

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

February 8, 2000

6:30 PM

Chairman Hirschmann called the meeting order.

The Clerk called the roll.

Present: Aldermen Hirschmann, Levasseur, Pinard, Lopez, Thibault

Messrs: F. Harris, R. Gamelin, K. Dillon, S. Tellier, K. Clougherty, R. Sherman, R. Davis

Chairman Hirschmann advised that the first purpose of the meeting shall be organizational in nature, and requests the Clerk to provide a brief overview regarding typical issues addressed by the Committee.

Chairman Hirschmann addressed Item 4 of the agenda:

Communication from Riverfest Board of Directors advising that an approximate \$12,000 owed the City cannot be paid at this time because of a deficit balance from this year's programs. The Riverfest Board is also suggesting that the City budget for coverages provided through City employees/departments in the future for this annual event.

Alderman Lopez stated I have some questions.

Chairman Hirschmann invited the Riverfest Board of Directors to come to the microphone to answer questions.

Alderman Lopez asked why isn't there a contingency fund set aside in all of the years, since 1993 when you appeared before the Board of Mayor and Aldermen with the amendment to start your own corporation for Riverfest.

Mr. Gamelin stated we had, at one time, approximately \$150,000 in an account. When we moved Riverfest from Arms Park to the Hobo Jungle site, we invested some money down there for electricity and the City help us out with the paving end of it. We brought water into the site that wasn't there. We probably spent a total of \$30,000 to \$40,000 at that point. The first year on the site we had three perfect days of weather and made some money and put it back in the bank. The

production for Riverfest runs anywhere from \$150,000 to \$200,000 to put this program on for the weekend. The second year at Hobo Jungle we got three days of rain. You get three days of rain and you have a \$250,000 production, your bank account goes down pretty quick and that is what happened. We pretty much broke even that year. Our bank account was...I think we started the following year with about \$20,000 in the bank.

Alderman Lopez asked you started with that this year.

Mr. Gamelin answered no, that was three years ago. That last year at Hobo Jungle we again, had one bad day of rain. One bad day of rain accounts for about \$40,000 in revenues and income at the gate. When we came back to Arms Park we had asked the City to help us out. That was four years ago. They did. We have since built up the accounts to the point where we weren't...we didn't have \$100,000 in the bank anymore. Every year going into the new year we probably had about \$35,000 or \$40,000. Well, last year needless to say we got hit again with another bad day of rain and it was a day that normally brings in \$40,000 to \$45,000 worth of revenue. That was a Friday night. That put us in the hole. I guess what we are asking is...at that time we worked something out with the City departments and we paid the bill the following year. We had a decent year and we went back and paid the Police Department, Parks & Recreation, and Highway and asked them to hang on for a year. That is what we are asking to do this year. We are also asking for start-up funds to get going again. Right now, as you see our bank account sits at around \$6,700.

Alderman Lopez stated I am just concerned. I don't see any documentation for 1997 or 1998 on resources or revenue, but I do see in the last report that I received...who oversees the spending of this. It seems, and I could be wrong, I would just like to have an explanation, \$3,000 worth of photographs or \$3,400 for photography. What is all of that?

Mr. Gamelin replied that is videotaping of the weekend from this past year. We have a professional videotape company down there. We have photographers down there. The videotape company was \$2,700. What we did this year is we are creating a video library so that we can go out and market Riverfest. Being the 20th Anniversary of Riverfest and the millenium, we were hoping that after a good weekend last year we could go out and market ourselves and bring in some extra funds to do something special for the City, like a special concert, that is what we are big on, entertainment. The fireworks. We all know that is the largest thing at Riverfest. We were hoping to double our fireworks budget, unfortunately Mother Nature didn't cooperate with us last year.

Alderman Lopez stated \$50,000 for events. Is that strictly the shows?

Mr. Gamelin replied yes.

Alderman Lopez stated I was involved in the first Riverfest in the City of Manchester and I want to tell you that it has come along way but it has become very expensive for the people in the City of Manchester to go there. I don't know if Riverfest was ever intended to go this way. That is just a comment that I would like to make to the Board of Directors because this is what happens. There is nothing over the number of years, a history of the profit and loss statements that we received in this packet other than last year. I remember that in 1993 you came before the Board and you had to change your by-laws on the conditions that the money would come back to the City and you could not give to any other organization other than the City. I commend you for your hard work, but I am curious as to...maybe if some of the spending could be looked at these things wouldn't happen in the future.

Mr. Harris replied you can't even go to the movies for what we charge. We charge \$5 for people to come into Riverfest and we are talking about \$50,000 shows and so forth. I don't know anyplace in this New England area where you can go for \$5. We have kept our prices down. Our gate should be \$10; I agree with you but we have kept it down so to make a comment to say that we are ripping off the people, I don't buy that. Not at all. None of us get paid. We all do it for nothing. I spend \$25 a week doing this stuff and I like doing it and I guess I thrive on aggravation, but to say that we are ripping off the people, that is not true. Senior citizens, we give them a break, we give them \$1 off and they only pay \$4.

Alderman Lopez responded I don't think that I used that particular word that used just now and I resent the comment.

Chairman Hirschmann stated what I would like to say as Chairman of this Committee is to lend some history and some background I do empathize with your problem. It is a problem, but what I do remember for these new Committee members is that you have been here before with the same problem – unpaid Police bills and I know the bills were higher and Deputy Robinson actually sat down and I don't know if it was with you Mr. Gamelin or Mr. Harris, and he reduced your Police bill by 50%.

Mr. Harris replied yes.

Chairman Hirschmann stated so my question to you and then I will open up the floor to some more questions so we can workshop this, but my question to you folks is just like when you have a mortgage where are we, in your liabilities, where are we. Are we at the bottom of the list because I notice that on all of your

payables you are paying for all kinds of things but the Police bill seems to be at the bottom of the list and the problem that we have... actually I am not as concerned with the Highway or the Parks bill but the Police fund is a separate fund. The officers are working for you, actually, and there is a separate fund. The money goes to their fund and not the City's general fund so it is kind of a problem that the bill is unpaid. I want there to be a Riverfest obviously just like you do. I don't think you are going to get free police protection. I don't even think you are asking for that, but we have got to be a little higher in the food chain. You have to be paying us before you pay the jugglers or whomever you pay.

Mr. Gamelin replied that is a good comment, but if we don't pay the juggler, next year they don't come back. Next year they pass around to the other entertainers that they don't pay their bills. I was involved with the City and ran the concerns for the City for many years when we had the concerts on the river. We got blackballed the last year. That is why the City hasn't had a concert since. There was a problem between a couple of promoters and the word got out. If we did that and said to promoters I can't pay you this year, the word is going to get out and next year we will get no entertainment. We are doing this as a City function for the City and the people of Manchester. It is not that we don't want to pay the City of Manchester, but it is easier to deal with the City than with somebody who is out of state. I can come to you like we are now.

Chairman Hirschmann responded that may have been true before, but I wouldn't agree to that.

Mr. Gamelin stated last time we did pay the bill. We didn't ask for it to get put aside. I sat down with the Chief and asked him...I said look we can't pay the bill this year, can we do what we did a few years ago and divert it to next year and when we get the funds we pay you first. The first thing we did when we got the funds last time, the day I got the check I was at the Police Department paying the bill. I happened to be sitting on the Board of the Crimeline. I know what goes on there and I am very close to the Police Department. Both Fred and I are on that Board. We are not looking to not pay anybody. We are asking for a little help. Again, in a business world and I am...

Chairman Hirschmann replied what I say to you, Sir, is that I hope you continue for the next hundred years, but when you are issued your license this year, I think there is going to be a stipulation on there that the Police bill is paid ahead of jugglers and anybody. I don't care who they are. That is what I am telling you. That is a hard line to take, but I am taking it. You were before me last year and Deputy Robinson sat before me and assured me that you guys would pay this bill. The only reason you are here tonight is because I referred it to this Committee so that I could hear the whole story again. I have empathy for you. No sympathy. I

have gone down to Riverfest and manned a booth. I have never paid to go there. It doesn't do anything for me. I will open it up to questions.

Alderman Levasseur stated because I am a restaurant guy, I went right to the food issue. He is giving \$4,200 for band food, event staff and banquet. Is there anyway you could get those vendors over there to feed those guys as part of just being in there? I mean it is \$4,000. If you took \$4,000 out of that. I was wondering what your thought process on that is.

Mr. Harris replied a lot of that is our entertainers. If anybody has ever dealt with, and I know Alderman Lopez has, but entertainers riders are like an inch thick. They require special this, special that, special cigarettes and special food and there is no way that anybody in their right mind would do that. That is why we have to pay. It has dropped a lot. It used to be around \$6,000. We try to keep it down. When I book them, I try to keep it down but they are very demanding. That is what most of that is. We used to feed our staff. We don't even do that anymore. We give them sandwiches on Saturday afternoon and that is it.

Alderman Levasseur asked what about when you rent out the booths or the sections for everybody to come in. Is there a way that you could rent out the booths and then say we are going to take 5% of your sales as an addition or would they not come because of that. Is it so profitable for them that they are at least willing to give you a part of their sales? The Mall of New Hampshire does that when they put a big thing together. You don't only pay rent, but you pay a percentage of sales. We are not looking for a lot of money here it looks like. It is just to get your money back.

Mr. Harris answered it would be hard to track. We have a limited staff as it is. It is hard to get volunteers?

Alderman Levasseur asked what about if you increased their rental. Have you kept it the same or are you looking to go up on it a little bit?

Mr. Harris answered we have gone up on it a couple of times over the years. It is about \$850 now. They all make money and they all want to come back. They are obviously making big bucks.

Alderman Levasseur stated in order to keep this going it shouldn't keep falling on the City. When they are making a lot of money, they should be able to get this back.

Mr. Harris replied I absolutely agree. I don't like coming before the Board, believe me.

Alderman Levasseur responded I know that but it sounds to me like, you know, you should put a little more pressure on them and get some money out of these guys. The other question is the \$150,000 that you had to start out with, you actually lost that money.

Mr. Harris replied probably more. One year we had three days of rain and another year of one day of rain and this past year with rain on Friday night. When you lose \$45,000...we would have been golden if it hadn't been for the rain.

Alderman Levasseur stated so we are actually in the hole \$150,000 plus this amount.

Mr. Harris replied everybody has been paid. The only thing we owe to anybody in the whole world is \$12,000.

Alderman Levasseur stated but we still don't have our \$150,000 from the original investment.

Mr. Harris replied no.

Mr. Gamelin stated it is not just from losses from the event. We have invested a lot in the City itself. At Arms Park, we invested in an electrical system. When they renovated that park, we were part of that and invested like \$30,000. We have done things for the City. Christmas on Elm Street one year we donated \$10,000. We were flush that year and they came to us and said we need \$10,000 and we gave it to them. The year before that we gave them \$5,000. A couple of years on the fourth of July the City was struggling and Riverfest had that money in the bank and we came up with \$10,000 to do fireworks. It is not that we haven't reinvested back in the City, we have and it has come from those funds. If we could just keep taking those funds and putting them in the bank and just say no any time the City came to us and said can you help us out with this, it would be a lot harder for us to be sitting here today and asking for the City's help.

Alderman Thibault stated first of all, I would like to say that I would have to commend you people for doing the work you do out there. The comments that I hear constantly about the Riverfest is that every year it seems to get better and better and you guys are working very hard. Nobody is arguing with that. I can understand that when you get hit with one or two or three days of rain after putting on an event like that, that you are going to run into some problems. I would like to have the members of this Committee understand that. I have worked on a lot of events such as this before where you do get hit with a day of rain or two days of rain and you have already bought your food and the stuff that you need to put this

event on and I can understand where these guys are coming from. I have been there, believe me, more than once. The problem is that we have to budget these items and that is where we fall into a problem and I think I would have to agree with Alderman Hirschmann that we have no other way of coming up with this money when there is a problem like that. I think that what Alderman Levasseur said is also a good solution. Isn't there a way that we could cap their profit from this thing? If, in fact, we have a great three day weekend, why couldn't they give back 5% to the Committee or 2% or 10%, whatever the magic number may be. If you have a great three-day weekend, they should be able to reimburse...the Committee, not the City, with some money.

Alderman Levasseur stated I think you could do it on ticket sales. Let's say you had 10,000 people on one day, they would have to agree to give you 2% on top of what they are already giving you for rent or 10%. You could base it on ticket sales so that way they would be happy and you would have some extra income and you wouldn't have to come before this miserable Board.

Alderman Thibault stated if they don't and you have a day or rain or two days of rain then it is understandable and we would have to live with that, I imagine.

