

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

March 31, 1999

5:30 PM

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

Present: Aldermen Hirschmann, Rivard, Thibault, Girard, O'Neil

Messrs: S. Tellier, R. MacKenzie, Alderman Wihby, Asst. Solicitor
Arnold, K. Clougherty, R. Sherman, J. Shaffer, T. Bianchi,
Alderman Klock

Chairman Hirschmann addressed Item 3 of the agenda:

Discussion relative to the possibility of fees being charged for rezoning requests.

Chairman Hirschmann stated with respect to Item 3, the Planning Department does have the time and expense to do this type of work and I agree with Alderman Shea that we should charge a fee to people who want to rezone parcels of property. We have a zoning map and if people want to make changes to that it is at the expense of the City. One thing I want to let you all know before we vote on something like this is that we have a revenue policy and any new revenues I believe have to go to a public hearing so we would have to send this to a public hearing if we want to charge a fee to rezone parcels. Mr. MacKenzie is here so I will turn it over to him.

Mr. MacKenzie stated the City does receive probably about a dozen rezoning requests by applicants each year. There are fees involved. An applicant does have to pay for the newspaper notice according to State law. There are several departments though that do have to respond, prepare paperwork, and do research and I know that it was discussed about a year ago at Bills on Second Reading and nothing really evolved out of that. There are clearly staff time that is involved by the City Clerk, Planning and Building Departments in review and preparing for the rezoning so if the Board would like to consider charging for those, we could look at fees to cover that.

Alderman Girard asked, Mr. MacKenzie, do you have any idea how much staff time is typically spent by the three departments on rezoning requests.

Mr. MacKenzie answered I don't have a good gauge on that. It varies tremendously from a relatively simple application that is done in three months to a more complex rezoning that sometimes takes up to a year.

Alderman Girard asked should the fee then be a flat fee that is charged to everybody regardless of the process or should it be somehow tied to the complexity of the request.

Mr. MacKenzie answered given the relatively few number of rezonings; I am not sure to what extent it is worth it to develop a system that would be fairly complex to figure out the fee. Sometimes it is better, if you only have a dozen cases, to say a flat fee of \$200 or \$250 to keep it simple. If there were a lot of applications each year and a potential for a lot of staff time and a potential for revenues, you might want to more closely approximate staff time with the application.

Alderman Girard asked if I am not mistaken, the State law does not allow us to charge a fee in excess of what it costs us to provide the service. Would you have the ability to sit down with the departments involved here to try and get some kind of basis for a fee and make recommendations back to the Committee as to what the fee should be.

Ms. Shaffer answered that was the reason we hired the revenue administrator so that she could cost out all of the services that the City provides and determine whether or not some of those fees should in fact be raised or whether or not the BMA wanted to subsidize some of those revenues. Unfortunately, right now she is on leave of absence for maternity and we don't think she will be returning to the Finance Department so we are going to be filling that position. Right now, we are trying to track what we have right now.

Alderman Girard asked but normally this is something that your department would participate in.

Ms. Shaffer answered yes.

Alderman Girard asked, Mr. Chairman, would it be appropriate to suggest that the relative departments get together with Finance as soon as possible to make recommendations to the Committee as to what the fee structure should look like.

Chairman Hirschmann answered I would like a recommendation from the department heads because a request commercially or industrially would be a lot

more expensive then if a homeowner wanted to consolidate two lots or something like that. I would be leaving it up to their judgment.

On motion of Alderman Girard, duly seconded by Alderman O'Neil, it was voted to have a representative from the City Clerk's Office, Planning Department and Building Department meet with Finance to make recommendations on a fee structure for rezoning requests.

Chairman Hirschmann addressed Item 4 of the agenda:

Discussion relative to comments made by Mr. Wayne Treamer at the 2/2/99 public participation meeting relative to the possibility of offering tax abatements to homeowners of condo associations to aid in covering some of their additional expenses of maintenance and repair to pumping stations.

Alderman Girard stated Alderman Wihby is here and perhaps he would like to address this item since it is in his ward.

Chairman Hirschmann recognized Alderman Wihby.

