

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

January 12, 1999

5:30 PM

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

Present: Aldermen Hirschmann, Rivard, Thibault, Girard, O'Neil (late)

Messrs: K. Clougherty, T. Bowen, D. Robinson

Chairman Hirschmann stated I am going to take Item 5 of out courtesy of the Water Works Director:

Communication from the Director of the Manchester Water Works seeking reimbursement of \$21.22 for out-of-pocket expenses for meals for two Water Works employees who attended a day-long computer training class in Nashua, NH on November 23, 1998.

Chairman Hirschmann stated before I take a vote, I am just going to say something to the Finance Director. Is it because this wasn't an overnight trip that this is here?

Mr. Clougherty replied yes, it violates the policy on travel that the Board of Mayor and Aldermen adopted.

Alderman Thibault asked so in other words if it is not an overnight trip we don't normally pay for meals.

Mr. Clougherty answered no we don't. If you pay this one, you will have to pay it for everyone.

Mr. Bowen stated to be honest with you that is the only reason that I wrote the letter because I really think...

Alderman Rivard interjected does the Director have a fund available for these type of expenses.

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Chairman Hirschmann replied he has a fund but what the Finance Director is saying is that the policy doesn't allow him to use the funds.

Alderman Rivard I understand the policy but the question is does he have a fund that he has access to to pay this.

Mr. Bowen stated yes he does.

Chairman Hirschmann stated lets read the rule to get this thing figured out. I don't know what chapter we are reading from but it says C) Meals. When the City requires an employee to travel overnight, the City shall reimburse employees for the actual cost of meals, tips, tax and gratuities within the following limits: breakfast, lunch and dinner and then there are amounts noted. The double asterisk says that no allowance will be made for travel that does not include an overnight stay, i.e. no lunches reimbursed. What year is this from? When we went through the procurement code, didn't we address this in the new procurement process?

Mr. Clougherty replied that has been the travel policy for the past couple of years. Our problem is that the Board of Aldermen adopted it. I am not sure that this group has the authority to tell us to pay it. You can made a recommendation in a committee report to the Board and again you are talking about a small amount but if you do this you might open the door for more in the future.

Chairman Hirschmann stated so you are saying that in the future it could be a lot of money incurred.

Mr. Clougherty replied yes. We have to enforce it uniformly across the board.

Alderman Girard asked, Mr. Clougherty, why would the City draft a policy that did not allow for any kind of reimbursement like this unless people stayed overnight meaning people legitimately do go to work-related conferences and things along that line and they are not all overnight trips. Why would the policy be drafted as it is now?

Mr. Clougherty answered are you going to pay for my meals when I am up in Concord for a legislative hearing. I have to pay for my lunch when I am here anyway. Granted, if you are overnight someplace, the expenses and things are different and that is the threshold. If you have to stay over for business, then you are required to be there and the City should be paying for that but if you are doing just your day hop types of things whether it is to Concord or Nashua or whatever, you are going to have to pay for your lunch anyway and that was the thinking of the Board back then.

Alderman Girard stated I am not calling into question policy, I am asking for the reason behind it and I think it has been answered.

Mr. Bowen stated to be honest with you, the reason why I questioned it is because we are not talking about myself going up to Concord and going to a meeting. What we are talking about are two people, two of our account clerks from our office but it could just as easily be two of our construction foreman or two of our water treatment plant operators who are required to go up to Concord for an all day training session. This time of year we do a lot of training. These people are required to have State certification. They have to renew their license and the State offers training throughout the winter. We have a lot of people who go up there once a week for six or seven weeks during the winter months and it just seems to me that if we are requiring people to go up there we should be able to compensate them for their meal. I am not asking for compensation for my meal when I go up to Concord to DES or to the PUC and I get in the car and drive home. That is not what we are looking for. What we are looking for is actually people who enrolled in courses and classes that are all day sessions and we are treating them with less respect than we really need to.

Alderman Thibault stated I think Kevin brings up a good point, that if in fact when he goes up to Concord and many times it is on City business, I mean that person or those people who went to this daily conference, where would they have gone to lunch if they were in town here. They probably would have gone out to lunch anyway or maybe they would have brown bagged it and if they brown bagged it, why couldn't they bring their brown bag?

Mr. Bowen replied you are right. That is true, but I mean when you have 60 people that are at conference and you have the three people from the City of Manchester who have to carry up their little brown bag and everybody else goes to lunch, I mean we are relying on these people to go to these sessions and bring back some information that is going to benefit the City. I don't think that \$12 is a lot of money for a lunch.

Alderman Thibault stated I don't think that anybody on this Committee is looking at the price, that is not the question. If you open up a box like this, now you are talking about every City department in the City that sends somebody to a day conference to do the same thing.

Mr. Bowen replied I think you have to rely on your department heads to police it and administer it and if it is abused then you call the department heads down.

Alderman Girard stated I understand where you are coming from, Mr. Bowen, but as Mr. Clougherty has said, when he is up in Concord testifying on legislation, he could be there because his presence is needed or the Mayor has directed him to be there. Deputy Chief Robinson, Ms. Shaffer, Mr. Sherman, any of the people here

that are there for City business and are required to be there whether it is for

training purposes, or legislative purposes or City business in general, it is part of their job and I am not sure it is fair to say that all 60 people from Manchester will go up with their brown bag because they can't go out to lunch. I think that presumes that every other community in the State will reimburse its employees for essentially what is doing their job. I don't know that that is a fair comparison. Again, I think the problem here is that a potential precedent would be set that would open up the flood gates for reimbursable items.

Mr. Bowen replied I am not saying that it would be easy to develop a policy. The policy would have to be written very carefully, but I think it is appropriate that the policy be looked at.

Chairman Hirschmann stated I feel the same way.

Alderman Rivard stated I just wanted to say that there is a difference between management and labor. Management gets paid the big bucks and we accept certain responsibilities. We have people who went through this with approval.

Chairman Hirschmann asked so this is a non-exempt policy you are talking about.

Alderman Rivard answered well management accepts responsibility for coming in here and they get the big money. Some of these guys are working for \$10 an hour while other guys are making big money. They have to go up there because that is part of their job and if you make one of your employees go to Concord because it is part of the training, that should be part of the package and I am prepared to do whatever it takes to change the policy. Give a little bit of credit to a department head. These guys are in charge of the department. Let them run the department, make the decision and I think we can do a lot better.

Chairman Hirschmann stated I would like to see for a policy, if we could word something and let these folks vote on it, maybe training courses outside the City. You have to box it in so that it refers to something. It can't be a conference because 1,000 teachers are going to go to a conference tomorrow, okay. It has to be a training seminar or some kind of a required certification and he is saying non-exempt people or hourly people. What if he has a foreman that wants to do this?

Alderman Rivard stated the department head should have some control over how he runs his operation I would guess or I would hope.

Alderman Thibault stated I think that maybe there should be some kind of a policy formulated that when a department head is going to send someone to an area like that, that they include this as part of the package and when it comes before the

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Committee, if the Committee approves it then it should fly, but if it doesn't, it

doesn't. If a department head puts it in as part of the package and what did it cost another \$40 for them to go to that conference or what so if you had put in \$62 you would have paid for the lunch. Maybe that is the way to control it, I don't know.

Mr. Bowen replied in a lot of cases, seminars and so forth, the meals are included in the price of the session. It is \$20 to attend a session and it includes lunch or a Continental breakfast.

Alderman Girard stated it is all well and good to say let the department heads manage it, but if every department head does something different because the policy allows it, then you are going to create inequities between the departments and what do you do...why should a conference out of town get any different treatment than say a seminar in town. When we were going through the conversion and every employee that used a computer had to go and learn how to use Microsoft Office and the updated software and programming, we all got yanked out of our offices for eight hours a day to go to the Fire Department training center to do the work there and no one was paying for anybody's lunch there but it was required training. I was away from my office, away from the regular routine as was everybody else. It was required training. You can cut this thing in so many different directions.

Mr. Bowen stated when the session broke, everyone could go home for lunch. These two women who were down in Nashua at that point didn't have that option.

Alderman Girard replied that assumes that all of the employees that were in town lived in the City and could do that. We can cut this 100 different ways.

Mr. Clougherty stated the policy was adopted a couple of years ago based on models and input and a working session with the Committee, as you recall. We went over every line in this and approved it. If you want to change it now, that is okay. You can do that to policies. What you have to do is two things. Make sure that you rewrite it narrowly so that it doesn't open up the doors for everyone to get their lunches paid because I don't think that is your intent and I don't think that most department heads abuse that, but sometimes those things happen. The other thing you have to make sure is that you can apply it uniformly to everybody. You can't just say yes if this guy goes up we are going to pay for his lunch but we are not going to pay for his supervisor who is there at the same time.

Chairman Hirschmann replied only those enrolled in training or something.

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Mr. Clougherty asked why don't you let us revisit this and bring you something at the next meeting and you can use it as a committee report from this Committee to the full Board.

On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to table this item and have Finance revisit the policy regarding meal reimbursement for travel.

Mr. Clougherty stated once the Board adopts a policy, and you can say you like the policy or not, but once we adopt that policy we have to enforce that. We don't have any choice and that is what you got.

Chairman Hirschmann asked isn't there a State of Federal thing that if you take someone out of their normal work environment and you send them off on a journey out of town that you have to pay for their meal.

Mr. Clougherty answered I don't think so, but like I said we will go back and see what the concerns were of the Committee when you adopted that section of the policy.

Mr. Bowen stated we have contractual obligations in our contract with the Steelworkers that under certain conditions we have to provide them with a meal but this is over and above that.

Chairman Hirschmann addressed Item 3 of the agenda:

Status report by Finance officials relative to the FY98 audit.

Mr. Clougherty stated just so the Board knows what we are talking about, we are trying to put together for the last fiscal year a comprehensive annual financial report. This is the report for the previous year just to give you a point of reference. This is what we are doing for FY98. We are pulling together the financial statements in this document. Ordinarily we would be at this meeting with that document giving it to you so you could forward it to the Board. We are not going to be able to give it to you tonight. We will probably be able to present it in the middle of next month. The reason we don't have it tonight is, and there are a couple of things, one is the move that we have just gone through. The one thing we asked people to do was not move us physically during the month of November or December because that is our busy time. What they ended up doing was moving us December 14th and we understand that because there were other issues and we had to get into the building and that is fine, but what that meant was that we had to box up all the records for two weeks and then they sat here while we waited to unload the files and we lost about three weeks. The other thing that is unique about this year is, if you recall, part of the resolution to resolve the school issue was an audit requirement that we go in and make a determination of how much of that was special education and that is a new twist on the audit this

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that is taking us a little more time than we would like. The combination of those two, primarily along with wanting to take a hard look at the new system, puts us back about three and a half weeks. Other than that, we would be here. The auditors are here now and they are going to put a full court press on because they are getting into their tax time so they want to finish. We should have something for you at the meeting in February. That is where we are on that.

Chairman Hirschmann asked does anyone have any questions on the FY98 audit.

Alderman Girard asked do we have to receive and file this item.

Mr. Clougherty answered that is something we will come up with at the next meeting.

Chairman Hirschmann stated I have a question that you probably can't answer but it is the Deficit Committee with the schools. When is that going to be figured out? That has to capture the school number.

Mr. Clougherty replied we meet every two weeks. The way School is, at the last meeting they stated that they had unencumbered of their budget \$2.6 million. On their salary line it is about \$136,000 but we know that they are going to have to make some adjustments with their overnight transportation which will bring that number down. We expect and they have been telling the School Board and the School Finance Committee that they will make those entries at the end of this month. We have really been trying to get the School piece done so we can make those changes. I think they are dovetailing. We are meeting every two weeks with that Committee to make sure that the financials tie in. What they are doing is they are taking a look not only at...it is important not only that the numbers that we are showing off our payroll system tie into what they are separately look at in terms of dollars but in terms of bodies. If we have a million dollars and they have a million dollars but they have 900 employees and we have got 800, then that is an issue. You have to make sure that you are tying in not only the bodies but the numbers as well and that takes a little bit of a reconciliation but it is worth it each period to make sure that you are okay.

Chairman Hirschmann asked is the independent auditor going to focus on the School District budget and figure out some red flags so that it doesn't happen again.

Mr. Clougherty answered first of all, whenever you go through a systems conversion, you are going to get a ton of audit findings and that is to be expected that that is what we have said right along. We expect that...that is the purpose of

the independent audit to identify all of those areas and make sure that you can

correct it. A lot of that is going to be focused on school because we did want to make sure that we had the independent look and that it was thorough. It is my understanding that they are wrapping up over there now and they should be on a time-table if they have told the School Board and that again puts us into the middle of February.

Alderman Girard asked, Mr. Clougherty, did you just say that the School Department had \$2.6 million of unencumbered funds.

Mr. Clougherty answered at their most recent report, yes.

Alderman Girard asked was that for FY98.

Mr. Clougherty answered that is for the current fiscal year. I wish it were for FY98.

Alderman Girard asked they have encumbered all but \$2.6 million of their budget so far.

Mr. Clougherty answered yes because a lot of it is by contract and by salaries.

Mr. Sherman stated that includes their salaries.

Alderman Girard stated I am not unfamiliar with the tracking reports and the only department that I ever recall being so far ahead of fiscal year encumbrances was PBS because PBS is mostly a contractor. The School Department, in my recollection, has never tracked quite so far ahead of where it was in the school year. Why is that?

Mr. Sherman replied I think the difference is that they are now on the same system. Keep in mind that we used to be 45 to 60 days getting information after the fact. What they were doing in their own system versus what we were seeing on the City system were two totally different things.

Mr. Clougherty stated that is why it is important to reconcile what they have set-up as internal reporting and what we have going through the system. Not only in terms of dollars, but bodies.

Alderman Girard asked in theory, shouldn't the system be reporting the input. What are we doing over here on the City side? We are double-checking the input that they are putting into the system to make sure that it is accurate?

Mr. Clougherty answered no. You may recall that last year at this time we went to the School Board in November and said you have got to come through the system. At that point, we were saying that our projections off the system showed us that there would be about a \$1 million problem and there was some disagreement on that. Now this time, as we go through, we have our numbers and we have what they key in. We can only report out of the system what they are keying in. So we come into the meeting and say this is what we are showing in the system for dollars and for bodies. Now have you hired any other bodies that have not gotten into the system and that is what Mark is doing. He is reconciling those lags and that is what Randy was saying. They could have a 45 or 60 day lag in the reporting before. We are not experiencing any lags right now. We are making sure that what they have got keyed in there because all of that funnels into your benefits and everything else. I think that the process is good and it hasn't been acidic, it hasn't been a negative meeting. Every two weeks we get together and we go through these reports and make sure that we are on the same track.

Alderman Girard asked one final question. Why has the School Department encumbered the salaries already? I am not aware of any other department that encumbers employees' salaries so far ahead of schedule.

Mr. Clougherty answered one of the things that we wanted to make sure of is that if it didn't go through the encumbrance there might be the ability to mistake that you had money available to do other things and that was part of the problem.

Alderman Girard asked are you causing them to encumber their salary numbers now or are they doing that on their own.

Mr. Clougherty answered I would like to give them credit for it and they would like to give me blame for it.

Alderman Girard asked but this is basically a defensive practice.

Mr. Clougherty answered no, I think it is a mutual action and as I have said we are meeting every two weeks.

Alderman Girard replied whether it is mutual or not, it is defensive on somebody's part to make sure that they don't mess up again.

Mr. Sherman stated the point you made earlier that they had \$2.6 unencumbered bottom line but only \$136,000 on the salary side. They are tracking both of those numbers. Where they are actually doing encumbrances is in the payroll system itself. You can go in and set-up a budget by individuals and that is what they

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have, each individual with all of their contracts and that is where the key to tracking is.

Alderman Girard stated so basically they can't hire any more personnel at this point.

Mr. Clougherty replied unless they do some changes in their other line items and free up some money.

Alderman Girard responded that's right because we don't have control over their line items.

Mr. Clougherty stated they would have to go through the School Board to make that change.

Chairman Hirschmann stated what it does do is if they run short of money, they are going to have money to cover salaries but there will be no money for lights or paper or anything else.

MR. Clougherty stated at the last meeting, the nice thing was that they were going to use their new system to do some modeling and forecasting.

Alderman Thibault asked, Kevin, are you telling me now that with this Committee that is looking into this deficit that you are going to be able to identify where they have spent money that they shouldn't have spent.

Mr. Clougherty answered we are identifying where they are spending the money so that we shouldn't get into that situation where you have to answer that question.

Alderman Thibault asked but are we going to know where they have spent this extra money. Was it in special education, something that they couldn't plan or was it someplace else? I would like to know that. I would like to know if maybe they underestimated what their special ed costs were going to be and that is where the deficit came in or whatever.

Mr. Clougherty answered and that is what the auditors have been charged with and that is what is taking it a little extra time because in other years we didn't go through that thorough a review of all of those types. It takes a little extra time, but it is worth doing it. The other thing is by going to this Deficit Committee meeting and going through the reports, there is no finger pointing so my understanding is that the HTE system and the payroll is what they will be using and what they want to use to do some forecasting for their budget for this year. They are working with Mark Hobson who will do that.

Chairman Hirschmann stated until you have your audit performed, we are all set until February anyway. Come May, I hope it is not like last May.

Mr. Clougherty replied their issues are going to be transportation and it sounds like a lot of money but \$136,000 is not a big buffer in salaries and if you get one court placement that goes the wrong way, that will take a lot of money. They are still skating on a thin number but the good news is that we haven't broken through it and we don't look like we have a big problem at this point. The other issue would be on the revenue side to make sure that we are able to recapture all of the revenues.

Chairman Hirschmann addressed Item 4 of the agenda:

Status report by Finance officials relative to the Aggregation Program.

Ms. Parsons stated we did a full presentation to the Board on April 29 where we had done an update on Aggregation and I think it was our first introduction to the Amoskeag project to the Board as well. Since that date, the update on deregulation is presently you may have heard in the press that PSNH has put an offer before the State. It is their second offer to come down with some rate decreases. It is a complicated offer. There are a number of different layers in this offer. It encompasses a bunch of other issues that are before the NHPUC right now. We have been working with the NHPUC staff and the Governor's Office in some tech sessions that I have sat through to go through data requests of the company to get ideas of what is behind the numbers that they are giving us. Publicly, they have declared it to be a 20% rate decrease, but that is only if you take into effect a rate decrease that is already in effect so it isn't as illustrious as it seems. However, if we can move with the company towards a settlement that is good for residential customers and other groups of customers, they are presently working on trying to take in as many of those groups as possible. Cabletron is sitting at the table and we have the OCA. The BIA is there, the Business & Industry Association.

Alderman Girard asked what is the OCA.

Ms. Parsons answered the Office of Consumer Advocates.

Chairman Hirschmann asked is Manchester still intervening.

Ms. Parsons answered yes we are and our consultants are also involved in terms of analysis. As I said, we went through a hearing process, a second re-hearing. No one ever envisioned that that would be almost three years into this process and still

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not have significant rate relief. Moving down to the State Supreme Court. That went through and came out in November as we had told the Board that we

expected a decision. Actually it ran a little longer than we would have thought. The State Supreme Court elected to not touch any of the Federal items. That has been rescheduled, as you can see, for a hearing in February of 1999.

Alderman Girard asked is that still in Rhode Island.

Ms. Parsons answered yes, Sir. I was just going to say that will be held in Rhode Island District Court. It is hoped that the tech sessions that we have been doing might help get us closer to a settlement and avoid the necessity of going through that hearings process. So the State Supreme Court, it kind of depends which side of the fence you sit on. If you sit on the company side, they would say that they kind of won in so far as the judgment came back that there is stranded costs and it is recognized by the State Supreme Court that the State did enter into a contract with Northeast Utilities. On the other hand, if you sit on the side of the ratepayers and the State, they would say they won because the judgment also said yes you are entitled to stranded costs but not necessarily 100% of those costs.

Alderman Thibault asked if, in fact, PSNH comes down on their rate, lets say 20% or in that area, would that also effect the people that buy power from PSNH such as, for instance, I have a place up at Lake Winnapasaukee and I buy power from someone who buys it from PSNH. So if PSNH decreases, will they decrease.

Ms. Parsons answered those are bound by wholesale contracts under the regulatory commission regulation so no. They would be held by the contracts that they have in existence with PSNH.

Mr. Clougherty stated unless they could renegotiate that with the company.

Ms. Parsons stated but I don't want you to be confused in so far as deregulation energy does not impact that. The contract that they have and the contractual obligations that they have impact that. Those rate agreements are actually handled through PERC and not through the State so it is a Federal not a State issue. I will try to bullet through these. The NH Pilot Program expired on May 28. We had 262 accounts in the pilot program. Residents and some businesses here in the City as well as municipal accounts. That expired. We lost Green Mountain Energy Partners. We came to the Board on June 2 to have you ratify the contract that we have now with Select Energy. I put down there that on September 11, I sent notification to Select Energy to put the new school in the pilot program because under the rules of the pilot program any new load is part of the pilot program so we are, in effect, getting a rate decrease because they are part of the load for the City. I just wanted to highlight that. The way we view it is the savings are not what we got initially. Those were rates that came simply because people wanted

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to get recognition and name recognition as corporations here in New Hampshire,

but it is still lower than the regular rate tariff that PSNH has for business and residents so everyone in the Aggregation Program now is still getting a benefit, it is just not as great a benefit as it was once before. Under that item, as well, Parks & Recreation Department are looking at the JFK Coliseum for all kinds of renovation and I have been working with Ron and Ed on the RFP that they issued. Part of the agreement that we had with Select Energy was to pick a City project and either they were going to give us \$10,000 toward the project in kind services or materials or if it came down to not being able to agree to a project, they would give us \$5,000 cash. By working with Ed, we had him extract the lighting component of JFK from the rest of what is going to be done under the RFP so that we could give Select Energy the same opportunity to bid into the lighting project so what we have agreed to as a lighting project, JFK was already in motion, if you will, to do in this fiscal year so we worked together to get that RFP written so they could get into it. Right now, there has not been an award on that. They had four responses to their RFP and either it is going to mean \$10,000 worth of in-kind services or materials if they are awarded the bid and if not that money will be due the City. That is a pending item. One of the other items that we have looked at is the School lighting project and the contract that was awarded on July 7 to Noresco. That is all lighting in the School system. It is an annual savings of about \$454,000. We had Sherry from SBVK go through that with us as well to make sure that the claims that Noresco was making in terms of energy efficiency measures would prove out and not be something that we would get down the road later and find out that we didn't have an honest proposal. Again, that is something that myself and the consultants worked on. Highway, there is a company called Zapco and this is under the landfill closure. It falls under a small methane gas company. Now what happened to them is, and this is part of the PSNH and stranded cost issue, is they had a very lucrative contract with PSNH that by Federal and State laws they had to buy the power being generated by Zapco. In August, that contract expired so they now sit out there with a little generator and no place to sell it. Now market pricing power is about three and a half cents per kilowatt hour. They were selling that to PSNH close to like between nine and eleven cents per kilowatt hour so as we looked at the issue of what to do with Zapco, we tried to weigh the benefits to the City of having that as a natural power resource. You can see there I kind of put green power in parentheses. When we go forward with the MAP contract for electricity, there is a market component of folks who are interested in the environmental aspect of energy generation and we may be looking at Zapco to maybe fulfill the green power requirement that we might have. We have also suggested to them that we may not necessarily contract with them directly to fulfill a small green power requirement but that they may want to hook up with one of our bigger suppliers to fulfill that perhaps not even with the City, that green power credit may end up with some other entity for their

fulfillment of the green power requirement. The reason we looked at it is we looked at EPD's...

Chairman Hirschmann asked are they going to abandon that generation.

Ms. Parsons answered right now, no. They are generating, they are not presently I believe selling it. They may be selling it to PSNH at market, but what market is they are only getting about two and a half cents wholesale on it.

Chairman Hirschmann asked so there is no opportunity for us to take it over and do anything with it.

Ms. Parsons answered we have been looking at it, but what the green power requirement is, is market plus a penny is what we look at. Now the analysis to this is, as I said, we started looking at it because EPD, it was demonstrated to us that it would fulfill all of EPD's waste water treatment's energy needs but when we got into the analysis of it, it doesn't fulfill their peaking so when we have a heavy rainfall, they rely on PSNH and their peak demand goes up. If we come off of the PSNH rate tariff, we may be penalized for that back-up power that we would then need thereby eradicating any savings that we have at all. So when we look at these things, we can't just look at the energy component, the two and a half cents or the three and a half cents or four and a half cents. What we are looking for is the demand and capacity charges that may go along and follow with that because as a business we can't have interruptions. When that water is flowing, he needs to be able to get rid of it and we have to pay whatever it is that PSNH will charge us to back up Zapco and also in the event that the thing explodes out there and Zapco is gone, I mean that is something else we have to look at. If we were to take that power, what happens if we don't have that power. You roll it into a big energy contract for MAP it is going to be such a tiny, tiny component that that won't be an issue, but if we were to pursue this with PSNH it is not a timing issue. We don't have deregulation yet so we have got to have reliability for waste water.

Alderman Girard asked how many years of methane do we have out there.

Ms. Parsons answered 20. You know they show a curve of the methane actually being produced as it breaks down and then that supply decreases. Zapco is proposing, actually, to double the size of their generating facility out there.

Alderman Girard stated the City doesn't get a cut of what they are selling their power for now if I remember correctly.

Ms. Parsons replied we do, but it is teeny tiny now.

Alderman Girard asked at some point didn't the Highway take a look at trying to renegotiate that contract at some point because we were getting such a small percentage.

Ms. Parsons answered that is what they are still doing.

Alderman Rivard stated I would hope that Bob MacKenzie is looking at his master plan for Hackett Hill and take action on that.

Ms. Parsons replied actually we have talked about that and ways of trying to get around the distribution and transportation charges, but again that kind of goes back to the stranded cost issue. As I said, these things get very layered because if we come off of the PSNH system, there may be exit fees that in the settlement agreement will have to be paid by anybody leaving the system so again as I said those are really multi-tiered issues when we start talking about what the future holds for PSNH. The temporary rate increase. November of 1997 there was a 6% decrease. That is still in effect. They are working on the permanent rate case that will take rates back retroactively to July of 1997 so the parties argue that the 6% was not enough and the company argued that they had bond debt that they needed to pay in May and were concerned they wouldn't have enough cash flow. Again issues that are multi-tiered. In the settlement agreement, they would like to also say well we like the 6% decrease and we don't want to have a permanent rate case but there may be additional savings to that. The permanent rate case speaks to the distribution and transmission charges that are going to remain after deregulation. Fuel and purchase power adjustment cost. That is there because that mechanism is currently PSNH's six month annual increase or decrease to purchase power issue so that is the cost of power that they are not producing that they have to purchase to supplement their own system. Those increases and decreases get passed on to the consumer every six months. They have been currently deferring about \$80 million. They claim that there is about \$80 million deferred FPAC charges that are part of the settlement agreement that they say they will make go away, that they won't charge the consumer for. These are relative to trying to have some rate stability in the State and then a settlement. MAPS RFP. This is our request for proposals for energy and energy-related services. This is what we spent the summer working on and what we did was back in January we issued an EIQ and Expression of Interest and Qualifications to qualify those companies interested in coming to the City and making a proposal for energy. We had 15 suppliers. Between January and September, a number of those partnerships changed because this is an evolving deregulation, companies are buying other companies out. Some are electing not to stay in the energy field at all. What we did was we reissued the EIQ to assure that those folks that we qualified in January were still qualified to do this with the City. In fact, if they had new partnerships, that was

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there opportunity to bring those forward. We actually picked up a supplier so we are not up to 16.

The RFP, this book here, the RFP for energy and energy-related services was issued on October 14. What we did was we sat down and analyzed whether or not deregulation is going to happen in the next 12 to 18 months and quite simply by looking at things like Noresco, there are savings out there that we have that have to do with the consumption side of power as opposed to just the pure cost of power, so with the consultants we had a pre-proposal conference where the suppliers were invited to come to the City so we could go through any questions they had. The responses were due on November 20. We have four responses to the natural gas component that is in here and three responses to the energy efficiency measures. What we asked these suppliers to do is we picked eight facilities from Manchester and two facilities from Nashua and we asked them to send representatives to come through the buildings and look at energy efficiency measures which included everything from lighting to motors to heating and ventilation systems and that is what we asked them to propose on. Give us a proposal based on a smaller group that then, if we contract with you, will remain available to residents and businesses. We want them to put together a package of measures that we can then go out and say to somebody like Velcro if you haven't had this done, this is what MAP has available and you can procure this through this supplier and you will get the same package that the City is getting.

Alderman O'Neil asked who are the three energy efficiency companies.

Ms. Parsons answered there is a company called Energy Vision, Select Energy which is an off shoot of Northeast Utilities, and another one out of Virginia, Advantage is the name of the company. They are actually a subsidiary of Virginia Power and they have given us serious proposals for savings so what we did was there were some issues in there, some things that needed to be clarified and I just got those responses back yesterday. So the consultants will be reviewing what we got back from these suppliers and will be coming up with a summary analysis for Randy and I so that we can bring it to the Board for recommendation.

Alderman O'Neil asked do we have a game plan set-up with regards to this energy efficiency program. I just came today from the State Liquor Licensing Board which I sit on and there are some major problems out there that are just coming to light. Portsmouth has a major problem because they get broken down, whoever the selected vendor is, they break it down to Honeywell, Johnson Control, they break the phases and there are some major problems around the State right now. You may see some stuff coming from the Municipal Association and it is a good question of who is liable for all this and if there was proper work done. There was absolutely no monitoring by municipalities on this and they can claim they can save you a ton of money but if the workmanship is bad you are not saving anything.

Ms. Parsons answered correct and I think that will speak to the types of contract that we end up negotiating. The next step to this is a negotiation with these companies and we have narrowed it down and short listed it. We will be going through a negotiation process. We asked them, as part of this, to send us what they consider their contract and we have our own consulting attorney looking at that and that is exactly what we will be doing and it will be spelled out very strictly as to who is responsible for what.

Alderman O'Neil stated I would like to make a recommendation to make sure that you pull City permits because these other communities didn't require it and have no way of controlling this whole thing now.

Mr. Clougherty replied I think that is the thing that helps us is the timing of this is rather than rushing out and...on the one hand we are in the forefront but we have also been deterring a little bit on the energy conservation side and making sure that we really know what to do.

Alderman O'Neil stated I am not saying the program doesn't work, but the City has to be involved in this thing and not just say go ahead and do it. I think you are going to be reading in the next six months that there are major problems around the State on this. I understand that we may already be involved in some of the work and it could roll over to some of the things that happened at Northwest.

Ms. Parsons stated moving on to AES in Londonderry, to bring that up as a note, if they move forward with that generation facility that will be some major significant power in this region. It speaks to the issue of transmission and getting power from sources outside of New England into New Hampshire. There is a written law, if you will, and if AES gets this plant up this will be the inside grid and that power can move a little more freely through the State. It won't be timed in such a way that it would hit MAPS first contract unless deregulation is not resolved for another year and a half, we will be ready to move as soon as the State is. If the settlement comes out and we are ready to move in March, we have told these suppliers that we will give them 30 days notice after that deregulation date and we want a proposal for power. So AES will not make MAPS first contract. It is unlikely, but they would be available for the second contract that we will have and we don't anticipate doing a long-term contract for energy when we go out initially. It will be a one year to two year contract depending on the rates. Amoskeag is on here. We did an O&M and RFP for both the engineering and the operations and maintenance of Amoskeag. The O&M presentations were done in November and we kind of just tabled that for now. The Kleinschmidt Report, the engineer that was hired to do the evaluation of Amoskeag, has completed their

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work. I received the report today and it is going to be on CIP and the BMA meeting next Tuesday.

Chairman Hirschmann asked a presentation.

Ms. Parsons answered yes, Sir.

Alderman O'Neil asked can you make sure that everyone gets that ahead of time.

Ms. Parsons answered they are going out tonight. Before I hit financials, I have a couple of budget items that I wanted to talk about. One, I got a call from Dick Houle and he wanted to know how he should budget for electricity costs this year and it is my feeling, not having a crystal ball and having a little cynicism behind me, I figured that the best advice I could give Barbara was to just level fund everything. If we end up with some kind of rate decrease, we will have to readjust it in the budget process if it happens prior to adoption.

Chairman Hirschmann asked not even Noresco savings will be figured out.

Ms. Parsons answered those are all on the school side so there is a \$54,000 annual savings in electricity for school. I am not sure how that is being treated by the budget.

Mr. Sherman stated on the flip side, the school also has to pay that debt service so they are going to net maybe a little less than \$100,000 that they can actually spend in their budget. This first year, because we haven't issued the bonds, they are getting that whole \$400,000 as a benefit.

Chairman Hirschmann asked isn't that a strange phone call from Dick Houle. Doesn't he do this every year? Why is this year different?

Ms. Parsons answered no, I got the same phone call last year because there is all that public talk about a 20% decrease that when you look at a \$6 million annual electricity bill city-wide, what he is looking at is he wants to know should he be advising department heads to take 20% out of their budget or not. It was my advice not to touch it. One of the things I talked about repeatedly at the State level is rate stability so that you won't have a 20% drop in the first year and they have it go up 25% the next year. One of the items in all of the settlement negotiations is they are looking at the distribution and transmission rate as well to keep it stable.

Alderman Girard asked regarding the Noresco savings, has anybody, as Alderman O'Neil has brought up, has the City been involved in monitoring their work to make sure that they are doing it the way it should be done.

Ms. Parsons answered I don't know. It would be a call between myself and Dick Houle. I can certainly call him up and see what is being done. One of the things that we had told Dick in our involvement is that at some point we would like to track the bills before and the bills after. With the move and everything else that has been going on, I will tell you that I just haven't had time to do that.

Alderman Girard stated at this point the savings are one issue but if this is a problem state-wide and we are involved with the company.

Alderman O'Neil replied it is not limited to one company as I understand it. It is just the trend.

Ms. Parsons stated I can tell you that the suppliers who are coming in to do business in various states, they have really no choice but to deal with the local entities so it may say Select Energy on it but they may still be contracting with your local electricians and the people like Light Tech who have always done it. Now if these folks overextend themselves by making promises to Select Energy and to Unitil and anyone else that wants to now get into these services, you are right, you are going to have problems and it is all going to be in the contract. One of the other things is that we require performance bonds. We are going to require that they lay some money down so that if they do not do business in good faith with the City, they can expect that we are going to come after them.

Alderman Girard stated but once the job and the City signs up, the performance bond goes back. I mean Noresco is doing all the schools isn't it? We probably should find out and make sure whether or not the Building Department or someone is monitoring it.

Alderman O'Neil stated the chances are probably pretty good that it is not Noresco directly doing the work. They have probably subbed out several different phases and that is where you are going to run into problems.

Ms. Parsons stated Randy's has offered real quick to try and come up with some dollar figures. Right now Aggregation owes the general fund about \$739,000. I have no revenues. Quite simply, until the program gets going we don't have revenues. We can't charge a fee for something we don't have.

Chairman Hirschmann asked didn't some of our, like on the letterhead here, partners give us some money.

Mr. Sherman answered they gave us money for some of the hearings, like Keene and Nashua.

Chairman Hirschmann asked will that come out as revenue.

Ms. Parsons answered no that all went back to offset the consulting fees of some of the other stuff that we did through the general fund. I charged the Water Department, EPD and Parks & Recreation for their participation in the pilot program to get that design done. An element of this, \$159,000 of this will actually be amortized over the course of the energy contract so if it is a two year contract that will actually be amortized back to the general fund over two years. There is equipment also in there that we talked about. We do, in case you have forgotten, Nashua is on board with us. They voted to do Aggregation as a community and have Manchester administer it. As I stated, when we went out to look at energy efficiency measures we included Nashua in the process so that would encompass two communities and it is being looked at very seriously by these suppliers and others outside the State. The City of Keene contacted me to see where we are because they may be looking at having Manchester administer a program that they might adopt and Londonderry is obviously interested because of AES and such.

Alderman O'Neil stated you mentioned that we spend some money on consulting fees. That was only specifically for the Aggregation Program? We are not paying for the hydro out of that and we are not paying for the Noresco or the Highway Project?

Ms. Parsons replied some of the consulting fines to look at Zapco we left in Aggregation because of the issue of maybe pulling that in as green power and those are not significant dollars.

Alderman O'Neil asked but we are charging for the Amoskeag Hydro project and Noresco gets charged to Noresco and there was a bond issue on that correct.

Ms. Parsons replied yes.

Chairman Hirschmann stated so in other words we don't have any revenues to report for 1998 and our expenses were what.

Ms. Parsons replied for FY99 through the budget year, \$170,000 has been spent for this six months and as I stated it was mostly to put this out and the rate cases.

Alderman Girard asked no taxpayer impact.

Ms. Parsons answered not yet, never, not in Aggregation.

Chairman Hirschmann stated well it seems that your focus has broadened and your efforts seem to be quite frisky here, Tina, and Aggregation seems to be branching out into more than I thought and that is probably a good thing seeing how there is no program so you can spend time on these things that other people don't have time to look into. I think maybe we are making some progress here.

Ms. Parsons replied I think this program has been a good attempt to take the City and put it together as a whole. I have worked with all the department heads in each area that seems to be impacted by what we are doing. It has been a very cooperative effort. They have put in the personnel, including schools because a couple of the facilities that were included in here were Central High School and I think Memorial was the other high school so with the cooperation of the principals and pulling in a lot of different folks who don't normally have any interaction with the Finance Department or these issues.

Alderman Girard stated the amount of work that the Finance Department has had to do, Ms. Parsons and Mr. Sherman in particular and Mr. Clougherty and Joanne has been enormous in what is a complicated endeavor and I think they have done very well by the City because as we have all heard, communities, not only from all over the State but from all over this country, have called to ask Manchester how it did what it did and we owe all of these folks an awful lot of credit. I realize that they get paid to do the job, but it is nice to say thank you every now and then.

Alderman O'Neil stated I would encourage Finance to maybe take what Tina talked about, maybe just do an executive summary and get it out. If you recall, probably the biggest hang-up on Aggregation was lack of communication and I think that all of the Aldermen take an interest in this and maybe if you get a one page report out, an overview of what you talked about tonight and get it out to all fourteen Aldermen. I don't know if the Mayor has followed this. Maybe you want to include the Mayor in that also.

Mr. Clougherty stated if you recall, the Aggregation idea started at the Aldermanic level. They asked Jay and Tom Clark and I to be involved and do that and then there was no place to really consolidate all of the energy issues so that is how Aggregation ended up in Finance, but even though it is in our office, we appreciate the compliment. Tina is working, on a day-to-day basis with Tom Arnold and there is a lot of Tom's sweat in that document and also on any one of those projects. The dam issue, I know, Tom Bowen and Bob Beurivage and Frank Thomas and Kevin Shephard have put a lot of work into the research and helping to prepare the RFP's so the right consultants get selected so we get the right reports. They are interacting with these consultants that we have so it really has served as a focal point for all of these energy issues which are going to be

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really

big in the next few years. So we are laying the groundwork and hopefully with the tight legal documents and with our departments this stuff will work together well.

Alderman Girard replied my compliment was not meant to exclude anyone but to emphasize and underscore what they did.

Alderman O'Neil stated I just think that communication is very important and don't be afraid to get something out.

Mr. Clougherty stated at the adoption of the budget they asked that the way we keep the Board informed is through this Committee so that is why we come here but if you want us to go to the full Board with something, we will be happy to do that.

Alderman O'Neil replied I just think there are some hot issues on particular nights and I don't think it would hurt if occasionally you updated the Board on what is going on. I think that would be helpful.

TABLED ITEM

On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to remove this item from the agenda.

6. Communication from Roland Gamelin, President of Riverfest, Inc., seeking the City's aid with their financial obligations.

Deputy Chief Robinson stated I can tell you that this bill was paid back in November. They owe us absolutely nothing. That originally came in way back when they were asking for some help and it was approved, but they are 100% paid and they owe the City nothing.

Chairman Hirschmann asked are we talking for 1996, 1997 and 1998.

Deputy Chief Robinson answered they owe us nothing.

Mr. Clougherty stated one of the reasons is because you got involved this year, Dale. Before, there had been some debate as to how many officers should be down there, how it was coordinated and everything. I heard that this last one went flawless. I haven't heard a complaint and I think that they made some money and they have met their obligations.

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On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to receive and file this item.

Alderman O'Neil asked did you address Item 5 already.

Chairman Hirschmann answered yes that was tabled for the Finance Director to work on a policy regarding paying for meals while attending training.

Mr. Clougherty stated, Alderman, what happens is we have a travel policy that the Committee of Accounts worked hard on a couple of years ago and since that was adopted, we have to follow that. One of the concerns that this Committee had back then was that we paid for lunches for people doing work at the State House in Concord or doing things you know that you would ordinarily pay for lunch if you were working in Manchester and that is why they made the requirement that we would pay for lunches only if it was for an overnight.

Alderman O'Neil asked so we are not paying for lunch for anybody that does out of town City business.

Mr. Clougherty answered we are paying for them if they do out of town overnight and what the Committee has asked is for me to go back and revisit that and see if there is some way we can reshape it to say that if somebody is out of town as part of a training package or something like that, narrowly define it, so that we can address Tom's issue without opening it up to everyone getting lunch paid out of the general fund. We will bring that back to you at the next meeting and then you can give a Committee report to the full Board because the full Board adopted the policy and we have to follow it until they amend it.

Alderman Girard stated that brings a question though. I mean should we take an action on the particular request or are we going to amend the policy and allow that request to come through because if we amend the policy and then allow that request to come through aren't we going to have to allow every other request to come through. I mean I don't have a problem amending the policy and going forward, well I have a problem amending the policy but moving forward is when it should apply, not backwards so should we take a separate action on this item to say it conflicts with the policy and, therefore, is declined.

Mr. Clougherty replied why don't you let us take a look at that and try to address that.

Chairman Hirschmann asked, Alderman O'Neil, do you understand what he was saying about other cases.

Alderman O'Neil answered I understand it, but it just doesn't make sense to me. I wasn't aware that there was a policy.

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

A True Record. Attest.

Clerk of Committee