

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

**October 18, 1999**

**5:15 PM**

In the absence of the Chairman, the Clerk called the meeting to order at the appropriate time.

The Clerk called the roll.

**Present:** Aldermen Rivard, Thibault, and Girard

**Absent:** Aldermen Hirschmann and O'Neil

**Messrs:** S. Tellier, T. Nichols, K. Clougherty, R. Sherman, J. Shaffer

The Clerk noted that in the absence of Chairman Hirschmann, a motion is in order to elect a Chairman Pro-Tem.

On motion of Alderman Girard, duly seconded by Alderman Thibault, it was voted to elect Alderman Rivard as Chairman Pro-Tem.

Chairman Rivard addressed Item 3 of the agenda:

Review of reports by the Board of Assessors.

Mr. Nichols referred to the report and noted that the tax base has gone up.

Alderman Girard asked about the State education funding plan and whether or not the City would continue to benefit from the increased assessment.

Mr. Tellier answered that the Department of Revenue Administration uses different methods and this year they took extra scrutiny on the income approach, hence the significant statewide increase. He noted that he didn't expect any adjustments at this time. We have an agreement with PSNH until 2002 to use the Department of Revenue's number in the evaluation.

Alderman Girard stated I didn't expect it to affect the utility volume. My question was about the tax rates that are set. The Department of Revenue Administration was forced to invalidate the tax rates to the State. My question is whether or not the tax bills sent out six months ago were valid.

Mr. Tellier replied the short answer is that the municipal county portion is no problem. The local school portion is not a problem. The State school property tax, which the Legislature is struggling with, is the problem. Our board had a plan to close the volumes on 10/20 and make final forms ready, however, in light of a memo advising of a delay we are taking it day-by-day.

Alderman Girard asked so the plan was to set the tax rates on 10/20 and that is no longer the plan.

Mr. Tellier answered right.

Alderman Thibault asked are we saying that you are going to have a hard time setting the tax rate.

Mr. Tellier answered no.

Mr. Clougherty stated that the Department of Revenue Administration has 100 cities and towns that already set the tax rate for this billing. Manchester is not one of them. Out of those 100, they figure that somewhere between 6-12 mailed the bills out before the court ruling. They are trying to come up with a solution. Remember that the tax bills that go out in June/July are always estimates. There will be adjustments on the final billing that we will be working on. The School Department sent their MS forms on Friday so now we can do what we need to. It takes 48 hours. The City would be prepared to set the rate in early November. There is a question as to how we will proceed.

Alderman Girard asked if the State piece isn't in place, what are we going to do. Is the local school tax rate going to be set to cover that expense? Is that legal?

Mr. Clougherty answered no. The discussion of adequacy and how it is going to be funded is up in the air.

Alderman Girard asked what our options are as a City.

Mr. Clougherty answered the State has to raise a certain amount. We can send out the bill for ours.

Alderman Girard asked so we can't make up the State shortfall.

Mr. Clougherty answered the State has that responsibility. There is some debate as to what the adequacy number is. There is talk that it might change. The City and Town Assessors and Finance Officers are trying to get something resolved. The ball is in the State's court.

Alderman Girard asked if the State's number changes and is revised downward, what, if any, impact will that have on the close of the current fiscal year. If they say you are going to get \$27 million and instead of \$37 million will that mean a tax increase or budget cuts?

Mr. Clougherty replied no matter how you approach it there will probably be a supplemental tax bill. We will send out our bill and at some point another bill will be sent. Under the State Constitution, the cost would be incurred by the State. I can't guarantee that they will agree, though.

Alderman Girard stated so the State is under an obligation to make sure we have \$37 million for next year. Any less revenue means the City will have to cut expenditures or raise taxes.

Chairman Rivard asked are you talking about next year.

Alderman Girard answered it could impact this year.

Chairman Rivard asked about the \$6.60 per \$1,000 assessment.

Mr. Tellier answered there are two parts. The intent by the Legislature was to arrive at a statewide rate of \$6.60. That equates to \$25 million. Manchester determined that adequacy was approximately \$62 million so the \$61+ million minus the \$25 million is where the \$37 million grant comes in from the State.

Mr. Clougherty stated if the State had to raise the money itself, it would be through the roof. They are trying to pick up some with the statewide property tax. The grants piece is okay unless they decide to change it. A property tax is missing.

Alderman Thibault asked is it possible that we may set a tax rate now and then we would have to send out a supplement.

Mr. Clougherty answered that is a possibility. All cities and towns are in the same predicament.

Alderman Thibault asked when would the tax bill go out.