Mr. Harris stated we are not the only ones who lose when it rains. These guys who spend \$850, if they completely lose Friday, they lose to. It goes back to the bookkeeping part of it. It would be literally impossible.

Alderman Lopez stated I want to get to the meat of this. It is \$12,000 that you are asking for us to pay the Police and then you are asking this Committee to recommend putting \$15,000 or \$20,000 into your budget to cover this in the future. In the beginning you made a statement that you are going to need some start-up funds. How much?

Mr. Harris replied first of all we had two different separate issues here and I think you have them mixed up together. The first issue was that we owe the Police Department \$12,000.

Chairman Hirschmann interjected what I would like to do and because we are more or less the financial committee the \$12,000 problem ended up here. I really don't want to take on your future problem. What I would like to happen is I would like the Riverfest Inc. Board to write a letter to the Mayor and if he is going to put that in his budget, that is his business but we really shouldn't be doing that at this point.

Mr. Harris replied we did that, Mr. Hirschmann. We sent a letter to the Mayor and I came before the Board of Aldermen and it was actually two different issues. If you don't have a copy of that letter, I do.

Alderman Lopez asked are you talking about the letter dated 11/18.

Mr. Harris answered yes.

Alderman Lopez stated I have a copy of it.

Mr. Harris stated we had all of our meetings. We met with the old Mayor and the new Mayor and it came back to this Committee.

Alderman Lopez stated let's take one at a time. The \$12,000 that you owe. How do you want to handle that? Do you want to pay it next year when you start-up?

Mr. Harris replied we could pay it after next year's...we come before the Board with one of two things. Either we take care of...the Police Department will be paid come hell or high water. I have already assured the Chief that he will be paid either by you, me or somebody. I assured him that and my word is golden. I talked to the Mayor and there were two thoughts. One thought was to ask the City for \$25,000. \$12,000 to pay the Riverfest past bill that would make us even with the Board and \$12,000 for start-up money. That was our request. The second request was to, because over the period of years that we have been in this, 19 years we have paid the City in excess of \$400,000 for services and I talked to a couple of Aldermen and they weren't aware that we had to pay this City this kind of money for Police, clean-up, etc. and a lot of this stuff is done during working hours so the thoughts from the Mayor's Office, both the new and old Mayor, were that maybe some of these departments could put a certain amount of money in their budget so we wouldn't have this problem. We don't get paid. We do it for the City. Why shouldn't it be in department's budgets? I have it in my budget and I don't spend any money. We had two different issues here.

Alderman Lopez stated call it what you may. It is \$25,000. That takes care of the \$15,000 that you are asking in your letter for an annual budget. You have here "it is estimated that we spend in the range between \$15,000 and \$20,000 annually and we would like the City of Manchester to begin to budget"...

Mr. Harris interjected no. That was just an idea because we used to pay the City in excess of \$30,000 or \$35,000 and we have cut that down mostly from the Police Department and now we are running around \$25,000. That was only for informational purposes.

Alderman Lopez asked for the record are you asking this Committee for \$25,000 to pay the Police Department and the start-up fund.

Mr. Harris answered correct.

Alderman Pinard asked do you collect all the funds from the vendors and what is the total from all of them. They pay for that space, right?

Mr. Harris answered yes.

Alderman Pinard asked do you have a record of how much they pay you.

Mr. Gamelin stated it is under rental income. It is \$35,548.50.

Alderman Pinard asked how many vendors do you have overall.

Mr. Gamelin answered 60 arts and craftsmen and 40 food vendors.

Alderman Pinard asked are they all different prices.

Mr. Gamelin answered the arts and craftsmen are all the same.

Alderman Pinard asked what about the food vendors.

Mr. Gamelin answered it depends on the size of the area. A 10' x 10' space is \$500. A trailer is \$850.

Alderman Pinard stated it says commission here. Commission for what?

Mr. Gamelin asked as far as income.

Alderman Pinard answered yes.

Mr. Gamelin stated we get commission from the bands when they sell their materials. We usually get 25% of what they sell. Herman's Hermits is down there and they sell T-shirts and tapes and we get 25% of that.

Alderman Pinard asked what was your attendance last year.

Mr. Gamelin answered last year's attendance was probably 40,000. It is tough to estimate because there are a lot of freebies that go in there too. The kids don't pay.

Alderman Lopez stated you said that you would pay the Police Department for this Riverfest so the \$25,000 that you indicated would actually be a \$15,000 start-up since you said that you would pay them with that. So you are really not requesting \$25,000 if you agreed that you would pay them for this Riverfest. Is that correct?

Mr. Gamelin replied correct. If I get a check for \$25,000 next week, the first check that is written out of that goes to the Police Department, Parks & Recreation and Highway.

Alderman Lopez asked if you get \$15,000 and they hold off until Riverfest and when you make the money you pay them.

Mr. Gamelin answered correct and hopefully we get three nice days.

Chairman Hirschmann stated you are expecting revenues on next year's performance. Are you marketing that now? Explain that to me.

Mr. Gamelin replied we are beginning to market that now. We have hired a marketing team. They are going to go out and solicit corporate donations. In the past, we have done that on our own. The best year we ever had for corporate support was about \$50,000. Last year, if you look at the numbers in front of you for sponsorships, \$10,600. The economy is in pretty good shape, but the corporate giving is not there. We have a team in place and they are going to go out and solicit Southwest Airlines and the big companies. Southwest has been a great sponsor of ours for the past couple of years. I am just using them as an example, but they came to the table a couple of years ago and really helped us out but that is what we need. We need more corporate sponsorship.

Chairman Hirschmann asked you are going to get revenues in the near future and you are going to pay that \$9,000. Explain what you are going to do.

Mr. Gamelin answered I don't understand your question.

Chairman Hirschmann replied that is where I am at. I don't understand either. You are going to get some money and when are you going to pay us. That is what I am asking.

Mr. Gamelin responded if we get the funds that we are asking for tonight...

Chairman Hirschmann interjected what if you don't get any funds.

Mr. Gamelin stated if we get no funds tonight, then we are looking at paying you at the end of the next Riverfest. Where we stand today is we have \$6,700 in the bank today. We can't sign any contracts right now for any entertainment because we don't have the funds to do it.

Mr. Harris stated they require deposits.

Chairman Hirschmann stated on your balance sheet you have \$17,000 of assets. That is not enough to do what you want to do.

Mr. Gamelin replied look at the cash, Alderman. \$10,000 is in electrical equipment that is sitting in a trailer. That is an asset. Actually there is less than \$7,000 in real cash to start.

Chairman Hirschmann stated I was hoping that you would pay us in this fiscal year. It helps us but it doesn't help us the same if you are paying us in 2001, which would be after June 30.

Mr. Gamelin asked when does your fiscal year end.

Chairman Hirschmann answered June 30.

Mr. Harris asked are you referring to the Police Department, Mr. Hirschmann.

Chairman Hirschmann answered yes. If you don't get funds from us then you can't pay us.

Alderman Levasseur stated if we don't give you the \$12,000 then we can continue that to next year and you can pay us so we don't have to give you \$12,500 today. Is it okay to do it that way? We can defer the \$12,500 that we owe the Police Department until next year and you can give us a check and you can pay the Police Department yourself, is that correct.

Mr. Harris replied after Riverfest.

Alderman Levasseur stated right and we can just give you \$12,500 now and that could be your start-up cost instead of giving you the whole \$25,000 now.

Mr. Harris responded that is correct.

Alderman Levasseur asked could we sell the naming rights on this Riverfest. Instead of just calling it Riverfest can we call it...I see we pay PSNH \$25,000. It sounds like we could give them a sponsorship and get that electric bill down.

Mr. Harris answered they have been very good up until this past year when they didn't give us a dime. They even gave away my parking lot.

Alderman Levasseur stated if you give naming rights, we may be able to get some money for it. We don't have to call it the Manchester Riverfest do we.

Mr. Harris replied believe me I have tried. I have had 15 meetings with PSNH.

Alderman Levasseur stated well any other companies might want to call it something and get that advertising. It is right on the river and people drive by it.

Mr. Harris responded that is what we have plans for now. We are going after big corporate sponsorship.

Chairman Hirschmann stated before we make a motion, I would like to ask Kevin Clougherty as an officer of the City and a financial person to come up and give us some help here.

Mr. Clougherty stated what we would prefer is to see the debt to the Police Department continue as a receivable and they will honor that in the future as they have in the past. It is a cyclical business. They have good years and bad years and during those good years they have always honored their debt and stepped forward to pay that. If they need some advance dollars for this particular year, then you are really looking at a recommendation out of contingency for \$12,000. If that is the case, though, I would like to make the stipulation that if you have a great year just as you pay back the Police expenses, that there would be an effort to pay the City back as well.

Chairman Hirschmann stated that is what I was going to ask. Is a loan in order?

Mr. Clougherty replied we are not in the position to do a loan, but we can give them that and it will be less formal but we will have an understanding that there will be a payment coming back.

Chairman Hirschmann stated so we will carry the Police bill as a receivable and in good faith we want to write-off the Parks or Highway fees or do something of that nature.

Mr. Clougherty replied I think what we would like to do as we have in all of these situations is carry them as receivables. They will honor the payment on the next cycle when they have a good year and if you want to give them an advance, that has to be an appropriation that has to go back to the Board for whatever amount you decide with the stipulation that if down the road there is a good year, that would come back to the City as well.

Chairman Hirschmann stated so we are going to carry the receivable and we are going to loan or grant them some money.

Mr. Clougherty stated you are going to give them \$12,000. You are going to take \$12,000 and defer it and give them \$12,000, which should be enough to get them started. I think the appropriation you are looking at out of contingency is somewhere between \$12,000 and \$15,000. That is what you have to decide.

Chairman Hirschmann asked this will be taking out of contingency and I suppose there is a lot of money there.

Mr. Clougherty answered there will be sufficient funds to do that. Again, in that appropriation resolution we would probably put some language in there to stipulate that in the event the Riverfest does perform well that there would be an effort to repay the City that amount. That we are advancing the funds and that is how we would treat it. In the interim, Alderman, I know that you have a concern about special detail with Police and maybe some of the new members don't understand how that works, but the City would be able to, due to our cash position, make sure that the police officers aren't hurt in that regard and we will cover that and be okay until they do the reimbursement.

Chairman Hirschmann asked it will be paid by say 10/1/2000 for the old bill and when are you going to let the new bill get paid.

Mr. Clougherty answered it is just about the same time that it usually comes back.

Chairman Hirschmann stated I would rather table this whole thing instead of continuing every year to use old money.

Mr. Clougherty replied one of the things you might do in that regard is if we get the pay back from them then you might put that into some type of a special Riverfest fund as a reserve to deal with that in the future. It seems to come up every few years and it is climate. It is nothing that they control or the City controls. If you want the event to go on, then maybe that is the way to do it. Give

them the advance and then when it comes back we can set it aside for that purpose so it will be there and as needed we can tap into it in the future.

Alderman Thibault asked how would it be if instead of giving you an advance, we pay the bill for the Police. That way we keep the books straight. How would that work out? With the \$7,000 you have, as you start generating some funds from your rentals and concessions and stuff, I would think that would be your start-up money. How would that work?

Mr. Gamelin answered we have entertainment deposits that we have to make within the next 30 days or we lose out on that window of opportunity.

Mr. Harris stated normally I start booking in December. I have already passed two large groups because they have gone someplace else. Normally by the end of January I am all booked for Riverfest. We haven't booked anything.

Alderman Lopez asked in the event that something did happen and you could not pay any of these bills, as a non-profit organization the City could be paid first. They could go bankrupt and we would be stuck with all of this. Is that the case here?

Mr. Clougherty answered they have always paid us at the conclusion of the event and we have always been settled with them. I know that you have some concerns about paying your entertainers and things like that going forward.

Mr. Harris stated first of all, this is only the second time in 19 years that we have come before this Board. Before, in September, we paid the Police Department the past bill plus we gave them a check for \$26,000.

Alderman Lopez replied that isn't my question. My question is this. Is there a priority for the City and if they go bankrupt if there are three days of rain and they are \$100,000 in debt, who is responsible?

Mr. Clougherty stated we could certainly put that in the Resolution that the advance is contingent upon payment of the first dollars received by Riverfest.

Alderman Lopez moved to approve the transfer of \$15,000 from contingency to the Riverfest Corporation and have Riverfest pay past Police Department bill of \$12,000 upon receipt of revenue. Alderman Levasseur duly seconded the motion. Chairman Hirschmann called for a vote on the motion. There being none opposed, the motion carried.

