

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

**October 28, 1998**

**6:00 PM**

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

**Present:** Aldermen Hirschmann, Thibault, O'Neil

**Absent:** Aldermen Rivard and Girard

**Messrs.:** Kevin Clougherty, Diane Prew, Randy Sherman, Steve Tellier

Chairman Hirschmann addressed item 3 of the agenda:

Communication from the Board of Assessors requesting the Board consider the effective date of the next revaluation of the City and review of reports from the Board of Assessors.

Mr. Tellier stated what I'd like to propose is a few comments regarding our observations on the Board of Assessors and then I have some examples for you. Not specific property because the goal here is not to itemize specific discrepancies between the ratio...between the assessment and the sales price but to show different classes of properties and the fact that the values are just appreciating at such a high rate that there's a lot of untapped value out there. What I'd like to bring up now is that there is no large foreseeable project in the immediate future. We had a substantial increase of around seventy million plus dollars this year; that there are no new malls, no other Lahey Hitchcock Clinic, there's untapped value out there, but we're not going to see it in new construction. The new construction additionally can't be valued at market because it would be inequitably over assessed compared to similar property classes. For example, we have a new hotel recently out in the South Willow area, we have to, by law, assess that comparatively to other hotels even though the market value is substantially higher on all of them we're still working on 1991 values. Were we to assess that at a higher value there would immediately appeal and understandably so and win that appeal at any Appellate Board whether it be Superior Court or the Board of Tax &

Land Appeals. The equity issue on taxation is one of the major legs of that stool for taxation. Another thing is, for example, all of the multi-families that we have in a city this large...at one point, due to a lack of commercial loans there weren't a lot of sales out there, there was a high vacancy rate, there were no commercial loans available for multi-family housing and that since has dissipated, it doesn't exist anymore. They have low-interest commercial loans, we're seeing vacancy rates of "zero", one percent, if that. What's happening here is that...for example, there is a major apartment complex going up over on Front Street. We've got so many apartments that are full right now that the income streams on all those types of properties are very high, so they're very attractive for incoming investors. Another notable fact is that we're into the eighth year of our revaluation, the effective date of the revaluation was April 1, 1991. We're into that eighth year now, in fact we're into the ninth year if you consider that the data collected for that revaluation was in 1990, all the income and expense data, all your sales data was using the previous year and in reconciling later 1991 sales and income data to corroborate everything. There's a lot of untapped value from improvements that were done with or without benefit of permits. There's a lot of people...equity loans right now, home improvement loans, commercial loans are at all-time lows, they haven't been this low for 20 to 30 years, I believe. It's absolutely amazing and there's a considerable amount of home improvements and commercial improvements that are done without benefit of permits. We have statistical measures that also show that the disparity in increased values out there compared to within all property classes are phenomenal and what I have here also...I won't itemize specific properties, but what I will do is property classes. There is a major bank that sold twice in the last two years. In 1996, it sold for \$8 million, in 1998 it sold for \$10.850 million; that's two million dollars in increased value that can't be tapped, it can't be assessed because it would be inequitable or considered spot and in this State you can't assess by sale price unless you do all properties and in a similar fashion. We have a lot of converted office buildings that, for example, I've got one that it's assessed at \$223,900, but sold for \$255,000 - another converted office assessed at \$216,000 and sold for \$285,000 right here on Elm Street. I've got a multi-unit, 25 units out in the Auburn Street area and assessed at \$245,600 and sold for \$295,000; another one in the inner city which traditionally has had lower sales prices and lower market rents but that case is not the fact any longer and I'm not talking the inner city. In the upper Somerville area we've got one that was assessed in the reval at \$93,200, it sold for \$158,000 and again we're looking at single-family residential homes. We've got a brand new 800 family development in the south end of Manchester, I've been tracking resales...they flipped in a year because maybe the family that bought it may have been relocated due to a job constraint or other constraints, they flipped it and it increased ten to

