes, the total revenue estimate for 2012 and actual or modified 2011 are on page 30. FY 2012 is \$40,178,345 and FY 2011 adopted budget is \$38,906,882. You can see it is roughly \$1.7 million

difference from where it was in 2011. A big percentage of that, as you heard from Mr. Sanders, roughly \$1.2 million, comes out of his department. Are there any questions for the City Clerk?

Alderman Shea asked Matt, you are open now on Tuesday nights; has that been beneficial?

City Clerk Normand replied I think it absolutely has been. We see about ten people a night on Tuesday nights, during those extended hours.

Alderman Corriveau asked Matt, the cable TV fee estimate of \$1.6 million, how did you arrive at that? Maybe I was under a misimpression. Based upon what we did with the public access stations last year, I was under the impression that that was a number that was moving up at a pretty good level. I guess I was expecting more than the \$1.6 million.

City Clerk Normand replied between 2006 and 2010, we averaged about a 5.5% increase, year to year. From 2009 to 2010, we saw an 8% increase and then last year from 2010 to 2011 was a 1% increase. Their revenues are down, which means that our revenues are down. I had projected for the FY 2011 budget, \$1.6 million. As you see on our weekly projections that come to the Board, we are down in the City Clerk's Office \$50,000 and it is due solely to that number. I don't think we are going to hit that number. Their revenues have been down. Our last two quarterly payments are down.

Alderman Corriveau stated I guess this is just conjecture, but would it be your impression that Comcast would agree with that assessment, that projections would show that it is only going to be about \$1.6 million?

City Clerk Normand replied I had a discussion with Comcast a couple weeks ago about this, actually...

Mayor Gatsas interjected when they dropped off their check.

City Clerk Normand stated yes. What I have read is that there are people across the country trending away from cable services and using more internet-based services. I asked that question specifically and the Comcast representative feels that with their viewers of the ages between 18 and 34, they are still showing a significant uptick. I am not sure what their number is. They are pretty reluctant to ever talk about projections with me.

Alderman Corriveau asked in terms of the quarterly payments we are seeing, in the last year or year and a half, they have been at a pretty constant level. There hasn't been any sort of uptick?

City Clerk Normand replied actually it is their annual revenue, their franchise fee to the City, as I said, which typically projects around 5%. Their first two quarters, for whatever reason, every year seem to be their lowest two quarters of a given year. It is kind of hard to project on how our final two quarters are going to play out when we are doing the revenue projections.

Alderman Corriveau asked if there was a 5% uptick, would that be about another \$80,000? Is that right?

City Clerk Normand replied the \$1.6 million was a 5% increase over the previous year's number. Like I said, we are probably going to be at maybe \$1,560,000 by the year-end of FY 2011. I still think that \$1.6 is a good number for FY 2012.

Mayor Gatsas stated just for clarification, for the Manchester Public Television Service that we put together, last year we allocated a \$500,000 budget. They just sent me a budget this week at \$477,000, so it is a \$23,000 reduction. Thank goodness we made the change because we would be close to \$1 million if we had them both in play.

Alderman Lopez stated Matt, I have had some conversations with you. Are there any bills up at the State that you are worried would change your revenue?

City Clerk Normand replied like I said, HB 617 is one that would have a significant impact on our revenue, of about \$100,000. Beyond that we have not seen anything yet that is troubling.

Alderman Shea stated I thought I read in the paper that they are trying to do away with marriages or something? Is that going to affect the licenses?

Mayor Gatsas stated easy, we expect a big day on the 14th. February 14th I think they have just started to take a waiting list to come in and get married here. They have reservations here.

Alderman Shea stated no, at the State House. Isn't there legislation being filed that will try to do away with marriages. We were just discussing it. Alderman Long, could you comment on that?

Mayor Gatsas asked any other questions?

Alderman DeVries stated this is a follow up on House Bill 617. Are we putting together a letter of support? Do you need a vote from us tonight, so that we can have that up there in time for the hearing?

Mayor Gatsas stated I was either going to take it tonight or Tuesday.

Alderman DeVries asked when is the hearing?

City Clerk Normand replied I am not sure when the hearing is. I know it is not expected to come out of committee until March.

On motion of Alderman DeVries, duly seconded by Alderman Shea, it was voted to oppose House Bill 617 that would eliminate the issuance of Sunday licenses.

Mayor Gatsas stated if you can get that letter drafted and get it up to me, we will get it out tomorrow. Next, if we can hear from the Fire Department. Before we start, the Chief sent to me his overtime for last week; I think we spent about \$3,500 in overtime.

Mr. James Burkush, Fire Chief stated \$3,900.

Mayor Gatsas stated and we saved \$6,500. So the program that we installed last week is working. It is a \$6,500 savings just in one week.

Alderman O'Neil asked related to that, because I have heard this in the community, you have said for years, and I think even in that discussion, the ideal complement in the City is 50 per shift.

Mr. Burkush stated that is correct and I still advocate that. The Mayor knows that.

Alderman O'Neil stated there is some perception out there that you said we can provide proper fire protection with fewer people. That is not what you advocated.

Mr. Burkush stated I am not advocating that. Parking fire apparatus is not ideal.

Alderman O'Neil asked is 50 per shift still your ideal complement to properly provide fire protection?

Mr. Burkush replied that is my position. I still advocate that and I have said that to the Mayor on many occasions.

Mayor Gatsas stated I think this Board gave him the direction to go to 44.

Mr. Burkush stated the significant increase in revenue for us is for the ambulance contract with AMR. In fiscal year 2012, we will realize a full year of it. In fiscal year 2011, we had six months of the AMR contract. The full year is \$239,112, line item 4813. That is our biggest increase.

Mayor Gatsas asked are there any other questions of the Chief? Thank you very much, Chief. Next we will hear from the Highway Department.

Mr. Kevin Sheppard, Public Works Director, stated we have five sections in the book. If you would like, we will start from the first one in the book, the Facilities Division on page 15. You will notice there is a decrease in the Facilities Division. Part of that is what we charge back for construction projects over the next year and over the past year. We haven't seen many new construction projects. The big

decrease of \$163,000 is the reflection of the school chargeback. If you remember during our budget presentation, I believe the savings that the Mayor helped us negotiate with Aramark was about \$280,000; therefore it reduces our chargebacks to the School District. Our budget was reduced accordingly. It was actually more than that. Our budget was reduced by \$280,000. Even though the revenues have gone down, our budget has gone down accordingly as well.

Alderman O'Neil stated Kevin, you are showing \$163,000 less in revenue, but you are saying on the operating side the expenses have gone down as well.

Mr. Sheppard replied right. During our budget presentation, the Facilities Division's operating budget actually went down by that \$280,000 amount. I believe since then, we have talked to the Mayor, and increased special projections.

Mayor Gatsas stated special projects in schools we have increased by \$100,000, so I am not too sure that made it in here. Guy, did that make it in here?

Mr. Guy Beloin, Assistant Finance Director, Accounting & Reporting, replied yes, it did.

Mayor Gatsas stated the School District got an additional \$100,000, which is in there.

Alderman Osborne asked Kevin, where do we stand now with the snow removal budget?

Mr. Sheppard replied our snow removal budget, as of the end of today, we have spent roughly a million dollars of the \$1.164 million. We have about \$164,000 left. We are hoping to make it through the season.

Alderman Lopez stated Kevin, I asked a couple questions last time about providing the sheet without the snow removal and the sand in your budget. When can we get a copy of that? What is the percentage charged for managing EPD?

Mr. Sheppard replied sure, I have actually a draft of that response. We hope to get it out. We have been preparing for this. We will get a response out to the Aldermen within the next day or two.

Alderman Lopez stated thank you very much.

Mr. Sheppard asked would you prefer I go through every division one at a time?

Mayor Gatsas asked are there any questions on Facilities?

Alderman Long stated the Fire Department raised a flag for me. When we are doing actuals, these numbers are not on the Committee on Accounts invoices that we see, right? These are actual dollars that people have paid.

Mayor Gatsas replied yes.

Alderman Long asked do we know in these projected numbers what hasn't been paid? Is there a way that we can get that?

Mayor Gatsas stated that is a good question. Mr. Sanders would have that when it comes through. If there is a reduction in revenue it shows up in his weekly report. You will see it on that report if some department is not making revenues. I think the last projections sheet had roughly \$12,000 that we were short on revenues.

Mr. Sanders stated \$25,000.

Mayor Gatsas stated \$25,000 shortfall in revenues.