Alderman Wihby stated this came about at one of the public participation meetings by Mr. Treamer. There are 14 houses, I think, on Crosbie Street. Some of them are vacant. Some of them didn't realize that in their deed it was written up that they had to maintain the pumping station so they weren't like a regular association that we have in the City. They never put the money aside to take care of problems as they came along or for the future. They called me up looking for some help and I know this is all over the City. We just had one at McLean Lane that busted down and they called me also. I called the Highway Department and the policy is that it is in their deed and they should know about it. The price of the house probably should have been cheaper when they bought it. I have been working with Frank Thomas trying to come up with some funding. He has looked into State and Federal funding and he has looked into seeing if somebody in the City could do it. The only thing we could come up with is either abatement for these people and I don't know how that works or some sort of a pool set aside so that people could take care of the problems and get a low finance loan or something like that from the City so that is not a cost to the City. Frank and I looked at all the different possibilities and I guess we are here to see if we can do something for these people. Like I said, it is all over the City, not just in my ward.

Chairman Hirschmann recognized Steve Tellier from the Assessor's Office who passed out a memo regarding this issue.

Mr. Tellier stated regarding abating that issue, there is substantial court precedent that dictates that that would be an inappropriate and unlawful mechanism. There is a lot of case law regarding school issues and condominiums where they feel that they...the issue is that property taxes are value-based, not service-based. The fact that someone does or does not make use of a service has no bearing versus the fact that the property tax structure in the State of NH is based on value and based additionally on the supposition that if there is an additional cost that is incurred as a mechanism to ownership of that property, it would be reflected in the purchase price. Similarly to that, the fact that someone makes use of second hand materials or his own labor does not alter the fact that they may have increased the market value of a property by a recognized value, say a dormer or an addition, the fact that they use all of their own materials or their own labor. The fact is that the market would recognize that value increase. So it works both ways. The fact is that abating for that purpose is not an appropriate mechanism and is not lawful.

Chairman Hirschmann asked the system itself is considered an appurtenance on the property and like a heating system, it is supposed to be maintained by the condo association or the homeowner, right.

Mr. Tellier answered that is correct.

Chairman Hirschmann stated and Currier Hill Homeowner's Association, Inc. wrote us a letter.

Ms. Bianchi, representing Currier Hill Homeowner's Association, stated I am on the Board of Directors. Some of the testimony that was given by Alderman Wihby reflects some of the experience that we have found. Most of us have gone into Currier Hill without any prior knowledge that we were buying into a system that required us to be part of a homeowner's association. I would like to draw your attention to the letter that was faxed earlier today from our President, Wayne Hamel and he basically says it very well so if you don't mind I would like to read what he has written:

Just yesterday, I was made aware of your upcoming meeting to discuss the above matter. Due to previous commitments, I am unable to attend the meeting but hope that this letter may be accepted in support of such an abatement.

The Currier Hill Homeowners Association, Inc., is responsible for the operation and maintenance of two pumping stations within the Currier Hill development which is located off of Wellington Road. The annual fees paid by the members to run these stations are not tax deductible and there is

no abatement provided to the Association's homeowners to aid in the operation of these stations.

The City of Manchester has allowed and approved the installation of such privately owned pump stations in several developments in the community. Such developments allow the City to increase its tax base while avoiding the responsibility of operating the pump stations necessary to provide sewer services. The homeowners in the Currier Hill development are taxed at the same rate as other homeowners in the city who do benefit from the operation of city owned and operated pump stations, thereby creating an inequality of tax burden. Property values for homes with private septic systems are normally lower than those connected to a city sewer system, which means such homeowners also, have less of a tax burden. Given the fact that the city has approved the design and construction of Currier Hill's pump stations, our first preference would be for the city to take ownership and responsibility for the operation of the stations going forward. If this option will not be entertained, we feel it would be appropriate for the City to provide some tax relief to the homeowners that will offset our cost of operation.

Thanking you in advance for your consideration of this matter.

S/Wayne P. Hamel, President
Currier Hill Homeowners Association, Inc.

What I have maintained since I came onto the Board of Directors is that essentially neighborhoods like ours pay two EPD bills. One to the City and one to the Association to cover our sewer costs so we are essentially paying twice as much. At least in our situation it appears to be about twice as much as the normal homeowner in the City.

Alderman Girard stated Assessor Tellier there is a statement in this letter that says that private homes with septic systems are normally assessed lower than those connected to a City sewer system. Is that an accurate statement?

