

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

**March 13, 2000**

**6:15 PM**

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

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

**Messrs:** R. Sherman, Chief Driscoll, K. Clougherty, R. Beaurivage  
T. Provencher

Chairman Hirschmann addressed Item 3 of the agenda:

Review of Expense and Revenue Reports for period ending  
February 29, 2000.

Mr. Sherman stated the column on the right is the unobligated percent. You can see that the department line items are 31.4%, so the departments are doing well at this point of the year. The only one that may look like they have a problem, but really don't is PBS where it shows 11.7% remaining. What PBS has done traditionally is when they have janitorial contracts they encumber the whole amount right up front so they make sure that they have that money set aside. That encumbrance has already come out of their budget. That is why it only shows 11.7%.

Alderman Thibault asked what would the actual be. Do you have any idea?

Mr. Sherman answered it was about a \$3 million contract so they probably have about \$1 million or so left of that. You add that \$1 million back in and you are right around that 1/3 mark. The concern is more on the bottom part of that where we have the restricted items. If you recall from the last Board meeting, health insurance is an area of contention here and you can see that we only have 29% left on the health insurance line. If we continue at this pace, we will be about \$500,000 short in the health insurance. Now keep in mind that with health insurance we are self-insured. If we get any catastrophic type illnesses, that could certainly be more or now that we are through the winter season it may start to

bounce back and come under, so we may make up that \$500,000. That is one of those items that is very hard to predict.

Alderman Thibault asked has there been any impact at all in that reserve because of the change from the Risk Manager to Mark Hobson's department.

Mr. Sherman answered at the end of FY98, we had about \$1.2 million in the health insurance reserve. At the end of FY99 we had zero. We had actually spent all of the reserve. Going into FY2000, you had no reserves.

Alderman Thibault asked was this because of the change of the Risk Manager to Mark Hobson's department.

Mr. Sherman answered some of it had to do with the fact that we got hit with a number of catastrophic illnesses last year. Some of it had to do with the fact that we actually shortened the period that new employees were uninsured. It used to be that you had to wait six months. Now I believe it is the first day of the first full month that you are employed so we picked up an extra five months worth of coverage there.

Alderman Thibault asked what should our actual reserve be on hand in order to be legal if I might use that word.

Mr. Sherman answered I am not sure what the insurance commissioner would require there, but certainly a City this size with a \$6 million annual budget, we should have something in reserve. Again, last year we used all \$1.2 million over what had been budgeted and that did include School last year. We budgeted around \$10 million last year and we spent over \$11 million.

Chairman Hirschmann stated while we are on Restricted Items, just for the record has the school deficit number already been transferred to the School Department and is it over and above the \$100.5 million.

Mr. Sherman answered yes. That actually goes back to FY98. Again, what we had done is we had used some of our fund balance to pick up because of the deficit and this was just the point of where we could actually go back and put it in as part of the tax rate.

Chairman Hirschmann asked about Salary Adjustment.

Mr. Sherman answered that was set aside for mainly the Yarger Decker contract settlements. I have only heard of one request coming out of that. I know that I talked to Wayne last week about that. He feels that there are probably some dollars that are due to come out of there but again if you look up at the departments, they still have 34% of their budget. I don't see at this point that anybody is really going to be in dire need of that. That may be a possibility of at some point later in the year moving up to the health insurance account and helping cover the City side deficit if that comes to fruition and also the School side.

Chairman Hirschmann asked has your department questioned Elderly Services as to why they are down to 23%.

Mr. Sherman answered Elderly Services, their issue is that they pay rent in advance so they are always off and that is what usually throws their percentages off.

Alderman Gatsas asked the health insurance line item that I am looking at here, does that include premium or just claims.

Mr. Sherman answered it includes the claims through January and the premiums for February. We haven't settled up on February yet. What we do is we pay a monthly premium and then they come back.

Alderman Gatsas asked what is your monthly premium roughly.

Mr. Sherman answered about \$600,000.

Alderman Gatsas stated so that is somewhere in the vicinity of a month. Is that premium plus claims?

Mr. Sherman answered that is just the premium.

Alderman Gatsas stated then this number can't be right.

Mr. Sherman stated the \$4.2 million, the obligations to date, would include...

Alderman Gatsas interjected let's talk about the budgeted amount.

Mr. Sherman stated the budgeted amount is based on the premiums.

Alderman Gatsas asked not the claims.

Mr. Sherman answered not the claims. That is coming out at about \$500,000 and again I think this comes to the point where we are looking at...

Alderman Gatsas stated well something doesn't work here then. If you are telling me...let me just go through the scenario and then you can give me the answers that I am looking for. If you are telling me that the monthly premium is \$600,000 or let's use an easier number and say \$500,000 because 5 times 12 is \$6 million so if I use \$600,000, we are going to be a \$7.2 and in a shortfall already just based on premium.

Mr. Sherman replied the \$600,000 would include the Airport, EPD, anybody that is under a project. It is more than the general fund. It doesn't include School, but the \$600,000 does include all other employees. That is why that number is a little bit less.

Alderman Gatsas responded so what you are saying is that we are charging back EPD and the rest of them.

Mr. Sherman replied yes.

Chairman Hirschmann asked are there going to be some transfers.

Mr. Sherman answered those are charged directly so they are not reflected in the \$4.2 million.

Alderman Gatsas stated if I use that number and if you tell me that we still have four months left, I would be multiplying 8 x \$600,000 or \$500,000. Which number do you want me to use?

Mr. Sherman replied let's use \$500,000 for general fund.

Alderman Gatsas stated so that is \$400,000. Are you trying to tell me that we have only used \$224,000 in claims in that same period?

Mr. Sherman replied over and above what we have paid for premiums. We send them \$500,000 a month. They then pay all of our bills. If our bills come in at \$800,000, they send us an invoice for \$300,000. If our claims only come in at \$400,000, then they send us a check for \$100,000. So this \$4.2 million reflects all of those payments back and forth.

Alderman Gatsas stated then the answer you are giving me is not right. It is not premium. It is premium and claim for \$500,000. It can't be the same.

Mr. Sherman replied I think we are saying the same thing.

Alderman Gatsas stated premium and claims are two different issues.

Mr. Sherman stated we pay actual and the way I am looking at it is the amount that we pay up front every month, I am calling that a premium and you are right, that is not being proper.

Alderman Gatsas replied so right now we have overspent the premium...in other words what they are telling you is that your cost based on a monthly basis based on 1,050 lives is going to be somewhere in the vicinity of \$500,000 a month. That is premium and claims?

Mr. Sherman responded right.

Alderman Gatsas asked have we gone back and estimated, based on what they give us for a number for what they think...how do we base our premiums.

Mr. Sherman answered they give us those rates every year.

Alderman Gatsas asked so that is what we are charging somebody that is out on leave so if we multiply those premium numbers they should come in line with what we are budgeting.

Mr. Sherman answered yes.

Alderman Gatsas asked so right now we are looking at \$224,000 in claims for six months.

Mr. Sherman answered over and above what we pay, yes.

Alderman Gatsas asked which is about \$40,000 a month and if we run that out for the next six months we are at \$224,000 so we have some problems.

Mr. Sherman answered yes, but again that is the point I was trying to make. Maybe the winter season is worse then when you get into the spring season. Nothing precludes someone from having a heart attack in May.

Alderman Gatsas stated the first three months in a self-insured program are the best three months for claims. After that, they get worse.

Mr. Sherman replied I think there is a problem in the health insurance.

Alderman Gatsas stated there is a major problem. We might be...let me ask you this question.

Chairman Hirschmann stated just the way it looks on paper, we are going to be \$300,000 short automatically.

Alderman Gatsas replied it is going to be much more than that.

Chairman Hirschmann stated there is \$1.7 million left unobligated and \$500,000 times four additional months is \$2 million so \$300,000 plus whatever claims are over.

Alderman Gatsas replied what I am saying is that the first three months of the year are your best so you better take that number and accelerate it pretty quick. Let me ask this question, let's assume that we spend...the agencies at the top zero out and our general fund zeros out with all except health and let's assume that health goes to \$6.9 and we are \$1 million short over and above everything else and there is no saving anywhere. What happens?

Mr. Sherman responded it comes out of your fund balance and your fund balance coming into the fiscal year was only about \$600,000 or \$700,000. It would put you in a deficit. I know that it was under \$1 million.

Alderman Gatsas stated I understand that the Police are now under our medical plan.

Mr. Sherman replied yes. They had gone off on their own and they are now back on the City's plan.

Alderman Gatsas asked when they ended that were they on a 12 and 12 or a 12 and 15 on your policy. Policies are written 12 and 12 or 12 and 15. In other words what that means is that at the end of 12 months you own the claims thereafter. If you run a 12 and 15, the claims end on the 12<sup>th</sup> month and they will pick them up until the 15<sup>th</sup> month. Does anybody in Finance know?

Mr. Sherman answered I am not sure how that works.

Alderman Gatsas stated obviously there has to be some money coming from Finance if they were short on claims.

Mr. Sherman replied I haven't seen any payments go out on that, but we can check on that. Chief, do you know when they got off of that plan?

Chief Driscoll answered October.

Chairman Hirschmann stated Mark Hobson could probably answer that question. Do you want that answered?

Alderman Lopez replied I would like to get it answered. I just want to clear up in my own mind the Restricted Items you can't move anything around there or do you have the authority to move anything around any time you want?

Mr. Sherman responded no; we don't move anything around with those. The reason we call them Restricted Items is because when we do the budgeting we budget those for each individual department. The reason we call them Restricted Items is because the departments can't touch those dollars either. They will show up on their budget report, but those are not dollars that I can take and move out of health insurance and into equipment or something like that.

Alderman Lopez stated the biggest problem that most of the departments have had over a number of years is when people retire they can't hire anybody. Have you looked at how this can be solved so that it doesn't hurt the department heads in hiring people that they need.

Mr. Sherman replied you are carrying about a \$12 million liability for accrued sick and vacation time for employees and those are the dollars that are actually vested, that employees are vested in and if they walked out the door those are the kind of dollars they would take with them. The only way to take care of the problem that the departments have would be for the Aldermen to start funding it. At this point, it is about a \$12 million issue. You would actually have to appropriate funds every year to put into a reserve so that the departments could then go back and draw those funds out.

Alderman Levasseur asked under Worker's Compensation you budgeted \$1.25 million and you have only used about half. Does that look to us right now like we are going to be able to keep some of that based on the fact that there are only four months left?

Mr. Sherman answered my estimate is that there will be a surplus there, but Worker's Compensation is very similar to the health insurance. We are self-insured in that. After FY98, the Worker's Compensation reserve was at zero. At the end of FY99 it was back up to \$140,000 and I remember back in the 1980's it was about \$1.8 million. It has been drawn down over the years. There is an effort there to try and get some money back into that reserve fund.

Alderman Levasseur stated as far as the insurance thing, I probably need an explanation because I am new to this, but I sure wouldn't self-insure myself. I don't know why the City does it. Is it because no one will insure us? It seems to me that with the premiums we are paying of \$500,000 a month someone would want to take us on.

Mr. Sherman replied it goes back to the 1980's when the insurance costs were just getting out of hand. It was sort of the trend for people to self-insure and try to cut down the administration and cut down the claims. I know that the City of Nashua has recently gone back to a premium-based system.

Alderman Levasseur responded competition out there has really gotten better. Prices have come down dramatically and the insurance companies came through the 1990's pretty much unscathed compared to the banks. Have you looked into the possibility of just getting us a number and then not having to deal with this in the last four or five months of the year so that we wouldn't have to beat on the School people anymore on this?

Mr. Sherman replied personally I have made the recommendation the last couple of budget years and it hasn't happened. That is really an HR issue.

Alderman Levasseur asked fiscally could we do it for a better price.

Alderman Gatsas answered I am not going to talk to HR, but looking at premiums and looking at what claims are...do you know what the premiums are right now. What do we charge an employee that is terminated and we give them their 18 months?

Mr. Sherman replied I couldn't tell you.

Clerk Bernier stated I think it is about \$7,000 for a family.

Mr. Sherman replied and the rates are supposed to go up 15% to 18%.

Alderman Levasseur stated there has to be a better way to do this insurance thing.

Alderman Gatsas replied the only problem with this is once you leave a self-insured plan, if tomorrow we got the right to get out of the self-insured and go to a fully insured plan, there is a three-month run off that we own claims to. That could be anywhere from \$1.2 million to \$1.5 million.

Mr. Sherman responded correct. I think that last year it was \$1.1 million for our run off. Either way, we are responsible for those whether we go to a policy-based or we stay self-insured we are still picking up those claims.

Alderman Gatsas replied but you are getting a double hit.

Mr. Sherman stated right. You are paying a premium at the same time.

Alderman Levasseur asked what is your recommendation.

Chairman Hirschmann answered this is an issue for Mark Hobson, not Finance.

Alderman Levasseur stated it is Finance and maybe they know.

Chairman Hirschmann stated I would like to hear this from Mark Hobson really. Do you want to go down that road?

Mr. Clougherty replied you are right. It is an HR issue. Once upon a time, Finance used to get involved in these items, but in the last couple of years since HR has started up it is really in their domain. Our concern is that we build up these reserves. If you stay self-insured, you need a reserve and you have to start building up those reserves.

Chairman Hirschmann stated for the Committee's sake, we have a Committee on Insurance and they have the insurance issues in their Committee to decide how we are going to insure ourselves. We, as a Committee, can't make that decision. We can tell them that we would like to make a change, but we don't have that authority here.

Alderman Thibault stated in 1980 I believe I was Chairman of Insurance at the time and I believe that is when we went self-insured and at the time we were looking at a 30% or 33% savings if we went into that and that is why we went into it. Now maybe something from this Committee telling the Insurance Committee that they should start looking at possible premiums out there and compare them to what we are paying to see if we can save money. It does belong in the Insurance Committee and not here.

Alderman Levasseur replied excuse me if I am wrong but Finance if Finance and Finance knows they are supposed to be putting all of the numbers together.

Chairman Hirschmann stated Finance is here to report on expenditures and revenues. We can question them and I can take a motion from you if you would like to ask the Committee on Human Resources/Insurance to look into the inadequacies of certain line items if you want to do that.

Alderman Levasseur moved to ask the Committee on Human Resources/Insurance to look into the funding of health insurance Restricted Items. Alderman Pinard duly seconded the motion. Chairman Hirschmann called for a vote on the motion. There being none opposed, the motion carried.

Chairman Hirschmann moved to send a report to the full Board stating that based on the expenditures through 2/29/2000 we have been advised by the Finance Department as a Committee that there may not be a fund balance and that reserves may have to be used to cover the Year 2000 expenses. Randy, basically that is what you told us.

Mr. Sherman replied I am not sure that is what I told you.

Chairman Hirschmann responded you told this Committee that because of that health insurance item you may have to use a fund balance and you asked the gentleman behind you what the fund balance was and it was \$700,000.

Mr. Sherman stated but the hypothesis was that if there was nothing in the departments and nothing in the bottom line. I am not sure, I think that the action the Mayor has taken with the departments...

Chairman Hirschmann replied I want to send a motion from this Committee advising the full Board of what is going on. The Mayor can do what he wants to.

Mr. Sherman responded what I am saying is that I don't believe the departments are going to be down to zero and I don't believe that the whole Salary Adjustment account is going to be used.

Chairman Hirschmann stated Alderman Gatsas brought up the shortfall in the health insurance and you are saying that all of those departments are going to have a fund balance to cover that.

Mr. Clougherty replied no. What he is saying is...

Chairman Hirschmann interjected let's talk about the whole picture. What do you see as a fund balance at this point?

Mr. Sherman replied I think that you are going to have between a half a percent and one percent of your total budget as your unexpended expense budget this year.

Chairman Hirschmann asked how much is that.

Mr. Sherman answered you are going to probably have about \$1 million left on your expense side this year unless you get some real catastrophic health or worker's compensation claim.

Chairman Hirschmann stated we are already talking about being over in the health account. Are you including that?

Mr. Sherman replied I am counting that in there. Now that is before you try to take care of the School Department and their health insurance problems.

Chairman Hirschmann responded I am not worried about that. Last year we had a fund balance of about \$700,000?

Mr. Sherman replied at the end of the year we had about \$700,000, but we came up...we were having more problems on the revenue side last year then we were having on the expense side and when you get to the revenues here you will see that the revenues are actually tracking pretty well this year. Again, on the expense side I think you are going to have unexpended appropriations. On the revenue side, I think you will meet those.

Chairman Hirschmann stated about \$500,000 you said.

Mr. Sherman replied \$500,000 to \$1 million.

Chairman Hirschmann asked where are we going to get that \$1.5 million that was promised to the School Department.

Mr. Sherman answered that is going to have to come out of these numbers and I think that the place to get it at this point is out of the Salary Adjustment account. Again, that all depends on how bad the City numbers are.

Alderman Lopez stated that is not totally true that it is going to be \$1.4 million. According to the Mayor's letter and the Superintendent and the hiring freeze, it could be a lot less so I think those numbers are still out.

Chairman Hirschmann stated I am going to make the motion and I am going to read it again so you can agree with it or not agree with it. A report to the full Board “based on the expenditures through 2/29/2000 there may not be a fund balance and reserves may have to be used to cover the Year 2000 expenses.” Is there a second to that? Alderman Pinard duly seconded the motion.

Alderman Lopez stated I am not too sure I am hearing the Finance people agreeing with your motion. I think that maybe, Mr. Chairman, we should get a written report from Finance to this Committee at our next meeting before we move it on to the full Board and get it in writing so that we can analyze it. Once we get to the full Board, if we go through with this motion, and the Finance people counteract what you are saying, I don’t know what the purpose is unless we get it in writing from these people who are responsible so that I can analyze it and see if I agree with that motion.

Alderman Lopez moved to amend the motion to have the Finance Department provide, in writing, their interpretation of the FY2000 budget and where they think the City is going to be at the end of the fiscal year. Alderman Pinard duly seconded the motion. Chairman Hirschmann called for a vote on the motion. There being none opposed, the motion carried.

Alderman Gatsas asked what did you have at the end of FY99 for reserves in health insurance.

Mr. Sherman answered zero.

Alderman Gatsas stated I don’t want to belabor the point, but I am going to throw one more out. If you are assuming the \$500,000 premium and claims is on target, if I just multiply that times four and I am giving you the benefit of the doubt that February claims are in there which they aren’t, that is \$2 million. If I use a round number, you are \$300,000 short in that account already. That is without, from what I understand in listening to Mr. Hobson the other night, without the two catastrophics that are looming in there now and if the rumor I here is correct and they are prematures they can ring the bell to \$1.5 million or \$1 million a piece anyway. I will leave it at that.

Chairman Hirschmann asked that the Finance Department consult with Mark Hobson before providing the written report to the Committee.

Alderman Levasseur stated since this is my first time on the Board, I know this question may be naïve, but you say that you might have \$1 million left over after everything and what happens if we don't. Do we have to create a loan for that or does it just get tacked onto next year's budget?

Mr. Sherman replied you would end the fiscal year with a deficit and then you would have to raise those funds in the next year to cover that.

Chairman Hirschmann stated we are going to move onto revenues now. Again, we have been through eight months. The percent unrecognized at this point should be in the 33% area I think so if someone is in the 90% category that is not good.

Mr. Sherman replied there are two numbers that I would like to point out. Under taxes, interest and penalties, the third line down you can see \$921,000 unrecognized or 72.61%. That comes in when we move from tax receivables to tax liens and tax titles when the Tax Collector goes through their process. Most of that money comes in. The other big item on a percentage basis is under licenses, permits and fees where we have licenses and we are showing \$657,000 uncollected at this point. That is Leo's licenses that he does in May. Again, you have some seasonal issues here that make the numbers look worse than they are.

Chairman Hirschmann asked the City Clerk if next year's budget is going to have video poker licensing in it.

Clerk Bernier answered it will but the number right now is 384 and because of the change in the law that passed in January, we believe that those numbers will drop to about 150 poker machines. Our revenue will probably drop in half just in that area.

Alderman Lopez stated there is a new outfit from Massachusetts coming into New Hampshire with video machines that outsmarted the law. Are we charging them the same amount for those as we did the others?

Clerk Bernier replied I have no knowledge of that.

Alderman Lopez stated I will get you the information.

Chairman Hirschmann stated I know what you are talking about. I have seen those myself.

Alderman Lopez asked on payment in lieu of taxes, when does that come in.

Mr. Sherman answered that is pretty much all in at this point.

Chairman Hirschmann asked does anyone have any questions on the revenue lines.

Alderman Levasseur asked who do we go to to make sure that we can double the cost of the permits for the video poker machines. Can we do that?

Clerk Bernier answered you would have to go to the Committee on Administration. Right now, they are charged \$1,500 per machine. I really think that if you look at the State statute you really can't add any more. You can only recoup the cost to administer the license. I think that \$1,500 per machine is probably maxed out. It would be unrealistic to get \$3,000 per machine.

Alderman Levasseur replied I am not really saying double it, but don't we have the control over how much we can charge.

Chairman Hirschmann stated nobody is renewing it. That is what we are saying. While we are revenues, public safety is 48% off and district court fines is 50% off. I don't know what is going on with that. We have some revenues that just aren't tracking. I know that you said overall we are doing pretty good.

Mr. Sherman replied we do a projection every month and at the end of January we actually thought we were going to be about \$500,000 short. At the end of February, we were around \$70,000 short. Again, as we move through we tend to be a little conservative up front, but even with that being the case, our projections at this point look like we are going to be on target. Hopefully, the last four months will swing us over.

Chairman Hirschmann stated if you flip to the next page, it says by department.

Alderman Lopez asked on miscellaneous, \$41,000 with a collection of \$10,335. What is all of that? Are we going to be way behind there?

Mr. Sherman stated what Joanne just said is under charges for services we have those broken down by departments pretty much. The miscellaneous is all of the departments that really aren't listed so you have people in there like Info. Systems that really just bill out to EPD and to Water. Those are just miscellaneous departments. I don't see anything on there for Finance, etc. Most of that probably is in-house and across departments.

Alderman Lopez asked am I reading this wrong.

Mr. Sherman answered the first column is the budget and the second column is what we have collected.

Alderman Lopez asked and you have collected \$10,335. Is that correct? So you have to collect another \$31,000 in order to meet budget and you only collected \$10,000 in eight months. Are you telling me that you are going to be able to collect \$31,000 from that miscellaneous?

Mr. Sherman answered it could be that someone like Info. Systems hasn't done all of their billings at this point. We can go back and take a look at that by department so we know exactly where the problem is there.

Alderman Lopez asked could you get back to me so that I completely understand it.

Alderman Levasseur asked is it possible to make this eight columns instead of four columns and use numbers from the prior years so that we can do a comparison analysis.

Mr. Sherman asked do you want all four columns repeated.

Alderman Levasseur answered yes with last year's numbers. I am wondering how you look at it from one year to the next.

Mr. Sherman asked how about if we add one more page.

Chairman Hirschmann stated what I would like to tell you is that every budget year is different. Things change.

Alderman Levasseur replied I would like to see those changes.

Chairman Hirschmann stated Kevin could have seven people moved into his department so the numbers from year to year you can't really look from this year back at last year because they don't match.

Alderman Levasseur stated I don't expect them to match. I want to see the differences.

Alderman Gatsas stated if that doesn't happen in the budgeting process that we are looking at what expenses and income were from the year before...

Mr. Sherman interjected typically we would do comparison schedules as well.

Alderman Gatsas stated I think what he is looking for is a budgeted item and an actual item. It is not actually eight columns but six. What he is looking for is what you budgeted and what you actually took in or expended so that he can do a comparison.

Mr. Sherman replied the only caution I would say is that School is not in the reports this year and they were in last year's numbers. That is why this year doesn't include any comparatives, but we can certainly put them on.

Alderman Gatsas asked you can't push a button and remove School out of there.

Mr. Sherman answered we will have to go through and back them out of last year's reports. We can do that.

Alderman Gatsas asked in lieu of taxes, can you give us an idea of what that means. Maybe a better question would be if it is in lieu of taxes what would the tax amount implication be so how much of a discount are we giving in lieu of taxes. You don't have to answer it right now, but that is a question that I would like answered.

Mr. Sherman answered most of those payments are from the Housing Authority facilities. We can get you the calculation on that. I believe it is based on the current tax rate, but there is a calculation...

Mr. Clougherty interjected we can get that from the Assessor's Office.

Alderman Thibault stated like the Rimmon School where Southern NH Planning has taken over. They are paying in lieu of taxes so that would be a good comparison. In other words, what should the taxes be and what do they actually pay.

Mr. Clougherty replied we can give you a list of what makes up that item and what they are paying and what the assessment is and we can get that from the Assessor.

Chairman Hirschmann stated the number they are being billed, I believe, they took the overhead of the police protection and fire protection and that is what they are billing out. That is what I was told.

Mr. Clougherty replied on some of them, Alderman, I believe it is set by a Federal formula for the Housing Authority for those federally assisted projects. Where the Federal government is involved in some of these projects there is, I believe, a Federal formula.

Alderman Gatsas responded so what you are saying to me is that if there is private ownership of Section 8 housing they get an in lieu of tax payment. I don't think so.

Mr. Clougherty replied I will go back and check it, but my understanding is there is a Federal formula that gets played into that calculation by the Assessor.

Alderman Gatsas stated if that is the case, I would certainly like to see that in writing because I don't think that is happening with the private sector out there.

Mr. Clougherty replied again, these are payments by the Housing Authority.

Alderman Gatsas responded the statement I made was...

Mr. Sherman interjected I agree with you, Alderman. I don't think the privately owned are getting that.

Alderman Gatsas stated so it is not a Federal statute.

Mr. Clougherty replied we will go back and check.

Chairman Hirschmann stated the next page on revenues shows departments and their percentages to date. I just wanted to pull out three that are way off. They are Information Systems, Planning and Health. Their revenues are so far off that I would like them to respond to what is going on. Are there things that are not keyed in? Are we losing the fight or what is going on? In Diane Prew's department, she has \$900 of revenue and she is supposed to have \$26,000 for the full year.

Mr. Sherman replied I think that goes back to what Alderman Lopez was asking about the miscellaneous. That is where I think the shortfall is. Diane hasn't done her billings.

Chairman Hirschmann stated Planning has \$337,000 for the full year and they have \$34,000 in. That is about 10% they have in.

Mr. Sherman replied if you flip back to the prior page, under intergovernmental, the Federal revenues, most of that is CDBG money that we receive for administration. It appears that Planning hasn't done any of their drawdowns at this point. That is an issue. As far as the Health Department, what they do is run a number of programs like the WIC Program, the Lead Paint Program and what they do is they charge most of the cost to their budget during the year and then they go

back quarterly and do a calculation and bill the projects so at that point they are getting reimbursed from the projects. They are getting reimbursed from the State for those expenses. They tend to have a lag in their revenues because most of it is coming from the State. Again, what it looks like here is that maybe they haven't done their second quarter yet.

Alderman Lopez stated I understand that when we provide necessary funds for schools and additions and stuff like that the School Department is able to recapture 30% from the State. Is that correct?

Mr. Sherman replied on construction projects. If they go out and build a new school, we get 30% of the principal cost of that school. We don't get the interest. We get 30% of the principal over the life of the debt service.

Alderman Lopez asked who gets that money.

Mr. Sherman answered right now that we are separated, it goes to the School.

Alderman Lopez asked why.

Mr. Sherman answered they are paying the debt on those bonds. They are actually making those debt payments.

Alderman Lopez stated if the City side for example if we complete West Memorial field at \$1.6 million, we have paid for that out of our side so we should be able to get 30% from the State for that facility. I would just like you to check into it.

Mr. Sherman asked that project specifically.

Alderman Lopez answered any project. I think that there is a State law.

Chairman Hirschmann stated Mr. MacKenzie is going to apply for that on that project just as he did at Livingston Park.

Alderman Lopez asked the City gets that money.

Mr. Sherman answered it all depends on who is paying the debt service.

Chairman Hirschmann stated those are considered park improvements. Although they are attached to the schools, they are not exactly school improvements. Mr. MacKenzie is the guy for that.

Alderman Lopez stated but again when we bond money for schools or add additions on, whatever the case may be, and there is a 30% return, the School Department shouldn't receive that money if we are funding it. Am I correct?

Mr. Sherman replied they are paying the debt service.

Alderman Lopez asked is that calculated in there at the time.

Mr. Sherman answered it is calculated in as a revenue when they do their budget.

Chairman Hirschmann stated I don't know about the rest of you on this Committee, but I am very concerned because I am in a service business, about the price of gasoline. On television the other night I saw that the price is projected to be over \$2/gallon by June. Are we doing any bulk purchases while it is \$1.59/gallon? What are we doing about fuel?

Mr. Sherman replied that is all purchased through competitive bid through the Highway Department. We do not only motor fuels, but heating oil.

Alderman Levasseur stated this is a question from the other night. I kind of missed it at the meeting, but I watched the meeting again and Alderman Cashin asked Mr. Tanguay what would happen if we didn't have that reserve fund of \$1.4 million and he made the statement that if we didn't put aside that money he would have to start handing out pink slips and it would cause and I can't remember his exact words but he said something about it causing all kinds of confusion and put the City in a big problem. That seems to tell me that they are going to be using up that money. I was just wondering because we never got to the bottom line on that. Is it a fund that we are putting aside because we don't know how much or is it a fund that we are putting aside because we do know how much? If he says that he is going to have to start handing out pink slips doesn't that mean that we have to get rid of some people?

Mr. Clougherty replied the number that we have gotten from HR and School is up to \$1,449,000 and that they are putting in some remedial types of activities over there with their own hiring freeze and they are going to do what they can to minimize that amount. We are working with HR and School to try and figure out what that number is going to be on a monthly basis so that we can get back to the Board because we have concerns about whether we are going to be able to stay within that restricted line or not.

Chairman Hirschmann stated what we are going to do is get the draft report from Finance and then I will take a phone poll of the Committee about sending it to the full Board.

Chairman Hirschmann addressed Item 4 of the agenda:

Update relative to Aggregation and Senate Bill 404.

Mr. Sherman stated I had put this item on the agenda to bring you up-to-date with anything on Aggregation and the settlement between Public Service and the State of New Hampshire. There really has been nothing new to report at this point. At this point, we still anticipate that the Commission probably will not have its order out until at best the end of this month and maybe into April. That seems to be the history that they have followed. Senate Bill 404, if you recall at the last meeting we talked about how we are going to start recouping some of the Aggregation costs and this bill was requested by the previous Board to see if we could get recoupment. I talked to Senator D'Allesandro who is handling this for us and he has reported that Senate Bill 404 is effectively dead. It came out of Committee 5-0 inexpedient to legislate. The problem that we had was that if Senate Bill 404 had gone through the way it had been drafted, there was some concern at our own Water Department that in any rate cases that they had, other communities would be able to get reimbursed for participation in those hearings. At this point, I can tell you that Senate Bill 404 is dead. That does not mean, though, that we will not try to find another way to get those funds back. The session is not over at this point.

Chairman Hirschmann stated we all received these wonderful communications over the weekend from Alderman Girard and responses from Mayor Baines and more responses from Alderman Girard and phone calls from Alderman Levasseur and Alderman Wihby, how come there was a directive to get that money but nobody reported back to the Aldermen that they were going to change course. Who made that decision?

Mr. Sherman replied my understanding is that was made in the Mayor's Office.

Chairman Hirschmann stated he didn't inform the Aldermen and Mr. Beaurivage had a problem but he didn't inform us that he had a problem. Don't we still have a Board of Aldermen that are supposed to know when there is a problem?

Mr. Sherman replied I wasn't informed either. I am just here reporting the events.

Alderman Levasseur asked you were actually told by the Mayor's Office not to attend that meeting.

Mr. Sherman answered no, I was not. When I spoke to Senator D'Allesandro he said that it didn't help when nobody showed up so the next day I called Tina

Parsons and said what happened. She was the one who informed me that she as told not to attend.

Alderman Levasseur asked does it cost us any money to put together the legislation to get the actual bill.

Mr. Sherman answered that was really any big deal. We took the current legislation and we added about a dozen words to it to allow us to recoup our funds. A similar bill had gone through the prior year, but it exempted municipalities and it capped the dollar amount that you could be reimbursed to \$10,000. So, all we did was we put municipalities back in and removed the cap.

Alderman Levasseur asked so Mr. D'Allesandro was the only one who attended that hearing I believe.

Mr. Sherman answered that is what I understand.

Alderman Levasseur stated so we left him out there hanging by himself.

Alderman Gatsas replied that is not what I understand. I understand that Mr. Beaurivage was at that hearing.

Alderman Pinard asked what were we looking for for reimbursement.

Mr Sherman answered about \$1.3 million.

Alderman Pinard asked how much has the City spent up until now.

Mr. Sherman answered if you actually went back to 1995 when we started the pilot program, my guess would be close to \$2 million. That includes not only the restructuring hearings, it includes the energy efficiency contract that we have, the gas contract, the work we have done on Amoskeag, the expenses that we incurred under the pilot program and there are a number of items there. The dollars that we can associate with restructuring are about \$1.3 million.

Alderman Gatsas asked Mr. Beaurivage to come to the microphone. Certainly, you are very astute with the legislation at the State House and you do a good job at it. I think you probably knew that Senate Bill 404 was up there and you knew what the language was long before last Tuesday. I would assume that at some point you would have sent something to this Board telling us that you had a problem with the City trying to recoup \$1.3 million because you might be at risk for \$179,000 if you decided to change rates which you haven't done in 10 years. It is a yes or no question. It is pretty easy.

Mr. Beaurivage replied I didn't send the amendment to this Board, but I did send it to the Mayor's Office on Friday before we sent it to Mr. D'Allesandro and we asked if they had any comments to please get back to us. The language that was proposed was done so with the intention of allowing the City to go forward and recoup the costs for the Aggregation Program, as well as allowing the Water Works to address its concerns.

Alderman Gatsas asked so you were protecting Water Works for \$175,000 and not worrying about the City's \$1.3 million.

Mr. Beaurivage answered as I said the language that I suggested...

Alderman Gatsas interjected obviously I think that you sent letters to the various people you thought you should, but I think something should have come to this Board at some point telling us something because I think that you understand I have a tender spot in my heart for Water Works.

Chairman Hirschmann stated we should save this one for the TV cameras next Tuesday because that is when this is going to come up. This is \$1.5 million. The full Board is aware of the fact that the policymakers sent a directive and one of the authorities in the City, as well as the Mayor's Office, went ahead and acted on policy without the policymakers getting involved. I think we are going to talk about that on Tuesday.

Alderman Levasseur replied I would like to hear what he has to say now and I would like to keep this discussion going.

Chairman Hirschmann asked don't you think that the other Board members should be involved.

Alderman Levasseur answered I would like to hear it now and again next Tuesday.

Alderman Lopez stated I think we should keep going with this discussion.

Alderman Pinard asked don't you think that the people would like to know what is going on and don't you think that the Mayor has the right to explain why it happened.

Alderman Lopez answered I think that can be done, Alderman, at the appropriate time. I think we are trying to get to the bottom of this because I do have a couple of questions and to have the full Board and a public hearing and TV cameras, I don't think that you can really sort out the information.

Chairman Hirschmann stated okay, we will continue since there are three Committee members that want to continue.

Alderman Lopez asked, Mr. Sherman, I understand that you were in charge of this particular program. Is that correct?

Mr. Sherman answered for the first two years.

Alderman Lopez asked going up to the State for the \$1.3 million also.

Mr. Sherman answered yes. At that point, the program was still under the Finance Department. It was being transferred to Highway and the Board requested that we work with the State Legislature to recoup those funds.

Alderman Lopez asked, Mr. Beurivage, isn't it customary where the City and maybe I am wrong because you are special autonomous and all of that, but isn't it customary that if you are going to do something to effect the City in a negotiation aspect or what they were trying to accomplish under Senate Bill 404, that it would have been prudent to coordinate with the Chairman as well as Tom Clark and Tina Parsons regarding what you were going to do.

Mr. Beurivage answered we did send the language to all of those people that I indicated.

Alderman Lopez asked to Randy Sherman. What was the time frame?

Mr. Beurivage answered we sent the response and within several days we received a response from the Mayor's Office.

Alderman Lopez asked, Randy, you had no conversation when you received this with the Mayor saying look this is going to be wrong.

Mr. Sherman answered we did talk to, actually I talked to Tom Bowen briefly but Tina actually met with the Mayor on the issue and I met with David on the issue the week before the hearing. I personally heard nothing back until after the hearing that she had been told not to attend. Tina had testimony that was prepared and she had already forwarded it to Senator D'Allesandro. She had not sent it to the Committee yet. She just wanted the Senator to have it in advance, but she was told not to go and her testimony never got filed.

Alderman Lopez asked she is in charge of it then, is that what you are saying.

Mr. Sherman answered again, the program has been moved from Finance over to the Highway Department so at that point it was really between the Mayor and Frank Thomas.

Alderman Lopez asked so you were out of the picture.

Mr. Sherman answered yes. I wasn't planning on going and testifying on that issue, but I had met with David and tried to explain the whole issue to him the week before.

Alderman Lopez asked at no time did you indicate to anybody that the previous Board had made a policy and the direction they wanted to go in.

Mr. Sherman answered David was very aware of that as was the Mayor from the file I saw.

Alderman Gatsas stated, Leo, maybe you can help me with this. I am trying to think of whether we were in closed-door session when that conversation came up with Mr. Thomas.

Clerk Bernier asked pertaining to what, the court hearing or the PUC.

Alderman Gatsas answered proceeding with whether to file a brief or not.

Alderman Levasseur replied that was open.

Mr. Sherman asked are you talking about the meeting on February 29. The cameras weren't running, but my understanding is that was an open meeting.

Alderman Gatsas stated forget about the last Board. If this Board sent a directive to Mr. Thomas to file a brief based on intervention on 2/29...when was the hearing on Senate Bill 404?

Mr. Sherman replied I thought it was February 22. I talked to the Senator last Tuesday.

Mr. Beurivage stated I think Randy is right. It was February 22.

Alderman Gatsas stated so on January 29, this Board, this current Board, sent a directive to Mr. Thomas to file that brief.

Mr. Sherman replied you have to different issues.

Alderman Gatsas responded I understand where the issues are. Is that a yes or no answer? We gave him the directive to file that brief on January 29.

Mr. Sherman replied right and that brief got filed on March 3.

Alderman Gatsas stated so I would assume...and when was the hearing, February 26. So when we had that whole thing in here about the brief, nobody ever told us that nobody went to testify. Nobody ever said a word about that.

Chairman Hirschmann replied if Rich Girard hadn't sent a letter, we would all be in the dark like a bunch of dummies.

Alderman Levasseur stated, Alderman Gatsas, that hearing, the one where we sent the brief wasn't in January. It was February 29. On February 29, we had that meeting.

Alderman Gatsas replied all I am saying is that nobody brought it to our attention that there was a Senate Bill that was heard on February 22.

Alderman Levasseur stated I hate to say this because it makes it worse but they came to us at the meeting on February 29 not to file that brief but on February 22 they hadn't even told us that they hadn't gone to the meeting yet and nobody even told us about it.

Alderman Gatsas stated I just have a problem with Mr. Beurivage of Water Works looking to protect their interest of \$180,000 while this Board was put at risk for \$1.3 million and nobody here knew about it. I am not blaming you. I just think that the Mayor has made it pretty clear that when anything goes to anybody it should come to all of us and none of us saw it. At least I didn't see it.

Alderman Thibault asked, Randy, this \$1.3 million, is this after the Nashua allotment and the Keene allotment. They put some money in this. Where did that money go?

Mr. Sherman answered that would be part of that \$1.3 million. If the City recouped that \$1.3 million, we would have to reimburse Keene. We would have to reimburse Nashua. Water Works has contributed some as well as Parks and Airport. All of that would go back.

Alderman Thibault asked if we don't recoup it, that money stays with us. We already have that money don't we?

Mr. Sherman answered if we don't recoup it, it will just be calculated as part of the Aggregation fee when you begin that program.

Alderman Thibault stated I was under the impression that what the Board said to the Aggregation people is that we don't want anymore big expenditures in that, but we should keep going to see if we could recoup our money. Isn't that the way that went down?

Mr. Sherman asked are you talking about the vote last week. Yes.

Alderman Thibault stated it didn't mean that we were stopping Aggregation. We just didn't want to pursue it the way we were pursuing it, but we were going to try and recoup our money. From what I understand, is this what you are still trying to do?

Mr. Sherman replied yes. We are still trying to recoup those funds.

Alderman Gatsas stated the bill is dead.

Mr. Sherman stated Senate Bill 404 is dead. We have had some discussions with other parties who are looking to recoup their funds.

Alderman Lopez asked is it going to cost us anymore money.

Mr. Sherman answered no. There are no consultants, attorneys or anything else. It would just be City staff.

Alderman Pinard asked how many communities are involved in this.

Mr. Sherman answered Keene and Nashua have signed on with the City. Claremont and Berlin and Dover have also participated at different levels, as well as the Municipal Association.

Alderman Gatsas stated with this bill did we put Keene and Nashua's money at risk for not recouping.

Mr. Sherman replied yes. They would have been part of that \$1.3 million.

Alderman Thibault asked how much money did Keene and Nashua give us.

Mr. Sherman answered Keene gave us \$16,000 and Nashua gave us \$250,000.

Alderman Thibault stated so roughly we would end up with about \$1 million.

Mr. Sherman replied yes.

On motion of Alderman Levasseur, duly seconded by Alderman Pinard, it was voted to inform the full Board that the Committee wishes to discuss Senate Bill 404.

Chairman Hirschmann addressed Item 5 of the agenda:

Discussion relative to Highway inventory testing and recommendations.

Mr. Provencher stated I am the new internal auditor for the City. I was hired by the Finance Department in November of 1999. I was involved extensively in assisting the external auditors for the period of November, December and into January with the audit of the comprehensive annual financial report. Since then, I have started to pick up some additional work relative to implementing new policies and trying to reduce any unnecessary risk to the City and some of the issues that I have come across to date have been outlined in tonight's report to you. I am going to assume that each of you has had an opportunity to look at the policy changes and recommendations that are in front of you. I just want to briefly highlight some of the major or bigger items if you will. In the Highway Department Inventory Testing Report, this is an ongoing situation if you will relative to just improving the internal controls at that department as best as possible. I have personally, in past experience, seen much worse situations. This is, by no means, cause for concern. It is just a continual process to keep improving. The biggest issue in that report is likely the number of items as a percentage that were off when the physical testing was done at year end. I am hoping that that will be resolved with some of these recommendations going forward and I will be involved in June 30, 2000 in assisting the department with the actual physical testing. On the last page of that report, there is some conversation regarding stockpile inventory. This is on Page 4. The stockpile inventory is a very difficult inventory item to maintain simply because depending on what leaves the department in the truck and whether the truck is completely full, partially full, crowned over on the top, it creates a problem in getting a consistent measurement of what is coming in and what is going out. From my conversations, after writing this report, with the Deputy Director, Mr. Sheppard, at the Highway Department, they have decided that from now on quarterly they will bring a survey crew out to that stockpile inventory area and convert the cubic yards to tons on a quarterly basis in order to alleviate some of the big inconsistencies at year end.

Alderman Lopez stated first of all, it is a very good report. It is about time we had a good auditor doing these things. Are you independent working as an auditor or is there anything here...my question is do you independently write this or do you have to sanction it with anybody before you turn it over to us?

Mr. Provencher replied I am not required to present it to any one individual. My procedure has always been to draft reports with recommendations based on conversations with management and actual testing that I have done. I then turn that report over to management and let them review it to make sure that I have all my facts straight. If, for some reason, they come back and say a point that I made is incorrect, I will reinvestigate that issue or enlighten them if they are not aware of the finding that I had. That is the procedure it goes through. Do other individuals in the Finance Department read the report before it is presented to you? Yes, I usually have Deputy Finance Director Sherman or Kevin review the actual report more for content or things like that to make sure that I haven't said something that is completely incorrect. I am licensed with the State so I try to be as independent as possible. I realize that I am not completely independent because I work for the City and because I am in the Finance Department so there are definitely some issues to be questioned I guess because of that. That is why we have an external audit each year that is performed by an independent auditor.

Chairman Hirschmann stated your recommendations are mainly for the department and the department head, not to this policy Board. You are just reporting to us. You are not asking us to make any decisions, right?

Mr. Provencher replied right. This is for information purposes only.

Alderman Thibault stated in reading that report, they seem to feel that a lot of the recommendations you made they are willing to follow and implement. That is the most important thing in the report.

Alderman Lopez asked as an auditor, after you complete this is there a period of time when you would go back and see if they implemented any of these recommendations or how would this work.

Mr. Provencher answered in this situation I will be going back on June 30, 2000 to assist the department in the actual test counts and to review any changes that have taken place since the issuance of this report. So, in the next four months I will report to you or right after June 30 I will be reporting to you again to let you know if there are any new concerns regarding the status of items that I have recommended in the past.

Alderman Gatsas asked briefly could you give us a little bit of your background.

Mr. Provencher answered I spent approximately five years working as a public accountant for a large, regional firm in Manchester. They were in the top 50 of all accounting firms in the nation. During that experience, I guess I had an opportunity to work with a lot of different clients from manufacturing to some municipalities. I think that my experience overall is very broad in dealing with a lot of these issues. Specific municipality expertise I would not claim to have. I do have experience in auditing them, but I am not going to be your technical guru by any stretch.

Alderman Gatsas asked maybe you could help me find out an answer. Under GAAP, which is General Accounting Accepted Practices I guess, if a budget in a municipality has been set and let's make round numbers easy, from January 1 to December 31, and that budget has been set can wages be deferred or must they be attributed to the year you are in. Let's assume that you have and I don't want to put words in your mouth because I want you to explain it to me, let's assume I have two days of the budgeted year that run into January 1 and January 2 of the following year. Does the GAAP allow me to defer that compensation to the following year as a municipality or must I carry that on the current year?

Mr. Provencher answered I guess what you are driving at is whether or not there should be an accrual at year-end for any outstanding compensation issues. That is not an item that is specific to municipalities. That is industry wide under General Accepted Accounting Principles. You are to record a liability when it is incurred, not necessarily when it is paid. In a situation with a payroll period that overlaps, the portion of that period that is attributable to the prior period should be accrued for that period.

Alderman Gatsas asked if somebody told this Board that under GAAP wages could be deferred to the following year and not accrued in the current year, that would be a false statement.

Mr. Provencher answered if I am understanding it correctly, yes. Typically, from the public accounting side of the world, those numbers are not material numbers so there is often a tendency to not raise a big issue out of it.

Chairman Hirschmann asked is it a reportable offense if somebody moves the expenditures into the following year in an audit.

Alderman Gatsas added without telling the auditor because the auditor is not going to allow you to do it. He is going to make you accrue it.

Mr. Provencher replied I would have a hard time believing that an auditor wouldn't have realized that the number was there whether or not they made someone go back or forth.

Mr. Sherman stated in government we do two types of accounting. We do budget accounting and we do GAAP accounting.

Chairman Hirschmann asked which one are we doing.

Mr. Sherman answered both. If you look at the financial statements that we give you at the end of the year, there is a reconciliation between the budget numbers and the GAAP numbers. If you budget for 52 full weeks of payroll, we charge 52 full weeks of payroll to the budget and when you get down to the end of the year and two of those days actually fall into the next calendar year, like in this scenario, for a GAAP financial statement you could accrue those. Of course you don't put those in the next year, but on a budget basis they should be in the year that they were budgeted for.

Alderman Gatsas asked are you telling me that you can accrue to the following year. Then you better make the adjustment on the front end.

Mr. Sherman answered if you want to do it on a GAAP basis you have to adjust at the beginning of the year and the end of the year.

Alderman Gatsas asked you couldn't do it with one shot.

Mr. Sherman answered if you are going to do it on a budget basis, it would be the way that it was budgeted. Unless you budget it for only three days then the whole week should be charged to the budget.

Alderman Gatsas stated I think I understand it very clearly, but there are other people who made some statements who probably don't understand it very clearly. I don't mean anything to you people. I just wanted to make sure that my thinking of that issue was correct.

Alderman Levasseur asked do you have to tell them when you are going to be there. I don't like the idea of telling somebody that I am going to be there on June 30. It is just too obvious. This report might not seem like a lot of...it is pretty discouraging to me to see the way this place is being run where everybody had access to inventory and such. I am glad that you brought this report in and I hope that you continue to do this on a regular basis, but I think that maybe you shouldn't put the date you re coming in there. I think you should be able to do

audits when you want to or walk in and check on things a little bit more haphazardly to the detriment of those so that they run their departments better.

Mr. Provencher answered the June 30 date is significant because it is the end of the fiscal year and that is when the actual physical test counts are usually performed. One of the recommendations in this report is to perhaps consider a cyclical testing cycle where they are doing so many items per week. If the department decides to do that, that is something that I definitely want to be involved with on a test basis from there. I understand your concern in going in on a surprise audit if you will, but inevitably with an inventory system like this I think you are always going to have some differences.

Alderman Levasseur asked what would you compare perpetual inventory to, LIFO or FIFO or not either.

Mr. Provencher answered LIFO and FIFO would all be underneath a perpetual system. The perpetual system design is that you are receiving goods and entering it into the computer system and as those get disbursed out of that department, each item is recorded against that balance in the computer. Just because of human nature and other issues whether it be security or otherwise, mistakes are made like keystroke errors or theft. There could be a number of different things. It is not uncommon in any inventory system like that where you are going for an entire year without doing a physical count. My personal observations out there did not indicate that there was a really high dollar value or theft susceptible items. Most of the equipment out there, although it may be expensive, is like a \$500 bearing for some big plow truck. It is not something that is conducive to theft among the average employee.

Alderman Levasseur stated the fact that they are carrying these items, doesn't it make sense maybe to go to a different method and say with the way things are now and the speed that you can get things where you can get things overnight from anywhere in the country pretty much, that we can order these things on an as needed basis and maybe go with a LIFO instead.

Mr. Provencher replied it is possible. I think the department would argue against it in total anyway because of the issue of snow emergencies and the fact that when a storm hits they need the parts on hand to fix the trucks when they break down. I think that would be their argument against it.

Alderman Levasseur asked what do you think about that argument.

Mr. Provencher answered I think it is valid. To some extent, you have to maintain some inventory.

Alderman Levasseur stated so you think their inventory is okay. They are not stockpiling anything?

Mr. Provencher replied it is not overwhelming by any means. The room is perhaps a quarter of this room here.

Alderman Gatsas asked, Kevin, is this report an item that we have to show to the external auditors that are coming in.

Mr. Clougherty answered I don't believe so.

Mr. Sherman stated they were aware of the process that we had gone through. They even chose not to put it in the management letter this year. They didn't really think that it was that significant of an area. What they requested was that Todd finish up the report in-house and they will address it as part of next year's management letter if they feel that it is required. They will be getting a copy of this.

Alderman Gatsas asked is that a material fact that we have to do that.

Mr. Clougherty answered I don't believe so.

Alderman Gatsas stated if we don't have to, I would prefer that we don't give it to them. That is my own opinion.

Alderman Levasseur asked why would you prefer that.

Mr. Provencher stated their position might be that the City or myself or the Finance Department were trying to impose some sort of scope limitation if we weren't giving them full access to available information. It is more perception than anything else.

Alderman Gatsas replied the perception that we are giving them...I don't want an auditor to come in here and assume that is a material fact. When you are an employee of the City doing an audit, I don't think that should be a pivotal point that they can use in an audit.

Chairman Hirschmann stated I think what is going to happen in the future is that Todd is going to be a liaison for the external auditors.

Alderman Gatsas replied no. That should not happen.

Chairman Hirschmann stated but they work with the Finance Department.

Alderman Gatsas replied they are supposed to be absolutely independent without any question. All they do is ask Todd can I see this item and Todd gives it to them. If they have a question from Randy what is this line item, he can give them that answer, but this isn't come on let's sit down and have coffee and write a report. I think if it is not material and he is an employee of the City, I don't think...let's put it this way, if this were a privately held company and he was an internal auditor and we had a big six doing an audit, we certainly would not make that a material item because I would want him to do an independent audit without them having the focus of...it is hard work.

Alderman Lopez asked why don't we let the Finance Office discuss that and figure out what kind of policy they are going to have.

Chairman Hirschmann answered I don't think it is an issue because Kevin is sitting in agreement. While we are on the Highway, this is a little bit related to it but not entirely, to expand this, what I would like to see is not just Highway but I guess I would call it a Fleet audit of City vehicles. I don't know if you would do that by department or if you would have one audit that you would call a Fleet audit to make sure that the policies and the usage and everything is...I really don't know where we are at with that. As far as our items go, I think we are done with Item 5. I would like to move onto Item 7, which is the forfeiture because the Police Chief is sitting in the crowd and then we will go back to Item 6.

Some discussion took place about internal audits that Committee members would like to see.

Mr. Clougherty stated we have been trying to get an internal audit program in the City for as long as I have been here. We are finally at a point where we have two CPA's, fully funded, to do the entire City. We are taking off these issues as we can to start. We would eventually like to get into a regular program of exactly what you are talking about. Every department on a regular cycle, perhaps not announced, but something that we would work out here. We want to get to that type of a program. Right now, what we are trying to do is take some of the issues that are in front of us like parking for example and the inventory and get some of those things cleared so that Todd can get started. We do want to work into a schedule of regular audits of the departments.

Chairman Hirschmann stated the reason I asked about Fleet is because I am concerned about maintenance.

Mr. Sherman stated typically what I would like to see Todd doing is working on two or three at a time. We can certainly start the Fleet and now that he has these two wrapped up he is looking at some issues with Yarger Decker right now so as things flow...it is interesting you brought up parking because parking has been brought to his attention and he has a meeting this week on that issue. It just happened that he has all three of these at the same time tonight. That was just a matter of timing and finishing up the audit.

Alderman Thibault asked on Fleet, wouldn't you have that on the motorized account as it is.

Mr. Sherman answered I think what the Alderman is looking for is to make sure that the policies that we have for the Fleet regarding people taking them home and are they properly being recorded and being used...

Chairman Hirschmann interjected what I was thinking of is gas procurement, maintenance procurement, the policies with the vehicle like are they taking them home and maintaining them at all. So many things happen with the vehicles. Are we insuring vehicles that don't exist anymore? That is what an auditor looks for in a Fleet.

Mr. Sherman stated I think, Alderman Thibault, that you and I sat on a Committee on Fleet a couple of years ago and that report we can certainly pull out. There are a lot of items in there that we can look back on and get some direction on.

Alderman Levasseur stated, Todd, I want you to be a pitbull on this. You are going to have the help of this Board and especially this Committee, on any single issue. If you uncover anything, we really seem to have a little bit of a perception problem out there especially with the parking situation that came up. Thanks to some diligent work from a few people, whatever it takes, I really hope that you take this job really seriously and try to help us find some revenues and make sure that we are running things at 100% top efficiency, especially with the kind of computers and everything that we have out there. I want to give you the full backing of myself and I am sure everybody on this Board. You have us with you 100% of the way.

Mr. Clougherty stated if he finds anything in the Finance Department that is inappropriate, he is to come to this Board and he knows that. He is operating under his standards from the Comptroller General and from the ASCPA. If there is a problem and it involves Finance and he suspects that it is me or Randy or somebody else, then he will take the appropriate action to make sure that that is resolved.

Chairman Hirschmann addressed Item 7 of the agenda:

Discussion relative to drug forfeiture funds.

Chairman Hirschmann stated what I am interested in really is we wanted to see the log of expenditures.

Mr. Provencher replied the log of expenditures is something that I can provide and it is something that the personnel at the Police Department do have on site.

Chairman Hirschmann stated I wanted to know how much was in the account because I know that they can fund a prosecutor if we want to and it may not be a bad recommendation. I don't know if he needs it.

Mr. Provencher replied there is approximately \$32,000 in there as of the end of the February.

Alderman Levasseur asked, Chief, can you put confidential right across that paper that you are going to be handing out.

Chief Driscoll stated it is a federal document.

Mr. Provencher replied he is talking about the log.

Chairman Hirschmann stated we were going to look at the expenditure log for the two test years.

Chief Driscoll stated I brought the last four years with me. I would be pleased to go over it with you and give you a copy of it, but I would like it back. There is nothing in there that is very revealing.

Alderman Lopez stated I think the report is excellent to the degree that I understand it. I think number one the question is and I think the Chief can answer this particular question because I think that he is restricted under the law as to what he can spend the money on and the only particular question I had, if I may, is in reference to the third paragraph where the purchase of equipment used to support law enforcement, for equipment the expenses deemed permissible include the support of investigations and operations that may result in seizure and forfeiture, training investigators, prosecutors, and law enforcement personnel in any area necessary. The area that I am interested in, Chief, is the purchase of equipment used to support law enforcement purposes. Has any money ever been used to purchase equipment like the van that you were speaking of? I know that

you have \$27,000 in the budget, but I was wondering if that money there could be used for something like that.

Chief Driscoll replied it has to be directly related to the issue of drugs in some ways. There are often times that we look at an issue and it is not real clear to us if it meets the Federal guidelines and we will call the folks in Washington to get clarification on it. The report says that since we have been using drug forfeiture, we have spent about \$500,000. I would be glad to go over very briefly with you what we have spent it on in the last four years if that is of interest to the Committee.

Alderman Lopez stated I don't want to take up your time. I would personally like the Chief to provide that to the Committee and full Board as to what you spent \$500,000 on.

Chief Driscoll replied I am not sure that the audit would match that. We have been doing this for a long, long time. I think the last four years...

Alderman Lopez stated since 1994, you have spent \$500,000.

Chairman Hirschmann stated the last four years would be fine.

Alderman Lopez stated just to give the Board an idea of the type of equipment that you are buying and I know you are doing a good job on it.

Chief Driscoll stated very briefly I will just go over one year and the year is 1996. We spent \$26,065.17 and although these are general categories, I will go down them real quick. Electrical equipment - \$37.39 and I have no idea what that is but we purchased it from Honeywell. Merchants Rent-A-Car for vehicle leases - \$14,480. That is all of the undercover cars that we use.

Chairman Hirschmann stated we have \$32,000. Can we purchase an undercover car instead of leasing one?

Chief Driscoll replied I don't think you want to purchase one. Sometimes we keep them four months. Sometimes we keep them two weeks. Sometimes we keep them for a year depending on how they are used and what they are used for. If a car is made, we get rid of it the next day.

Alderman Gatsas asked how much did you collect in 1996 versus what you spent. That might be the easier question.

Chief Driscoll answered I really don't have those figures. I could provide you that information.

Alderman Gatsas stated I know you are very frugal so you are not spending everything that you collect.

Chief Driscoll replied we have a balance of \$32,000. I think if I remember these figures, the first year we spent \$26,000. Last year we spent \$49,000. Most of that we put a lot of effort into buying drugs.

Alderman Thibault asked how much money do you get per year roughly.

Chief Driscoll answered if you folks remember the name Dickey DeCato; he was an individual that was involved in real big high trafficking. It was in Alderman Pinard's ward. We got \$150,000 from him. On the other hand, most of them are \$3,000 or \$5,000. If we pop somebody and he has \$8,000 or \$10,000 we will do everything we can to get that money. Then we turn it around and use it against the drug dealer. I can tell you this is a very well managed account. It is audited and reviewed annually by the Federal government. If we spend something that is questionable that we don't know the answer to, we will contact them and ask before we spend it. I would be glad to provide you with whatever details you desire. There are no secrets here because it doesn't say who we spent the money on. It is just that we have paid for informants, cars, and uniforms. It supplements, but we are forbidden to supplant any money from the budget.

Alderman Levasseur asked when you do a bust, if the Feds are involved with you do they get part of it or do you get to keep it.

Chief Driscoll answered there is a formula. It is called a Guide to Equitable Sharing of Federally Forfeited Property, State and Local Law Enforcement and they have a formula. We turn all of the money over to them and they give us back the money. They are very, very fair with us and I will tell you that Manchester makes out better than any other community in the State because this is where the action is. I hate to tell you that.

Alderman Pinard stated the Manchester Crimeline is involved in about 80% of these drug busts in the course of the year, but the Crimeline, due to Federal regulations, cannot get any percentage of that. Am I right?

Chief Driscoll replied absolutely. I would add one thing. I recently spoke with Alderman Pariseau about this. He is the one that initially asked the question on the Board and he has asked me the question for the last three or four years and every year I try to explain it to him. I think that he certainly comprehends it, but he is always interested in it because he thinks we have this big pot of gold there. I actually had these independent of realizing that he was going to do an audit. I had this information prepared for Alderman Pariseau. I am going to sit down with him and go over it in detail so that he fully understands it and whatever information this Committee or the full Board desires, I would be glad to provide it. There are no secrets here. There are no names. It is just amounts of money and general purchases.

Alderman Lopez stated I agree with you wholeheartedly.

Chief Driscoll asked would you like me to run down FY99 real quickly and just tell you what the categories were without the money. Is that of interest to the Committee?

Alderman Lopez answered it is not of interest to me at this point other than if you want to make a position paper and give it to this Board.

Alderman Lopez moved to have Chief Driscoll provide a summary of the things that he has done with the drug forfeiture funds over the years. Alderman Pinard duly seconded the motion. Chairman Hirschmann called for a vote. There being none opposed, the motion carried.

Alderman Levasseur stated, Chief, I don't want to belabor the point but I would think that the Federal government would want to give you a much higher percentage to give you an incentive to get that money. Is there any way that you could get more of that percentage for yourself instead of giving it to the Feds or do you think that the Feds give us so much money that it is a fair share?

Chief Driscoll replied I really think that it is a good deal. They take a very small percentage for themselves here in New Hampshire to administer it. If, for instance, the State Police in Bedford and Manchester are involved in an operation, they will actually dissect what Manchester's part in it was, who initiated it, what resources we expended, and try to do it equitably.

Alderman Levasseur asked so it keeps you three from fighting with each other and puts the onness on them to make the decision.

Chief Driscoll answered we don't fight anyway.

Chairman Hirschmann addressed Item 6 of the agenda:

Discussion relative to a revised travel policy.

Alderman Lopez stated I think the auditor did an excellent job on this document. I have read it twice and unless other members of the Committee have questions, I would like to move to accept this document.

Chairman Hirschmann replied before we get to that point, I would like to talk to the auditor. Todd, did you review our current policy?

Mr. Provencher responded yes, I did.

Chairman Hirschmann asked you made the recommendations for this policy.

Mr. Provencher answered yes. The additional language that has been added to the policy that is in front of you that is underlined. I started with the original policy that was in place and approved fairly recently by the Board. If I may give you a little bit of a history...

Chairman Hirschmann interjected I think a lot of the newer Board members need a history of the travel policy. We have had problems with travel. We tried to box this thing in rather than expand it.

Alderman Lopez stated that was in the past. This is moving forward. This is the document and these are the policies that are going to be in place now. I am not interested in what happened in the past. There is nothing we can do about the past.

Chairman Hirschmann replied what we want to do is create a defining policy, which he has done here, but at the same time we wanted to limit travel to a conference or seminar or going out and getting a new fire truck in Ohio. What we don't want is 10 department heads going up to Concord to listen to Senate Bill 404 and all putting in for a meal and mileage and whatever else. That is the problem that I don't want to face.

Alderman Lopez stated, Mr. Chairman, if they are doing their official capacity as employees of this City and going to Concord or out of town, they are entitled.

Chairman Hirschmann replied whether you are in Manchester or Concord, you are buying your own meal. You are making \$80,000 a year and you pull a \$20 bill out of your pocket and buy your meal. If you are in Ohio and staying overnight, it is a different story. Maybe you deserve \$40 to have a lobster and make a phone call home. That is all right. That is my opinion.

Alderman Lopez responded fine. My opinion is that if we are going to make a travel allowance for people who are traveling and doing business for this City I just don't know how you are going to say you are making \$60,000 so you are not entitled to a meal but we will pay your room. I think everybody has to be treated fairly.

Chairman Hirschmann stated what is not fair here is we don't have the existing policy and what is proposed here. We don't want anything under 30 or 50 miles even considered.

Mr. Provencher stated I would like to bring your attention to Page 7 of the policy. In the middle there is an indented paragraph with a bullet. The page number is at the top. If you look at that bulleted paragraph in the middle I believe it addresses some of the Chairman's concerns with reference to short travels and expensive lunches.

Alderman Thibault stated as long as it is approved by the department head, I have no problem with it.

Chairman Hirschmann stated I would be happier if it said travel outside of a 30-mile radius. I think if you look at the old policy, it was tighter than this statement here because the previous Committee did not want 20-30 people a week going up to Concord or somewhere and putting in for a meal and for mileage.

Alderman Thibault stated if it is authorized by the department head that 10 people should go to Concord, I wouldn't want them to come back home for lunch. I imagine they would have lunch up there.

Chairman Hirschmann replied they would have lunch up there just like they would have lunch in Manchester.

Alderman Thibault stated in Manchester they would go home probably.

Chairman Hirschmann asked, in corporate business Alderman Gatsas, do you...

Alderman Gatsas interjected don't ask me the question because you are not going to get the answer you want. Travel and entertainment is a reimbursed item for employees. If you are sending them somewhere to go do something and they have lunch there, even if it is six miles away, in private life you would be paying for their lunch. I knew you didn't want the answer that I gave you, but you asked the question. One question that I have is on the lodging on Page 5. Why did you come up with lodging should not be shared with other employees without prior written department head approval for special circumstances?

Mr. Provencher replied my personal feeling and I would be happy to get a second opinion on it, is that it presents too much of a risk to the City. Whenever you have two employees sharing the same room, it is one person's word against the other as to what, if anything, occurred in that room.

Alderman Gatsas responded I would certainly understand if it is a male and female. I would assume that they would both get separate rooms, but if you are sending two males I would think that unless there is...that almost sounds like even with the department head's approval we shouldn't be doing it. I don't think that should be in there. I think that obviously the department heads would have the scrutiny to decide whether their employees should be in the same room or not based on their department. I don't think that it should be something in writing that an employee can come back and say wait a minute I want my own room here because that is what the policy says. I think it should be up to the department head's discretion and it is not saying that. If you read it, it doesn't say that unless it is a special circumstance. What I am saying is that the lodging should be an open item and if a department head is sending two people to stay in the same room, unless it is a male and a female and then it shouldn't happen and I know where everybody is going with this statement but I am not going there. I think you leave it open for an employee to say the policy says that I can get a separate room at \$150/night for no reason except that I want my own room.

Chairman Hirschmann stated it is written to be fiscally conservative.

Alderman Gatsas stated if you are asking me what we do in private life, people share rooms. All I am saying is that I think you might want to change that so that it leaves it to the discretion of the department head.

Mr. Provencher stated my intent of revising this policy was solely to give myself a leg to stand on when I am disputing these charges with employees. I guess I tend to be tough on these expense reports. I try to match up dates and make sure that the time of day matches up to the meal they are requesting reimbursement for so that nobody is out there cheating. I think that with these revisions I can now go back to department heads and they can't come back and say he is a big eater so he has four dinners every night. That is the type of thing I am trying to avoid by making changes to the policy.

Alderman Lopez moved to change the language on Page 5, Paragraph 5B to read, "Lodging should be shared with other employees at the discretion of the department head." If a department head says that they are going to share a room because they are going to the same conference, then that is the end of it if it so applies and it is not a male and a female. Alderman Thibault duly seconded the

motion. Chairman Hirschmann called for a vote on the motion. There being none opposed, the motion carried.

Mr. Provencher stated I can revise the travel policy.

**TABLED ITEM**

8. 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.  
(Tabled 2/8/00)

This item remained on the table.

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

A True Record. Attest.

Clerk of Committee