Mr. Clougherty answered we are trying to determine that. If they decide...the problem with the \$6.60 piece is not that the State can't do that, it is the way they are planning to do it. They can do a statewide property tax without the phasing in piece to get cash in here to combat the problem of having a shortfall. The State is thinking about doing that now. In anticipation, the State Treasurer is going out and borrowing.

Alderman Thibault asked how can I explain to my constituents how this is going to play out. Will somebody tell the people what is happening and what ramifications will come from it? The people in the City will be confused.

Mr. Clougherty replied to get into specifics is premature.

Chairman Rivard stated this is very complicated. The tax rate is what we talk about. The tax rate is supposed to go down. We funded the school projects. Now because of the Supreme Court it is unconstitutional. The second tax bill was supposed to be lower. Is that going to be a reality or not?

Mr. Tellier responded in the short-term initially it will be lower because there will only be two parts. The school funding issue is the part that can't be resolved. The legal question is is the State, through the Legislature, responsible for the 400+ million or are the cities and towns responsible. They didn't identify that the cities and towns weren't responsible. They identified one issue. If that issue is altered or changed, they have the mechanism in place.

Alderman Girard stated so the City may not receive all that was promised but whether or not we see a lower tax rate depends on the State.

Alderman Thibault asked even this year.

Alderman Girard answered yes.

Mr. Clougherty stated the rate will change depending on how they will get the money.

Alderman Girard stated we won't be able to get any more information tonight. I recommend that Mr. Clougherty give a presentation to the Board tomorrow night.

Mr. Clougherty agreed to do so.

Chairman Rivard addressed Item 4 of the agenda

Finance reports to be forwarded under separate cover.

Mr. Sherman briefly reviewed the Finance reports. There are a few items that he pointed out. On 9/7, the Board of Mayor and Aldermen had a discussion about the school deficit for year-end. We moved \$800,000 and they ended up with a \$300,000 surplus for last year. Although Food & Nutrition was in the hole, the School met their budgetary obligation. The 6/30 unobligated balance for high school athletics was \$391,000. They didn't pay the Parks & Recreation Enterprise. At the end of the year, Parks & Recreation had a deficit cash position. They were short \$350,000.

Alderman Girard asked why did the School Department fail to make this payment again.

Alderman Girard moved to recommend to the full Board that it direct the School Board to pay its obligation to the Parks & Recreation Enterprise. Alderman Thibault duly seconded the motion. Chairman Rivard called for a vote. There being none opposed, the motion carried.

Mr. Sherman stated Parks & Recreation billed the School Department, but they still haven't been paid. They are owed \$300,000.

Alderman Girard stated Parks is providing the service and the School has to pay for it.

Mr. Clougherty stated the court agrees with that.

Chairman Rivard asked didn't we have this same problem last year.

Mr. Sherman answered it is a larger problem this year.

Mr. Sherman brought the Committee's attention to the September report for expenses and noted that there was a mistake on the school chargebacks. There was \$6.8 million in school budget to pay back to City for services. The School budget was fully funded. In the past we dealt with chargebacks in the tax rate setting. There has been nothing paid back in the first quarter. This could be because the departments haven't been billing the School.

Alderman Thibault asked how does that work.

Mr. Sherman answered the Board mandated that all departments use work orders to the School Department.

Chairman Rivard asked do you have an estimate on how much they might owe for the first quarter.

Mr. Sherman answered I don't know.

Chairman Rivard asked the contract with ServiceMaster comes out of that money, right.

Mr. Sherman answered yes. That is charged to PBS and they bill the School.

Alderman Girard stated the School Department will hold off on paying it because they are earning interest on that money. We should find out from the City departments if the School is being billed and just not paying.

Alderman Girard asked that a letter be sent to the School Department requesting their presence at the next meeting to address some concerns that the Committee has.

Chairman Rivard stated we should find out if the departments are billing the School Department.

Mr. Sherman replied that he would ask the department heads.

Alderman Girard asked we are \$2.3 million short in revenue.

Mr. Sherman answered yes.

Alderman Girard stated so we are subject to audit. We are \$4 million short with \$2.1 million from the School Department.

Mr. Sherman replied the shortfall is in school tuition.

Alderman Girard stated we were told by the Superintendent that there wouldn't be a shortfall. Why are we off \$1 million in investment income?

Ms. Shaffer stated the rates went down.

Alderman Girard stated the parking revenues are short, but that was expected. The Building Department is \$200,000 short. Of the \$4 million, more than half is attributed to the School. We should hold the School Department accountable.

Mr. Clougherty stated remember you are only looking at ½ of the ledger. We may be short \$4 million, but we did better on the expense side.

Alderman Girard stated we should address this with the School Department and have them come in and justify this.

Ms. Shaffer introduced Jennifer Desrochers from the Finance Department who is the new Revenue Administrator.

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

A True Record. Attest.

Clerk of Committee