Chairman Hirschmann addressed Item 5 of the agenda:

Update by Airport Director relative to on-going Airport activities and related expenses.

Mr. Dillon stated in calendar year 1999 we had another record year at the Airport. We ended the year at 2.8 million passengers. That represents about a 45% increase over 1998. We had handled 165 million pounds of cargo and that was about a 20% increase over 1998. For calendar year 2000, we are projecting 3.5 million passengers, a 25% increase and about 200 million pounds of cargo, which is about a 20% increase. Year-to-date on the fiscal year we brought in revenues of about \$14.2 million. Our expenses year-to-date are \$11.2 million and we have a net income of about \$3 million. I am going to refer to this sheet and ask that the Deputy Clerk pass them out. I just wanted to give you a quick run down of our revenue and expense categories. Really the only thing I will be referring to is the last column, the FY2000 Y-T-D column. The other columns are a monthly column in the middle and the column on the left is our budgeted numbers. In terms of revenue, we have landing fees. In essence, what that is is the aircraft landed weight. We get \$1.55 per thousand pounds of aircraft landed weight. For this year, we are running a little bit behind our projection. Some of the air carriers that had indicated they were going to add additional flights have not yet done that, although we do expect by the end of the year to be right on target. Parking, you will see, is running a little bit behind projection but quite frankly we won the year at about \$10-\$11 million ahead of our budgeted number. We are going to be ahead because of some of the changes that we made in the parking rate structure, as well as the addition of the parking garage at the Airport. In terms of rental facilities, that would include terminal building rentals by concessions and airlines. Currently we get \$37.50 per square foot. Rental of the facilities as you can see is right on track. Other aviation fees, which would include apron rental, the concrete apron outside of the terminal building as well as different things like fuel flowage. We get 5 cents per gallon on general aviation fuel and 2.5 cents per gallon on all cargo fueling. You will see that it is running a little bit behind where we anticipated being. Fuel flowage is a little bit less. Again, that relates to the flights that we are not realizing. In terms of interest income, you will see that we are way ahead of where we budgeted. Quite frankly, when the budget was put together we did not account for interest income that we earn on our trust funds. That is why you see that discrepancy there. PFC's, that is the passenger facility charge. We collect \$3 per plane passenger. Again, that becomes a function of how much traffic we handle at the Airport so you can see that by the end of the year we will exceed, by quite a bit, our budgeted number. Again, that is due to some of the substantial increases in passenger traffic. Again, the total revenues that we have realized on the fiscal year-to-date are about \$14.2 million. I skipped over one

item. The customer facility charge. Just to point out what that is, it was not budgeted. When the budget was put together we did not anticipate this. This is something that was just recently instituted at the Airport. It is \$2.25 that gets imposed on every rental car day at the Airport and that charge is specifically designed to pay for the new walkway that will be built at the Airport this spring. In terms of expenses, our salaries are running a little bit over budget. That is mostly a function of Yarger Decker and the implementation of the salary increases that we realized. In terms of purchased property services that would be different contractual arrangements that we have for services at the Airport. We are under running slightly due to lower costs that we have incurred for legal fees and law enforcement costs. The legal fees at the end of the year may catch up with the budgeted number, but we are expecting the law enforcement costs, those are the costs to the Rockingham County Sheriff's Department, to remain under budget. In terms of supplies and materials, we are also under running there. Again, some of our maintenance costs are a lot less than what we anticipated and we are realizing some savings due to not expending snow removal money this year at the rate that we thought we would. Reimbursements to the City of Manchester. You will see that we have not incurred those yet, however, in January we will hit the first expense item for that and it will probably be in the order of about \$21,000 for January. We have a substantial under run in terms of equipment and capital and other and that is mostly related to a budget line we have for special projects at the Airport. It would include minor capital work. For example, paving of parking lots. What we have been doing is accomplishing a lot of that work in our larger contracts as part of the capital budget. We find that it is a lot cheaper for us to handle the work that way so we are under running quite a bit in that line. In terms of the principle and interest, what you see there is our debt service payment on our bonds and again total expenses are at \$11.1 million and combining that with the revenues we have a net income of about \$3 million at this point in the year.

Chairman Hirschmann asked on your revenues it says \$25 million. Will you come close to that?

Mr. Dillon answered that is the budget number and we will exceed that number. Quite frankly, we will exceed it mostly because of the parking revenues that we are realizing.

Chairman Hirschmann stated that is phenomenal because in front of me I have a three-year history of your revenues and in 1998 they were \$5 million and in 1999 they were \$10 million and in 2000 they are going to be \$25 million so you guys are doing wonderful.

Mr. Dillon stated this next sheet that you have is our capital program. You have seen this sheet once before. It has been given to the full Board. Quite frankly there have been no changes since this was originally reviewed by the full Board. The construction program at the Airport right now is kind of in winter suspension. The only work that is going on is some fill work for the Runway 35 extension, so you will not see these numbers change. Hopefully, we don't have any changes to these variance numbers at all, but you won't see any substantial changes to this document until the summer. Where we are at right now is we are in the process of meeting with Bond Council. We anticipate going out to the Bond market this March. We expect to have proceeds in hand by the end of March for the \$56 million worth of bonds that have already been authorized. Related to this...the only other work that the Airport contemplates doing outside of what you see in the sheet is the Runway 1735 reconstruction and extension project. That is a \$60 to \$65 million project that is not reflected in these costs. Just last week we were down in Washington and we were seeking \$55 million worth of Federal grants for that project and while I won't have the final answer on the award of those grants until the beginning of the summer, it looks very promising that we will get that funding. That is about 90% of the project and that is the full extent that the FAA can participate in. I would be glad to answer any questions.

Chairman Hirschmann asked is it PFC's or CFC's. There are two different papers. One says PFC's and one says CFC's.

Mr. Dillon answered PFC's are what we are authorized through the FAA to collect. That is \$3 per plane passenger. We also have CFC's. Those are customer facility charges that are levied against the rental car companies.

Chairman Hirschmann asked so those fees are helping you get revenue bonds to help pay off that pedestrian bridge. Is that how that works?

Mr. Dillon answered the CFC's are dedicated to paying the debt service on the bonds for the pedestrian bridge, as well as debt service for the first level of the garage that the rental cars use for their operation, as well as for ongoing operation and maintenance so it is a charge that will not stop.

Alderman Lopez asked is the pedestrian bridge going to be a conveyor belt that takes people to the Airport like in other airports.

Mr. Dillon answered it will be a bridge that connects the garage to the second level of the terminal. There will be moving walkways in it. It will come into the terminal at the second level, so we have built in escalators on both sides of the bridge as well as elevators.

Alderman Lopez stated that is what we need downtown for the Millyard. Do you want to do that one too?

Alderman Levasseur asked in regards to competition from other airports around the country, how are we doing as far as parking goes.

Mr. Dillon answered in terms of our parking revenues per passenger, we are probably one of the highest in the country. A lot of that is the nature of the area that we are operating in and that most people choose to access the airport via personal vehicle. As we continue to grow with passenger traffic levels, I would certainly like to encourage some high occupancy vehicle service to the Airport, which would start to drop that ratio quite a bit. In terms of overall revenues, we are probably realizing some of the highest revenues across the country. We are doing that at the same time when the Airport is known for its cost structure in terms of airline operating costs. We are one of the lowest in terms of cost per plane passenger for airlines to operate at the Airport. We are about \$5 per plane passenger and nationwide the average would be somewhere between \$6 and \$8.

Alderman Levasseur stated you have been reported in the paper for saying that Alderman Vaillancourt's surcharge on parking is very bad. Can you talk about that with us here and give us some information on that?

Mr. Dillon replied there are a couple of reasons why I say it is a bad idea. First and foremost, it is an illegal charge. If it is to be considered a tax, it would be a restraint on Interstate commerce to levy a tax on any particular airport business so it is illegal from that regard. If it is considered a surcharge, not a tax, the surcharge would be just another revenue stream that the Airport would be generating and it would require, according to the grant assurances that we signed with the FAA to keep all revenues generated by the Airport at the Airport. Thirdly, even if it were legal, it doesn't take into consideration that we have done the financial plan for the Airport and based on our needs to satisfy debt service requirements that will be coming up and bonding an additional \$56 million within the next couple of months, any future rate increases have been factored into our overall financial plan. So, it would be a rate increase, quite frankly, that the Airport wouldn't be able to levy if we had to incur the 10% tax in order to keep us competitive.

Alderman Levasseur asked what about our car rentals. Are we in line with the rest of the airports of our size? Is that as high as we can go or is that number flexible?

Mr. Dillon answered I think we are pretty much maxed out. We are probably one of the few airports in the country that have a CFC levied on, although it is a trend that is occurring nationwide. I guess I should also point out one other thing on the parking revenues. Why it is also not doable is the parking facilities at the Airport are actually located in Londonderry so if this was to be a tax, the City does not have taxing authority in the town of Londonderry.

Alderman Pinard asked what is the future for other airlines coming in. You and I have been talking about Canadian coming into the Airport and I think that this Committee would like to hear that.

Mr. Dillon answered I think we are very close. I have some agreements with the airline to keep some of the discussions confidential at this point. There are two particular airlines that we are talking to. One is a U.S. carrier and one is a Canadian carrier. I do feel that we are very close to having service with both of them, quite frankly. I would anticipate that this summer we will have some type of an announcement.

Alderman Levasseur asked when you estimate your cargo, that doesn't include people so you have two different fees. One from people coming in and one from cargo being brought in?

Mr. Dillon answered right. How we collect fees on cargo is really from landed weight of the aircraft as well as ground rent for the facilities that they occupy.

Alderman Levasseur asked so a couple of more airlines would really help your numbers a lot more.

Mr. Dillon answered well we would prefer to see passenger traffic for a lot of reasons. There certainly is a lot more revenue in passenger traffic, as well as from a community standpoint. Cargo flights are typically operated overnight and I try to avoid bringing in additional activity during those nighttime hours.

Chairman Hirschmann stated I have three things. One is I know the kind of manager you are already and keep a tight grip on this program manager. I am sure we are going to make him earn the \$10 million he is scheduled to make. I think you are doing a good job and I don't think there is a need to have you in here every month. We meet monthly, but I think on a quarterly basis since nothing is happening down there anyway. That was number one. I would like you to come back maybe in the spring to update us like the Assessors do. Number two, at the full Board level I made a comment about you having an advisory report that reports to you. I don't know if you give them little tasks to do, but you have an

advisory board and one of my comments was I keep seeing...we get minutes of all of the commissions and I keep seeing no public input. I just hope that you are posting where this advisory committee meets so that the public can come and give testimony.

Mr. Dillon replied we do advertise that meeting here in the Clerk's Office as well as in the Library. We post it in the Union Leader, but recently we have asked Channel 16 to post both the Committee and Board meetings so hopefully that will generate some additional public participation.

Chairman Hirschmann responded maybe the public doesn't have anything to say, but I keep seeing that and I thought maybe there isn't accessibility, but it is nice that you are doing that. Maybe there is no truth to Alderman Vaillancourt's surcharge and needing extra Police and Fire down there. I don't know what he was talking about. The third thing was that I made a statement at the full Board about the audit team coming in every year and giving us a management letter and they audit all of the City's funds, enterprises and general funds and I heard of a fund and I was mistaken because I thought it was a City fund, but it turns out that it was a private foundation that I had asked about and that is the Manchester Regional Industrial Foundation. Mr. Patrick Duffy was kind enough to forward me what that fund is, an actual audit of that fund and it is not a City fund. It is a private foundation that is charged with, I guess their original charge was to collect and spend money in the interest of aviation down at the Airport so it looks like they are collecting a lot of money and I hope they spend it on the Airport. That is my comment on that. I didn't know if you wanted to say anything, Mr. Duffy, while you are here. This is your private foundation and has nothing to do with the Airport Authority.

Mr. Duffy stated it is a private foundation. It is a charitable trust that was established in 1961 to promote activities at the Airport district and the surrounding communities. It does do a number of things and has been very useful to the Airport over the years. As you already indicated, Mr. Chairman, we do have that audited independently by Ernst & Young on an annual basis and we supply, for information, copies of that annual report to the Board of Mayor and Aldermen and also to the council in Londonderry.

Chairman Hirschmann asked can you state for the record what kind of projects...have you done anything in the past two or three years for the Airport.