twenty thousand dollars which is unheard of in new construction of that type. So, what I'm proposing here or showing by these examples is that there is a significant amount of untapped value out there and we're into the eighth year of our reval...traditionally in the State of New Hampshire revals have occurred every ten years or so. No one could have forecast in 1991 that in October the FDIC would have come in and locked up five New Hampshire banks and all hell broke loose at that time. No one could have forecast that; that was a direct result of poor lending practices, poor portfolios, and a lack of regulations in the appraisal industry. As a direct result of that uniformed standards and professional appraisal practices were formulated and given the blessing by Congress. These are national guidelines that appraisers throughout the country have to abide by and that was a direct result of that. So, we're seeing tighter appraisals, we're seeing much finer guidelines and criteria that appraisers and appraisals have to meet. So, with being said we understand, the Board understands the market and the economy is very cyclical, however, the fact remains that it's prudent and we believe that it's an appropriate time for the Mayor and Board of Aldermen to consider undergoing this process. In our letter from the Board we anticipate anywhere from 2.5 to 3 years for the data collection, for the RFI, the RFP, the data collection phase, the accumulation of all of the income and market data that is necessary to derive these values, the reconciliation, the hearings, and the final notification process. So, in our letter we stated that even if we entered into this right now, we're still talking 2001 at the earliest. What we're looking here from this Committee is the approval to go to RFI or RFP and that certainly does not bind the Mayor or Board of Aldermen, but it will give us the amounts of what a revaluation will cost, more specific time frames and a lot more details so the Mayor and Board of Aldermen would digest all of it and come up with some opinion on what they decide to do.

Alderman Thibault asked what was the span of the last revaluation.

Mr. Tellier replied it was over 20 years; that the previous revaluation was in 1970 and started in 1989/90 for the 1991 revaluation.

Mr. Clougherty stated the reason we did it was because the core audit.

Mr. Tellier added we are compared to Nashua in a lot of ways and I think we do a much more superior job here, however, just for your information they are going to revaluation for 1998. The 1997 net value which is the taxable value after you take

off the state, federal, municipal old buildings, and after you deduct the exemptions that's what you use to set the rate in the budget. Their net value is \$3.7 million, their 1998 net was \$3.999 and some change. The change before and after reval was \$294 million.

Chairman Hirschmann asked what did is cost to do our last revaluation.

Mr. Tellier replied I don't have that information with me.

Mr. Clougherty stated under State statutes it's a bondable item (5-year), but that's certainly the route you would want to go on this.

Chairman Hirschmann asked would we refer this to the budget process.

Mr. Sherman replied it would have to be referred to the CIP process, but if they could start the RFI and start getting some kind of numbers.

Mr. Clougherty stated if it's just referred to the CIP he doesn't have a number to give them, so he's trying to get authorization to go out and feel the market and get a number to give the CIP when it goes.

Mr. Tellier stated this would not bind the Board of Mayor and Aldermen or anything, but merely gives us the approval to go out for RFI and RFP and come back with additional information to make that judgment.

Mr. Clougherty stated the other point you'll want in going out is the availability. The last time we did this some of these companies...there was so much demand to do it that even if you had wanted it by such and such a date it couldn't get done and there were timing issue too. So, by going through this process...we support it. We think what he is advocating makes sense. He'll get the information and be able to tell you what the interest out there of the companies are and what the relative cost is and then be in a position to make a budget decision and go forward in the City's best interest.

Mr. Tellier stated what I wished to provide to the Committee here is that we see this increase in value throughout every class of property...whether it's multi-family, single-family, single-family residential, converted residential buildings that have converted to offices, major Class A offices. In 1991, the Millyards were almost empty except for Rhodes and at this time they're in great shape. Suffice to say that it's been a long, hard road for them and what we don't want to do is target

any particular class of property. We're just trying to show that due to the market and the banking industry and the loans and the economy, all of this driven together has created higher values out there and we think it's appropriate to engage into this procedure relatively soon.

Chairman Hirschmann stated this would include the tax-exempt properties.

Mr. Tellier stated all properties as a matter of revaluation, all of them are reevaluated and a new value set; that would include non-taxable, tax-exempt, and taxable properties, all of them.

Alderman O'Neil stated I was here the last time we went through this and all I remember talking about was ten-year cycles and so I think that's important and I think we should get it going forward. Is the reality still a 1/3 remains, a 1/3 goes down, and 1/3 remains the same.

Mr. Tellier replied generally that's correct. You may see that weighted a little bit more or less. Fortuitously for Manchester there isn't a lot of inventory out there of small industrial, you can't even find it right now. So, what we hope to see, what we saw in Nashua's was not a noticeable shift between commercial to residential properties which can sometimes happen in a lower-driven economy. Right now, the AirPark is driving some substantial construction and speculating Brown Avenue is going well, South Willow is going well, the back streets, PACE, March Avenue and that area. The timing may be fortuitous in as much as the new industrial park is going well, quite often you'll see a ripple effect. There's not a lot of land out there and quite frankly, Bedford for example, has gained a lot of benefit from Manchester's outside development near Route 3, the Daniel Webster Highway (north and south). Should this new industrial park take hold and really start to take off that may very well bode well for Hooksett and Route 3A and all of the wooded areas out there. You have Central Park West out there, you have Route 93 right on that side of the river, there's a lot of good things out there.