Mr. Tellier replied not always but that would be reflected in the market value of the property. Very often, a home that has a septic system in a neighborhood or in a jurisdiction that has a preponderance of municipality sewer and water, a willing and educated buyer would recognize that there may be some additional costs incurred in the future upkeep and maintenance of that sewer system versus your quarterly sewer bill so that would be reflected in the market value or the sale price of that home.

Alderman Girard asked aside from the residential pump stations that we have, are there commercial and industrial ones also. Do we have private systems servicing commercial and industrial businesses?

Mr. Tellier answered I really don't know.

Alderman Girard asked would you know, Alderman Rivard. I had a list of all the private pump stations in the City and it seemed to me that at least half of those were servicing commercial and industrial businesses.

Alderman Rivard answered I am not sure. There are 33 private pump stations in the City of Manchester. I don't know what the ratio is. A lot of it is residential. We have them for development because people have come before the Commission.

Alderman Girard stated I have received phone calls on this not only from people on Carobs Street, but people on Wellington Hill on the Ward 2 side and the Ward 6 side, people down on Bodwell Road in the Megan's Meadow area. It seems that there is a commonality here in what everybody says and that is they did not know that they were buying a house that had a private system. Now whether their realtors mislead them or they didn't do the research they needed to do to check on their utilities, it seems to me is an issue that doesn't have anything to do with the City. As a result of these calls, I have spoken with the Highway Department and other departments in the City like the Solicitor's Office, and have been able to obtain letters and documentation to the effect of the City causing the developers to create a homeowners association to put things in the deeds to govern them and let people know that they existed and had to participate. They go as far as to say that people who do not pay in for the operation and maintenance could be liened by the association for their failure to live up to their obligation. I would worry about the City setting up some kind of system where the homeowners could come to the City and get even a loan because it seems to me that they would be encouragement to side step the responsibility that the Association has. In the discussion that I have had with Frank Thomas, he has been more than willing to meet with any homeowners association to explain to them exactly how it works, what should be done and what the association should be doing to plan for regular maintenance, corrective maintenance, replacement and things like that. The Highway Department is more than willing to take a look at the technical side of things and assist the homeowners but given the number of houses we have all around the City that are on private systems and given some of the commercial and industrial private systems that we have in the City, I think we set a very tricky precedent because then we are a step closer to assuming the responsibility and the liability which the City has very carefully tried to cut itself out of as it has required

developers to put these in. Other than that, what Alderman Wihby has said about his interaction with departments and trying to have the City do the maintenance or do the inspections all adds up to time and money from the City would frankly wouldn't be any more cost effective for the residents if they were paying a private company than it would be to reimburse the City for its expense.

Alderman Rivard stated my opening statement would be when all else fails read the fine print and the directions. Unfortunately, that is human nature. I happened to be involved in this 20 years ago. I was a member of the Highway Commission and we wrestled with this issue for several years. We finally developed a plan of action to address these particular developments. We had developers who wanted to provide housing to people in Manchester and there were no sewers available and we had an opportunity to decide whether we were going to support a septic system or a pumping station. A septic system is really not a way to go. It is not environmentally sound. The Highway Commission strongly supported pump stations installed at the expense of the developer with a strongly written document explaining the responsibility of the person who is buying the house. It went to the City Solicitor's Office. It was reviewed by the City Solicitor's Office. Everybody was on the same page and they knew what they were buying into. I belong to a condominium association in Florida and here in NH. I understand what it is all about. Do I like it? I don't like it. Do I like getting hit with legal fees this last week for \$600 because of some problems we had? I don't like it but I am paying for it because it is part of my deal. Do these people like it? They don't like it and I understand it but it is not the City's responsibility. It was on the deed. It was a deal that we made with these people and they bought it and I don't believe that we should be coming up with funds or whatever other approach somebody might come up with. Mr. Thomas is available. The City of Manchester has private people taking care of our stations. We don't have people available on the payroll. We have to enter into a contract every year to go out and service our stations. It costs \$50,000 or \$60,000 a year for these type of services. It is not cheap, but it is something we do. I don't believe that the City should assume this responsibility. These people should have known up front.

Alderman Thibault stated here we go again with contractors coming into the City, buying a piece of land that has no sewage or water, buying it at a very reasonable price so that they can pull out of this and then they go to the Highway Commission to have them approve a pumping station. Lets not forget that they bought that land at maybe half of what it would have been worth had there been sewage and water on that land. This is the problem and now here we are. That contractor is probably gone and these homeowners are stuck with this problem. I don't believe that is the City's fault. I believe as Alderman Rivard and Alderman Girard said that it is the responsibility of the homeowners to look at the deeds when they buy the property. The City shouldn't have to bear these extra costs.

Chairman Hirschmann stated I know that when Megan's Meadow was developed and Mr. Cowette came before the City that he came and helped get that design for those pumping stations down at Megan's Meadow. Now whether people don't read their deeds or don't know they are in a condo association, I find that that is an Attorney Generals problem for the State if they are not up to snuff on what they are signing when buying a house. I guess the lawyer didn't do their due diligence or something. Should the people in Megan's Meadow pay for their sewage? Yes. Should the people in Currier Hill? Yes. Do I have empathy for them? Yes, I feel bad for them. If the Assessor came before us and gave us a different report, they things might be different.

Alderman O'Neil stated I want to let the Committee know that this isn't limited to sewer. There are 800 private water lines in the City of Manchester that people find out when they are trying to sell their house.

Ms. Bianchi stated the issue for us is really not whether we knew or not. I brought that up as a side comment although I will tell you that the realtors did put on our house information on the house that we did buy that we had City water and sewer and when we went to closing and found out that there were common properties and covenant which we had not heard about before the day of the closing, we asked what the common properties were and nobody knew. We did not know until the day we were moving in and the builder had certified letters being addressed to each member of the Currier Hill neighborhood regarding that we would now have to take over responsibility for the sewer pumping stations. We did not know, until then, that we were walking into that situation. That as it may be, we have gone beyond that actually as a neighborhood. Our point is that this issue of the City allowing for development with its own sewer and water system has brought in further tax dollars for the City yet there is no recognition of that in terms of the fact that these neighborhoods do have to pay for sewer pumping stations.

Alderman Wihby stated I think that this item is probably going to be denied, but I would suggest that if we do deny this that we go further and deny any future development of pumping stations and let the Zoning Board know that we are not going to let anymore in the City.

Chairman Hirschmann stated I take a different viewpoint than you do with that. I think that all development is on the up and up and that if pumping stations need to be put in, which in my ward is a very sewage poor ward, I would support development if people want to put in private pumps but you have to know that you own them and you have to pay to maintain them. I just want to finish this off by saying that I think every member here empathizes with your problem and even sympathize with you because of that double bill that you feel you are paying but

we don't have, in our authority, to vote to do anything to help you. I want to entertain a motion to deny.

Alderman Klock stated I wanted to say something on this for future developments. I know in Ward 2, Currier Hill and Wellington Hill, all of those developments faced major contracting problems with developers with regards to sewage, with regards to the lots, I mean everything that goes on up there, it's incredible. I don't understand how these developers get stuff through. We need to establish something where when a developer decides to build on a piece of property that one of the departments, whether it is Highway, Building or whatever, we need to look and check to make sure that the contractors and developers are doing what they say they are doing. In the case of Terry Bianchi, I am very sympathetic. I knew I couldn't help them a long time ago and I think it is crazy. I think that the whole area up there got screwed. Wellington Hill is the same thing. There is Phase II, Phase III, all of those developers up there have major problems and I don't understand why we, as a Board, can't do something to help the homeowners up there. It is not just up there, I am sure it is throughout the City.

Chairman Hirschmann stated we are focusing on the pumping station. Do you have a specific comment to make on that issue?

Alderman Klock stated I am supporting Currier Hill in what they wish to do.

Alderman Girard stated it is interesting to note while we are talking about zoning issues and those were in Item 3 and those are coming before the City, that a lot of the parcels that we are having these private residential problems with are parcels that were by and large rezoned from commercial/industrial use to residential use. I think in a lot of areas the City needs to take a look at some of the decisions it has made in the past planning wise and try to correct them going forward and not make them again.

Alderman Girard moved to deny the request. Alderman Rivard duly seconded the motion.

Alderman Rivard asked, Alderman Wihby, the amendment that you would like to have attached to this I think is unreasonable and I couldn't support it because we have a lot of good developable land in the City of Manchester and to penalize the person who bought the land with the intent to develop it and to make housing more difficult for people is unreasonable I think. If John Jones or Mr. X wants to come in and develop a piece of property and he needs to put a pumping station in, we have set standards at the Highway Department. Many years ago, there were 14 different plans. Now there are two pump stations that are accepted. A or B. That is what you buy into and they are first class pumping stations. People, as long as

they are made aware of it, and I don't know what agency should be in charge of making these people aware of it but we shouldn't short change the developer who wants to come in and we shouldn't cut back on the tax expansion of the City of Manchester and we shouldn't prohibit people from moving to Manchester who want to move to Manchester. This is a good place to live. If someone has some land to develop and they don't have the sewage and the City is not going to provide it because we don't have the money, a pumping station is a good solution. It is better than a septic system, I will tell you that. So we build a house, we get taxes and the guy who buys it knows what he is buying and it is pretty simple. That is my comment.

Ms. Bianchi stated I just want to raise to more issues that we face understanding the decision that is going to be made. Just for your information, two of the issues that have come up as we have researched this whole thing that have set us on edge as homeowners is 1) the fact that most of us do not have any knowledge whatsoever of the engineering or technical qualities of sewer pumping stations and we have been put in position where we have had to quickly figure out if the pumping stations are up to snuff and able to function, as well as building a budget that would allow for us to have reserve money to cover in case of failure of these pumping stations; and 2) hiring a management company to oversee the maintenance of the association and the pumping stations. The other issue is the fear that we have of having to handle the cost which is over \$100,000 to replace a full pumping station. Basically, we just hold our breath and pray that our reserve money will be up to snuff by the time anything happens to those pumping stations but I think that is kind of an unfair burden for us to have to carry as neighborhoods is the full financial responsibility for the pumping stations and I think, we are still trying to find out from you folks, the piping that goes underneath the City streets for our sewer systems from our homes. That is kind of a big expense that we are not sure we can handle as homeowners.

Chairman Hirschmann stated in the Town of Raymond there are cluster homes that were built. They all have a private water system. Whether people know it or not when they buy it, they are paying water bills and water fees for a private water system. In your case, it is a private sewage system. In some cases it is a swimming pool. All of these things are pertinences that make your land and your building operate but it is not...the City worked with a developer at one point and came to an agreement just like the former Highway Commissioner said. The developer and the City came together and shook hands on a proposal and the people that bought into that property, that is your home and you own that pumping station, not the City of Manchester. Your fees are to mow your lawn, to shovel your driveway and unfortunately to keep the pumping station running.

Alderman Girard stated I just wanted to suggest that perhaps the homeowners associations that are here or the Highway Department could contact the associations to review how they are set-up, how they are setting money aside, and how they are going about things to make sure they are at least collecting the amount of money that they should be collecting and doing things the way they should be doing them. Frank Thomas from the Highway Department has no problem lending that type of assistance to the homeowners associations.

Chairman Hirschmann stated I think Mr. Thomas will show them where their pipes are. I don't know if he is going to get into a private association's fees and all of that.

Alderman Girard replied he said he would be willing to speak to them about what they should be looking at.

Alderman Thibault stated I am sure that if this Committee sent some type of position to the Planning Department to try to make these things a little tighter and when they look at developers developing land in some places they could tighten up a lot of these laws if you will or rules that we have for pumping stations and such and make sure that everyone knows exactly where that sits.

Chairman Hirschmann replied from a planning standpoint, it is functional and it works. It is the legal arm of the City I would think that wants to tighten things up, not the Planning side. Does the Solicitor's Office want to say anything?

Asst. Solicitor Arnold replied no.

Alderman Rivard stated Mr. Thomas would be glad to put you in touch with the people that provide us with the service. They are experts and they would be able to tell you how long they last, what service you need, who does the repairing and things of this nature.

Alderman Girard moved to amend the motion to include having Mr. Frank Thomas contact the Currier Hill Homeowner's Association to assist them in planning for the maintenance of their pumping stations. Alderman Rivard duly seconded the motion. Chairman Hirschmann called for a vote. There being none opposed, the motion carried.

Chairman Hirschmann addressed Item 5 of the agenda:

Discussion relative to year-to-date departmental expenses.

Mr. Sherman passed out some financial reports.

Chairman Hirschmann stated what I want from the Finance Department isn't really just the numbers and the percentages. I want to hear from you guys what are you concerned with and what we should be concerned with. You are the overseers of the finances so with that, Randy, you are on.

Mr. Sherman stated we are going to go over two areas tonight. The revenues and expenses. Joanne is going to walk you through the revenues. The expenses, if you look at them, are in pretty good shape. Typically, as you know, we highlight those areas where there may be a question. The one that obviously is the lowest there is PBS but as you know typically he encumbers his own custodial contract right up front so that is not an issue. I think, for the most part, the expenses are there. We have got roughly 1/3 of the year left and the departmental budgets have about 1/3 of their budgets remaining and if you look down at the bottom line, we are right at 33%. Health insurance and dental insurance look like they are right where they need to be. I think the expense side, unless there are any questions, is okay.

Alderman O'Neil asked on City Retirement, why do we have 99% of the money left there. Is there a certain date when something happens?

Mr. Sherman answered typically we send the Retirement Board 100% of their dollars up front. We send it to them in July. That is the way they calculate the amount that the City owes them and that way there are no interest charges. They charge a higher interest rate.

Alderman O'Neil replied I see that but the line above it says City Retirement. There is an unobligated balance of \$401,000. What is the difference between City Retirement and City Pension?

Mr. Sherman stated one is the old system where you have the old pension, the pre-1974 people. It doesn't look like anybody ever posted it. That whole \$404,000 is gone. It has been spent. It just hasn't been posted.

Alderman Girard asked just taking a quick look, it says that we have not spent any funds from contingency yet.

Mr. Sherman answered now contingency started at \$125,000 and any time the Board appropriates contingency, it actually reduces the budget here and increases it elsewhere. You will never see an expense charged directly to it.

Alderman Girard asked why are Elderly Services and Human Resources running ahead of where they should be.

Mr. Sherman answered Human Services had the Decker money in their budget. They spent most of that up front. Elderly Services is the fact that they have paid the March rent. They pay in advance so they actually have one of their largest expenses already pre-paid.

Alderman Girard asked now wasn't the Decker money put in a salary adjustment account.

Mr. Sherman answered no. The Decker money you are thinking of was to cover salaries. This is the actual contract money to pay Floyd Decker and John Luthy.

Chairman Hirschmann asked does Human Resources have enough money to get through the year.

Mr. Sherman answered yes, on the salary and line item side they are fine.

Alderman Girard asked when are we going to get the next report, Mr. Chairman.

Chairman Hirschmann answered hopefully these will be coming in right along. This report is February 28.

Mr. Sherman asked do you want us to send these to you without Committee meetings.

Alderman Girard stated if I am not mistaken we used to receive these monthly at one point, didn't we.

Chairman Hirschmann replied I think we got them quarterly.

Alderman Girard stated I know I would like to see them as often as they can reasonably be generated.

Mr. Sherman stated we can send them up, you know give us the third week of the next month to send them out and that way we get the check runs done and those items. If you want, we can send them with no Committee meeting.

Chairman Hirschmann stated with respect to schools, they are telling you that they will be all right with their \$61 million.

Mr. Sherman replied they keep having their deficit reduction meetings and they still think they are on target to stay within budget this year.

Chairman Hirschmann asked and that deficit is in this number.

Mr. Sherman answered no. They are supposed to, according to the Resolution that was adopted, they were supposed to eat \$200,000 this year. They have always footnoted that on the side and said that their numbers do not count that \$200,000, but they are projecting over a \$200,000 balance there so they are trying to meet that \$200,000.

Alderman Girard stated so they have come to the Board recently looking for seed money for things like alternative school programs and things like that. Are you saying that they should have enough money in their budget to handle that without having to take money from contingency.

Mr. Sherman replied they have a \$60 million budget and they are projecting that they will have roughly \$200,000 left at the end of this year. That is not a lot. They could get hit with a couple of special ed cases and eat that up.

Chairman Hirschmann asked can you tell us about the insurance numbers. I guess we can expect them to really go through the roof soon?

Mr. Sherman answered we have heard anywhere from 6% to 10% to 12% on some of those numbers, but I know that the Mayor and the Human Resources Director have been talking to Blue Cross.

Chairman Hirschmann asked and those increases are already impacting on these numbers or is that next year.

Mr. Sherman answered that would be next year.

Chairman Hirschmann stated so we are locked in for this year.

Alderman Girard stated the health insurance numbers, now that reflects actual payouts by the City based on usage, right.

Mr. Sherman replied that would reflect the premiums and then for the months that have been settled, it would reflect those adjustments. Some months we pay and some months we get it back, but all of those settlements are reflected in these numbers.

Alderman Girard asked have you seen an improvement in utilization since the institution of Blue Choice. I mean Blue Choice was supposed to make people more conscious about using the service. Have you seen any change at all in utilization?

Mr. Sherman answered I haven't. I mean it might just be a factor of less usage and higher costs.

Alderman Girard asked do you have a projected fund balance for the end of the fiscal year.

Mr. Sherman answered we have given the Mayor a fund balance to use but based on these revenues, I think we may need to go back and adjust them.

Chairman Hirschmann asked are you saying that our revenues are high.

Ms. Shaffer answered as you look at the bottom line, that is the general consensus that you are going to arrive at because we are showing a shortage of \$2 million here. This is with numbers projected until the end of the fiscal year. Now we are 2/3 of the way through this year and in the 2/3 period we have collected \$25 million, almost \$26 million, which is just slightly over half which means basically that you have to collect the other 50% in last 1/3 of the year. Part of that is attributable to the fact that you do have some items that are annual things and they do occur in the last three or four months of the fiscal year.

Chairman Hirschmann asked with the miss are you extrapolating from real late revenue.

Ms. Shaffer answered no this is inclusive of everything that is applicable to the fiscal year.

Chairman Hirschmann stated so the video poker is late revenue, I believe.

Ms. Shaffer replied yes and you will see that we show that we will collect that in May.

Alderman Girard asked the 12-month estimated amount recognized then is a projection that accounts for seasonal variations in revenue.

Ms. Shaffer answered correct, the 4-month estimated because we are showing you what we actually collected over the 8-month period.

Alderman Girard asked right but the 12-month estimated is adjusted for those seasonal variations.

Ms. Shaffer answered yes. One other thing I do want to mention with the School Department revenues is that they have not given us their tuition numbers yet or any of their revenue totals inclusively or conclusively so what we have done, based on the fact that they have said that they feel they will collect all of their revenues, is we have showed full collection of their revenues which you will see in the projected column also.

Chairman Hirschmann asked does that include School Food & Nutrition.

Ms. Shaffer answered with School Food we did some variations on that because we don't think they are quite going to make it. That can be determined later.

Chairman Hirschmann stated with the economy seeming to be going good and with all of the façade changes on Elm Street, I want to talk about building revenues and then parking revenues.

Ms. Shaffer replied parking revenues is, I think, the biggest area where you are going to find a shortfall. That is because in the past we believe that those revenues were over-projected because the new meters that they were planning to implement on all of the side streets, etc. I think when the original number was projected, what we tried to do is show the maximum use of those meters assuming that implementation of everything was done by July 1 of that fiscal year.

Chairman Hirschmann stated and everything got done late.

Ms. Shaffer replied right and a lot of it still is not done.

Alderman O'Neil stated parking is almost half of this deficit. Where have we missed? This isn't years. We missed someplace else. Is some of it Canal Street? Didn't we, last time we sat down and talked, weren't we going to get a more formal report on parking to see exactly what was going on. I don't know if we lost it or you lost it.

Ms. Shaffer replied I know there was a parking study that was done by a group of businesses and citizens in the area, but that was to institute new parking. This has to do with the fee side of it.

Alderman O'Neil asked, Mr. Chairman, would it be possible for us to get a breakdown of was it Canal Street or was it on street parking or other places. I hear from the National Garage people that the numbers are way up.

On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to invite Mr. Tom Lolicata to the next meeting.

Alderman O'Neil asked can this wait a month.

Chairman Hirschmann answered well we are in the budget season and we might as well get him in here while we can.

Ms. Shaffer stated this is part of the more complicated aspect of the problem. If these revenues going into the next budget year are also made on the same basis and they are incorrect, then you are overstating your revenues going forward.

Alderman O'Neil stated the problem is that I think Finance has to look into this. Tom is not going to know why this is happening.

Chairman Hirschmann replied well he could have some insight into the garages and meters and he could tell us some things.

Ms. Shaffer responded he can tell you where some of the meters weren't pulling in 100%.

Alderman O'Neil stated I guess it is great to have Tom come in, but to me this problem of almost \$1 million is more than equipment or some parking meters. Something is wrong someplace and like I said I understand from National Garages that the numbers are way up.

Chairman Hirschmann replied parking was a miss last year and I think what Alderman O'Neil is saying is that we need your department's help.

Alderman O'Neil stated almost like an audit of it.

Mr. Sherman replied it is not necessarily that the revenues aren't up, they just aren't up to what the budget projected. The other issue too is Canal Street had only four floors for quite awhile.

Alderman O'Neil responded but a lot of those people went up to the Victory Garage.

Ms. Shaffer stated but you just displaced other people when you did that.

Chairman Hirschmann stated so we all agree that at the next meeting we will discuss the parking revenues with the Traffic Director and Finance.

Alderman Thibault stated and we will have a breakdown of the revenues.

Mr. Sherman replied yes, we will break the revenues down by garage and whether it is intown meters or parking lots, etc.

Alderman Girard stated income from investments is off by \$380,000.

Ms. Shaffer replied that is the next item that I was going to bring up. That is the second highest deficit that you see there.

Alderman Girard asked why.

Ms. Shaffer answered part of the problem is that you are in a very variable economy. The rates that we are receiving on investments has gone down almost 50 basis points which might seem miniscule when you think of it on those terms, but when you think of it on \$30 or \$40 million at a crack, that does make a large difference.

Alderman Girard asked is this projection overly aggressive or were there changes.

Ms. Shaffer answered I think we were a little overly aggressive. I think we were expecting to have the market stay or go higher than the rates we were receiving last year. The reason that we aren't projecting an overly large amount in the months to come is facing the school issue and not knowing exactly what our taxability is going to be, we are not sure exactly how much revenue we are going to be receiving and any shortage of revenues that we are receiving is directly going to effect any of the money that we make.

Alderman Girard asked have we not received revenue that we otherwise would have invested.

Mr. Clougherty stated the issue is that they did a tuition payment.

Alderman Girard asked who are they.

Mr. Clougherty answered the School did one rather than two. So there is a cash lag there. Ordinarily, if you did your tuition billing twice a year rather than once a year, you would have that money to invest.

Alderman Girard asked so we lost investment income because of the way the School Department billed for tuition.

Mr. Clougherty answered right. If you don't have the money to invest, you are not going to make it and if the rates are going down also. It is a combination of the cash flow on a couple of these.

Alderman Girard asked are you telling me that the School Department has the option to decide to bill once or twice for tuition. It seems to me that if the City loses money on investments because the School Department decides to bill towns once for tuition as opposed to twice, why isn't there something in effect that says no you will do your billing this way because we have made investment projections based on the collection of this revenue in this manner. Who calls that shot?

Ms. Shaffer answered I guess they have contracts with the individual towns, but that is under the jurisdiction of the School Board. That is not something that the BMA governs directly. It is subject to approval by the School Board because we would like to see that done prior to beginning of a semester as opposed to the end which is when we collect ordinarily.

Alderman Girard stated so they made a decision to collect revenue differently this year than they have in years past and that threw some of our revenue projects.

Ms. Shaffer replied yes. Usually those bills are out sometime within December.

Alderman Girard asked do we have any idea what that could have cost the City in revenue.

Ms. Shaffer answered I can put some numbers together.

Chairman Hirschmann stated just to follow-up on that, I would like a motion from this Committee to ask the School Administration why they made that decision.

On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to send a memo to the School Department asking why they changed the policy on tuition billing.

Mr. Clougherty stated I think what they are going to tell you is they were waiting to have the audit done.

Chairman Hirschmann stated just to wrap things up, like I said we are in a building boom and I notice that you have brackets around a lot of the Building Department numbers. What is that about? I know Leon brought in a new structure, but that is not on this budget, right?

Mr. Sherman replied again your revenues are up, but not as much as projected.

Ms. Shaffer stated that is what you are looking at because we don't have a comparative year that. You are just looking at this year's numbers.

Mr. Clougherty replied it is up over last year, but not as much as they projected. Given that last time we came into you, you had an \$800,000+ deficit in that area, we really should be meeting more frequently and taking a look at where you are because if there is some sliding, you may be able to do something.

Chairman Hirschmann stated we are meeting monthly. The perception is bad because we didn't have an early meeting this month.

Mr. Clougherty replied well you may want to meet every couple of weeks and that is what we have done in years past.

Chairman Hirschmann stated so I will do a middle of the month and end of the month meeting then. That is fine.

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

A True Record. Attest.

Clerk of Committee