Mr. Duffy answered absolutely. The number of projects have varied considerably over the years, but perhaps one of the more significant projects in recent years has been participation in the property purchase program where certain homes that were formerly covered by the sound insulation program subsequently were out of

the contours and we were able to purchase those homes for the homeowners and have them resold to people that, in fact, were aware that those homes were now part of that Airport district. We were able to help the Airport in terms of turning those properties over and satisfy both the former homeowners as well as the new homeowners coming in.

Alderman Lopez asked on the public relations aspect, what can you do for the City in that area.

Mr. Dillon answered I am not too sure I really understand the question. I can tell you what the Airport does for the City, quite frankly.

Alderman Lopez asked let's say for an example that Alderman Levasseur brought up finding someone to sponsor Riverfest. Would that be in your parameters to do that?

Mr. Dillon answered certainly the Airport has an advertising and marketing budget that we have allocated and is there to promote awareness of the Airport, so certainly opportunities like that are available to us. For example, we will sponsor different events at the Whittemore Center where there is awareness of the Airport created. A lot of our tenants, I think you mentioned Southwest Airlines for example, is very well known for sponsoring events in the area so I do think there are certainly some opportunities there. I think we need to be careful in how we approach those opportunities and not cross that revenue diversion line, but I think there is some legitimate opportunities, quite frankly, with something like that.

Chairman Hirschmann asked, Mr. Duffy, you have some pretty good assets sitting there. What are your goals? Are you going to be doing something for the Airport this year or next year?

Mr. Duffy answered again, the trust is at the highest right now than it has been since the early 90's when I first got involved. It dropped down to half the amount that it is today so it is good to see that it is built back up, but quite honestly when we participate in some of these projects we need to have some reserves, if you will, to support the kind of activities we are talking about. The particular project that I mentioned, which was the home acquisition program, we were spending somewhere close to \$400,000 to \$500,000 to participate in that so quite honestly we do need to have that kind of money in reserve to be able to participate in those kinds of programs.

Chairman Hirschmann addressed Item 6 of the agenda:

Review of reports by the Board of Assessors.

Mr. Tellier stated what you have attached as part of your agenda is a quarterly report that has been followed for several years now. On the cover page, you will see the outline of the pages that are attached. One is the update of the maintenance of the tax base. The second page would be the status of the overlay. The third page is outstanding abatements and tax appeals. Attached pages are the status of the exemptions and payments in lieu of taxes. When you go through these pages on the tax base summary, that is a snapshot of what existed during the last warrant that went out in November of 1999. As you may or may not know, the City has been going through different conversions or acceptance in the HTE software, the citywide billing and software system. The LX module, which is the center module that carries out to tax billing, parcel management, utility billing and that type of thing, that was just done in the latter part of 1999. This snapshot is as of that time and we are in the process now of further reviewing of permits, new construction, and that type of thing so the next quarter when we come before you there may be some change at that time. The second page is the overlay summary. The overlay is an insurance account. It is for the payment of abatements. Abatements could run either through an evaluation appeal or it could be in the form of Veteran's credits, elderly exemptions and so forth. That number is down at the bottom. That is the balance. The other numbers in negative would account for those years and those accountable appeals in those years. Also, I think it is important to note that the 1999 appellate period does not even start until July 1 and ends September 1. The 1999 local appeal period does not end until March 1, 2000. That is statewide. On the next page is the valuation summary. That is a total of the assessments on the roll that are under appeal. That doesn't mean that it is the total of the valuations that will change. That is just the total valuation. The next page after that would be our Board of Tax and Land Appeal filings for 1998. There are very few. I can remember in past years where we had hundreds of them. We had very few and I don't expect this to have very much of an impact. The next page on master filings, those are the local. Any abatement that is filed has to be filed at the local level first. What is shaded in gray has already been disposed of. As you can see, most of them are elderly exemptions, Veteran's tax credits, and a couple of blind exemptions. Some of them are a little bit of a change in new construction, but that is all. Most of them have been disposed of. On the final page is a snapshot on our elderly exemptions. The total used for the City is about \$64 million. That would total all of the elderlies. That would be the 65 year old elderly exemption and above an age that qualify. To qualify, they have to have less than \$35,000 in assets, they have to have been a resident of New Hampshire, and they also have to have income requirements, joint income is \$26,400 and

single income is \$18,400. By the way, there are two numbers here...what is posted. For example, if an elderly person owns a home that is valued less than \$90,000, \$90,000 is the exemption so that is why we have two numbers. There is what is posted and what is used. If the home is valued less than \$90,000, then they would only use what they would need. If their home is only valued at \$80,000, then that is all they would need for the exemption and the rest is not used. The page after that is a list of those who pay in lieu of taxes. These are listed as an income attributable to our department and that is directly stipulated by State law. That is the short of this report. We do report quarterly. The primary periods that have traditionally been the most important are the quarter preceding approximating the time when you guys run your budget and when the tax rate is set, which is sometime in mid to late October with the Department of Revenue Administration. I have something else that I am going into after that, but if the Committee or the Chairman has any questions, I would be happy to answer them.

Alderman Levasseur asked how are we in relation to other cities as far as taking care of our elderly.

Mr. Tellier answered we are in great shape.

Alderman Levasseur asked are we taking good care of them. Are the exemptions fair? Could we do a better job?

Mr. Tellier answered certainly there are many communities in New Hampshire that are much more benevolent than Manchester, but there are an extreme amount of municipalities that are very tight with that exemption. I think to date the policy makers here with the Mayor and Board of Aldermen, have been fairly minded and to my knowledge no one has lost their home as a result of this sort of issue. There is also what is called a hardship abatement in the event that a particular individual, elderly or any individual is in jeopardy of losing their home for extraneous circumstances beyond their control. It is a one shot deal. It could be anything ranging from someone who has paid taxes for 20 years and had a heart attack and is in jeopardy of losing their home and my need a small amount of assistance from the City to preserve their home and preserve where their family lives and to go forward with that recovery. To my knowledge, no one has ever lost their home to this type of issue.

Alderman Levasseur asked when we do a new valuation, the new numbers won't affect the elderly will they or are we just going to make an adjustment.

Mr. Tellier answered we are going to have to make an adjustment. What we will have to do, the Board of Assessors, is we will take a look at the trend of valuation increases throughout the City. As some of the members may or may not be aware,

just two years ago there was a change in State law on the elderly exemption. Previously, civil servants did not collect Social Security. Their retirement was counted as income. The previous State statute excluded Social Security as being counted as an income. As a result of a change in statutory obligations and legislative action, they joined all of that so what we did is we went to the local Social Security office to find out what the median income for single people and what the median income for joint couples was. We came to this Board with those adjustments keeping in mind that it was our feeling that the Mayor and Board of Aldermen, in trying to keep the status quo, would clearly approve that and they in fact did so. When the valuations come up in 2001, Alderman, to directly answer your question, that is not an income side it is a valuation side so what our Board will have to do at that point is to take a look at those increases keeping in mind that the objective mostly likely of this Board will be to keep those that are enjoying that benefit and trying not to add to the exemption so that it would put more of an additional burden on the City, but certainly not to take anyone off who has been enjoying that exemption to date. We will come up here with new numbers at that time.

Alderman Levasseur asked what do you think of the Baby Boomers starting to come around now. Have you done any projections that far out or have you given any thought to how that will affect Manchester in five or ten years?

Mr. Tellier answered no. What we are looking at specifically is valuation of property, increases of value or decreases, and the dynamics of the property tax base. That is what we are looking at here. Demographics would come under some other department as far as the impact on schools or services outside of valuation.

Alderman Levasseur asked do you think it will be a problem in 10 or 15 years if you have a bigger elderly base. Do you think it will affect our City?

Mr. Tellier answered the elderly base isn't going to affect the City's exemption amounts unless the City decides to become more benevolent in what they wish to give for an exemption amount. Presently, at \$35,000 in assets, let's face it that is not a tremendous amount of money for somebody to finish their retirement years on so at that point if it is the policy of this Board to preserve that type of status quo I don't believe that is going to really be a big impact unless there is any type of economic recession, which is certainly beyond our means to anticipate.

Alderman Levasseur asked does that number sound low to you or is that a number that when you include...you are talking \$35,000 in assets or \$35,000 in income.

Mr. Tellier answered \$35,000 in assets excluding their primary home. If they have a second home, clearly that would most likely put them over that asset limit and assets would also include monies in the bank, stocks, bonds, and then they have their income that is directly analyzed also. They have to come to our Board with bank statements, IRS statements and that type of supporting documentation.

Alderman Lopez stated I was looking at one item here and maybe you can help me understand it. Where the current assessment was \$828,000 on Air Tight, LLC for 1999 master filings and the new assessment went to \$600,000. It was adjusted on 11/23/1999. If the market has risen and I will give you an example like Staples parking lot was valued at \$3 million and it went up to \$4.8 million. I am trying to relate the adjustment here. Could you help me out?

Mr. Tellier replied the resulting action on that particular property, as all of you are aware that is very high profile property right here on Elm Street. It was vacant. It was producing no income stream so at that time there was an appeal to the Board of Assessors to review the value on a temporary basis based on the lack of income stream. What they are doing now is investing a significant amount of money, which will turn around and we will again review the value at that point because they will be bringing in accounts and filling up the building. At that point, we have a statutory responsibility to increase the value based on one of those approaches to value. On a commercial property, the income approach to value is the primary method used to capitalize a value for any piece of property and that is based on that income stream. On residential properties, the market approach or comparison approach would be the primary method used to arrive at a value. The third approach that is recognized nationally and internationally is the reproduction approach. What is the value of the property to reproduce it using modern methods and providing for depreciation? Now that specific property that Alderman Lopez alluded to, that is a temporary value change until they are showing an income stream on that particular property.

Alderman Lopez asked does the City Assessor's Office put out a little pamphlet or anything telling the elderly people what the exemptions are.

Mr. Tellier answered absolutely. It is also on the tax bill itself.

Alderman Levasseur asked have you given any consideration to giving a 2% deduction if they pay their bill early.

Mr. Tellier answered that is out of our purview. That would be a question for the Tax Collector and that is specific to State statutes.

Chairman Hirschmann asked do you have another topic or another sheet, Mr. Tellier.

Mr. Tellier answered yes. I have another outline that I would like to briefly go over for you. As you may or may not be aware, the City of Manchester is currently undergoing the process of revaluation with an effective date of April 1, 2001. It is a multi-year project. This City, as I am sure all of you are aware in all of New England there are generally only a dozen communities this large with a few others that are larger. Manchester has approximately 32,000 parcels. What I have here on the cover page is a general timeline. I am talking about from the inception where the RFP was developed, went out, the contractor was chosen and at this time we are in February/March of 2000 and that is where the field office has been set-up. Their computer gear is in there. They have file cabinets and they will be generating cards. At this time also, news articles will begin to appear. The Board of Assessors is presently reviewing the printing of a brochure that will go in the City Clerk's Office, Board of Assessor's Office, Tax Office and City Library and made available to any other entity that would like to get that information. What we are also doing at this time is the approval of the contingent that will be doing the work, which will include the compliment being reviewed by the State Police check and they will also have photo i.d.'s taken with the Manchester Police Department and have their vehicles registered at that office. The data collection phase should last somewhere between eight months to a year. As you go down this list, it is anticipated that the values will be generated after that and culminated in the early spring. At that point, in June or July of 2001, these informal hearings will be conducted, probably at one of the three high schools. I did communication with the Superintendent of Schools. The feeling is that Manchester residents would certainly respond much better in one of the City high schools and he has assured us that that will be made available to us. In the summer of 2001 will be the final reconciliation of values. In the fall of 2001 is the review and acceptance of those values by the Board of Assessors and the Department of Revenue Administration and October and November of 2001 the warrant utilizing those new values will go out. What I did not include in this timeline is something that Alderman Levasseur alluded to, which will be a recommendation by our Board to the Mayor and Board of Aldermen about a change in the elderly exemption to preserve the status quo and the ones that are enjoying that benefit now so they don't lose their homes. We will be coming to you at that time. This timeline that was given to you is general in nature. If we continue to enjoy a mild winter, it is quite likely that this timeline could be bumped up and we may have some additional leeway time. There are also a lot of other things that are going on. There will be ward meetings. The members of the Board of Assessors will make themselves available to the Aldermen in either multi-ward or singular ward meetings. We have always made ourselves available to the Manchester Rotary

and any benevolent organizations that are concerned about the City. We have a very extensive action plan to answer any questions that come out as part of this. On the third page, I have included a Union Leader article that came out in December.

Alderman Lopez stated if it is okay with the rest of the Committee, I would like to suggest that we just read the rest of this on our own as it is getting late. If we have any questions, we will contact you.

Alderman Levasseur asked do we have a process in place where we are going to be able to have our own software so that you guys can do this without bringing in an outside organization.

Mr. Tellier answered the Board of Assessors just purchased software and we have it in place, however, that will have to come up under a different scenario and it is a matter of personnel, Alderman.

Alderman Levasseur asked you will be able to do this.

Mr. Tellier answered we have the software in place that allows that provision, however, it is a matter of personnel to review the properties out there, to analyze the market and income data and that type of thing and I would be happy to speak with this Committee at another time or any individual member at your convenience.

Chairman Hirschmann stated we will see you in 90 days to talk about the tax base and maybe in another year to talk about that project.

Alderman Levasseur asked how much do you think we are going to get from the revaluation.

Mr. Tellier answered I don't know.

Chairman Hirschmann addressed Item 7 of the agenda:

Communication from the Finance Officer submitting the City Investment Policies and Guidelines for Board approval.

Mr. Clougherty stated this item is our Investment Portfolio Guidelines and what that is is it lays out the ground rules that we have to follow for putting money in the bank and investing City funds. On any given day we can have millions of dollars that are invested in various instruments and we want to make clear two things. First of all that the policies that we are following are reasonable so we do

this disclosure so anybody can take a look at them and second of all to make sure that we follow them and these serve as the basis for the audits that are done by the independent and internal auditors when they come in. What we would like to have is that every time a new Board is elected we come back with the guidelines so everybody has a chance to look at them, get them reaffirmed and then those serve as the goals and rules for Joanne and the people who are actually doing the transactions and the investments in the office and for me and for the auditors down the road. We have not changed the guidelines in a number of years. We think that is still applicable. We have them reviewed by our Bond Council and financial advisors to make sure that they are consistent with the standards that are out there. We ask that you accept them and refer them to the Board so that we can get them approved and these are the procedures we will follow. If you would like, I will walk you through them.

Alderman Levasseur moved to approve the City Investment Policies and Guidelines.

Alderman Levasseur asked is this something new. Why haven't these been put in a long time ago?

Mr. Clougherty answered they have, but we bring them back every time there is a new Board and we reaffirm them.

Alderman Thibault asked there is nothing new in there.

Mr. Clougherty answered no, but again every two years you have to stay on top of this.

Alderman Pinard duly seconded the motion.

Alderman Lopez asked in the policy here in the internal controls, all of the documents are in writing now and I was reading the report on Item 8, policy and procedure manual. Are we talking about the same thing or am I confused?

Mr. Clougherty answered part of the problem that we have is that it is not that City departments, Finance included, don't have policies. We have them. It is just that they are not codified. So the problem that the City has is that if you have to look up a policy we both Carol in the City Clerk's Office and her staff has to go looking for it. There is no one place where all of these things are taken care of. We have travel policies, investment policies and all of these other items and there is no place where they are all put in one handy document and updated so that everyone has them as a reference document. In terms of the written procedures and things like that, what has happened in the last two years is because we have a

new computer system, the procedures that we have is if you want to do such and such a transaction you would go to, under the old system, a certain screen and then you would do a certain transaction and go to the next screen. Now with the new computer system and different screens, the procedure is still the same as far as the individual who is doing it and the policy is still the same in terms of the internal control, but the computer flow of screens has changed and we need to update those things as part of the HTE project. We didn't want to do that until we knew what was going to happen with the School Department. We had to wait for the School transition to run through. Now that that is completed, Diane has in her budget and that is where it should be because it is part of the computer conversion, the dollars to do the development of the procedures and take and update those. The last time that we had written procedures or manuals put together for the City for the finance aspect, it cost about \$100,000 and it was done through a consultant because we don't have the time to write these thick procedures manuals. We had a consultant come in to do it and make sure that it was done in conformity with generally accepted internal controls.

Chairman Hirschmann stated what he is asking us to do is the last Board said let's invest our money in Citizen's Bank across the street so he has his accounts at Citizens Bank and then he is meeting with Bond Councils of a certain grant and all of the people that he has used in the past and he is just asking us to continue to do what he is doing.

Alderman Lopez stated but in the report given to the Board of Mayor and Aldermen, he indicated that the policy and procedure manual hadn't been updated since 1989. It has been 11 years.

Chairman Hirschmann asked that is the Administration Committee's charge, policies and procedures. We are talking financial policy here and basically the Finance Officer is asking us to move on where he wants to do his banking for the next two years.

Mr. Clougherty stated what Alderman Lopez is raising is right. We developed a policy and procedures; again, the last time we changed computer systems which was eight years ago so now we need to update those procedures. We need to do both. We need to adopt these policies and during the update of the manuals we need to make sure that these policies, along with travel and everything else are included in there as they were the last time, along with the procedures for how to execute the process. We need both of them. There are funds set aside, from my understanding, in Diane's budget to do the procedures manual. We were just waiting for the timing to do it right. If we did them too early, we would have to do them over again because they would be outdated.

Alderman Thibault stated as I understand the HTE is still not 100% complete so is that one of the reasons why this was backed off a little bit.

Mr. Clougherty replied what happens, Alderman, on HTE is if there is a central emphasis module and that is what we deal with and that is up and running and we are ready to write the procedures on that. As Steve said, there is another module that works with State departments that we don't have control over that interfaces with us and there is the tax piece. So all of these modules came on gradually, but you had to have that first one done. Now that we have that core piece done, we can start a procedures manual to go with that.

Chairman Hirschmann called for a vote on the motion to approve the City's Policies and Investment Guidelines. There being none opposed, the motion carried.

Chairman Hirschmann addressed Item 8 of the agenda:

Item 10 of Melanson Heath & Company Management Letter dated 1/11/00 regarding the Aggregation Fund referred to committee by Board of Mayor and Aldermen.

Chairman Hirschmann stated the reason this is here is that the Aggregation Fund is actually going to stay in this Committee for the next two years. It is not going to get moved out of here or tabled or anything. We are just going to keep having updates like with the Assessors. That was the intent. The intent wasn't to come in here and beat you guys up or berate you or advise you to do anything. We just want to keep abreast of the situation.

Mr. Sherman stated I would like to respond to the management letter first. For those of you who don't know what Aggregation is, it is really the concept of bulking together your buying power to buy energy products, mainly electricity. The program actually goes back four years. It has really been on its own and not funded through the general fund for the last two years and that has been a concern for the Aldermen because there have been no revenues for the past two years but there have been certain expenses. Part of the expenses that the City has incurred are in actually developing the program. The City has an agreement, for example, with the City of Nashua. There were some costs in developing that agreement with the City so when competition does come there will be some expense sharing there, but the bulk of the expenses to date have actually been spent in front of the PUC dealing with the deregulation documents that have been up there. What the auditors are saying is you are running some deficits. We understand the program. It is going to take a couple of years to get up and running. Alderman Lopez is

very familiar with when Recreation went off on its own and created an Enterprise fund there were some lean months there but after a number of years as you start bringing in revenues you can become self-sustaining. One of the...there is actually two ways that those deficits are going to get funded and I just need to make this clear. One of them is, as you read in the Finance Officer's response to the management letter, is there is a bill that is being sponsored this year by Senator D'Allesandro. It is Senate bill 404 and it asks that the parties to these deregulation dockets get reimbursed for their costs in participating. Right now, there are administrative rules at the PUC that allow parties in a rate case to get reimbursement, but the deregulation docket is not a rate case so right now there are no rules to allow parties to be reimbursed and that is the bill that the Senator has put in for us. Part of the money that we would get reimbursed if this goes through does go back to the City of Nashua. The City of Nashua has kicked in about \$250,000 of the costs that we have spent up at the State at this point. The other revenue source or the other means of eliminating this deficit is actually through the Aggregation fees. There are three different types of Aggregation fees that this program is generating. One is the City is currently aggregating natural gas, which is open to competition and those are going through and the participants in that program, although right now it is only available to large customers like the cities, they are generating some fees there. They are minor at this point and really not even covering the cost of that program, but once it opens up to residential and smaller customers those fees will be substantial. There are also fees that are being generated through energy efficiency measures. One of the contracts that the Aggregation Program has is to go through not only municipal buildings but commercial buildings and look for energy efficiency measures that can go into place and we have a contract in place so that somebody can do that. They can come in and anyone who participates in that program does pay a fee. Some of you may have seen from the sidelines last fall that there are a number of programs going on in the City, not only in the schools but we have a number going on at Parks & Recreation, some at the Water Works, some at the Treatment Plant and I believe all of the fire stations are due to get some energy efficiency measures this year as well. Again, there will be some fees there and once electricity competition comes into play the participants again will pay a fee to participate and get some of the benefits of this bulk buying. For those of you who weren't around when the City participated in the pilot program, the bulk buying was actually saving the participants in excess of 20% above and beyond what they were getting under regular PSNH tariffs. I think we have a history that we can save some money. We are looking at Aggregation fees probably only in the 40 to 50 cent per month range so again we think that there is plenty of savings there for residential customers. Keep in mind that this is also available to residents and commercial businesses within the boundaries of the City of Nashua as well. Again, once the program gets up and running and we can start charging some fees, these deficits should be wiped out fairly quickly. All of the calculations that we have done...the

first year we had a budget here we had a \$1 million budget and we figured that one year we could pay that \$1 million. Now to date, after two years and some change we are about \$1.2 million in the hole. Again, we are looking at only about a year and a little bit to make up what we are already in the hole. I will remind you too that some of the savings we are looking at, the City pays \$6 million a year for its electric bills. A 20% savings is \$1.2 million so there is some significant dollars in play here and again we just need to be patient, let deregulation happen and then let the program get up and running. In the meantime, we are collecting those other fees and any support that the Board can give us with our Manchester delegation on that Senate Bill 404 would be greatly appreciated. Again, I think there is a bulk of dollars there that we will be able to get back. The only other thing I would say under Aggregation is we do a separate audit, as you mentioned earlier, on all of the Enterprise funds and I can hand out the audit on Aggregation which is done. It has come back with a clean opinion and I can pass this out and we will forward copies to the rest of the Board as well.

Chairman Hirschmann asked when you go ahead with this FY2001 budget, are you going to put in for \$1,450,000 in revenue again.

Mr. Sherman answered what we have done in the past is we have taken the deficit from the prior period and we have taken the current operating budget and added those two together and said that is the revenues that we are going to need to collect.

Chairman Hirschmann asked those aren't exactly requested revenues.

Mr. Sherman answered those are the revenues that would sustain the program. The Aggregation Program was set-up in accordance with State statute and the way the statute is written is the program has to be voluntary, no one can be forced to be part of this program, and the general fund cannot pay the expenses. The expenses have to be borne by its participants. Now I understand that there are cash advances and the Aggregation fund is being charged with interest on those cash advances, but the participants are going to have to pay those costs. Again, even once the program is up and running, as you bring participants on slowly it may take a couple of years to catch up on those back fees and cover current expenses, but what we have done in the past is the revenues that get budgeted are sufficient to cover the deficit and the current operating budget. Again, over the past two years the budgets have been in the \$1 million a year range and at this point over two and a half years we have barely spent \$1.2 million. They are trying to keep those expenses down and certainly well under the budget. Currently, there are two employees there and it is budgeted for six.

Chairman Hirschmann stated we are all aware of the deficit. When you make up the next budget wouldn't it make a lot more sense to say deregulation hasn't passed and it is not going to pass for 18 months or whatever, to come up with a real revenue projection rather than this bogus carryover thing that you are going to do.

Mr. Sherman replied the problem is that you are always hopeful that it is going to start.

Chairman Hirschmann responded that is the frustration. 1997, 1998, 1999, 2000, 2001.

Mr. Sherman replied believe me I know there is frustration from the Board and there is also frustration on this side as well. The concern that we have, and I know that there is discussion out there about we don't want to put a lot of money in this budget again, we don't want to go back to Concord anymore, we just want to worry about Aggregation when it happens. My caution to you when looking at the FY2001 budget is not to make it too lean in case competition does happen next year and you don't have the funds to mobilize and get the program up and going.

Chairman Hirschmann asked but even on the revenues, if you just stated real revenues you would come in ahead and you would look like heroes.

Alderman Thibault stated I have been on this since I have been on this Board and I have been watching it very closely and frankly I am for it 100%, but you just mentioned something about \$250,000 that Nashua got back.

Mr. Sherman replied when we first started and got a vote of this Board to actually participate in the docket at the PUC, we had a budget at that point of about \$500,000 for our consultants. What we did at that point is we went on the road and we went to Bedford, Derry, Raymond, Londonderry, Keene and Nashua and we said here is the issue, it is a lot of dollars, the City is going to participate, are you interested? Keene threw some money in and Nashua threw some money in. Nashua put in \$250,000 and Keene put in \$16,000, which was their savings from the pilot program.

Alderman Thibault stated I just heard you say before unless I am mistaken that Nashua has gotten most of their money back.

Mr. Sherman replied no, they haven't gotten any of it back. If Senate bill 404 passes and is signed by the Governor and we get reimbursed, \$250,000 would go back to the city of Nashua.

Alderman Thibault stated I want you to understand that I am 100% behind this program. I think it would be stupid for the City to pull out of that now because you can tell that in a few years from now this thing is all going to come back plus.

Mr. Clougherty stated in Concord, the City and its attorneys, we are, I mean the proposal from the State and we haven't sat down with the Board and I think that is part of the problem here. We really should sit down with this Committee and talk to you about the difference between what is being proposed and what is being discussed up there. There are two different approaches to deal with deregulation and depending on which way you go, if you go on one docket the key measure is going to be kind of like no harm, no foul as long as the rate payers aren't hurt we can go ahead and do that. On the other side, the measure is public interest. Now on the public interest side, that is different. If you were to measure public interest there is about \$200 million difference between those different approaches. If the \$200 million goes over on this side and it goes into the rate side and Randy can correct me if I am wrong here, but that goes to the stockholders. It doesn't come to any of us. If you keep it on this side, which the City is arguing, there are some fundamental differences. The plan that the State is advocating is to buy down with securities, a securitization firm and that artificially would cap things for three years. Things would look great but at the end of that three years when the market kicks in, we are going to get whip sawed. What we are arguing is if you stay on the one side and include the \$200 million deal with it on a market basis and at least keep that it will be consistent going out and then we can compete. That is a 20 second explanation, but you really need to understand what your lawyers are arguing for up there because the dollars we are talking about are huge and the consequences three years from now are going to be significant because if we go to securitization and just let it be artificially lower you have to understand that it is like anything. It will come back up and that is going to affect your budgets and other things. It might not be a bad idea to try and set-up a briefing so that you can be brought up-to-date on what the issues are and how the position the City is being taken is being perceived up there. I think the City's position is being entertained. I understand the other day that one of the PUC commissioners after one of our lawyers went in and got her notebook and did the math for everybody on a blackboard and say now I understand what you are talking about. I think we are having an impact at this point and we need to make sure that you understand what those key differences are because they are significant.

Alderman Thibault stated I think it would be beneficial if we had a meeting for them to bring us up-to-date 100% so that we can, in fact, sell the rest of the Board on this.

Mr. Clougherty replied we are not saying sell it. You guys decide, but know what the issues are and know that this thing can come back and bite you in a couple of years. Know what the proposals are and then evaluate. You may decide we like this or we don't like that, but at least understand what is on the table because the dollars are big and the implications, although everything sounds good right now, may come back and haunt you like the previous settlement that the legislature went into.

Mr. Sherman stated just for the record, the City probably constitutes about 15% of PSNH's revenues. You throw in Nashua and you are probably closer to 25%. Now this one issue that Kevin talked about is a \$200 million issue. Now maybe it is spread over a number of years, but it is \$30 million. You can't give people that type of tax break.

Mr. Clougherty stated that more than offsets the \$1 million because of the economic activity. There is a lot that we have to recoup and I think if there has been one shortcoming on our side it is not being able to get to the Committee and explain what is going on because you are concentrating on Concord. You really need to know the difference. I know there are a lot of people telling you that there is this and that, but you really need to hear from the lawyers and look at the record and look at the documents and understand what is at stake here and what position the City is taking and if you are not happy with it than you can change it, but at least you understand it and you can defend it and explain it.

Alderman Lopez asked for the record, Senate bill 404, if the Board of Mayor and Aldermen, if, and I know one Alderman who said that this is the last time he is giving money but if we get out of it can this bill insure us that we still get the money back that we invested.

Mr. Sherman answered what Senate bill 404 would do is give the PUC Commission the authority to determine whether a party has played a significant role in the hearings and to determine to what extent they would get reimbursed. Now you have spent money on those hearings, but you have also spent money on other issues relating to Aggregation, again dealing with the City of Nashua and writing RFP's and those types of things. The Commission may decide that well everybody only gets 60 cents on the dollar. That may be something they decide, or they may come back and say yes the City played a major role, but the most we are going to give you is 80 and we are going to give somebody else 20%.

Alderman Lopez stated I am not talking about the Commission, I am talking about the Senate bill. Does it stipulate in there that the cities that participated shall receive their \$1.2 million back?

Mr. Sherman replied no. What it stipulates is that the Commission has the authority to determine how much we get back.

Alderman Lopez stated the other question I have is one of you gentleman made a comment at one Board and I don't know what it was other than to say that other communities have contacted you in reference to this. Has there been a fee charged to those other communities?

Mr. Sherman replied the way the Inter-municipal Agreement is written and the only community that has actually signed it is the city of Nashua, is that they will pay their share of the expenses once the program gets up and running. Now the communities that we have met with that have not signed the agreement yet, they had a drop-dead date and I believe it was June of 1998 to sign the agreement. If they didn't sign it by that date, if they should happen to chose to sign it after that date, there is an entrance fee to get in because of the fact that Nashua and Manchester have been putting money up front. We didn't want somebody to sit back for four years and then jump in and not get a fee. It is based on their load.

Alderman Lopez asked if I am Keene, New Hampshire and I come to you for information do you say hey you are not in our program so we are not going to give you any information or are you giving them all of the information that you have accumulated.

Mr. Sherman answered there is information that they do not get. We certainly try to educate them. We meet with their Boards as an education issue and we try to convince them to sign on, but a lot of them at this point are a wait and see. They have sat down and they have calculated what this entrance fee is going to be to them and they say well it is worth the \$10,000 to sit and wait.

Alderman Lopez asked you don't give our trade secrets away unless they pay, right.

Mr. Sherman answered correct.

Chairman Hirschmann asked where do we stand with the hydropower. Are we done with that?

Mr. Sherman answered no we are not. When we met with the Board back in December and talked about it, we actually are going at this in two avenues. One, we are trying to put in legislation to allow the City to make an appeal to the PUC to set the value. We tried to do that under one statute and they said the only way you can do that under that statute is if you do a referendum and at that point the

Aldermen did not want to pursue the referendum and we said we can always go back and amend the statutes and make the PUC do what we are asking them to do. That legislation is rolling around in Concord right now and looking for a bill to attach itself to. The other approach that we have is under the settlement agreement, there is a provision in there dealing with municipal interest in acquiring hydro facilities. We put in testimony to the PUC on that portion of the settlement agreement. Most of it works. Some of it didn't work. It really gave the company the authority to reject a municipal bid without any oversight from the PUC and we said that is fine and we appreciate the fact that you have given us the ability to make an offer before it goes to auction, but you can't give the company sole responsibility for accepting or rejecting a bid without having to justify why they did it or provide any verification to their valuations or anything and we have asked again that the PUC take a role in that. That testimony is in front of the PUC and when they come out with their order on the settlement we will see where that leads us at that point and then we will come back to the Board. That testimony was put in by myself and didn't cost us anything.

Alderman Levasseur asked is the Senate bill retroactive to the money we have already spent.

Mr. Sherman answered yes. It would go back to every cent that was spent under the deregulation dockets.

Alderman Levasseur stated the only problem with that is getting it passed because there is only Nashua and us involved in this process, right.

Mr. Sherman replied initially up front the NH Municipal Association was involved, the city of Claremont was involved, the city of Berlin was involved and Dover was involved. As you have heard, the problem is that the dollars start to pile up. You don't go very far on the \$10,000 that the Municipal Association had. It took them about three months and they were out of the game. There are some other cities, but the bill would also allow other cities to participate in other dockets going forward if this passes.

Alderman Levasseur asked is this a battle of attrition with us and PSNH.

Mr. Sherman answered it certainly is.

Alderman Levasseur stated so they are going to try and wear us down as long as they can and that is what we are facing.

Mr. Sherman replied at this point there is the Governor's Office, there is the City, there is the Office of Consumer Advocate and there is Cabletron and that is about it. We started out with about 70 interveners.

Alderman Levasseur asked so we are down to the last six or seven groups and if we bail out now this is it and they are not going to give into any of us at all. As far as PSNH, they have to give in by law. I don't know when it is. That is what the big fight is in trying to speed up kicking them out and giving us deregulation. That is what this has been all about the whole time. I think they were supposed to stay involved in this State until 2005 at their 5.5% rate increases because of their nuclear power plant and basically we are just trying to get them out now.

Mr. Sherman answered the whole issue is in 1989 it was Seabrook and in 1999 it was Seabrook. The whole issue still is who is going to pay for Seabrook.

Alderman Levasseur asked so what is your feeling on this. I know this is difficult to assume because you have Federal judges, you have State judges and you have all of these courts stuck in this battle. What is your idea of this finally coming to some sort of resolution? I thought it would be resolved by now. It is a problem because it is a Federal diversity case in Connecticut where they are located. It is a Federal judge and we don't have any power with even our own judges in our own State so we are getting killed here.

Mr. Sherman answered it got moved down to Rhode Island, which was not good for the situation. Northeast Utilities has settled in Connecticut. They have settled in Massachusetts. They are willing to settle in New Hampshire based on the settlement agreement, which we have talked about. There are some problems with it. The real issue at this point is the Commission will come back and make some changes to the settlement agreement. I think there has certainly been some good testimony where there are problems. The question is will Public Service accept these changes. If they don't, what the Federal judge in Rhode Island has told the PUC is you know what their problems are, you know what they are suing you for in Federal court, go back and fix it and don't screw it up again. He has given the PUC the opportunity to go back and fix it and they were about three or four days away from the point where they could end those hearings and put out an order and fix their original hearings when the settlement agreement came out and kind of pushed things to the side. The whole issue is PUC is going to make these changes, will they accept them. If not, then you go back to those hearings.

Alderman Thibault asked if I remember right in the past you have said that if we pulled out of this thing tomorrow there is a good thing that we are going to lose the investment that we have in there now or most of it.

Mr. Sherman answered my concern is that the statute says that taxpayers cannot pay for this program and if you back out of it now with no revenues, I don't see how the City can get those monies back ever. I think that deficit will just sit there. Now you can stop participating in Concord. You can reduce your expenses, but eventually deregulation is going to come. We have seen it in other states and the only way to help your residential customers and to help your small businesses is to aggregate. We have seen it in California. We have seen it in Massachusetts. We have seen it in Pennsylvania. That is the only way to do it. The program is still a good public policy program.

Chairman Hirschmann stated the only motion I would like to entertain is that you guys tighten up this Aggregation budget, both on the revenue and expense side. You are going into another budget year and I am not saying to kill the program.

Alderman Levasseur moved to have a meeting and get the attorneys in here and get this straightened out. Alderman Pinard duly seconded the motion.

Mr. Sherman suggested what you may want to do at this point is the hearings on the settlement agreement are going to be over tomorrow. What you may want to do is wait until the settlement agreement comes out and we can explain to you what the results of that settlement agreement are and from there you can make a decision on which way you need to go.

Alderman Lopez moved to table the item. Alderman Thibault duly seconded the motion. Chairman Hirschmann called for a vote. There being none opposed, the motion carried.

Deputy Clerk Johnson stated there does seem to be an opinion that there should be a separate meeting when it is ready to come up and perhaps Mr. Sherman can contact the Clerk's Office to set something up.

Chairman Hirschmann replied I think they are going to keep the full Board abreast, but they will still come here and let us know what is going on with Aggregation so we will keep it on the table.

Chairman Hirschmann addressed Item 9 of the agenda:

Review of Expense and Revenue Reports for period ending
January 31, 2000.

Mr. Sherman stated the December financials were sent to you under separate cover when we thought we were having a meeting in January. What you have attached to the agenda here are the January financials. Now for the new Aldermen, we do smaller, fewer financials on a monthly basis and then when we get to a quarterly basis we really overload you with paper and give you a lot more detail.

Mr. Clougherty stated the quarterly you got last month. It ended in December and you have that.