On motion of Alderman Thibault, duly seconded by Alderman O'Neil, it was voted to recommend authorization for the Board of Assessors to issue Requests for Information (RFI's) relative to the revaluation process of the City.

Chairman Hirschmann addressed item 4 of the agenda:

Review of Information Systems Department FY98 budget.

Chairman Hirschmann stated what I did, Diane, here was given a draft of all of the expenditures of the last fiscal year and I saw yours and wanted to single you out and ask you to come on in, but based on the draft your department was overexpended and I guess that's not true at this point.

Mr. Sherman stated since that draft has been released Diane has insisted she wasn't over and we have found, I think, you were \$680 over or something like that. We found \$1,091 of liability insurance costs that were charged to her budget that shouldn't have been and when you back that out, she's under. She knew she was under and she was right; that doesn't change the bottom line on that draft, all it does is reallocate some of those expenses because you'll take it out of her budget and charge it to the insurance budget.

Chairman Hirschmann stated I just remembered your department through the year when you went to Yarger Decker having trouble filling positions and finding employees, I remember than LAN Administrator job and it's probably still not filled.

Ms. Prew replied that is correct.

Chairman Hirschmann asked why isn't there a fund balance for all those salaries.

Ms. Prew stated the HTE overtime was charged to my department.

Chairman Hirschmann asked how much.

Ms. Prew replied I don't have the figures with me, but it was a lot. Not all of it would be attributable to HTE but most of it would be.

Mr. Sherman stated \$21,000.

Chairman Hirschmann asked are we in same situation this fiscal year that if there's overtime charges you can't fill positions.

Ms. Prew replied no, that's not going on.

Mr. Clougherty stated what's happening is that you're getting work done, but you're just not getting those position filled because there wasn't the market for people to want to fill them.

Ms. Prew stated what we've done with our LAN Administrator is outsourcing that right now.

Chairman Hirschmann asked how come I was under the impression that a lot of that overtime was charged off to that bond issue.

Ms. Prew replied some of it was, but the majority of it was charged to my budget.

Chairman Hirschmann asked what was the determination as to where it got charged.

Ms. Prew replied the amount of overtime originally wasn't anticipated until we got into the very fast pace where we had to get things going so it wasn't a budget item, we had to work it out within the resources that were available.

Mr. Clougherty stated most of the departments also ate some of the too, as well.

Alderman. O'Neil asked how are you doing with employees where you've tried to change some things to try and help out the situation.

Ms. Prew replied I have two vacancies right now. The LAN Administrator position and I had a programmer leave. The LAN Administrator we have been outsourcing and has worked out nicely for us and right now where we're at we need a variety of very technical skills and because we're outsourcing we're able to...they send us the person that's the expert in that particular area and you probably would not be able to find one person with that concentration, so for now it's working well.

### **TABLED ITEMS**

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted to remove item 5 from the agenda for discussion.

Communication from Roland Gamelin, President of Riverfest, Inc., seeking the City's aid with their financial obligations.  
(Tabled 2/10/98)

Mr. Clougherty stated what I need to do is sit down with Mike and Paul and find out whether they've been made whole as a result Riverfest which has just occurred and if you want me to I'll proceed and report back to you in a couple of day or next week.

Chairman Hirschmann stated the next meeting would be fine noting the last comment I remember is that they got three sunny days for this Riverfest and hope they make the Police bills a priority and not pay somebody else first.

Mr. Sherman stated we can find out the status of the current year's bills as well.

Mr. Clougherty stated Dale Robinson injected himself to try and make it work, so I will follow-up with him.

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted that item 5 remain on the table pending a report from the Finance Officer.

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted to remove item 6 from the agenda for discussion.

Communications from Lloyd Basinow relative to the tax-exempt status of Optima Health and requesting a public hearing be held on such matter.  
(Tabled 9/30/98)

Chairman Hirschmann stated the Assessors ran out of the meeting one second too soon, he just told us that they had meetings relative to this and they still are tax-exempt noting we have no purview over this matter.

Alderman Thibault stated until this matter is settled, I don't think we should touch that.

On motion of Alderman Thibault, duly seconded by Alderman O'Neil, it was voted to receive and file item 6.

Chairman Hirschmann asked are there any other departments members would like to have appear before the Committee as Diane had this evening.

Alderman Thibault asked what about the School Department.