Mr. Sanders stated if you look on page 24, you can see the FY 2011 actuals through January that we have recognized against the 2011 budget. For the inspection fee, item number 4362, you can see we have a budget right now of \$30,000 on that line item. Through the end of January for this year, we have received \$5,670 of that. As you can see, not to speak for Mr. Sheppard, he has reduced his estimate for fiscal year 2012 down to \$20,000. I am sure that is in recognition of what is happening there.

Mr. Sheppard stated the Highway Division is on page 24, as Mr. Sanders was just talking about. For the highway block grant, line item number 4094, there is an increase of \$48,000. That is the revenue that the Mayor was talking about a little bit earlier that we have heard in the past and the state has actually taken a look at those numbers. That is based on gas tax. There are actually two pieces to that block grant number. I apologize that I didn't bring them tonight, but that is based on the gas tax and the City gets money back on that based on the miles of roads within the City. Our preliminary estimate is that is supposed to go up \$48,000 next year, but who knows what is going to happen. The other large increase that you will see, down to line item 4365, recycling, that is our Pinard revenue for the next fiscal year. That is \$345,000. There are two other items that the Mayor was discussing earlier, line items 4682 and 4683 are the reclamation trust fund and the highway road resurfacing. Those two items I believe are the numbers that are collected from the Tax Collector as part of vehicle registrations. The bottom line increase to this budget is about \$308,000.

Alderman O'Neil stated the last two that you talked about, can you repeat those?

Mayor Gatsas state the reclamation trust fund and the one right underneath it.

Mr. Sheppard stated line items 4682 and 4683.

Alderman O'Neil asked are you suggesting we want to reduce the projected revenues by \$25,000? Am I reading that correctly?

Mr. Sheppard replied right. If you take a look at the past.

Alderman DeVries asked the excavation fee program, do you consider that to be stable?

Mr. Sheppard replied the roadway degradation?

Alderman DeVries stated yes. Am I confusing the two?

Mr. Sheppard stated you will see that shows up as line item 4226 excavation fee program. Even though that is not in our budget, it is showing up as a revenue in 2011. We have been collecting it. It has been very active. I don't know what the numbers are to date. As the Aldermen probably know there is a utility that is taken the City to court regarding that.

Alderman DeVries stated I guess what I am trying to track here are the revenues, within your department at least, that we need to keep an eye on between now and when we decide to finalize this budget. It sounds like it is the highway block grant and this one as well, the \$468,000.

Mr. Sheppard stated from what I understand that may not be going to court until June of 2012.

Alderman DeVries stated this will carry through the year. It won't be this budget year.

Mayor Gatsas stated we don't have a projection for 2012 in here.

Mr. Sheppard stated right now, from what I understand and possibly Mr. Sanders could answer, it goes into a special account. It is not a revenue to the City.

Mr. Sanders stated it is an anomaly in HTE right now. It mechanically reports it as a revenue of the Highway Department, but actually the Aldermen have established a special account for the excavation fee to be put into and for accounting purposes we will transfer that at the end of the year. That is in a couple different departments, for which we have special revenue accounts. This is not part of the Highway revenue budget, the excavation fee.

Alderman DeVries asked would it be part of the total revenues for all departments showing on page 30 or not yet?

Mr. Sanders replied no, it will not be in there at the end of the year. It is not in their projection. It is not in their budget. It is not included in those revenues.

Mayor Gatsas stated that goes into the fund and then that goes directly to roads and nothing else. It doesn't show up as a revenue.

Alderman Long asked so it is never going to be a revenue?

Mayor Gatsas stated no, it will be a fund that we have to place somewhere so that the Aldermen can see on a regular basis what is in that fund. So that it is not just a fund that is sitting out there. It should be something that is reported on a weekly or monthly basis so that people would know it is in there. Are there any other questions? Your next division please.

Mr. Sheppard stated the Parks and Recreation general fund, which is on page 27 and on page 28 is a summary. You can see there is moderate increase in revenues, but basically those are stable.

Mayor Gatsas asked are there any questions regarding Parks and Recreation?

Alderman Lopez stated enlighten me on the trust funds for the cemeteries, revenue-wise.

Mr. Sheppard stated again, the Finance Director, Bill Sanders, could probably answer those questions better, but from what I understand those have been consistent and the Trustees of the Trust Fund believe that is the right number as well. It is half a million currently.

Alderman Lopez asked is that half a million coming this year to cemeteries?

Mr. Sheppard replied that's correct.

Mr. Sanders stated for at least 2009 and prior, \$300,000 a year was transferred to the Recreation Department for cemetery maintenance from the Trustee of Trust Funds. We increased that to \$500,000, I think it was in fiscal year 2010, based on the investment returns that we had enjoyed and also the cost had increased obviously over the preceding five or six years. The determination of the amount is

up to the vote of the Trustees of the Trust Funds and we wanted to make sure that we could sustain \$500,000. The investment market has been choppy, to say the least, over the last couple of years. They are fine at \$500,000. There may be an opportunity in the next year or two to take a look at maybe increasing it by some modest amount. It is a determination of the Trustees.

Alderman Lopez asked is it already approved for 2012?

Mr. Sanders replied yes.

Alderman O'Neil asked Kevin or Bill, there seems to be about a \$7,500 increase in school chargebacks. Do you believe that is a good number for Parks' general fund?

Mr. Sheppard replied I know that Peter met with the School District and the intent is to actually level fund the school chargebacks between our General fund side and our Enterprise side. The intent is to level fund.

Alderman O'Neil asked so should that number be \$150,000?

Mr. Sheppard replied I would have to check with Peter, but because the chargeback is actually a balance between General fund and Enterprise, I believe the total of the two you would find that it is actually level funded through the School District.

Alderman Shea stated Kevin, there was a lot of controversy over Gill Stadium. Does the City take care of Gill Stadium when the high school uses it or do they pay? How does that work? There was a lot of controversy. We took it over out of the Enterprise.

Mr. Sheppard replied it is no longer a part of the Enterprise, but I will let Peter answer that.

Mayor Gatsas stated right, the Aldermen have picked up the cost on Gill Stadium along with JFK for the high schools.

Alderman Shea stated for the high schools, so they don't have to have that in their budget.

Mayor Gatsas stated it is not in their budget.

Alderman Shea stated okay, thank you. That answers my question.

Mr. Sheppard stated as part of our Enterprise proposal to the Aldermen, as you remember a few months back we talked about charging the School District for ice time, but the Aldermen, I believe, had already taken a stance that we were not going to charge the School District for ice time. That answers JFK. As far Gill Stadium, Peter can talk about what we bill there.

Mr. Peter Capano, Chief of Parks, Recreation & Cemeteries, stated there are fees paid by the schools for Gill Stadium. They are rather modest, but it is per game and also for the lights as well.

Alderman Shea asked do they pay for the supervision, the police too? Who pays for that?

Mr. Capano replied no, they don't pay for the attendant that Parks provides. As far as the police, I am not completely sure on that.

Mayor Gatsas stated I think they do pay the police, Alderman.

Alderman Shea asked then basically, they do have to pay to use Gill Stadium, right? You said that they didn't.

Mayor Gatsas replied I think the majority of the lights, the lighting cost, is not part of their budget. The City absorbs it.

Mr. Sheppard stated as Peter said, I believe it is a modest cost.

Mayor Gatsas stated most of it is paid... They pay for the supervision, the cleanup of the field and things like that, but the lighting cost is not part of their budget. The City picks it up.

Alderman Shea asked do they keep any revenue from that?

Mayor Gatsas stated I believe they charge per game to go there. That is revenue that is on their side.

Alderman Shea stated I know the football teams use their own fields now, but Central still uses Gill Stadium and Trinity too, I think.

Mayor Gatsas stated yes.

Alderman Ouellette asked what is the current financial state of the Enterprise fund?

Mr. Sheppard replied I can jump to the Enterprise fund now, if you would like.

Alderman Ouellette stated I am sorry, I will wait until we get to the Enterprise fund.

Mayor Gatsas asked are there any more questions?

Alderman Lopez stated I don't want to debate all night on this, but has there been an increase in permits and out-of-towners using our swimming pools? We have talked about this before. Peter, has there been talk in the Commission? What is the status of that?

Mr. Capano replied at this point, we still don't charge at all for admission to the pools. There has been some talk about that, but there has been no action on it yet, and we are not very close to it, I would say.

Alderman Lopez stated let me tell you, this Alderman talked about it for three years in a row and other Aldermen talked about it. We talked about Livingston Pool and we have statistics which I am sure you looked at, showing that quite a few people from out of town come to that pool. We talked about a permit from these people from out of town. I strongly urge you to take a look at this. It is small, but it is going to help. How much is it for a permit to use a ball field now? Is it \$5, \$10?

Mr. Capano replied it is \$25.

Alderman Lopez asked when did you go up to \$25?

Mr. Capano replied I think it was last year.

Alderman Lopez stated good. I am glad to see that. I think we ought to take a look at permits for people from out of town for Livingston because we are paying the freight for everybody.

Mayor Gatsas asked any other questions?

Mr. Sheppard stated I can go to EPD next, which is our Environmental Protection Division, on page 31. Again, that is an Enterprise division. You will see on page 32 there is a decrease of \$1.5 million that is line item 4139, EPD user charge. We will be lucky to meet that \$20 million revenue from this year. We had a dry summer so we saw a lot of increase in use, so that \$1.5 million is not really from the 7% rate reduction that is proposed. It has been reduced to the expectation that we will see a lot more deduct meters being used out there and lot more conservation of water usage.

Mayor Gatsas asked so in no way does that \$1.5 reduction have anything to do with reducing rates by 7%?

Mr. Sheppard replied correct.

Mayor Gatsas stated so we could reduce rates and the impact is built into this budget.

Mr. Sheppard stated correct.

Alderman Shea stated Kevin, there was a discussion concerning whether or not we would keep the West Side Arena. I am not sure whether or not there has been any development there. I know that the kids that play hockey are using it, as well as maybe a few of the other teams, maybe West Junior Varsity and so forth. Is

there anything in the Enterprise fund that would indicate that there might be some sort of way that we can benefit from either leasing it or doing something like that?

Mr. Sheppard replied Tim Clougherty has actually been working very closely with MRYHA, which used to be one of the largest regional hockey associations and they are pretty much the exclusive user of the West Side Arena at this time. We have worked out a deal with them where I believe it is \$400,000 or \$420,000 a year for their ice time. We feel that has worked well for the City and it works well for MRYHA. It gives them a home. Tim has started talking with the Mayor and the Monarchs as a potential user for that facility. At this time, we feel that we can make that facility work for the City and be a revenue generator for the City.

Alderman Shea asked is it more beneficial for us to maintain the capital improvements or is it more beneficial for us to do something else in order for the City not to go deeper into say the Enterprise fund? I am not sure. Is that being considered as well?

Mr. Sheppard replied it is actually turning a small profit at this time.

Mayor Gatsas stated I think that MRYHA's concern is that they first wanted to get a year under their belt to feel comfortable with what they were doing because certainly the increase in revenue is a big change. I think that as we have the discussions, right after this hockey season is over, we could change the West Side Arena into what we have done at McIntyre. If they said that they needed new ice or new whatever, we would go out and do the bonding because it would be less expensive for us to do it and turn around and let them pay the debt. I think with what they are paying right now, it would be beneficial to the City to change the complexion of where we are with the Enterprise fund.

Alderman Shea stated under no circumstances do I want the kids to not be able to play hockey.

Mayor Gatsas stated no, they would end up having it.

Alderman Shea stated I know the young men at McDonough are doing a great job. I am just throwing out a few thoughts. Thank you, Your Honor.

Alderman Ludwig asked under the proposal to lease the West Side Arena, how would fees be structured in terms of comparing it to the JFK?

Mayor Gatsas replied again, I think it is similar to what we did at McIntyre. When we turned that over, we didn't structure fees. If we turn it over to MRYHA, they would be running it and it would be up to them what they would be doing with fees.

Alderman Ludwig asked they could be effectively charging...

Mayor Gatsas interjected \$800 an hour.

Alderman Ludwig stated so \$800 for ice and the JFK would be...

Mayor Gatsas interjected I understand we might be below market, but I can't tell a private individual what they can do and what they can't do, if we turn it over to them and they are paying us to make sure we take care of debt service, and it is off our books as an item. Right now you heard that it is turning a profit. It is probably the first time in, I don't know how long. Mr. Sanders, when was the last time that the West Side Arena was turning a profit?

Mr. Sanders replied actually that is the one arena that has done reasonably well. I would say that part of the reason for that is because there has not been a substantial amount of capital improvements made at the facility, so the debt service there is negligible.

Alderman Ludwig stated I agree. I don't think there is an increase in revenue on ice time over there, quite frankly. I see us setting up, unlike the McIntyre situation, a two-tiered level of ice payment; one at the JFK hopefully that we can keep affordable for, in what today is a very expensive game to play. The West Side Arena will then be, I guess, a facility for those that can afford to pay whatever the going rate is. I was just wondering how that was going to work. MRYHA, quite frankly, I believe will be driven by what the market will bear. They are going to have to be competitive with seven other ice rinks around here. That is fine, but I think we lose an opportunity overall to provide a substantial amount of ice to all the kids that play there when we enter into a situation like that. It is far different from the McIntyre arrangement.

Alderman O'Neil asked at some point this spring will we see a proposal or do you not know that?

Mayor Gatsas stated I don't know that. I know that the discussions that we have had, with MRYHA early on, about them maybe running or taking over the West Side Arena. The problem that they had was that the number they were looking at was something that they have never perceived that they were going to do. They wanted to get a year, maybe two, under their belt to make sure they had a comfort level with what they could do.

Alderman O'Neil stated if I recall one of the discussions correctly, MYRHA was going to utilize that as their home rink. Is that what is going on currently?

Mr. Sheppard replied yes, it is.

Alderman O'Neil asked is it going to be spring time that you will provide a report on the two rinks based on some of the discussions that happen?

Mr. Sheppard replied sure, we can follow up with the Committee on our reorganization plan.

Alderman O'Neil stated there is a possibility even in lieu of going to the full McIntyre type deal, just some of the decisions that have been made have been positive for the use of the two arenas. Is that a true statement?

Mr. Sheppard replied we believe so. Just to reemphasize what the Mayor said, I think the MRYHA program is an opportunity. It is not a guarantee whether it is going to happen this year or whether it happens next year or whether we get another local organization who is interested in it. We want to keep all the doors open at this time.

Alderman Ouellette asked what is the financial picture of the Enterprise fund now?

Mr. Sheppard replied we have gathered some information. If you note, on page 52, the FY 2011 was \$1.9 million, but as you know, McIntyre was actually taken out of that budget. McIntyre was actually about \$199,000, so the actual revenue for 2011 comes down to about \$1.7 million dollars. Our revenues next year we are expecting about \$1.8 million. For fiscal year 2011, our revenues are roughly \$1.7 million and our operating expenses are about \$2.8 million, so it is about \$1.1 million in the red. For 2012, we are projecting our revenues at \$1.8 million and

our operating costs of \$2.4 million, which puts the operating for that year at \$590,000 in the red. We have gone from \$1.1 this year down to \$590,000 next year and we will continue to look at opportunities to reduce that further. So we brought down the deficit.

Alderman Ouellette asked in total, Mr. Sanders, in the Enterprise fund, how much is it in the red?

Mr. Sanders replied the outstanding balance right now in the General fund, at June 30 2010 was about \$4.5 million. If I properly followed Mr. Sheppard's numbers, that could go up by another \$800,000 to a million dollars, as we go through fiscal year 2011. It might be something in excess of \$5 million or \$5.5 million by the end of this year.

Alderman Ouellette asked that includes taking McIntyre out?

Mr. Sanders replied that has the McIntyre adjustments in it and those are in the fund now, yes.

Alderman Ouellette stated we have heard from financial experts in the past that someday we are going to have to address this situation either in the near future or a little bit down the road. We talked about looking forward to future budgets, next year and the year after. This is something that we need to start putting on our radar screen now, and I know that you made us aware of the same thing last year. We need to be mindful that one day we are going to have to address this situation. I would think that our bond rating could be affected by this. Do you have some sort of idea or preliminary plan on how we can begin to address this?

Mr. Sanders stated it is very prominent with the rating agencies and forgetting the rating agencies, I know it is important to the Aldermen and to the Mayor. These perpetual million dollars a year that we are basically advancing for recreational activities, needs to be paid for either in the tax rate or in revenues. I am just being completely blunt about it. It will begin to affect our ratings as we go forward if we don't continue to make progress. I do want to commend Kevin Sheppard, Peter Capano and Tim Clougherty on the work that they have done. We are reducing the deficit. We are reducing the annual increase in it. We are not touching the actual amount that we owe. They have plans that I think they reviewed with the Board that in the next year to 18 months, we will have this down to \$300,000, but the reality of it is if we are going to continue with this, it has to be a profitable thing. The notion that we can continue to front money for it is going to end in the next couple of years. The auditor is already making us fully reserve this receivable. They no longer believe it is collectable. We continue to hold out with the rating agencies that we are going to make progress. We are going to do this. It is not going to be easy and it may not even be possible. \$5,000 profits and \$10,000 are not going to make any difference in this. We have to either be able to make this profitable to the tune to half a million dollars a year or the Aldermen need to begin to think about putting \$500,000 in the General fund budget to fund this situation. As with many problems that we face in the City, I don't think it is something that is going to be ten years from now. I think it is going to be something in the next two to three years that is going to have to be dealt with in a meaningful way.

Alderman Ouellette stated apparently what we have been doing is kicking the can down the road and eventually you are going to run out of road.

Mayor Gatsas stated I think that the statement that the bond agencies took a look from where we were when they first came in and talked to us seven months ago, and when we just went out for the last bonding, I can tell you that they were impressed that we made the dent that we were making in that short of time frame. I think that they were looking for discussions from me and the Finance Officer and when I made a statement saying we are going to fix this and we are going to fix it in this current year by a very large sum, I think they listened. I don't think they believed us until the next time they came in and saw that there was a change. There is no question that I think we are going in the right direction, but as the Finance Officer said, if we don't get it to neutral or plus in the next year or two, than we have to seriously take a look at where we are at.

Alderman Ludwig asked Bill, of the \$4.5 million, what portion of that is related to debt expense over the ten years that the Enterprise has been in existence?

Mr. Sanders replied probably \$4 million of it.

Alderman Ludwig asked so in ten years, expense versus revenue, we have lost \$500,000?

Mr. Sanders replied I would answer the question this way, sir; I will use West Side Arena as an example. When you defer maintenance on facilities and you don't make capital investments in facilities, you can perceive that you are making a profit. I am not saying that we are not making a profit at the West Side Arena, but I think that anybody that compares the West Side Arena to JFK, it is a significantly different facility. The reason it is a significantly different facility is that we invested probably upwards of \$2 million in JFK within the last three years. The debt service is in JFK now to pay that. My point is that deferred maintenance

ultimately manifests itself in bonds and in capital investment and rebuilding things. Like design/build did on the School District side and that is what is happening at Derryfield where a brand new country club was constructed. For years and years it was permitted. I am not blaming anyone. The reality was that is what was happening and maintenance was being deferred. We rebuilt the clubhouse. It is beautiful. It is a wonderful venue, but we are losing money at Derryfield. JFK was rebuilt and bonds have to be paid. We were probably making money at JFK before we borrowed \$2 million. I suggest that if we borrow money to rebuild the West Side Arena and don't have a revenue source to pay for that, we are going to find ourselves losing money at the West Side Arena. That is the dilemma. If we defer expenses to try to pay off the debt or reduce the expense load, it is like kicking the can that someone mentioned earlier. It is not a sustainable situation. If we are going to invest in capital improvements and charge them to the appropriate venues, we either have to charge fees for it or the Aldermen have to be prepared to put through the tax rate, these investments. That is the dilemma.

Alderman Ludwig stated I think that Mr. Sanders has figured it out, and not just five minutes ago, a long time ago. I want the people to know and understand that while the formation of the Enterprise... I don't want to get into a pontification here as you said before, but when the Enterprise was started around 1994 or 1995, all the facilities that you just named and some others - McIntyre, Derryfield Country Club, JFK, West Side Arena - were completely horrible. The City invested nothing in them. Then they said, 'Here is an Enterprise, operate it, make money, generate more revenue, and we will give you more money,' and they could not. The system was that we went ahead and we invested, so that when bond council comes up here in their black ties and jackets they could look around at different facilities such as McIntyre with new snowmaking, which we have now transferred over, and a lot of other new things there. There is not a new lodge, but

a lot of nice improvements. There will be a parking lot that will sustain the amount of people that park there. Derryfield Country Club has three or four new golf holes, which it never had since it was built in 1935. When they walk around and they look at these facilities, as opposed to the Highway garage, which is deplorable, which is why we are spending \$43 million...they look at facilities. Isn't it terrible they are in \$4.5 million deficit here? Now we are going to make this \$4.5 million deficit up on the back of the people who won't be able to go there. We are going to lease the West Side Arena and we are going to charge more for it. It's going to cost more and it costs more to ski now than it ever did before. That wasn't the idea of the mission statement of these facilities. We are now making up the \$4.5 million deficit that we incurred in debt expense to improve these facilities on the backs of these people by displacing them; not hiring people, like it was their fault. It was not their fault, Your Honor. It was not their fault. Now we are going to make adjustments to the expense side of the equation that say how we will get our money back. We will eliminate people, we will eliminate jobs, we will lease facilities and at the same time we will make them all more expensive. Just like somebody asked me today if I had checked the price of a particular ambulance ride since we changed vendors? I said I had not. I don't even know if it is true. Sometimes we do things and we don't always understand what the end result is. I understand these are expensive sports and the taxpayer shouldn't have to pay for all those expensive sports, but we made a decision to have those years ago. We made a decision to open the JFK and the West Side Arena and with Bureau of Outdoor Recreation money, McIntyre Ski Area, which is probably the only public facility that exists in a place like this, and now we have leased it and that is fine. We leased Sunapee and we made more money. It costs more. A hot dog two years ago was \$1.25. I don't know what a hot dog is up there today, but I am sure that it is a lot more than \$1.25. Now we are making up this \$4.5 million in debt expense that we put into the facilities on the backs by cutting expenses. We are not generating more revenue and trying to expand

business; we are cutting expenses and eliminating programs. Thank you. I appreciate it.

Mayor Gatsas stated next we will hear from the Police Department. Is there anyone else that wants to hear from any other departments other than Police? If not I will let them go.

Alderman DeVries asked when do we expect to hear from the Assessors Office with projections?

Mayor Gatsas replied those are not part of the revenue line item, but I am sure that they will be in here because we will be meeting again. I know that Alderman Craig is going to be out for two weeks. I don't know if people want to come in on Friday to have the discussions on the Assessor's. I don't have a problem with that. If not, we will have to go on the two weeks that she is going to be unavailable. It is up to this Board. I am certainly not going to do anything, present budgets, without an Alderman here. By the way, I spoke with Alderman Roy today; he is doing well. He sounded well on the phone. He was up and walking. He is not home yet. He thought he was going home today. The doctor thought he might spend another day in the hospital. I saw his wife and she said that he is doing well. He said that he was going to be watching us tonight. I hope he had something better to do other than watching us here tonight. Certainly we all give our best to Alderman Roy and wish him a speedy recovery. We look forward to having him back in the Chambers with us.

Alderman Lopez stated Your Honor, I think we can wait for the Assessor's Office until the Aldermen are all present.

Mayor Gatsas stated I agree.

Mr. David Mara, Chief of Police, stated the only thing that I would point out, the only difference from the numbers that you have here, is that when we gave our budget presentation, we indicated that we were requesting that the school crossing guards be taken out of our budget and as a result, if that is done, the revenue, which is approximately \$188,000, would not be included. Right now, in this projection, the \$188,000 is included. For us to make our budget number, we are hoping that the crossing guards will not be in that. That revenue comes as a chargeback from the School District.

Mayor Gatsas stated so I can have this clear, it is \$188,000. That is a chargeback, so that line item is going to go because the School District is not going to send you \$188,000, if you are not employing the crossing guards.

Mr. Mara replied exactly.

Mayor Gatsas stated that \$188,000 is a net because it comes right out of your budget.

Mr. Mara stated these numbers will change if that is done.

Mayor Gatsas stated I hear you and I know that you have said that to me. I know that those discussions have come up both at the School District and with you and certainly they are going to try and address them on their side to see what we can do. I guess some of the concerns are the training of the guards. The Police Department trains them. They are also responsible for finding people; if somebody doesn't show up they are responsible for getting a replacement. That is one of the things they don't want to have to do. They want the School District to

do that. They have heard me with that. That is a discussion that we are going to have tomorrow night.

Alderman Ouellette asked Chief, in talking about the School chargeback, is the rest of the \$740,000 SRO's?

Mr. Mara replied yes, sir.

Alderman Ouellette asked what about details for athletic events? Are they in there as well?

Mr. Mara replied typically that is paid on-site and I believe comes out of the attendants or the booster club, whatever the event happens to be, so it is not included as a chargeback.

Alderman Ouellette asked it is somewhere else in your revenue?

Mr. Mara replied where that would come out, any kind of details, the administrative fee that we have for details here, that is where it would come in as far as revenues for that. Out of those revenues, we pay for our extra detail clerk.

Alderman Ouellette asked so that would be under administrative fees?

Mr. Mara replied yes.

Alderman O'Neil asked if you back out, and I don't think there has been a final commitment on this crossing guard issue, what is the chargeback number? Do you have it in front of you?

Mr. Mara replied it would be the number listed subtracting the \$188,000.

Alderman O'Neil asked so that would be \$550,000? Does that seem right, Gary?

Mr. Gary Simmons, Assistant Chief of Police, stated I would have to back it out quickly.

Alderman O'Neil asked is that for eight SRO's?

Mayor Gatsas stated that number is \$552,000. That is just for the SRO's.

Alderman O'Neil asked is that for eight SRO's? There was a new SRO added, right?

Mayor Gatsas replied yes, at MST. That is correct.

Alderman O'Neil asked that is the number \$552,000?

Mr. Simmons replied yes.

Alderman Lopez asked Chief, could you explain the drug money, when the Attorney General or the Justice Department gives you drug money, what you do with it?

Mr. Mara replied what it used to be is, they called it different things but it was Streetsweeper, and then the last couple of years they called it different things, but what we would use that for is drug buy money and paying some overtime costs with our drug unit and things of that nature.

Alderman Lopez asked have we received any this year?

Mr. Mara replied no.

Alderman Lopez asked when is that given out? Do you know? Is it at the end of the year?

Mr. Mara replied no, that program is done. That program has been completed. We were able to get some money, they called it different things, but all the money has dried up.

Alderman Lopez stated all the money, all the drug busts, and everything that goes on, there is no money there?

Mayor Gatsas stated it is a restrictive line item.

Mr. Mara replied in our budget we do have that restrictive line item. It is in our budget and is used strictly for that. We don't touch that for any other part of our budget.

Mayor Gatsas asked are there any other questions? I will try to get you an answer tomorrow night on the chargebacks with the crossing guards.

Alderman O'Neil asked regarding School District chargebacks, is there something that binds, an agreement between the Board of Mayor and Aldermen and the School District?

Mayor Gatsas replied yes.

Alderman O'Neil stated one year it ended up that we had some back and funded the SRO's. We thought we funded them up front.

Mayor Gatsas stated yes, that is correct. I guess, when we set a number here, we send a contract, as we did last year, and we signed it. We give them a bottom line. If they look at the bottom line and say we have to effectively change something, they can go into the chargeback line item change that for Facilities and we already have it in our budget and then we have a problem with revenues on our side, as we did three years ago.

Alderman O'Neil asked I don't know how many items make up chargebacks, but is that specific?

Mayor Gatsas stated it is Health with the nurses. We have them sign that agreement with Highway and Parks, with an amount of money and also with Harry Ntapolis for workers compensation and the chargebacks that he incurs with liability. All of those are now signed as we go through them. Tim, do you want to come up and talk about Health? Then we will have the City Solicitor.

Mr. Timothy Soucy, Public Health Director, stated very briefly, on page 22 on the City side, our revenues are going down. We are projecting about \$13,000. There is a combination of some increases and some decreases. The decreases are around flu vaccine. We realized this year that we had ordered too much and actually lost money, so we have cut our order back to where we used to, which resulted in a decrease in revenue there. The other \$25,000 item on 4996, we used to charge an indirect rate on some of our State grants, because we are anticipating those grants to be level funded and/or reduced. We are going to need that money to pay salary and benefits, so we are taking it out as a revenue. We are including it on the expense side. On the positive side, you will see, we are going to be actually

coming before Alderman Lopez next week at the Committee on Administration/Information Systems with some fee increases for food service establishments, so we have projected an additional \$17,500 increase in revenue pertaining to that. We will be coming before the Board, and as Leon said earlier, that will be a policy decision that you all will make at that time. That is on the City side.

Alderman Shea stated the only item is the chargebacks for the schools. You are anticipating that they will go along with the increase and they are going to be able to...

Mayor Gatsas interjected we have already agreed to it.

Alderman Shea asked to do that in their budget?

Mayor Gatsas replied the presentation that Dr. Brennan and I gave last night was the number that Tim has in his budget.

Mr. Soucy stated that is the level funded budget that I presented previously.

Mayor Gatsas stated \$2,820,000.

Alderman Shea asked so you have about an \$81,000?

Mr. Soucy replied that is correct. We left the expense side the same. That increase is due to some benefit costs, but once again that is what the Superintendent presented.

Mayor Gatsas stated thank you. Can we have the City Solicitor come up please?

Mr. Harry Ntapalis, Risk Manager, stated thank you, I will keep it brief, Your Honor. On page six, you will notice the revenues in the City Solicitor's Office have to do with property and casualty. In that area we generate revenue primarily through two major receipts during the course of the year. One is the second injury fund and the other is chargebacks, as we discussed tonight, for the School District and the Enterprise departments. We are projecting \$500,000. We will realize that. The FY modified was \$510,000 and that is to be realized as well. I'd be happy to answer any questions.

Alderman Ouellette asked on the School District chargeback, what services are provided? I assume you won't be providing certain services to save the \$67,000.

Mr. Ntapalis stated on the school side, Alderman, the basic charges that I bill them for on an annual basis, is for their administrative portion for the workers compensation and the CGO, as well as the excess workers compensation, which is a premium charge. It is roughly about \$80,000 of that total \$500,000.

Mayor Gatsas asked if they went out to try to get their own policy in workers compensation, it would be in excess of a million dollars.

Alderman Ouellette asked are there not as many workers compensation claims. Is that why?

Mr. Ntapalis replied they pay their own workers compensation. The Enterprise departments and the School District pay the workers compensation charges directly.

Alderman Ouellette stated but they pay you the administrative fee. So that went down?

Mr. Ntapalis replied the Mayor was very successful last year in assisting the in renegotiation of the contracts with the workers compensation provider and the GL provider and I passed on whatever I had.

Alderman O'Neil stated Harry, I want to understand what you just said, because you mentioned workers compensation and then general liability. My understanding is that we purchase a general liability.

Mr. Ntapalis replied no, that is self funded as well and there is a third party administrator involved in that.

Alderman O'Neil stated as is workers compensation. That is self funded.

Mr. Ntapalis stated correct. The workers compensation is self funded. We have a TPA, which is CCMSI, and Frazier Insurance handles the liability. CCMSI handles the workers compensation. They are both administrators for the program.

Alderman O'Neil asked what do we purchase policies on?

Mr. Ntapalis replied we purchase a policy in the event of a catastrophic loss in the area of workers compensation and that is what is called, as many of you are familiar with, umbrella policies. It is an excess workers compensation policy. The Department of Labor looks at the self insured entities to make sure that we make that sort of purchase, in order to be permitted. They look at that.

Alderman O'Neil asked is that the only insurance policy that we purchase?

Mr. Ntapalis replied that is the only policy that we purchase in there of the casualty insurance for excess coverage. We purchase commercial property for filing extended coverage.

Alderman O'Neil stated I thought that is what I asked and you said no, we are self insured on it. We do purchase a commercial property.

Mayor Gatsas stated thank you, Harry. What is the will of the Board, do we want to come here Friday or not? Maybe on the February 15, 2011, meeting we can have the first half hour and we will limit it to the first half hour, because I don't think the agenda is a heavy one, that we can talk about the non-departmental items. Mr. Sanders will prepare some sheets and we will have that discussion for a half hour. Then we will set some other times, for that week, for a meeting or maybe two.

Alderman Shea stated I didn't catch all of the School Board meeting last night. You mentioned something about the Human Resources Department from the School District. Is that going to impact our Human Resources Department? I don't know if you want to go into that.

Mayor Gatsas stated sure. I don't have a problem doing that. The proposal that Dr. Brennan and I submitted is that we have the City, as we are a City of one, do the IT for the School District, without a chargeback and also that we would handle HR without a chargeback to the School District.

Alderman Shea stated so that would mean that the Human Resources Department that is in the School District would come over...

Mayor Gatsas interjected that is not necessarily true, Alderman. IT has the ability to do that for them to. I have had discussions with the departments, the IT department here, Jennie Angell, and Jane Gile of Human Resources, about absorbing the School District side.

Alderman Shea asked would that add expenditures?

Mayor Gatsas replied yes it would. We are going to make that a combination as we go through. It was not in the budget discussions they had when they presented their budget, but I can tell you that I am incorporating that in the City budget when we do the presentation.

Alderman Shea asked was it in Jane Gile's budget when she presented?

Mayor Gatsas stated it was not in there.

Alderman Ouellette stated I know that the Schools got their first look at the budget proposed by the Superintendent and you gave the presentation as well. Is there any idea on a timeline? I know they have to vote on a number first, that you as the Chairman are expecting, and I know it may be hit or miss by a week or day or two... The reason I am asking this is because they need to decide whether or not to rift teachers by a certain date.

Mayor Gatsas stated yes, it will be sooner than that. We are meeting tomorrow night to have discussions on the budgets that were presented and alternatives that School Board members may want to make. We can either vote out a number tomorrow night, or we plan on doing it Monday. By Monday, there will be a budget that will be in place that will come to the Aldermen. First, it must go through the public hearing process on the School side. We will have that public

hearing. Then that number will come to the Aldermen. Then that number will be before this Board. We will then be working, as I did last year, on a City budget and something that we can hopefully all agree upon, that I will be talking about sometime in March. Either the number that comes from the School District from the number that the Superintendent and I presented last night, or the School Board may present a different number. That may not be a number that you see coming from me in my budget.

Alderman Ouellette stated the only other thing, Alderman Craig, being a former School Board member, if she is not going to be around for a couple of weeks, we may want to...

Mayor Gatsas interjected we are not going to take a position on the budget before then. I would not take a vote with any Alderman absent for any budget.

Alderman Ouellette stated but even when they come in to present to us, I am sure she would want to be here.

Mayor Gatsas stated the presentation is going to be after she comes back. It would probably be the first week of March, because of the timeframe of the public hearing.

Alderman Lopez asked doesn't the School Board have a public hearing first, before they send the budget over here?

Mayor Gatsas replied yes. They will vote on a budget. They will then have a public hearing with the School District and then the budget will be brought to the Board of Mayor and Aldermen.

Alderman Lopez asked is that after your budget?

Mayor Gatsas replied no, way before. You have always had a budget here before the Mayor has done a presentation. The format here is just a little different. We are all working together on what we call now the City budget that we have before us.

Alderman Ouellette stated for clarification, Your Honor, in the past, many times we would have the public hearing and have our budget vote that same night. That is the way it was in the past. We would have comment for public participation and then at the full Board meeting we would vote. That is the way we have done it in the past on the School side. They have always had their public hearing.

Alderman Shea stated let's assume that the Board of School Committee decides to come in with a budget that is, not yours, but theirs, and they present that to a public hearing, then the budget comes to us, but the Aldermen may go along with that or they may not. Depending on what the thinking of every Alderman is, every Alderman has one vote.

Mayor Gatsas stated correct.

Alderman Shea stated so basically the vote that is taken here, the one vote by each Alderman does not concur with their particular budget, but concurs more with the your budget, that becomes the budget. Is that correct?

Mayor Gatsas replied correct.

Alderman Shea asked even though they have gone to a public hearing and even though they have adopted that?

Mayor Gatsas replied that is correct.

Alderman Shea stated still in all, this process that we are doing now, Your Honor, is much different than the processes under previous Mayor's.

Mayor Gatsas stated I agree. I believe that we are a City of one.

Alderman Lopez stated the only question that I have, Your Honor, is that I thought we had a public hearing of the entire City budget and the School budget at the same time.

Mayor Gatsas stated normally the presentation that happens is that the School District must have a public hearing on their budget.

Alderman Lopez stated on their side.

Mayor Gatsas stated that is correct. Once that budget comes here, and we as a Board has adopted a budget, again much earlier than the time frame we have ever done, last year it was in April, we would then have a public hearing on that budget. Let me let the Clerk weigh in on it. Maybe my timeline is a little bit off.

City Clerk Normand stated this actually doesn't address it, but there is a seven day public notice also for the public hearing. There is some lag time here between the time the Board actually has a budget. There has to be a public hearing on that budget. If the budget is split you would have to have two public hearings I would assume.

Alderman Ouellette stated normally, Your Honor, when you give your budget presentation in March, then the budget comes to us, we vote it out of Committee, and we give a seven day notice for a public hearing on the budget as a whole.

Mayor Gatsas replied correct.

Alderman Ouellette stated that is the process. Then we have until the second Tuesday in June to come up with a budget.

Alderman Shaw stated I had some great concerns when I was watching the hearings on TV last night for the School District. When do we get to ask questions about the budget or state our concerns about the School budget?

Mayor Gatsas replied as soon as they adopt a budget, they come in and present it to this Board. At that time, you will have an opportunity to ask whatever questions you want on a budget that is presented to this Board.

Alderman O'Neil stated once they send it over here, we could ask them to come in weekly to clarify until we actually adopt. Do you happen to know the rift date? Somebody asked me and I didn't know.

Mayor Gatsas stated May 10th is the date for teachers. Paraprofessionals are June 30th and principals are in April.

Alderman O'Neil stated okay, principals are actually ahead of teachers.

Mayor Gatsas stated yes.

Alderman O'Neil stated I know there has been a lot of discussion and I know I have received an email recently from a citizen about this whole discussion or teacher versus paraprofessionals. This goes back to the question that I asked earlier. When we approve a budget, will we get some agreement? If we think we are approving something that says there are going to be X number of teachers and X number of paraprofessionals, they can change that the next day, correct? There is nothing legally that binds us like it might on chargebacks.

Mayor Gatsas replied correct. We can say here is your number, assuming that it gets us four hockey coaches, and they can reduce it to one.

Alderman O'Neil asked we are not going to be, nor should we be, in that discussion about teachers versus paraprofessionals, correct? That is a School Board decision.

Mayor Gatsas replied let me clarify for everybody; this is not about teachers versus paraprofessionals. This is about having to make difficult decisions.

Alderman O'Neil stated I understand that, but we are starting to get communications about it.

Mayor Gatsas stated I understand, but we don't have control over it and I think that when you take a look, as we have on this side, we have said on this side that if we don't find changes in medical, we have got to layoff 25 firefighters. We have said that. That is not pitting firefighters against Highway. Highway said they have to layoff four. Police said they have to layoff four and leave 15 vacancies. This isn't about pitting anybody against anybody. This is about choices. On the School side, the Superintendent and I presented a budget. We had choices. Changes in the medical, which at this point we have not had anybody come back

and say we are interested, let's sit down and try to do something. Laying off 200 paraprofessionals, that is a \$6 million number or laying off 125 teachers, that is also a \$6 million number. I don't believe that laying off teachers... they are the most vital thing that we have in a classroom. Before we layoff a teacher, something else has to happen. The choices are difficult. There is no question.

Alderman O'Neil stated my point, Your Honor, is that discussion does not belong here. We have absolutely no say in that.

Mayor Gatsas stated it doesn't. Correct. I agree with you.

Alderman O'Neil stated we have say on, I believe it is approximately 40 positions on the City side...

Mayor Gatsas interjected there are 98 positions.

Alderman O'Neil stated not vacancies, but if we add up the 23 Fire positions, five from Police...

Mayor Gatsas interjected there are about 42 layoffs.

Alderman O'Neil stated right. That is where we have a decision. We may decide that 42 are coming out of one department. We could decide that.

Mayor Gatsas stated that is a decision that this Board makes. That is our charge. I understand. It shouldn't be about someone versus Fire. It shouldn't be about someone versus Police.

Alderman O'Neil stated I understand, but I know that I have started to receive some communication about this whole discussion about teachers and paraprofessionals and it is hard to explain that we have absolutely no say in it.

Mayor Gatsas stated let me give you an example on the paraprofessionals; I certainly respect them and the work that they do. Here is the financial discussion; we pay 327 paraprofessionals \$5.1 million. That is their wage. Those same paraprofessionals, on health insurance, cost the School District roughly \$5.4 million. That is a reality. That is a very difficult thing to understand. If that was in the private sector, that would be a concern and a problem for any business owner that is out there, the \$5.1 in wages and \$5.4 in benefits. That is a problem.

Alderman Corriveau asked Your Honor, regarding the different rift dates, can we get a communication or a memo on that?

Mayor Gatsas stated we shouldn't be concerned with that. Those are not our problems. This Board needs to take a look at where we want to be. They are going to see a number from Schools. They are going to have that discussion with us on a budget. Rift dates are not something that we should get into because we can't control it. We don't have a vote. If we start crossing that line, we are going to put ourselves into a position that we don't want to be.

Alderman O'Neil stated just to follow up on Alderman Corriveau's question, we have used rift dates as targets in the past to try to get a School budget approved. I am pretty comfortable with that statement.

Mayor Gatsas stated I will agree with you, Alderman, that in the last two years, we have done that. I think prior to that...

Alderman O'Neil interjected we may have done it one or two years under Mayor Baines, maybe.

Mayor Gatsas stated prior to that, I am not too sure.

Alderman O'Neil stated not to debate it, but I was asked today if we could at least get that information.

Mayor Gatsas stated I don't have a problem getting it to you, but once we cross that path...

Alderman O'Neil interjected I understand your point.

Alderman Lopez stated we are going to get into discussions. There is no question about it. The public and the Aldermen hear pressure. Somebody is going to ask the question, if you give me \$300,000 more or a million more, that conversation is going to take place from the School Board member to the Alderman of that ward. That is okay. We have two Aldermen who were former School Board members. That is going to help us along in that particular area. Don't anyone think that the pressure from the public is not going to be there, because it is going to be there.

Mayor Gatsas stated I am sure it is.

Alderman Ouellette stated if I am not mistaken, I think we moved the teacher rift date to April as well. We did that for a couple of reasons. The first was that if teachers were going to get rift that they would have more time to find a job. The most important reason was to try to get a number by that date because the town meetings happened in March and the towns get their budget number in March and they are already starting the interview process. Back in the Baines/Guinta era and

even Wieczorek era, we wouldn't get our number until June. We were three or four months behind the hiring schedule, which is the reason why we were wanted to get more time to hire the newer teachers that were coming out of college and also to give piece of mind to the teachers that if we did have to rift, they would have ample time to find work as well.

Mayor Gatsas stated let me assure you that the City budget that I will be presenting is going to be long before the end of March.

Alderman Ouellette stated I was just giving a little historic information.

Mayor Gatsas stated sure, I hear you and I appreciate that.

Alderman Shea stated I don't advocate this, but the way members of the Aldermanic Board can express their opinions, thoughts, concepts, ideas, is if a budget is presented by either you or someone else, they can vote it up or down. They have a vote. They can say they do not accept it. They don't have to state the reason why. They can probably accept it if they want. As I keep referring, we all have one vote. That is all that we have. If someone here feels that the School budget should be higher or lower, they don't accept the budget that is presented to us, either the budget that is presented by the School Board to the Board of Mayor and Aldermen, whether it is your budget that you have developed, whether it is Arthur Beaudry's budget or whether it is somebody else who is working on it now. The budget accepted by the School Board that is presented to us, we have one vote. We can accept that or not. That is how you get your desires expressed.

Mayor Gatsas stated any Board member that wants to come in and sit with me, I will give them total clarity on how the school budget was developed by Dr. Brennan and myself. I will sit with you and go over every line item and explain to

you any question that you have of how we got there. Trust me, as I said last night; this is as difficult a budget as I have seen in 11 years here. That is not just something that I am saying. I truly believe it in my heart and I know that every one of you believe it. For the people that have been around here even longer, I would say that it is probably the toughest budget that you have seen in your careers. It is not going to be easy. I passed out last night a projection for 2013 that I had Karen DeFrancis do. The number that they are looking at in 2013 is \$10.4 million. This isn't just 2012, it is 2013 as well. That is why we must make changes. Something has to happen. It is not going to be any different for us. We are going to be looking at that same \$7 million in 2013.

Alderman Shaw stated there is something that bothers me tremendously and I have to say it because I have been sitting here with it. The teachers are the ones who are accountable for the test scores and teaching the children. All of that is always on the teacher's shoulders for all of that accountability. They need those paraprofessionals to help them because there is such a varied amount of problems with children today. It is not like the old days when you could have 40 kids in a class. There are so many health issues and everything else with kids and the paraprofessionals are their right hands. Those two groups are the quickest to be eliminated. Get rid of the assistant principals; they are not accountable to the kids.

Mayor Gatsas stated let me help you; that is \$1.1 million. You need another \$4.9 million.

Alderman Shaw asked how about some other building representatives or something.

Mayor Gatsas stated its \$262,000 for building BLILs. We got rid of those. Go ahead. You are still at \$1.4 million.

Alderman Shaw stated I just hope that if they do hit the paraprofessionals they look and see which ones are... I know that in the junior highs and the high schools, there may be more flexibility for some of the kids, not the special needs, but there may be some places where they can be eliminated, but in the elementary schools these people have such specific jobs that are so vital, to help those teachers do the job that is expected of them by the NECAPs and No Child Left Behind and everything else. We want our schools to get out of being in need of improvement. We have to do something and people will need to realize that something needs to be done to help the schools so they can meet these standards that they need to meet.

Mayor Gatsas stated I don't disagree with you. I agree with you one thousand percent. The problem is, where does the money come from? Certainly, if you want to come in and maybe you might have an idea. I have heard people say let's eliminate substitutes. Substitutes are \$1 million. That is still not \$6 million. 120 teachers, is \$6 million. We cannot afford to take teachers out of the classroom. There is certainly passion on both sides.

Alderman Ouellette stated as long as I have been either a School Board member or now an Alderman, and to Alderman Shaw's point, who I agree with as well, there is a little bit of a difference. In the past it has been the School Board comes with a budget, they bring it to the Board, and then the Mayor is normally the one, in the Mayor's budget proposal, to come up with the number and then the cuts and then the layoffs. This was a little bit different. Last night was the first time that I actually saw the Superintendent of Schools sit down and present a budget that had a reduction in force. I have never seen that before. That is a testament as to his understanding of the severity of the numbers. He gets it. He understands it. I think for a gentlemen that the School District pays \$165,000 a year to run the

department, who are we to tell him who he needs and who he doesn't need. I think the decision that he is trying to make is what is most sound for the School District. Like Alderman O'Neil said, that is not a discussion that this Board would engage in. Those are educational philosophies that belong on the School Board level, once they get their number. That doesn't mean, like Alderman Shea said, that we can't voice our opinion or we have to support that number. If the School District comes up with a different budget, we certainly can do that as well. That is the prerogative of this Board. This is the first time I have seen the Superintendent of Schools come in with a budget that actually reduces personnel. I know the man personally, and I am sure it was hard for him to go up to the microphone and say the things he said, but no different than anyone else that has come before us. If you were to ask Ryan Cashin, the President of 856, he would tell you that even going down to 44 personnel on a shift is not safe for firefighters. People that we pay a good amount of money, are making decisions on the best way to manage their budget and the best way to manage their department. Thank you, Your Honor.

Alderman Shaw stated let's get the health care down on the table.

Mayor Gatsas stated trust me, I am trying. Again, I invite any Alderman into my office. If you have a question, please come in. I certainly will go over any number that anybody wants to look at, how it was derived or what are the different options. No different than what I try to do for us as a Board when we talk about the budget that we are in here. We are going to have to make tough decisions. There are options. We can increase taxes by 12.75%, if there are ten votes on this Board to do that, we can give \$11 million to the School District, we can get \$9 million into the City and we can all go home. I am not willing to do that. I can't support that.

Alderman Ludwig asked what was the percentage of the increase in taxes on the School side last night?

Mayor Gatsas replied the increased revenue was about \$1.4 million. We went from \$148,700,000, on the budget that Dr. Brennan and I presented, to \$150,200,000.

Alderman Ludwig asked so last night's budget reflected what percentage of tax increase?

Mayor Gatsas replied it reflected about a quarter of one percent based on the revenues. You have to remember when you look at the School Board budget they have an expenditure column, which is \$150,200,000. You then have a revenue column. It has to total \$150,200,000. The numbers that come in, there was an additional cost that came in because of the New Hampshire Jobs funds, which was \$1.67 million. That came in as a revenue. There was a change in revenue from the State-wide property tax because of equalized evaluation. When you looked at the number, the local tax was \$500,000 more on the local tax side. We then incorporated on the School District side... there is a surplus of \$558,000 in tuition costs that would have to go into the funds that are reserved and then next year's budget would be \$900,000 less, so at the end of year, we could take them out of there. It looks like there is a \$1 million surplus in the health insurance line. That would accommodate \$250,000 for America's Choice, as a program they were adding and also 15 more teachers. In that budget last night, we created 36 more teaching positions. Now, that is where Dr. Brennan wanted to go. I am certainly not somebody who can tell the Chief whether he needs three people on a truck or two. If the Superintendent of Schools says he would rather have 40 positions for teachers than hire back 70 paraprofessionals, I leave that up to him. I can't be micromanaging what his decisions are and what his thoughts are. He knows that

School District. There are certainly discussions that we have been having that we will be presenting tomorrow night. That is making MST a full-time technical school. Kids could go there and spend the day instead of 180 minute blocks. That is six more teachers. Those are discussions that are going to happen tomorrow night, but they are decisions that have to be made very quickly. Those decisions have to be made so that kids in the eighth grade can be tested and the freshman can be tested, so that when we move them over there, they are there and they understand why they are there and we can get out a curriculum and start that process in September. Let's not wait another year to do something because those kids really want to participate in these programs. Walk through the schools and talk to them. They will tell you they want to go work on cars, be a mechanic, a plumber, or an electrician. They are just floundering in the classroom because they can't get over there. Let's give them that opportunity. Those are discussions that we are going to have tomorrow night. As I said to you, I don't want to lay anybody off. If we had the ability to not lay anybody off, this decision for all of us would be much easier. There is no question. It is just as difficult on every one of you as it is on me. I don't take that any different than any one of you do.

Obviously there are choices that we are going to have to make. They are going to be tough choices. Last year was pretty easy. It was a walk in the park. We did Verizon, we did a few other deals, and we got the revenue that we needed; it was pretty easy. This year, it is going to be difficult. It is not just here. Pick up the paper. Every day you are reading across the state what school districts are doing. Am I happy that Auburn is leaving and might take \$1.7 million out of the revenue of the School District? No. I am not happy. I am not happy that they are already sending 82 kids to Pinkerton. That wasn't what the agreement called for. The agreement called for those 82 kids to be coming here. That is \$670,000 a year in revenue that we have been losing.

Alderman DeVries stated I wanted to ask about that and thank you for hitting on it. It is a question that I was going to ask. Is that impact of loss of revenue for this budget or for the following year?

Mayor Gatsas replied it is an incremental change. It will be freshman, sophomores, and juniors, so it is over a three-year period, I believe.

Alderman DeVries stated in the School Department what do they have to say about that?

Mayor Gatsas replied obviously I had them come in three months ago to have the discussion with the School Board, hoping that somebody was going to take a hard stance on what direction they wanted to go in. It was Attorney Cook, and he was willing to come in and talk to us and move forward for nothing. With his drafting of the agreement, he says it is a breach for them to send 83 kids off to Pinkerton.

Alderman DeVries asked as Chairman of that Board, if I can follow up, what do you do with that information now?

Mayor Gatsas replied I think I am going to wait to see the vote.

Alderman DeVries asked to see the vote on what?

Mayor Gatsas replied March 8th.

Alderman DeVries stated oh, Auburn's vote.

Alderman Shea stated I think that the tuition money will be lost by the City, but the other districts have to pick up the capital improvements that were agreed to.

Mayor Gatsas stated yes.

Alderman Ludwig asked why does Auburn want to leave?

Mayor Gatsas stated let me just give you some facts. We have been waiting since April to resume meetings that we have had with the sending districts: Hooksett, Candia and Auburn. It was their Superintendent who was setting up the next meeting where we were all going to do that. There is a committee that is going forward. We have met most of the questions and needs that they had. The big question that started all this was, about what to do with West High School. There were two different proposals that were on the table that were going to come back and we were going to have discussions with the sending districts. One, do we lease it to Hooksett so that they have their own school and we can tuition in? Two, do we turn it into a charter school and have the revenue come directly to the City? Three, do we make it a magnet school for science and technology? Four, do we turn around and put all the Hooksett students into West, which would be an additional 750 students that are now at Central? Those are the four options that were on the table. We have been waiting since April to have those discussions.

Alderman Ludwig stated I understand your dilemma, but quite frankly what I read in the paper, and I am not privy to all the information that you have, only one person got up and defended us in the paper, only one person. How can we sit here and talk about the tough decisions that we have to make about the schools, which are difficult, and expect people from sending towns to want to send kids here? It is a real dilemma. I am ready to say the heck with the sending towns, but I don't think I would ever want to say that either because I believe they have been a huge part of what the City of Manchester is, as they come from other places. It hurts me a lot to think that they are not coming here, but on the other hand if we are not

offering... I don't know. Are they looking for a seat on a board some place? What is it that they are looking for that we are not providing? I think it is the total commitment to education year after year, not just buying \$3.2 million worth of books. It is a bigger commitment than that I believe or they wouldn't be saying it. We are not talking about Mr. Littlefield, the Superintendent; I think it is the parents who are speaking out there about why they don't want to come to Manchester, not the people that are making the decisions on whether West is going to be a charter school. It is the parents speaking to why they don't want to come here. It is the total commitment. Maybe it is the seat that is catchy; I am starting to sound like Joe Briggs, quite frankly...

Mayor Gatsas interjected are you in favor of a 12.75% increase in taxes?

Alderman Ludwig replied no, I am not.

Mayor Gatsas stated then it is not catchy in the seat.

Alderman Ludwig stated no, but I think, Your Honor, when we are looking at a budget that is a 0.25% increase on the School side, we are maybe a little thin.

Alderman Shea stated I think one of the motivating reasons is following the money. In other words, the people in Auburn believe that they will pay less money for their family members to go to Pinkerton than they will pay to Manchester. That is one of the motivating reasons.

Mayor Gatsas stated I believe this is the best school district in the State of New Hampshire. I believe we have the best administrators and the best teachers. I will tell you that I am a product of this system and I think a lot of people on this Board

are products of this system, and I would go back and be a product of this system again. Any school in the City of Manchester, I would attend.

Alderman Shea stated I am not saying that, Your Honor.

Mayor Gatsas stated I didn't say you were.

Alderman Shea stated I am saying that the people in Auburn are using, as part of the motivation, that they can go to Pinkerton Academy at a lower rate to the town than obviously they would to come to Manchester. I don't say that the schools aren't great. I think they are. I am just saying that is one of the reasons they are using.

Alderman O'Neil stated I just want to follow up on your comment. I went and watched a hockey game down in Massachusetts on Saturday. A young man from Manchester, whose father is a friend of mine, was playing his last hockey game. He is going to be graduating this May from the United States Coast Guard Academy. He is a product of grades K-12 of Manchester public schools. I was in line at a wake a month ago. The kid in front of me was home from military service in Afghanistan, first lieutenant in the army. He is a product of the Manchester school system, grades K-12. He is a graduate of the United States Military Academy at West Point. Nothing bothers me more than people selling out our school system. They do a great job. They really do. I don't buy the argument that because we only put in a \$3 million increase and other school districts up a \$5 million or \$6 million increase that that makes them a better school district. We have our challenges but every school district has their challenges.

Mayor Gatsas stated I agree with you, Alderman O'Neil. Let me tell you...

Alderman O'Neil interjected our teachers, principals, paraprofessionals and everyone involved is doing a good job at educating the kids in this city.

Mayor Gatsas stated I spend an awful lot of time in the schools. I go to an awful lot of schools. I can tell you that the discussions that I have in those schools, the time that I spend in them, we don't do enough about singing the praises of the students that we have in the City and the accomplishments. I can tell you that because we have been bringing kids in to lead us in the Pledge of Allegiance, you can't believe how many parents come up to me and how many grandparents come up to me and say that is a wonderful thing that we have started to do. Those kids couldn't be more proud that they are here. You have all had somebody from one of your wards. They are thrilled. We just don't do enough to talk about their accomplishments. I can tell you that maybe we need to start sending out a bulletin or news release on a weekly basis for the accomplishments that kids make in schools; it is incredible. I was at Parker Varney just the other day, on a Saturday, for a chili festival the kids were putting on. The parents were there with their kids. It was a great event. Last Saturday, I went to West High School for Saturday detention. I spent two hours in there talking to kids. They were moving computers into different rooms and setting up the labs. Who better than kids to have working on computers, because they are much brighter than any of us. They did a great job there, but we don't talk about it. When you talk to those kids in the Saturday detentions, all they want is for a face to say to them, 'What are you doing here? Why are you here?' There was a girl writing an essay and I read the essay and I said, 'Why are you here on a Saturday? This is great work. You shouldn't be here. You should be finding some place else that you can go on a Saturday to enhance what you can do, because you are doing a great job'. They look at me when I walk in there and they wonder, what is the Mayor doing here for Saturday detention? We have the products that we need. We have for the first time ever at Harvard University, and you have all heard me say this, a freshman, a sophomore,

a junior and a senior, all from West High School. I don't know if there is another school in the country that can say that. We have great educators and we have great students. We just have to tell the rest of the state how good they are.

Alderman Shaw stated ever since the onset of No Child Left Behind, there has been more negative publicity about the school and that is all that people zero in on are the negative scores and the schools that are in need of improvement.

Mayor Gatsas interjected don't write that. I haven't seen that in print in over a year.

Alderman Shaw stated they have to see the good things. I think the *Union Leader* should have a page, once a week, of what is going on in our schools and let the kids send things in. We used to do that. We used to send essays and things from the kids. It's just a comment. That's all.

Mayor Gatsas stated tomorrow we have to talk about the state of the City along with the state of the State. I invite you all tomorrow morning at 7:30 at St. Anselm College. I welcome you all there and certainly would recognize you if you came in.

Alderman Shea stated we all feel very passionate about education and that has come out tonight.

*There being no further business relating to the FY2012 budget, on motion of **Alderman Lopez**, duly seconded by **Alderman Shea**, it was voted to adjourn.*

A True Record. Attest.

City Clerk