Mr. Sherman stated what I would like to do is you have three pages and I can walk you through them fairly quickly. The first one and this is #9 on your agenda is the budget versus actual for the general fund. It is four columns. This is just pretty much how these dollars you will see on your budget appropriating resolution. It is giving you the departments, the budget, what they have spent to date, the balance that they still have and what percentage of that balance still remains. At this point, this is seven months through the year; the departments should have about 45% of their budget left. As you can see, we have highlighted two black areas there. One is on the department level and one is on the bottom line level. They are both slightly under that 45%. It does not cause us, as Finance people concern that it is a little bit lower. What the obligations to date include are open purchase orders to you have somebody like PBS, they put a purchase order in at the beginning of the year for their cleaning contract for the whole year so those monies are shown in the obligation to date even though we know they are actually not expended at this point. If you have a specific question on a specific department and why the numbers are what they are, we can try to answer those tonight. If we can't answer them, we will gladly go back and get those answers for you.

Mr. Clougherty stated in that regard, if you go back to the quarterlies that we gave you, backing up that sheet in the quarterlies is a history for each of the departments so you can go back to your respective department and look at that and see if it is something that has just happened this month or if it is a trend and that should give you some inclination as to the condition of that department and then we can answer your question.

Mr. Sherman stated the second and third pages are both revenue reports. The second page actually breaks our revenue budget down more in a categorical level so you can see exactly where these revenues are coming in. The City maintains almost 300 different revenue sources and again we roll these up into categories and classes so we can deal with them here. Keep in mind that neither one of these reports include any of the Enterprise funds. Again, we are only dealing with the general fund here. The second page only deals with non-property tax general fund

revenues so you don't see property taxes on here. Again, we should be right in that 45% range and that is exactly where we are here at the end of January.

Chairman Hirschmann asked can you get the revenue handbooks out to the new members.

Mr. Sherman answered yes. Again, those revenue handbooks have not been updated for a number of years as we have been going through this HTE, but we will get the older versions out.

Alderman Lopez stated I was noticing in December 31 and then in January 31 under Finance you had an actual revenue of \$3,705,000 in January but in December you had an actual of \$3,921,346. I was wondering what the discrepancy was? One month you had more money and the next month you had less.

Mr. Sherman replied what some of that has to do with is the fact that we have finally made some reconciliations with the School Department on which revenues are School Department revenues. These reports do not include the School Department, but the School Department has been depositing their money into our accounts and we have been collecting their tax revenues so we have been going back and forth and we have made some reconciliations. We owed them some interest income and that is why some of our revenues are down.

Mr. Clougherty stated that is peculiar to this year. Going forward, they will be their own entity and we will treat them like the MTA. They will have their own fund balance. For this year, in order to get them started we had to pay all of the salaries and all of the health insurance, etc. through the first six months. Now they are doing that off of their system, but we were covering the first part of the year so we had to keep the cash in order to make sure that we could honor the payrolls. Now we are working on how to get the cash over to them and reconcile. In the future it will be easier because there will be a separate resolution. Just like we have a resolution for the CIP and for the MTA, you will have one for the School. This is a transition year so these numbers will move a little bit.

Alderman Lopez asked regarding the minus aspect like Human Services, Public Building Services, 353% uncollected. What are we saying here? They budgeted so much and now they can't make the money?

Mr. Sherman answered no. If you look at Public Building Services they only have a budget of \$200 and they have actually collected \$906 so when in uncollected it shows a negative, that means they have actually exceeded their budget. The same thing with Human Services. Again, that third page we have taken the revenues

just like on the first page where we dealt with the expenses on a department basis, the third page is revenues on a department basis. Again, some of the revenues do come in only towards the end of the year. For example, the City Clerk's Office doesn't send their business licenses out until April. Right now they are showing that 80% of their revenues are uncollected, but when you get your April and May reports you will see that they have come right up to their budget hopefully.

Mr. Clougherty stated with these interim statements, what we try to do is give you a monthly snapshot, a comprehensive quarterly and then you get that annual comprehensive report that is audited by external auditors and that is the regular routine and that is how it has been done over a number of years. There are a couple of things though that we need to talk about and it is late tonight so we can't do this now, but this Committee needs to sit with us. The standards that are used for governmental accounting are promulgated by something called GASB. It is a Government Accounting Standards Board. Just like the FASB for the private businesses lays out what the accounting rules are as to how you are going to do the accounting for your business and what rules the CPA's have to follow in pulling together financial statements. The GASB has come up with a new ruling that is going to affect every city and town and State in the United States. Basically what they are saying is, and this is an oversimplification, that you are going to have to start taking a look at depreciation in your assets. That is going to have a tremendous effect on most cities and towns in the United States and will put them into deficit positions initially. This is going to go into effect in two years. Now the Government Finance Officer's Association and the Bond lawyers and a lot of people out there are saying that is great that GASB wants this done but if you don't comply with it that is fine. We think we should comply or try to comply with it, but over the next year and a half to two years, we are going to need to be talking about this so that you understand the implications on your financial statement two years from now so that this doesn't sneak up on you and you don't say where did this come from. We might be able to take care of most of it and work it through. It is going to be an issue that we are going to have to deal with in the budget as well. The change of their standards and again we will get you information on this so you can see the before and after of what I am talking about, but by their changing the standards for government accounting, which is going to be different than it has ever been for cities and towns, it is causing an uproar across the country and there are cities and towns that are lobbying in Congress trying to get a bill passed to overturn the GASB. It is a significant issue, but you need to know that and you need to know that we have to address it and what the implications may be for us. When people are reading our financial statements they are going to ask are you in conformance with the new GASB two years from now and we need to be able to say yes or no and say why and that could affect your credit rating and all of that stuff. We want to make sure that we are talking to you about this early on so that is an issue that we are going to have to deal with.

Mr. Sherman stated in addition to depreciation, there are really two main changes that you are going to see. One is that we need to find out what the value of our infrastructure is and that has to go on your balance sheet. We need to know how much we pay for sidewalks, for streets, for bridges. All of those assets have to be on your balance sheet within the next two years in order to comply with this GASB. The other issue is if we went back and just looked at our June 30 financial statements, just using those numbers, we would have to add about \$170 million worth of liabilities to our balance sheet that are not currently on our balance sheet. People who run businesses, you have your assets and your liabilities. In government accounting, you have your assets and your liabilities and then you have those liabilities that you would just as soon forget about and you put them off to the side and say well we have to pay for these later. That used to be what GASB said we could do. GASB says no; you have been hiding these liabilities over here for so long that your balance sheet is not correct. You have to put those on the face of your balance sheet, just like you have to pick up your streets and sidewalks and bridges. Just a real quick estimate on where we think we would be if we went back and restated June 30, 1999, we figure we would have about an \$80 million fund balance deficit. These are liabilities such as vacation accruals that it is an easy thing to give away when you are doing a contract settlement, but we have never funded it and you have a \$19 million liability sitting there that if everybody in the City got up and walked out today you would have to pay tomorrow. Those are the big things on that one.

Mr. Clougherty stated we are not unique in that situation. Every city and town in the United States is just pulling their hair out over this, but you need to know that this is happening in the industry and we are going to have to make some decisions here.

Alderman Lopez stated it happened almost eight years ago with Parks & Recreation where we did every little item and we have it. Other departments should have it.

Mr. Clougherty stated the Enterprises are not going to be an issue because we have taken care of them, but the balance of the City which is a big nut, is going to have to go through that same exercise. Again, misery loves company and you can say well Cleveland is going through it and Boston is going through it and L.A. is going through it and everybody is going to fight it and maybe we won't have to do it or we could take the attitude of some of the cities and say we are not going to comply. I don't think we are served by that. I think we should be taking the right steps and we should have a discussion about that and we need to do that in this next quarter.

Chairman Hirschmann stated this is our first meeting and we really haven't gone from Point A where we are talking about the revenues and the shortfalls. You are way beyond. You should be talking to Mayor Baines in the back room about that and then let us know later. The Traffic Department is never going to meet their revenues and they have to come up with a policy, but they don't know they have to do that. Tell them about that?

Mr. Clougherty asked now.

Chairman Hirschmann answered sure. Just some of the basic things. You are way beyond where we should be.

Mr. Clougherty stated you do have to understand the financial statements. You do have to understand how those are all pulled together and how all of these things fit together in order to have confidence when the auditors come. The policies, like the investment policies and everything, we can sit down and explain them to you on an individual basis. As we said, the monthly statement you got this month is small. The quarterly is when you get a revenue forecast and we will providing that on more frequent basis as we get closer to the end of the year and it takes each one of those revenues and shows what has been collected and what we expect to collect and that is where we really get into those policy decisions as part of the budget. The one other item that I did want to alert the Committee to is that the audit contract that we have with the external auditors expired as we told the Board on a couple of occasions so we have initiated an RFP and we will be going through a solicitation process. The way I do the RFP for the auditor to make sure that it is done independent is I took the draft, which is based on the standard GFOA and CPA models, I run that past the State auditor, Mike Buckley at the LBA, have him take a look at it to make sure that it is current and he sends it back with his comments and that is what we put out in the street along with a list of companies that he has given us that he thinks will be reasonable to respond to this and then we put it in the paper as well. We try to get as broad a look at the document as possible, make sure that it is fair and get as broad a list of candidates as possible. We will narrow that down and we will come back to the Committee with the results of the RFP and our recommendations. We wanted to let you know that the process has started in case anybody asks you about it. The way we run the contract is after conversations with the Solicitor and others and Bond Council we take it for three years with two years at our option so if the Board wants something and we are happy we can do something, but it is three years. This GASB that is going to hit us in two years may have some affect on the pricing that we get back from people. That is why I brought up GASB because we are doing the RFP and there is going to be a little change out here in two years. It may not be as smooth an RFP as we would like because we have to deal with how people want to price

that change in the regulation. I don't think it is going to be a big deal, but we will look at see. We will keep you up-to-date on the process and certainly if any of you want a copy of the RFP, I will make that available. The other thing that is going on is the bond issue with the Airport. We expect to have that done at the end of March and we will give you a copy of the official statement for that bond issue and it gives you all of the information you want to know about the Airport so that will be coming to you in the next quarter too.

Alderman Lopez asked you have an internal auditor now, is that correct.

Mr. Clougherty answered yes.

Alderman Lopez stated and he does the department so to speak. Now this other one that you are talking about does what?

Mr. Clougherty replied it is an external private firm.

Alderman Lopez asked what about the audit of the Finance Office itself. Is that a contract thing?

Mr. Clougherty answered that is the one we are talking about. Those are the external, independent auditors.

Alderman Lopez asked who do they report to.

Mr. Clougherty answered the Board. Those are the ones who came to you last week.

Alderman Lopez asked they report to the Board.

Mr. Clougherty answered right. They issue a public management letter. We pull together the comprehensive annual financial report in our office and our internal auditors worked on that, but then we take it and hand it over to an independent company of CPA's. They come back and then they are required under their ethics Committee and SEC and everything else to make an independent review that what we are presenting is fair and we followed all of the rules in putting it together. Any time that we don't follow those rules, they put it in the management letter and they come and tell you these guys didn't follow the rules.

Alderman Lopez stated I have a question and a problem here. When you go out and hire an auditor to audit the Finance Department under your control, with all due respect.

Mr. Clougherty replied I don't hire them.

Alderman Lopez stated you make the RFP. Who does that person report to on a day-to-day basis?

Mr. Clougherty replied he would come to the Finance Department because we have the records. He is auditing us. He is not reporting to me, he is auditing me.

Alderman Lopez stated I am a little confused with that. If the City of Manchester is going to hire an internal auditor of the Finance Department, that person should get their instructions from the Board itself or the Committee itself.

Chairman Hirschmann stated we do that.

Alderman Lopez asked so the minute that you select someone that person comes before this Committee.

Mr. Clougherty answered there are two things. There is an internal auditor who is on the staff of the Finance Department who works with you to do reviews of not only the Finance Department, but any other issues dealing with the City to make sure that when we pull together the annual report that we are preparing that it is appropriate and reliable and done in accordance with the rules. Once that is done, that is not enough. Most businesses and investors and outside have the same concern that you do. They say wait a second that guy works for you and you pull together this stuff. How can I trust that these things are right? That is why you have a contract with an independent auditing firm that comes in and regardless of us pulls the thing apart and makes sure that all of the entries and all of the calculations and things are done properly and then he reports to the full Board saying as a result of my...he declares to everybody, not just the Finance Officer and the Board, but to investors and everybody in the world this is the city of Manchester's financials prepared by them and in our opinion based on our review in accordance with rules that they have to follow that the Comptroller General of the United States and the SEC and everybody else puts on them, they have to remain independent and they come in and say this is where they followed the rules and this is where they didn't follow the rules and they report that to you people.

Alderman Lopez asked could I have a copy of the RFP.

Mr. Clougherty answered yes and that is why I was saying on the RFP that to make sure no one can criticize me for skewing the RFP I have the State Auditor look at it to make sure that it is right and fair and we are going to get the best possible response and it is current. That is a step that I take to insure that it is independent.

Mr. Sherman stated I have another thing related to #9. On behalf of my staff and all of the departments, I would like to make a passionate plea that we have these Committee on Accounts meetings a little bit later in the month. In order for us to run these statements and get them on the agenda this month, we actually had to close January on February 2, which is really quick for the departments. I know that you want to have these every month at the same time and I just didn't know if it was possible to have it either the second or third Tuesday of the month. It would just give us that extra week or so to get these reports ready. I can tell you that you have the January reports, but as sure as I am sitting here a lot of stuff is not on those reports.

Chairman Hirschmann stated the good news is that we are doing a lot better tonight than we did last year. We would say let's meet the third or fourth week of the month and then the third or fourth week of the month sure enough something would come up and we would get bounced and we would never have a meeting. The next month there would be a storm, there would be a hurricane or something else would come up and we would never have a meeting. Guess what? I think this is great. If the information is four weeks old, that is fine. At least we have it and we are having a meeting.

Mr. Sherman stated so let me confirm this. When we come back here in March and I think it is probably going to be March 14 and since that is a late one that won't be a problem but...

Chairman Hirschmann interjected I informed the City Clerk that we are going to have a meeting every month this year. It is not going to be my fault if there is not a meeting and we are going to get through this. We are not going to have everything prolonged and dragged out like Aggregation.

Mr. Clougherty replied we agree with that. We want to have a meeting every month. We just want to make sure that if you meet you have current information. So if we meet the second Tuesday or Monday that is fine.

Mr. Sherman stated I like a set schedule. That way we can get the departments trained that they know the schedule. This one, again, just because it was so early did cause a lot of problems with the departments.

Chairman Hirschmann asked the Rooms & Meals tax money, one of the Aldermen put forth a bill in Concord and you guys sound like you know what it going on up there so are you going up to fight against this bill so we don't lose our Rooms & Meals tax money. Do you know what bill I am talking about?

Mr. Clougherty answered if the Committee asks us to do that. I can tell you about the bill.

On motion of Alderman Thibault, duly seconded by Alderman Levasseur, it was voted to recommend to the full Board that representatives from the Finance Office go to Concord to speak against the bill to take the Rooms & Meals tax money away from the cities and towns.

Mr. Clougherty stated what happened with that bill, the way it was originally written, the Rooms & Meals tax is 7% and 3% out of the 7% is retained by the business for its administration. The way the bill was originally written, it would take the 3% from the businesses and give it to education.

Chairman Hirschmann asked what bill are we talking about.

Mr. Clougherty answered Alderman Vaillancourt's bill.

Chairman Hirschmann asked it is Alderman Vaillancourt's bill that was trying to give the money to education.

Mr. Clougherty answered that is the way it was originally written so from the City's standpoint it never touched the 4%, which is what we get distributed for Rooms & Meals so what do we care. We didn't want to jump in the middle of a debate between businesses and school but my understanding is once the bill got on the Committee, there was some discussion and that got changed. So now the bill is being changed. It hasn't been rescheduled. As soon as that change was made known, the Municipal Association and other parties said we object to this and have taken a position against it. Now I guess we have to wait and see what the bill looks like once it is redrafted so you can take a position on it.

Chairman Hirschmann stated you are up there. Aren't they asking you what your position? Aren't they asking you being an officer of the City what your position is on that?

Mr. Clougherty asked who, the Municipal Association.

Chairman Hirschmann answered yes.

Mr. Clougherty stated the Municipal Association is...again it is hard to take a position until you see what the bill actually says. We didn't have a position on the original bill because it didn't affect the municipal side. Once we see what the redraft is, if it says it will take away the Rooms & Meals tax from the municipal side then our lobbyist at the Municipal Association is going to be all over that.

Chairman Hirschmann replied that is what we are trying to oppose as a Committee and we would like to report that out of this Board to the full board.

Mr. Clougherty stated we can get you a copy of the bill once we get it if you would like.

Chairman Hirschmann replied that would be great. Financially, I think that is it for tonight. I think we will meet again in another month and have less to talk about. These meetings don't typically take this long. They are usually 45 minutes to an hour. Honestly, we didn't have a meeting in January so we had a lot to discuss. I will have Mr. Clougherty introduce his staff who come to these meetings to discuss revenue, expenses, etc.

Mr. Sherman stated to the right there is Joanne Shaffer, Deputy Finance Officer. Jenn Desrochers is her Revenue Administrator. In the back row we have Todd Provencher, the Internal Auditor who has been with us since November and next to him is Robin Descoteaux, one of our Financial Analysts.

Chairman Hirschmann stated we do have an internal auditor so if you want to look at a department some time, that is the person who is going to do it.

Mr. Clougherty stated at the next meeting what we would like to do is we have two positions, the Audit Manager and we are trying to fill or hopefully will fill on Monday the Junior position so we will have two CPA's that we can then put on a regular schedule. We would like to get some input from the Committee about some of the things that we think we should be looking at or that Todd should be concentrating on this year. Again, to a regular cycle of things that he should be doing. We will be coming back, now that we are fully staffed, with a recommendation to you of an audit program and have a discussion on that maybe at the next Committee meeting so that you can give us some feedback.

Alderman Lopez stated the question was asked at the last meeting of the Board of Mayor and Aldermen by Alderman Pariseau about the money in the Police Department that wasn't in there. Is that something that the internal auditor can look at?

Mr. Clougherty stated if you want to look at that, we can tell him to look at that now.

Chairman Hirschmann stated that would be a good one to look at because the answer was so vague we have no idea how much money it represents.

Mr. Clougherty asked do you want to have him look at that over the next two weeks and report back at the next meeting. Those are the types of things that the staff is there and available to look at. We will want to look at some broader issues like revenues and things like that and we will give you our recommendations but if you have something or you hear something, let us know.

Alderman Levasseur asked who is going to make the decision on the budgets for the other 26 departments. How many departments do we have? 26 total in the City?

Mr. Clougherty answered depending on how you count them it is 28 or 30.

Alderman Levasseur asked who makes that decision. Is that the Mayor's decision to decide on whether a department needs to cut back or go forward?

Mr. Clougherty answered initially the Mayor receives the budgets based on requests from the departments and he will make his recommendation to the Board and then the Board has an opportunity to meet with the departments and respond so you will have your input. The first phase is to let the Chief Executive develop his proposal and to bring that information to you and then you respond to his budget. If you don't respond to his budget by the end of the fiscal year, then it will be the Mayor's budget that by default takes effect, but you do have an opportunity. Usually, the way it works is you call in all of the different departments and they have to explain their budget.

Alderman Levasseur asked does each department head make their own projects for the following year's revenue.

Mr. Clougherty answered yes.

Alderman Levasseur asked how close are you on your revenue projections for these last couple of years. Are you on the money? How do you predict the marriages?

Mr. Clougherty answered our projections, which haven't always been what gets in the budget, but our projections have been within ½ of 1% for the past few years. Again, there have been times when the Board thinks...I will come in and give you my best guess based on what I think is going to happen in the economy, but sometimes the Board has thought that it be healthier to put in other items. In terms of our projections, they have been pretty accurate and I think the departments have been fairly accurate. We give out, and you will see this and I think this is what the Chairman was talking about, the revenue forecast and we can give you a sample of that at the next meeting so you can see what the format is but it lists every item and we make some assumptions in terms of where we think that is going to go. We have a database that takes those things back in time for a number of years and all of that is in the revenue handbook, which the Chairman has asked us to get to you. You will see that there is a lot of data there for the individual departments to go back to on each revenue by month, by quarter, by year and develop their projections. It is not that we are directly involved and we will get some requests from them, but it is the individual department that knows best their operations and they make their forecast and it is up to the Board to deliberate on them.

TABLED ITEM

10. Proposed Intown District Graphic Ordinance.

On motion of Alderman Lopez, duly seconded by Alderman Pinard, it was voted to remove this item from the table.

Chairman Hirschmann stated I think that one of the reasons this is here is that I think there are penalties or fees associated with this Ordinance. It is Section 1.17 Permits and Item 4 says insert fee schedule here.

Mr. Davis replied it was certainly an oversight on my part not to simply say in that blank space no changes in fees or permits are projected. In other words, it was not our intention in submitting this to include any changes in the fees or the current way that the Building Commissioner has of charging those fees for sign permits. Since I did not have a fee schedule, I simply put down insert it. I guess that was a note to myself. It never got inserted, but it was not our intention to change anything or modify the fee structure.

Chairman Hirschmann asked could you give a background of this whole Ordinance. Please tell us the whole story so that we know what is going on.

Mr. Davis stated this was something that Alderman Reiniger had on his agenda for the last year or so and he encouraged me to draft a copy of this Ordinance which I did using a model Ordinance which was prepared by the American Planning Association and published by them. I used this to draft this Ordinance. It is really a very basic and simple Ordinance. It is one that we felt fit the Intown District principally because the City spent so much money of its own, really CDBG money through its building improvement program which we administer, to improve the sign environment downtown and we felt that we had gone about as far as we could using the carrot approach. That is the matching grants for the buildings and for the businesses and to get any further improvement in the signage environment downtown there would need to be some set of standards. This is a fairly simple set of standards. At Alderman Reiniger's encouragement, I have prepared this Ordinance. It was submitted. I think this came before you simply because, as you said, Mr. Chairman, that one item said that there was a fee schedule attached and in fact we really intended to ask for no changes in fees or any difference in dealing with the permits. That is the short version just to give you the background.

Alderman Levasseur asked what is the intent of the Ordinance.

Mr. Davis answered the intent is to allow the City and the Building Commissioner particularly, the leverage to be able to deal with bad signs. What I came prepared to show you and if you really want to get an idea of bad signs, Joe I think your sign is a good one but some have attached huge banners in plastic to the side of a building that after a winter like this one tend to come off and dangle there for the next six or eight months until they fall down and those are bad signs. This Ordinance typically deals mostly with the size of signs, the number of items of information that those signs will show and it also gives an amortization period of three years for signs that don't meet the standards. Most signs downtown do. There are some extremely large ones and some that I would call more of a banner than a sign that are mostly the ones that are going to be affected by this. Again, if you are interested and at a later time if you wish, Mr. Chairman, I would be happy to go through the difference between bad and good signs and how that shows up in the Ordinance.

Alderman Thibault stated through zoning I guess there are laws as far as signs are concerned that I am sure the Building Department looks at whenever new businesses go in and before they can put a sign up they must go through the Building Department and I imagine Zoning.

Mr. Davis replied there is a Zoning Ordinance and I have that right in front of me. On Page 61 it talks about the signs that are permitted in a B-4 district, which is what we are downtown here. It is very short. There are only three short

paragraphs and basically what you find here is that they are concerned about the total volume of the signs. Basically, they are saying that the total number of signs that you have on the building can't total more than 10% of the area. If this were the wall here, it couldn't be more than 10% of that area or 500 square feet, whichever is greater. 500 square feet, that is basically an area 22' x 22' and 22' is about two stories high and that is a pretty big size. It means that size wise there is not much control and that is the main thing that this Ordinance is concerned about. It is probably more adequate to a Millyard industrial zone than it is to a commercial district like Elm Street for example.

Alderman Lopez stated I read through it and I would have to read through it again, but maybe you can enlighten me. Are there any provisions in here with the building enforcement aspect of it? Let me give you an example. I am a new businessman and I come down here and I can't get my sign for three months. Do I have the authority to put up something if it is not in here? Can the Building Commissioner waiver that and let me do something in the meantime while I am waiting for my good sign?

Mr. Davis asked a temporary sign. Yes, I believe that he has the ability to do that. However, I am not reading here on this page, in this section under signs I am not reading anything about temporary signs.

Alderman Lopez asked sometimes a businessman can't get a sign for two or three months so what does he do.

Alderman Levasseur stated you can't open until you get a sign. It happened to me and I wouldn't be able to open until my sign came in. I actually had to wait a couple of days. You just have to plan it right.

Mr. Davis stated some people, Alderman, do actually use the plastic banners in that situation and this Ordinance that is before you would allow the use of banners for temporary purposes, actually up to 120 days which is four months so it would really allow you to do that.

Chairman Hirschmann stated this was referred to this Committee to deal with revenues or expenses and there are none at this point because there is no fee schedule so what I want to do is refer this to Bills on Second Reading because they are the ones who are going to go over this Ordinance with him in detail.

On motion of Alderman Lopez, duly seconded by Alderman Levasseur, it was voted to refer the item to Bills on Second Reading.

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

A True Record. Attest.

Clerk of Committee