Mr. Clougherty stated he's got a tight budget with the raises and everything, but the thing that we tried to structure in the eleven items which were put on the table was that you get an independent auditor in to take a look and see what is the expense. If the overexpenditure is Special Education you've got to pay it anyway and let's resolve that and go from there. If it isn't or part isn't, all right, at least have somebody independent look at it and give you back the numbers.

Alderman Thibault asked how long is that going to take.

Mr. Clougherty replied you'll get that in January. By the time you get that you can sit down and say here's what the independent auditors say...the other main piece to us was what we did was to put them into a form of in-house receivership, that is really what we did last night, we didn't use those terms...the reason we did that is that we're going to have that special committee meet every two weeks to go over all of the bills. Okay, Mark says hi number is this, what is School's number and we're going to reconcile every week going out and that's the way I think you deal with these issues and not letting them fester and a lot of people didn't like the idea of meeting every two weeks, but I think that's critical and you should be on top of it and be able to move it along. The third piece that was important is if you have the technical people and staff reconciling going out and you've got the auditor saying Special Ed or whatever and then you've got the SCIP Committee that's been a pretty good team in dealing with school issues and say you focus on what the solution is...is it an alternative school, is it this, etc...and work with the Superintendent and help come up with something and then the final piece is my going to their committee and trying to work with them and say we understand there are some issues you have here, we can spend all the rest of our days fighting and wasting our energies on that, but we'll try to focus on what you really want to do and what you really seem to want to do is something budgetarily with respect to one line item. The problem is that when you come in on the last day...they've traditionally submitted their budgets late, by the time the Mayor gets it he's made because he's got it late, and it gives their side of what the bottom line would, so what we would say is we'll work with you to try and develop a process to work that out. If you can go on those four levels you could see some progress and we'd at least like to give it a chance for the next couple of months and hopefully we can get something to settle down and move forward so that there is not this big tirade and things are disrupted because that doesn't help anyone and it's not constructive. So I think that's the game plan and that's where we're going to be working and trying to move the thing forward and we appreciate the Board's support last night.

Chairman Hirschmann stated the only thing I would have to add to that would be the recommendation about making School Food & Nutrition an enterprise and if we could work towards that it should be too big of a deal.

Mr. Clougherty stated O'Shea has said he's like to go that route, he's willing where others have not to raise the rates and that's what it comes down to. If you want to be an enterprise you're going to have to raise what you're charging the kids for the meals. As long as you're willing to do that if there is support for that on the Board we'll look at that and I'll raise that with the School Board. What I don't want to do is do that and going through the process of setting up an enterprise and then having to run a deficit doesn't make sense, you're not going to get there from here.

Chairman Hirschmann stated you just gave us a draft of the '98 spending noting you should issue a final report at some point.

Mr. Clougherty stated the actual final report is the CAFR which is the auditor's report and we are still making corrections and adjustments. We can give you the numbers as we have them today, if you'd like.

Mr. Sherman stated we've got the auditor's coming in right after Veteran's Day.

Mr. Clougherty stated we're pulling all of those pieces together for them and we'll share them with you as to where we are and then you'll know where we ended, what we handed over to them, and what they come back with.

Alderman Thibault stated I would like to know why, if you know, why the people of the east side and the Fun in the Sun Program are fed lunch and then on the west side they're not, do you know anything on this. I just thought that someone might know.

Mr. Clougherty stated one of the things I have been asked that probably involves this Committee is that the Committee on Administration is looking into cable rates and one of the things we did the last time around which was particularly helpful was the audit piece of that and I think if you talk to the Solicitor he'll agree that when other people from other towns have come in and say we've got a great deal for you because they found out that Manchester actually did better than any of them...was in part because of this approach, but there is a recommendation for us to take a look at auditing for the cable.

Mr. Sherman stated the contract that you have with the cable company is that they're giving you a percentage of their revenues. Now, what the auditor's do is they'll go in and make sure that the revenue that they calculated on is the right number. Now, the last time they went back and said you didn't count your interest earnings and you tried to subtract this out and they came out and said you owe the City some money.

Mr. Clougherty stated we did it in the beginning too and then going forward they were on the know because they knew we'd come back and audit, so we got good numbers. So, if you're going to go out and do that you really should be considering the audit. Like I said, I got a letter the other day that asked us to do that and I'm letting you know that it's an audit-related feature and certainly if you want us to keep you appraised we will.

There being no further business to come before the Committee, on motion of Alderman Thibault, duly seconded by Alderman O'Neil, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee