

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

May 9, 2000

6:30 PM

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

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

Messrs: T. Provencher, R. Sherman, T. Parsons

Chairman Hirschmann addressed Item 3 of the agenda:

Discussion relative to recommended independent auditor.

Mr. Provencher stated essentially as the letter says we advertised a formal RFP and in addition we obtained a list of qualified firms from the NH Legislative Budget Systems Office. In that process, we sent out a formal RFP to approximately 13 specific firms and in addition we advertised in the various local newspapers. We received four proposals back. Two of them we disqualified immediately without opening the price component because we just didn't think they were qualified. They were smaller firms that had engagements with hours that ranged up to about 450 hours where the City of Manchester's audit is around 1,100 hours in total. So you take a big jump going from a small community to a large community and we thought that experience was necessary. That left us with Melanson Heath & Company and McGladrey & Pullen. Melanson Heath is less expensive. They are a local firm and they don't have as much overhead, travel expense, etc. that McGladrey would have and in addition they have also had this engagement for the last five years and I know there has been some questions about some of their work and it is my belief that McGladrey is a qualified firm. They are one of the 15th largest in the nation and you essentially get what you pay for. I realize that there is a fee difference.

Alderman Levasseur asked which one did you say was the better one.

Mr. Provencher answered McGladrey & Pullen.

Alderman Levasseur stated but you are recommending MHC.

Mr. Provencher replied no.

Alderman Levasseur asked are you recommending MP.

Mr. Provencher answered yes.

Chairman Hirschmann asked over Melanson Heath.

Mr. Provencher answered yes.

Chairman Hirschmann asked for what reason.

Mr. Provencher answered for a lot of different factors. One of the things is the fact that they have had this engagement for the last five years. Having been in the business myself, it is good to get a fresh set of eyes. You get stale and comfortable and there are things that they might not pick up on. The other big factor that influenced my recommendation was the fact that Melanson Heath uses a different audit approach than McGladrey does. Their approach is not to test the controls at the beginning of the audit, but rather test comprehensively the balances as of June 30 so essentially what that means in layman's terms is that McGladrey & Pullen will spend more time initially to make sure that there are checks and balances in the system to prevent problems and rely on those checks and balances to prevent the problems rather than just look at June 30 and test the balances for accuracy at that point, which I think would be extremely beneficial to the City because I would rather see controls improved and operational improvements throughout the City be implemented rather than just get a letter that says your June 30 numbers are right. We have qualified finance people on staff that should be able to tell us that without an audit.

Alderman Lopez stated you also said that they are familiar with the HTE system that we have.

Mr. Provencher replied they are. They currently have I believe five communities throughout the Connecticut area that are using HTE. I believe the largest one they have is Stamford, CT and they have assisted them in developing a policies and procedures manual.

Alderman Lopez asked do you think they can help us in that area.

Mr. Provencher answered absolutely. In addition to the audit side, they have qualified Information Systems consultants that you can call upon.

Alderman Lopez asked would they, for example, after they get into the audit and they couldn't use our HTE system because of some faulty thing would they notice that right away.

Mr. Provencher answered I believe so. Their being familiar with the system is definitely an advantage. With a firm like Melanson Heath, we are the only clients they have that use HTE.

Chairman Hirschmann asked is this, in fact, a five year agreement.

Mr. Provencher answered it is actually a three year agreement with a two year extension option.

Chairman Hirschmann stated I don't want to get into the same boat we are in now.

Mr. Provencher replied obviously that is under the discretion of the Committee as well. It is a contract.

Alderman Thibault asked with the HTE experience they have does that mean that they possibly could come into some of the departments that we still seem to have some problems with and correct the problems.

Mr. Provencher answered I am certain that they can provide assistance in the area of helping our departments with issues that other communities have had. All of these communities that purchase HTE go through similar problems as they implement it. That experience that they can draw on from their experience with other clients is definitely a benefit to us.

Chairman Hirschmann asked is Stamford like us, decentralized.

Mr. Provencher answered that I don't know. My guess is no. Scott Bassett from McGladrey & Pullen is here this evening if you have questions for him.

Alderman Levasseur asked are the prices firm.

Mr. Provencher answered yes. All of these are fixed fees, including all out-of-pocket expenses.

Alderman Levasseur asked where are they located.

Mr. Provencher answered New Haven, CT.

Alderman Levasseur asked are we going to be charged for them to come up.

Mr. Provencher answered obviously they will be here for the duration of the audit. Beyond that, it will probably be phone calls and faxes but included in that fee is all overnight accommodations and travel.

Chairman Hirschmann asked what is excluded. Anything?

Mr. Provencher answered consulting work or work that would be above and beyond the normal scope of a traditional audit. If they were to come in and everything was in complete disarray and if they weren't given the information that they were supposed to receive in the beginning then clearly I think they would have a position to come back and ask for more money.

Alderman Levasseur asked with MHC how many times have they gone above those numbers.

Mr. Provencher answered to my knowledge they have been firm, but I don't have a long-term history for that.

Alderman Levasseur asked so this new auditor will come in and start from scratch. He will not be using materials that will be given to him from the other company, right? So we are getting a completely new person and new company coming in and doing a complete audit from scratch?

Mr. Provencher answered well yes and no. Professional standards will require that they actually go and talk to the former auditor and review their work papers, but is that going to be the base for their audit, no. They will go through and do their own internal control testing, their own documentation of the system and how it is operating and they will also assess their risk factors and what they think is an issue based on discussions with the City employees and also their professional judgment.

Alderman Lopez asked is this an external or internal audit.

Mr. Provencher answered this is an external audit only.

Alderman Lopez asked you being the City auditor, are you under the control of them.

Mr. Provencher answered no, I wouldn't say that I am under the control of them.

Alderman Lopez asked would you guide them or watch them.

Mr. Provencher answered I would be their key contact person.

Chairman Hirschmann asked when they go over the balance sheets will it include the Enterprises, just not the School District.

Mr. Provencher answered yes. This includes everything Citywide with the exception of the School District.

Alderman Levasseur moved to approve the recommendation of Mr. Provencher and select McGladrey & Pullen to perform the external audit for the City.

Mr. Sherman stated it has been traditionally in the past that before you take this vote I can take all of the Finance people out of the room so that you can talk to the auditor if you want to ask him some questions that you don't want to ask in front of the Finance staff.

Alderman Levasseur stated I would like to meet the auditor since he came all the way here.

Mr. Bassett stated I am from McGladrey & Pullen. Just a little bit about myself. We do a lot of the major cities in Connecticut and we are starting to branch out a little bit into New York and different parts of New England and I spend about 95% of my time working on governmental clients. It is my specialty. My people are trained in it and McGladrey & Pullen is probably the seventh biggest accounting and auditing firm in the country. Throughout the country we have done over 500 audits. We don't bid on every job, but one of the things that I liked about Manchester was the fact that there is a lot going on. You have the Airport that is a major issue and things like that so it is a City that really I think as you go out to the bond markets and things to have a national firm with you would be important. From my due diligence, I thought it was a good engagement to bid on and I think we can bring a lot to the table for you. Todd mentioned our experience with HTE. My consulting partner has done extensive work with that. Everyone has had problems. You are not alone in that. The city of Stamford went to HTE about three years ago and they are doing well now so there is light at the end of the tunnel with that. We are here and as questions come up you can contact us. Connecticut seems like a long way away, but it was two hours for me to come up today and that is not bad. Stamford is two and a half-hours when I go there. It is a commute and my guys will stay up here overnight, but if you need me here I will make sure that I make every effort to get here.

Alderman Lopez welcomed Mr. Bassett. One of the things that probably has been an oversight that maybe your company can look at and I am sure you will is revenue that we were supposed to receive from contracts. Does your company require that all contracts be presented that pertain to revenue?

Mr. Bassett asked are you talking about contracts with an outside vendor or third party.

Alderman Lopez answered I am specifically saying that we have contracts with the parking garages that we are supposed to receive revenue from. Do you get into those?

Mr. Bassett stated what we try to take a look at any time you are dealing with cash in a decentralized situation in which you have off site cash collection agencies, we go and take a walk and visit those and then go back and make sure that the cash is being deposited on a timely basis. If that was not happening, then that would be a comment that you would get from us. Now the first year through we hope to hit probably...we try to get every cash collection agency that we can. If there are some minor ones, we might not get those but if there are some material ones like a parking garage, we would take a look at that and then come back and revisit those same items on a year to year basis. Any time there is any type of revenue, we will take a look at it but again we go back to our opinion as far as it being materially correct. As Todd mentioned, we do take a look at controls and how they relate to that.

Alderman Lopez asked you actually look at the contract then.

Mr. Bassett answered we would. It depends on the materiality. If it was a specific contract and you gave me the direction to go ahead and do that, I would take a look at it.

Alderman Lopez asked who would give you that.

Mr. Bassett answered this group of individuals here. There is an audit committee.

Alderman Lopez stated let me give you an example. We have a contract with a company and we escalate the price every year. How does an auditor know that unless he looks at the contract?

Mr. Bassett replied we would have to take a look at a contract. They are paying you X amount of dollars based on a specific formula and we would take a look at that contract to make sure that they are following that formula.

Alderman Thibault stated again I would like to welcome you here. This is something that we look forward to. Having served on the Board in the past, I know how important it is to have a reputable firm behind us whenever we go out for bonding or anything like that. I think that is a big plus for the City. I just hope that some of the things that Alderman Lopez just touched on were some of my other questions but I think that it is a step in the right direction for the City and I hope that we can continue this and we get all of the proper information and then when we do have to go out for bonding or whatever we have the proper figures before us and know what we are doing. I welcome you here and hopefully this will be a good working relationship.

Chairman Hirschmann stated I am sure you will see this Committee again next year. Did I hear that it was an 1,100 hour undertaking?

Mr. Basset replied the first year is going to be more than 1,100 hours but that would be time that I would absorb because it is a long-term contract. I would say the first year is probably going to be 1,400 or 1,500 hours.

Chairman Hirschmann asked and your findings would result in a management letter.

Mr. Bassett answered Todd mentioned a CAFR. We do quite a bit of CAFR's. When I take a look at your report, you are there. I don't see any reason why you wouldn't submit it for that award through the GFOA if we can get it in time for the deadline, which I think we will. There is some work that has to be done from the Finance side, but your report is...my report will be in accordance with GAAP and everything else is yours. I have no problem sending my report to any type of review committee.

Chairman Hirschmann asked if there are material findings you have to come back and then there will be extra fees and charges.

Mr. Bassett answered we would report them to you and the direction that you take to correct those is up to you. We could assist with those or Todd's staff could assist with those but it is my duty to report them to you and make sure that you are aware of those.

Chairman Hirschmann asked would you be our personal liaison.

Mr. Bassett answered I would be the partner and I would be signing the opinion.

Chairman Hirschmann asked do you frequently work with NH RSA's.

Mr. Bassett answered we have to take a look at your report and some of the grants and things that you utilize. The one thing that is difficult is the School District coming out of the statements and how that affects your financial statements and how they look. That is the unknown out there this year. As far as general accounting standards, obviously I am going to rely on Todd to give me some direction but anything we are going to have to get familiar with, we will.

Chairman Hirschmann stated well I think you are going to have the support of this Committee for the agreement. What I would like to say to you is I think you will find undying support from everybody here that we want to remain a AAA or AA credit rating City and this little separation of School and City we don't perceive as a negative thing at this point. I think that we really want to put our best foot forward financially and we hope you can help us out.

Mr. Bassett stated I don't know how frequently this Committee meets but what we like to do is maybe on the next agenda we could sit down because there are some questions that I have to ask you and maybe then if there are some areas that you want me to take a look at you could let me know.

Chairman Hirschmann replied we would welcome that.

Alderman Levasseur asked when is the audit done.

Mr. Bassett answered it would start the first of September but I would probably be here during the summer to do the internal control work and documentation.

Alderman Levasseur stated I want you to know that this Committee and especially myself don't like anything sugar-coated at all. We want it straight from the heart. We want to know what is going on. Four of us are new to this process and there is a lot of transition in more ways than one with the civic center coming on and such. There are a lot of big things going on here and whatever you see we need to rectify because I don't want to put things off. We need to know right away and this Committee is very serious about trying to maintain as many controls as possible. I have a question for Randy or Todd. As far as the last numbers from 1999/2000, the audit was done and can we chargeback to the schools on that for the internal audit. Are we getting a chargeback on that?

Mr. Sherman replied we will for 1999.

Alderman Levasseur asked has it already been added into that column for chargebacks from schools.

Mr. Sherman asked for the FY01 budget.

Alderman Levasseur answered for the FY00 budget. The one we are in now.

Mr. Sherman replied yes.

Alderman Levasseur asked and it won't be in for FY01 because they are going to be separate. They are going to have their own external auditor?

Mr. Sherman answered yes and they have in the past. They have actually used the same auditors that the City has used, Melanson & Heath, but they have had a separate audit done for them.

Alderman Levasseur stated I am one that doesn't think this divorce is good for the City. I honestly think that keeping an eye on the whole thing is better than keeping an eye on half of the thing. I would like to know what is going on throughout the whole City personally. I would like to know, especially with insurance and stuff if they want to go in different directions than we do and I think that obviously the best way to save money is in bulk purchasing power and in numbers, but I guess we don't have any control over that.

Alderman Pinard duly seconded the motion to approve the recommendation of Mr. Provencher and select McGladrey & Pullen to perform the external audit for the City. Chairman Hirschmann called for a vote. There being none opposed, the motion carried.

Chairman Hirschmann addressed Item 4 of the agenda:

Review of "Audit Committee Guide for Public Sector Entities."

Chairman Hirschmann addressed Item 5 of the agenda:

Review of Auditor's Report on Aggregation Expenses.

Mr. Provencher stated a request was made of me to validate or give the Aldermen some sort of sense that everything that was going through the Aggregation Program was on the up and up and funds weren't being expended inappropriately or anything like that. What I have done is prepared a report and I want to say that our testing was limited to testing expense information and if it was legitimate. So, essentially what we did in our process was go through historical expenses to validate a spreadsheet that Tina Parsons, the Manchester Aggregation Program Administrator, had developed indicating total cost to date through, I believe, the

end of February. In the process of testing this information, we went back and I believe we ended up with around 86% coverage of all of the invoices that have been accumulated to date. In that process, we did not find anything that was inappropriate or otherwise with the various costs and even the expenses by year were within the Board's resolutions, etc. I don't know if you had specific questions.

Alderman Thibault stated we have three new members on the Board that are on this Committee. I would just like them to be informed as to what goes on with this Aggregation Program. If, in fact, the City opted to get out of this I want them to understand, especially the three new members, that there is a great possibility that we would lose all of the investment in that.

Mr. Provencher replied yes.

Alderman Thibault stated I would like them to understand that and then I would like them to understand why we should keep going with this thing in order to recoup or money or most of our money back. If you could talk to that a little bit, it would really inform these three new Aldermen...I was on this from the beginning and that is why I wanted to bring this out so they can be on the same page as I am and know what goes on with this. We have invested a lot of money in this. I just want to be sure that because somebody is uninformed that we scrap this and we lose \$1 million or close to that.

Alderman Pinard asked how much do we have invested in this.

Mr. Provencher answered as of the end of February, it is approximately \$2.1 million. Essentially what happened, I mean this spans a number of years but starting in 1995 because of the electric deregulation process Manchester and some surrounding communities had an opportunity to participate in a pilot program where they purchased electricity directly. In that process, during this pilot program which has lasted not quite two years I believe, the average customer within the Aggregation Program saved approximately 22%. From there, it got a little bit more legislative.

Alderman Thibault stated Alderman Wihby at that point was involved in that and so was Alderman Cashin and they saved like 22% or 23% on their electric bills being part of this pilot program.

Chairman Hirschmann stated that was the pilot program in 1996.

Mr. Provencher stated if you look at the report there is a schedule in there on essentially the 1996 and 1997 years and I believe the early portion of 1998.

Chairman Hirschmann replied your findings are accurate and it shines a good light on our Finance Department because the information that Randy Sherman and Joanne Shaffer and Kevin Clougherty have provided us show the numbers to be right where we expected them to be. The only thing that we can say is philosophically we may not be happy with this program, but audit and finance wise it is right where everyone expects.

Mr. Provencher responded I would like to continue for just a moment because I think it is important to distinguish that the years 1996 and 1997 are expenses incurred for the pilot program. Those are essentially out of the picture now. From there on, there are some opportunities to recoup the costs. There was discussion regarding HB404 to get reimbursement from the State for some of the fees incurred by the City, etc. That may come up in the next session as well. The intent from 1998 on is that all of the costs that have been incurred will be refunded to the City through fees charged to customers once the program is up and running. I understand everyone's frustration and the fact that because of the court issue and everything else that it has been an extended period of time and each year it is maybe next year or maybe next year, but all of those fees will be recouped from that point on so you are really looking at around \$600,000 of lost expense and the balance should be recoverable.

Alderman Thibault asked what about the new thing with the Governor now that has gotten to the electric companies and they have, in fact, come down on their prices and stuff. Doesn't that effect that?

Mr. Provencher answered I think it does. I am by no means an expert in that.

Chairman Hirschmann stated it is not deregulation.

Alderman Thibault stated but it is a deal that the Governor has made with the electric companies that I think is going to effect our bottom line here.

Chairman Hirschmann replied until deregulation happens, we are not going to get any money back.

Mr. Provencher stated the current settlement agreement that is before the Governor and the Legislature impacts this program.

Chairman Hirschmann stated in truth the settlement agreement and deregulation are separate.

Ms. Parsons replied they are what will get us a program.

Mr. Sherman stated competition is what will allow you to aggregate and start the program.

Alderman Hirschmann replied and more or less guarantee that we will recoup our money the way I understand it.

Alderman Lopez stated let me jump back to your statement that 1996 or 1997 was when the Enterprise system gave money to start this program they were also informed that they would get this money back and now you are saying that the Enterprise system will not.

Mr. Provencher replied if there was a special arrangement with Enterprise funds to recover costs, I am not aware of it.

Alderman Lopez asked do you know, Randy.

Mr. Sherman answered if that money is recouped, the Enterprise funds will get their money back.

Ms. Parsons stated to expand on that question, there is remuneration that we may or may not recover from the State. It may not be the total amount of money that has been spent in the restructuring process. So, whatever ratio of the total dollars that we spent to what was put into that pot if you will from various Enterprise funds...there is also \$250,000 from the City of Nashua and \$16,000 from the City of Keene so however that comes back to the City I would expect that we would give that same percentage back to those entities as well.

Alderman Lopez replied absolutely. I totally agree with that. As long as everybody gets their money back.

Ms. Parsons responded if it 100% then it will come back at 100%. The only other thing I explained to Todd is that as that goes through and the legislation goes through the House you may not see all of that in the first year. You may or may not. It may come in as it is collected from ratepayers over a three year period, but that will be for the Commission and the Legislature to determine if, in fact, they decide to give back money to interveners.

Alderman Lopez asked is there a possibility that it could be 10 years before we recoup all of the money.

Ms. Parsons answered I don't believe so. I believe that what they will do is they will come up with a funding formula if, in fact, they are going to give serious interveners their money back. It will be in a short period as opposed to a long period.

Alderman Thibault asked it will be a two-year period won't it.

Ms. Parsons answered I hope so or at least perhaps to match the transition service period where they are giving people an opportunity to learn about competition and get used to picking suppliers.

Alderman Lopez asked am I correct in saying that if we jump ship we have to make-up the money because there is no revenue there yet. Is that correct? Could you explain that to me?

Mr. Sherman answered you have a deficit in the Aggregation Fund. The dollars that were spent in 1996 and 1997, the Enterprise paid for and that is a done deal. That is assisting the Aggregation Program. The way the statute is written, it says that there can be no taxpayer increase. The only people that can pay those dollars are participants in the program. So, we kind of run into a legal quandary here on whether well if the program never starts can the taxpayers pick it up or do we just kind of sit there with this negative that we will never be able to get rid of. My feeling is that what the Solicitor will tell us is you don't have a program, therefore, the taxpayers can pick it up. If you throw this program away and never aggregate and never start collecting these fees, you are going to have this \$1 million deficit there and that would have to come out of the general fund. That would be the only place to get those dollars.

Alderman Lopez stated the audit said that we have to watch this deficit very, very carefully.

Chairman Hirschmann replied that is what I want to speak to next when you are done.

Alderman Lopez stated so if at some point we have to watch this at what point and I know nobody probably has the answer but, Tina, you seem to be the expert in running this whole show so at what point are we concerned with...how long are we going to go beyond the \$1.1 million or \$1.2 million before we say hey wait a minute let's get the heck out of here and jump ship.

Mr. Sherman replied Tina and I started this three years ago. When we went through the legislation and set-up the Aggregation Program, the first year we had \$1 million budget. We had calculated that the average participant was actually going pay less than 50 cents for the Aggregation fee. We were looking at just residential at that time. With only getting 1/3 participation in the program, we would be able to recoup that \$1 million in one year. So, after three years we were really only at that \$1 million mark. I think what the auditors are trying to say is what you don't want to do is get \$6 million in the hole and then be spending \$1 million a year and only be able to collect \$1 million a year and you don't want to get so far ahead of yourself that you are not going to be able to recoup. Now they understood that while maybe you will collect \$1 million and spend \$500,000 in the next year you will be \$500,000 in the hole and then after a couple of years you will catch up. The point that they were trying to make is don't let this train get so far down the track that you can't control it. Now at this point, we are \$1 million in the hole and some of it comes back from pure reimbursement and some of it will actually go back into the MAAP. She will actually be less than what we calculated one year's worth of Aggregation to be. Now again that was based on 1/3 participation. When we did the pilot program we were at about 70% of those that actually chose. A lot of people got in the pilot program that didn't do anything, but those who actually got in and did choose, chose MAAP. 70% of them chose MAAP. If we have that type of participation, it is not going to be 50 cents, it is going to be 25 cents. Then again we have talked to Bedford and Londonderry and as you bring in more communities, that lowers the fee.

Chairman Hirschmann stated this is my second term as Chairman of this Committee and having external auditors come in at the end of the year and give management a presentation and I don't know what you call them – material findings, and they say that one of their top 10 issues were that the Aldermen should reign in and control those costs. They never said the words shut down the program and cease and desist or anything like that. So, the focus has been to try to pare things down until there are adequate revenues and until there is legislation enacted to create these revenues so I have been a bully and I have been tough and mean to everybody because my philosophy is if an auditor that we are paying lots of money to to give us findings tells us to do something, I am charged in my capacity as Chairman to do that. I think it would be neglectful on my part if I just completely ignored the management letter of the City and said yes, Tina, let's budget \$800,000 this year, \$800,000 next year and so on. Last term, Alderman O'Neil and I really started asking why there is so much money being expended and that is when we found out about the \$50,000/month consultant bills for testifying up in Concord which we really didn't know because we are in tune to a lot of other things, but somebody in the program knew what was going on and that there was no wrongdoing but because we weren't informed it excited the Aldermen and only

gave credence to the audit finding that gee there is a big flow of money going out every month. I think that maybe this Governor is close, but I was told by Kevin Clougherty in 1997 that things were close. You ask Aldermen how long they are going to let this go on? It is up to us to decide and make reports to the full Board that we keep this thing alive. You saw me at the full Board level trying to pare down a budget for the Aggregation Department so that Clerks and people aren't put on unless they are needed. I know that is not going to happen.

Ms. Parsons stated I would like to think that we have been responsible.

Chairman Hirschmann replied you have been.

Ms. Parsons responded if you look at the budget the biggest chunk is in the consultant fees.

Chairman Hirschmann stated my whole resistance is for purpose. This auditor came before us and he is going to be coming in with another management letter next year and he is hopefully going to tell us you are curbing those Aggregation costs and you are getting some revenues.

Alderman Thibault stated I want to reiterate what you just said because I think that is something that the Board just did a few months ago and I applaud you for coming up with that idea. I think that is a good point. For us to start scaling down what investment we want to put into this just like what Mr. Sherman brought up before, I think is a good point. All I wanted to let the new Aldermen know is that if we just jump ship there is a good chance that we are going to lose everything we have put into this.

Chairman Hirschmann replied I don't think we are going to do that at this point.

Alderman Thibault responded there has been some talk on that by several Aldermen. I just want them to know that as long as...now that you have scaled this down to a point that I think and Frank Thomas is very aware and so are you Tina that we are scaling this down and holding our own, if you will, I think there is a good chance that the City will recoup most of its money back and I just wanted you guys to know that.

Mr. Provencher stated I just want to make a couple of quick points. The bulk of the expenses that you have incurred to date have been legal and consulting, testifying, drafting legal documents, etc. and the bulk of that is complete. You are not going to continue to see rapid growth in legal and consulting fees like you have in the last few years. To address another point and I understand your concern about keeping a reign on program expenses but I think there is a fine line between

budget versus the need because of the fact that this program can take off at any point. Tina may come before the Board and request \$800,000 when their actual operating needs are only \$160,000 but should the program get up and running in the middle of the year they need to have appropriated monies. I think it is completely reasonable to have restricted items that have to come back to the Board to expend but I think that money has to be available for when this thing does get up and running.

Chairman Hirschmann replied I think we all realize that now.

Alderman Pinard asked, Tina, is there going to be anymore testifying at the public hearings at the PUC.

Ms. Parsons answered if you are asking me if the process is still ongoing, the response to that is yes. As a matter of fact, next Wednesday there are hearings.

Alderman Pinard asked do you have an idea of how much more money is going to be asked for.

Ms. Parsons answered I don't imagine a dime. I can't imagine getting any permission from this Committee or the full Board.

Chairman Hirschmann asked Ms. Parsons if she wanted to talk about the dam.

Ms. Parsons answered yes. There are three or four new Aldermen on the Board who have never heard the presentation.

Alderman Lopez stated I don't like vocal chords. If you want to give me something on the dam, give it to me in writing.

Ms. Parsons stated the offer that we made to PSNH is confidential because it is negotiable. Randy has prepared that.

Alderman Lopez stated I think there is a lot about the dam that we don't understand. There is a philosophy and I know that I have the philosophy that we shouldn't be getting into a lot of these private enterprises but if I can be convinced that it is beneficial to the City that is one thing. When we get into Enterprises, it seems to cost us a lot of money so I am a little worried along that line. Between Aggregation and the dam and electric you need all of these experts like we need this guy who tells us about the audits in clear reports that we, as lay people, can understand it. Some of the documents that I have read about the dam and Aggregation I don't even understand what they are talking about. When you read the document for the civic center you need to be an engineer, a lawyer and

everything else to really understand it. Unless you have heard it in layman's terms, that is what I am talking about.

Ms. Parsons replied I can tell you because I said this to Frank, you have sliced and diced this in so many directions trying to find the right approach and even spending time with Todd and Kim to try and bring them up to speed on what the intent of the program is. All I can say is that sometimes my biggest fear is that we will become successful and I won't have enough time to get...the whole onus here was that we wanted to be ready for deregulation and as you pointed out it was supposed to be January 1, 1998 with a drop dead date of July 1, 1998 and that was the whole purpose, to be in front of the issue instead of behind it recognizing that the best deals would be the first deals. Unfortunately in New Hampshire there are communities in New England going ahead of us and scoffing up all of the good deals if there was going to be such a thing. I believe truly that the policy decision made by the original Board was a good one, that there are protections for residents who are low income, fixed income and small business owners like Alderman Levasseur are going to be protected in "purchasing" and they were talking about it again today at the Legislature. There is no question that I hope we scare ourselves with our success.

Alderman Lopez responded I hope you are right. You are very enthused and I hope you can enthuse others on this Board.

TABLED ITEM

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)

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

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

Alderman Levasseur stated last night I sat through a Finance Committee meeting with the Library and what I went through last night and what I saw from that department completely appalled me to no end. I saw something that I would never have believed in my life. I saw his second person in control that was working with him, I watched their faces go back and forth. They had no idea what they were looking at. They didn't have a clue how many people were working for them. They didn't know where the security guards were coming from money-wise. I

asked him where his education came from and he said I have a Master's Degree in History. What is he doing with a Master's Degree in History in charge of \$2 million or \$3 million budget at the Library and not knowing what the numbers are? There is \$60,000 extra and they couldn't figure that out if their lives depended on it. I would suggest that we get our internal auditor over there before we make any decisions on what we are going to do with that budget because I don't think they have a clue what they are doing with their budget. I was appalled by their presentation.

Chairman Hirschmann stated as far as internal auditing at this time, Todd, are you in the middle of one, two, three, four or five of them.

Mr. Provencher replied we are currently doing Payroll and Fleet.

Alderman Levasseur stated we are not really dealing with any kind of cuts or any kind of appropriations for those departments and this has to be done before June 1.

Alderman Lopez asked I am trying to understand why Todd would go over and straighten out the Library's budget. Do you want him to go over their revenue? He is not supposed to do that. Do you have something specific you want him to do?

Alderman Levasseur answered I want that department audited.

Alderman Lopez asked for what reason.

Alderman Levasseur answered to make sure that what they are saying is true.

Chairman Hirschmann asked, Todd, how long would it take to go into the Library and come up with an audit.

Mr. Provencher answered it really depends on the scope of what you are looking for.

Chairman Hirschmann stated like you did the test samplings for...

Alderman Levasseur asked how long has Mr. Brisbin been running that department.

Alderman Lopez answered nine years.

Mr. Provencher stated the Library is included with the audit of the general fund.

Chairman Hirschmann stated what I would look for is maybe it is time that we ask you to come up with a schedule for us showing a timeline. Today I made a few phone calls on my own. Aldermen don't just work at night. We are on the phone all day long and I got into a little communications audit of my own.

Alderman Lopez asked, Randy, if I recollect under the City Charter and in doing the City Charter do the trustees over at the Library come under State law.

Mr. Sherman answered technically the Library is not part of the City. They actually have the ability to come up with a budget, say this is how much we are going to pay out of trust funds and come to you and say you are going to give me the rest. Technically, you are really stuck with that. However, they have never used that ace in the hole that they have. They have been very good in going through the same budget cuts that everybody else has but they are governed by State Statute. We have always kind of said, well, that means you are not City employees.

Alderman Levasseur stated 98% of the money they get from us. \$35,000 is from the trust.

Mr. Sherman replied I think the \$35,000...

Alderman Lopez stated I understand where you are going. I am just trying to put it into perspective so that we are not just jumping the gun here. I think that Todd had a very good point. What do you want him to do?

Chairman Hirschmann replied that is why I brought up maybe a time that he comes to us or the Finance Department comes to us and says that we would recommend a schedule of these 20 actions over the next 20 months or whatever timeline would be appropriate.

Mr. Provencher responded I would be behind that 100%.

Chairman Hirschmann stated so that we are not charging on you...every month I know that you are getting a little taxed. It is only because it is budget season. Last night we got into telephone expenses and I am not saying that it would help for you to go in and tell us about all these phone expenses, but I asked Info. Systems for a print out and found out there are 660 phone lines so yes I am going to give you all a report. What I really need isn't an audit, it is more of someone consulting saying for this many bodies in this department you need this many phone lines. The Library has four fax lines, lots of voice lines and data lines and

Internet signs and all of this stuff. Their phone bill is \$18,000 and I was astounded.

Mr. Provencher replied like I said I would be behind an audit schedule that was approved by this Committee 100%. It would straighten out my life.

On motion of Alderman Lopez, duly seconded by Alderman Pinard, it was voted to have Todd Provencher and the Finance Department come up with a schedule of internal audits.

Alderman Thibault asked, Randy, has not the Library had several fundraising things in the last nine or ten years. They do a lot of fundraising.

Mr. Sherman answered when he said \$35,000, I think that was rental fees and when they sell their books. I think that was the \$35,000. I haven't personally looked at their trust fund information recently, but I think that the trust funds are actually much more than that. We do have that information and we can certainly provide that to you.

Chairman Hirschmann stated it doesn't help us because it doesn't come back to the general fund at all.

Mr. Sherman replied if you have last year's financial statement and you go towards the back there is a section that deals with trust funds and you will see that there is one for the Library so you can actually see what they spend.

Alderman Pinard asked Todd if he could spend a few hours over at the Library to see what is going on.

Chairman Hirschmann stated I don't want to send the wrong message to them that we are sicing an auditor on them.

Alderman Pinard stated we have to do something.

Chairman Hirschmann replied we went with the motion of putting a schedule together and let's stick with that. The fact is that we will do it, but let's not do it the day after we reviewed their budget.

Mr. Sherman stated just as another side, Alderman, your concern about the finances I think we have that concern in a lot of departments. Keep in mind that a lot of the departments are charged not to do finances so the person who types the letter, does the fax and answers the phones is also doing their finances and when push comes to shove it's I am going to do a library service before I am going to do

my finances because that is what my real job is. When I talk to somebody like Fred Rusczek he says I don't want to worry about my bills, that is not my business, I want to do health service. So we have those issues where you have departments doing things...

Alderman Levasseur interjected but you have other departments who have business guys working in them and when they come to us they are professionals and then you have these guys that don't know what is going on. We have to change the system.

There being further business to come before the Committee, on motion of Alderman Pinard, duly seconded by Alderman Lopez, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee