

COMMITTEE ON ACCOUNTS, ENROLLMENT & REVENUE ADMINISTRATION

November 13, 2001

Due to the absence of Chairman Hirschmann, the Clerk called the meeting to order.

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

The Clerk called the roll.

Present: Aldermen Hirschmann (late), Levasseur, Pinard, Thibault, Lopez

Messrs: K. Clougherty, K. Buckley

The Clerk noted that Deputy Solicitor Arnold submitted a letter regarding Item 4 (f) on the agenda. He apologized for not being able to attend and informed the Committee that he is in the process of reviewing the listed accounts and will report back to the Committee at a future date.

Chairman Thibault addressed Item 3 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting monthly financial statements for the four months ended October 31, 2001.

Mr. Clougherty brought the Committee's attention to the Welfare line item, noting that they have already obligated over 50% of their budget for the year.

Chairman Hirschmann arrived at the meeting.

Alderman Lopez moved to inform the full Board of Mayor and Aldermen about the Welfare Department...

Chairman Hirschmann asked Mr. Clougherty to reiterate.

Mr. Clougherty stated on Page 1 of the financial statement where it lists out the expenditures to date by department if you take a look at that the Welfare line item, they started the year with \$1,461,000. They have already spent \$929,000 so they only have 1/3 of their budget left. That is a concern. As we have told the

Committee before, we thought this might be an issue and if it was we would step forward. Obviously, we would have liked to have delayed it as much as we could but with this number at the end of October I would be asking the Mayor to come in at the next Aldermanic meeting with a directive to the City departments that they are going to have to cut back their budgets to make up somewhere around \$1 million or \$1.5 million to make sure that we have enough to cover those expenses. Also along those lines I am going to have Kevin go over there next week. This may delay some of the other things he is going to talk to you about but I think it is important that we get a lay of the land in terms of what the flow of funds have been here so that if there is some type of a procedural change or recommendation that might help stop the bleeding that we can bring that back to the Committee as soon as we can.

Chairman Hirschmann stated what I am going to address is the department head herself wrote a letter and showed her concern first and I want that on this Committee's record. She actually came to the full Board and sat through the meeting and I asked if she wanted to be recognized and she said no she would sit there in case someone had a question. No one asked her a question. This isn't anything brand-new and I want that on the record as well. We have known about this. This isn't anything that Susan Lafond created.

Alderman Levasseur asked, Kevin, have you looked at her appropriation.

Mr. Clougherty answered we have been looking at the different line items and tracking them to see what the big hits are. Obviously, her biggest line items are rent and given the economy that is where a lot of the expenses are. One of the things we might have Kevin look at is is it all going to the same type of hotel...is there any way at all, any analysis that can be performed...

Alderman Levasseur interjected the analysis I am looking for Kevin is if she has already spent this much and we are not even into the winter months she is in real trouble. Are you looking at...when you did the comparisons later on where was she at last year?

Mr. Clougherty replied again it is not a good comparison because last year we weren't in a recession. You really almost have to go back to 1991 and that is where we had asked...

Alderman Levasseur interjected when you say recession you mean that there is more claims being made on the Welfare side.

Mr. Clougherty responded right. When there is a tough economy and people are getting laid-off...you take a look at Berlin for example. People in Berlin don't go

to the Berlin Welfare Office. They come down to Manchester to see if they can find a job and in the meantime they try to get benefits. I think we have to do some analysis as to what is contributing to this.

Mr. Buckley stated I have looked at the employment figures for up to September for the last 10 years on a month-by-month basis today and we have over 4,000 people unemployed at this point as of the end of September. The last time we had that many people was in 1996 or 1995.

Alderman Levasseur asked did you check to see how many we had unemployed last year at this time.

Mr. Buckley answered about 2,500.

Alderman Lopez stated first I want us to go along with my motion to notify the Board of Mayor and Aldermen on that particular item. I am curious with a new Welfare Commissioner coming in are we sending Kevin over there to do a complete audit? What are we doing?

Mr. Clougherty replied it wouldn't be a complete audit. It would really be to just go over and do some sort of an analysis on expenditure patterns to see where the dollars are going and what line items are being hit and how the money is being spread out among the vendors and things of that nature.

Alderman Lopez stated while I know that the Welfare Commissioner is going to want a complete audit, who does that.

Mr. Clougherty replied we could have Kevin do that if that is something the Committee would like. It will take a little bit longer, but certainly he can go in with the idea of doing that. Now if this is a priority and he does that, that will affect some of the other things that we were going to talk about, which is some of the other projects. Certainly we could have Kevin start on that.

Chairman Hirschmann stated it would make sense seeing that the current Commissioner has been in office for 16 years. It would give the opportunity to the new Commissioner to have the lay of the land in his department.

On motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to have the Auditor do a complete audit of the Welfare Department.

Alderman Thibault stated several months ago it seems that Susan Lafond came in here telling us that if the trend continued the Board would have a problem with that because she could tell at that point that there were already some major

problems. I just wanted to let everybody know that she already told us that she was expecting a problem. At that point, did you and the Mayor decide to try to do something to curb some of that?

Mr. Clougherty replied yes. We talked to her about her different line items to see if there was some type of a trend or if that was some type of an aberration that was happening just during that period. You have to remember that July and August when we were looking at that, then you had the September 11th hit and that exacerbated everything. There were some other factors that I think we need to do a chronology of but we can't ignore it. We have talked about it and my bringing this up is by no means an attempt to slam Susan. It is just that we have an issue here and we need to move forward with it and my recommendation was to have Kevin go over and look at that. If you want to have a full audit, that is fine with me.

Alderman Thibault stated I agree with that also because she is leaving and we have a new man coming in. I just wanted to get on the record that she did make us aware of this four or five months ago that there was a major problem coming up unless the trend changed and evidently it didn't.

Mr. Clougherty stated the other item that I would point out in the financials is on the revenue side.

Alderman Lopez stated I have one more question on Page 1. Kevin, you are not concerned with Elderly Services?

Mr. Clougherty replied no Elderly Services is traditionally low because they pay their rent and encumber it and that is why their percentage is lower. You see a similar thing with Public Building Services because they are at 27%. Again, that is all of their encumbered contracts that they do right at the beginning of the year. We will go back and take a look at that but my recollection is that is her rent and that is why it is low. On the revenue side, if you take a look on the last spreadsheet there on the budget basis, you can see that auto registrations are still doing well. Interest income is way off as would be expected. Right now the investment rates are the lowest I have ever seen them in 27 years. They are down around 2% and in some cases less than 2%. On the other hand, we have just done our bond issue. We have done the refinancing. We had some proceeds and we will be investing more dollars. Tax bills will be going out. It is hoped that we might be able to recover some of those dollars too. On the revenue side at this point we are holding our own but that is not to say that we might not as part of this action ask for a little more restraint on the expense side just in case things do turn. If we do see things turn sharply on the revenue side we will have to come back and make a further adjustment.

Alderman Levasseur stated first of all 84.95% unrecognized total inter-governmental...that is for six months.

Mr. Clougherty replied a lot of those dollars come in later in the year and they are formula based. This is through October.

Alderman Levasseur asked what about Parking Violations.

Mr. Clougherty answered remember the reason that the Board increased the parking violations was with the expectation of the civic center, which again we expect would be in the last quarter.

Alderman Levasseur asked so you think you are going to collect more in the last quarter.

Mr. Clougherty answered yes.

Alderman Levasseur stated it seemed like it was low.

Mr. Clougherty replied again if for some reason we don't hit our numbers on the tax dollars or the interest income or some of these, that is why you have your rainy day fund. We are in a recession. You built a rainy day fund in case revenues tank because of economics. If we have to, we will use that. The credit rating agencies don't like you to use it when there are good times but they certainly understand and I think that most of the States are tapping into their rainy day funds right now because at the State level the reductions in the sales and income taxes that they have.

Alderman Levasseur stated under miscellaneous taxes it looks like you are going to blow through that. Is there a special reason for that? You are at 7% unrecognized on three months. I am wondering if there was some kind of a tax there that we didn't...

Mr. Clougherty interjected no. There is one windfall that we have in there and I can't recall what it is. I will get back to you on that.

Alderman Levasseur stated it is skewing a lot of these numbers and that is why I want to know.

Mr. Clougherty stated I guess the bottom line on the financials is expect us to come in with a recommendation from the Mayor to take corrective action on the expense side to cut expenses in the departments because of the Welfare situation

and to give us a little cushion with revenues. We will probably be doing that at the next meeting.

Chairman Hirschmann stated I don't see anything alarming here after the first quarter to be honest with you.

Mr. Clougherty stated it is pretty consistent with the story we have been telling you right along.

Alderman Lopez asked on Page 2 on Welfare they modified the budget by \$20,000 and they have \$14,000 already in three months so there might be some more money coming in there for revenue. I don't know where they get the revenue. Payback probably.

Mr. Clougherty answered right.

Alderman Lopez stated on Page 3, under Sanitation and Health it seems like they underestimated their revenue. Has anyone checked into that? They said they were going to get \$6,000 and they are over \$8,000 now. Health had an estimated \$2,000 and they are at \$3,000. Are they underestimating revenue?

Mr. Clougherty replied no I don't think they are. I think when they gave their revenue estimates initially it was a different environment. It is interesting because in a good economy, some things peak and some things ebb and it is just the opposite in a down economy. For example, interest and penalties in a bad economy is usually up and that offsets against some of the income on auto registrations and things. The economy that we are seeing out there is really different. Where the rest of the country, especially the Mid-West and some of the South West are in a deep recession, New England and especially New Hampshire and in particular Manchester are weathering fairly well. In part, I think, because of the Airport and the Civic Center; things that we haven't had in the mix of our revenues in the past are in place now. For example when, if you look at Boston, their revenues are going down and it is because people aren't going to the Airport and they are not accessing it. A lot of those people are now coming to New Hampshire. If you take a look at the airport's performance for the first week in October and you compare the parking revenues at the airport parking garage to the prior year, which is a good comparison because the rates didn't change, they are up like 9%. So, I think this is going to be an economy where we are going to have to feel our way through here. I am reluctant to go out as some other places have done at the State or whatever and say we have to cut back 3%, 4% or 5% in all departments because of this recession. I think we start at 1% or 1.5% and if we have to increase it that is fine because I am not sure you are going to see that reduction. If it doesn't come through, I would rather rely on our rainy day fund

than crippling the City departments of services. I think you have to make that balance. That is what we are trying to work on.

Alderman Lopez stated I only bring it up and as you go through your analysis maybe they have more revenues you can count on rather than hurting the departments.

Alderman Levasseur asked aren't we just going through FIFO again like we did in 1990. First in, first out?

Mr. Clougherty asked in terms of what.

Alderman Levasseur answered the rest of the country where we were the first one in and the first one out. Do you see that happening or do you think we are actually going to weather what is going on with the rest of the country?

Mr. Clougherty replied I think we are going to lag.

Alderman Levasseur stated we are lagging but I am asking do you see it happening in another year.

Mr. Clougherty replied it really all depends. In the previous recession, it was a real estate based recession and so far this isn't a real estate based recession, it is a manufacturing based recession. So, because of the mix of industries that we have here, we are again sheltered. If you take a look at Nashua, their biggest taxpayer is Tamposi, which is a combination of real estate. If Tamposi for some reason can't pay his taxes, that is \$8 million. Berlin, if one company goes under you see what happens. In Manchester, our biggest taxpayer is the Mall of New Hampshire at \$1 million. The next biggest is Public Service.

Chairman Hirschmann stated I turned on CNN today and one of the top auto rental companies went bankrupt today so it is not just manufacturing. In Manchester we do lag, but you guys are going to have to become conservative because it is coming.

Alderman Levasseur asked there is a \$332,000 difference in actual FY01 versus FY02. Is that a signal for you? If that was going to be compounded times four you would be a \$1.2 million and that would scare you a little bit?

Mr. Clougherty answered yes. I also know that in that \$332,000 a lot of the inter-governmental hasn't come in because of the formula and we have to keep an eye on that.

Alderman Levasseur stated I was worried about the \$47,000 you have from Federal income and you don't include that in your percentage. Is there a reason for that? The \$47,557. You don't put a percentage on there so does that just mean 0%?

Mr. Clougherty replied no I think that is probably a glitch in the system.

Alderman Levasseur stated because that 47% would skew your number quite a bit don't you think.

Mr. Clougherty replied yes. I didn't notice that. We will go back and ask why that is not on there. There should be a percentage.

Alderman Levasseur stated and Parking Violations is down 20.76% from last year. You know what that does to me? That scares me because Kevin I think there are more people parking here than there was. I am just wondering if that is a lax on the Police Department and the meter maids. That is not something that we have to worry about as far as revenue, it is something that management has to worry about and we need to make a note of that.

Mr. Clougherty responded right.

Alderman Levasseur asked regarding Highways and Streets, you are up 9.10%. What is up with that? Is that Federal or State money? I am questioning where those numbers are coming from. You have \$1.686 million for an actual number and modified to \$3.281 million. Is that money from the State?

Mr. Clougherty answered no because all of the State money would be under your inter-governmental.

Chairman Hirschmann stated that might be the money from the \$5 added to car registration.

Alderman Thibault stated also it could be the parking around the civic center and the increase from now until then.

Mr. Clougherty replied it is not the parking. It is the money that you are collecting at the Tax Collector's Office when you are doing the registrations for cars.

Alderman Levasseur stated it think she said that October and November are her biggest months so we will probably see a bigger jump in that the next time around.

Mr. Clougherty replied getting back to your point in terms of watching these numbers softening, because of that in October and November we will have to see where we end up with some of those items and if for some reason we don't come out...especially in our car rentals and things like that, then we may have to take additional action like other people. The thing we have to be careful about is with Welfare we have an appropriation problem. We have to cut back to make sure that we have enough money to move from all of the other line items over. With respect to revenue, in this particular environment we have the rainy day fund and I think I would be more inclined to use that rather than be really Draconian like some of the other cities and states who have cut back services. I think now is the time, especially with the opening of the civic center, when we want to see the services go forward. It is a balancing act that we are going to have to deal with but we are in a good position. We have the tools to deal with it because of all of the things we have done.

Alderman Levasseur asked what kind of interest are you getting on the rainy day fund.

Mr. Clougherty answered the rainy day fund is not a cash account. It is an accounting fund balance action. All of our City cash is invested in the reports that we give you quarterly that list out all of the different bank accounts. There is not one here but I can give you the last one. By our investment policy, we have our money invested in various banks, all collateralized. Granted right now we are getting lousy rates like everybody but that will come back.

Alderman Lopez asked how much do we have in the rainy day fund.

Mr. Clougherty answered about \$9 million. The last time we went through a recession, do you remember how much you had in a rainy day fund? Nothing. That is why we had to cut so much. Again, I think we are in a good position.

Alderman Levasseur stated let me ask you a question on the money that you saved, the \$5.7 million, which possibly could be \$6.7 million over 30 years. Is that cash?

Mr. Clougherty replied no. It is debt service and there will be mortgage reductions in the future.

Alderman Levasseur asked so you can't take those reductions and actually apply them to a...

Mr. Clougherty interjected no. That is not cash that we earned that day. Next year on these accounts you will have this much left and the following year this much left and it is just out in time.

Alderman Levasseur stated and you are going to be under pressure to use that money to actually bond more money right.

Mr. Clougherty replied again you say pressure but my reaction is I stick to the discipline of the rating agency guidelines and what your per capita income is. I would go back to that. Although there may be pressure, I will always come back and defend the discipline that has gotten us where we are.

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

Chairman Hirschmann addressed Item 4 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report (all invoices for interdepartmental billings only);
- d) open invoice report (all invoices due from the School District only);
- e) customer comments report - customers meeting over 90 day criteria; and
- f) listing of invoices submitted to City Solicitor for legal determination

Chairman Hirschmann stated the Deputy Solicitor did notify me that he could not be here tonight.

Mr. Clougherty stated these are the standard reports that we provide every month. We are not asking for any action on these. It is just merely for information. With respect to the last report, that is the new one that you asked us to generate regarding what had been referred to the Solicitor and as he has reported, he is working on those and will get back to you at the next meeting.

Alderman Levasseur asked what is salary survey reimbursement. It is on Page 4C. I see all of these things called salary survey reimbursements. I don't remember seeing those before.

Mr. Clougherty answered I believe what those are are items...what she has here is the salary survey is when in the course of paying somebody their salary they have more or less taken out of their salary line. For example if there is a mistake made on direct deposit or something like that. I believe that is what she is going after them to recover.

Chairman Hirschmann asked so these are open invoices. Is that what you are telling me?

Mr. Clougherty answered I believe so but let me check because I am not sure. I think what happens is if somebody for some reason owes us money back on their direct deposit then we have to go after them and they may not have paid it during that time.

Alderman Thibault asked so you are going to get that money.

Mr. Clougherty answered that is my understanding, yes, but again I will ask Sharon.

Alderman Lopez stated I think it was requested by Alderman Levasseur at one time – this particular report. He wanted the departments to explain why they had accounts over 90 days.

Mr. Clougherty replied let me go back and check and I will get back to you.

Alderman Levasseur asked if you go back one page and you look under Section 101, Planning Department, it says \$1,500 for Arcview and \$2,289 for a Toshiba laptop. When the budgets are put together by the department head, do they ask in advance for specific items or do they just ask for a number and then they spend the money the way they want?

Mr. Clougherty answered anything that has to do with computers has to go through Diane Prew.

Chairman Hirschmann asked did these go through Diane.

Mr. Clougherty answered it could be an inter-departmental in that case. Diane has to review and approve all of the data processing stuff. For example, if I am in my

office and I generate some savings in a line item and want to go out and buy some additional software or a laptop, I have to go to Diane.

Alderman Lopez stated they have the authority to do it, they just have to go through the right department. They can't go over their bottom line. If they feel they need a laptop in order to do their job and they work with Diane Prew, they can do that as long as they have the money.

Mr. Clougherty replied it has to be authorized through her office and I think that is what this is. She may have gone out and done the payment and there hasn't been an inter-departmental transfer of the funds.

Alderman Levasseur stated I ask this for a simple reason. If I am putting together a plan for things I want in a year's time, when I am planning for my budget for FY03 I know that I am going to need...I have a wish list and a needs list. Is that needs list or wish list ever put forward to you as the Finance Director prior to the budget coming to us? We try to pick out all of these numbers and we did that for two years and they are taking money out of one line item and putting it into others. I never saw a line in the Planning Department that said we needed \$4,000 worth of equipment. Do you know what I am saying?

Mr. Clougherty responded what I am saying is when departments develop their budget for the different line items and again I am not the budget officer. It goes into the Mayor's Office and that is where the budgets are pulled together and we give them information off the system but when an individual forecasts their budget, particularly with data processing, they give a list of the things that they want to the people over at Information Systems and she tries to accommodate those the best that she can with the dollars that she has. Now if for some reason during the course of the year an individual department is able to save some money or generate some savings in a particular line item for whatever reason, if they want to use those funds and it is not in the say computer line then they have to get a transfer approved by the Mayor and then it can go forward. In our case, we had some savings. Every year I put in so much for software in my own budget in addition to what we ask Diane for just so that we can upgrade and keep along with the GAAP pronouncements and things like that and at the end of the year that is what we are talking about. If you look at the top of the page where it says Finance you will see where we had some money left over so we went and updated our printers and things like that so that we could keep getting you the information.

Alderman Levasseur stated I see the Police Department has a 2289 laptop going over to Planning and they have a \$7,345 laptop. It seems like a pretty incredible expense and I know they wanted two.

Mr. Clougherty replied if you look at the heading at the top of the page, it is open invoice report by interdepartmental.

Alderman Levasseur responded we wouldn't have any idea about this stuff unless they hadn't paid within a certain amount of days. I haven't seen these reports before.

Mr. Clougherty stated in our case we may not have transferred the money to her. Now there may be a reason for that. It may be that I went to Diane and said listen I have some money in my budget that is under the appropriate line item and I want to go out and buy a printer and she says that is great but I don't pay her until I get that printer in my office. It may be 30, 45, 60 or 90 days for the thing to get delivered and installed and that is when I transfer the funds over to her.

Alderman Thibault stated also that may very well have been in the Police Department's budget.

Mr. Clougherty replied correct.

Alderman Thibault stated it may have been in their budget and like you said now that they have the money accumulated they are going forward.

Chairman Hirschmann stated if you look at what you are reading, it says all invoices for interdepartmental. Kevin could buy a laptop and it would be an open invoice.

Mr. Clougherty replied that is why we have given you the report. So that you can look at what is going on between the departments and again that is an open item.

Alderman Lopez stated if you are a good and smart department head, you are going to have extra money in all of your line items so you can do those things.

Mr. Clougherty replied with the authorization from the Mayor or from the Board as necessary.

Chairman Hirschmann stated I want to go through these in a logical order.

Alderman Levasseur stated on Page 6 there is a bulk mailing out of the Mayor's Office for \$2,380. What kind of bulk mailing would the Mayor be doing and was that for the City?

Mr. Clougherty replied I know that this year there has been a lot with Voices and Choices and we have allowed them to use our Pitney-Bowes to be able to do that

stuff on an expedited basis so that the rates are lower. They do it bulk mail as opposed to going over to the Post Office. I know that they have done Voices and Choices and something with the Mayor's Youth Council. I can get you a breakdown if you would like that.

Alderman Levasseur stated I would like to see a breakdown on this bulk mailing and who it was sent to. I don't know if the Mayor is supposed to be using bulk mail for these kind of mailings. I would like to see where these are going.

Mr. Clougherty replied we can break it down for you.

Alderman Levasseur asked have there been other bulk mailings.

Mr. Clougherty answered we do bulk mailings in the form of sending checks and things to invoice vendors, etc.

Alderman Levasseur responded I mean out of the Mayor's Office.

Mr. Clougherty replied I don't know but I can give you a breakdown of all of that.

Alderman Levasseur stated I would appreciate that.

Alderman Thibault stated Kevin I know that I read something about it in the paper a few days ago but how did you end up with that \$1.4 million or something that you were off with the school. How did that end up?

Mr. Clougherty replied what happened was in order to set the tax rate, there are several forms that have to be filled in. Some by School, some by Finance and some by the Assessors. We have to wait to fill in our forms until we get the School's forms. We got the School's forms and looked at them. What they were putting in for revenue for setting the tax rate was \$1.4 million different than what the Board of Aldermen had adopted as revenue. There were just some discrepancies. The form didn't add up. It was off by \$80,000. We got the report in the morning and we had the BMA meeting that night and we met with them the next day. They went back and did the adjustment. Some went in their favor and some went against them. Some of the State numbers that we had were better State numbers than they had but unfortunately it meant that they had less revenue coming. At the end of the day, it netted out to exactly \$1.073 million instead of the \$1.4 million. Now of that \$1.073 million, the Board of Aldermen and the Mayor had put in their budget \$500,000 for interest income. They were downsizing that number to \$100,000 and the reason they are saying it is \$100,000 as opposed to \$500,000 is: 1) as a result of the settlement between the School and the City they are not going to get as much money as fast; and 2) rates are terrible

right now. They originally had zero in there and we had \$500,000. I am not sure \$500,000 is the right number because there are...we are seeing a lower reduction in our rates too but I am not sure zero or \$100,000 is the right number either. That is what they are discussing tonight. The other big numbers that make up the \$1.073 million are the \$400,000 for interest income, there is \$274,000 in tuition. The original submission from the School District had a number for tuition and that is the same number that the Mayor used and the same number that they came back with with their revision in May and that is the same number that the Board adopted but what they have found out subsequent is that they have 30 students less coming from Bedford so at about \$6,000 a pop that is somewhere around \$160,000 or \$180,000. They also found that they had over billed some of the towns so now that has to be taken as a credit so that reduced them. That is what got the other piece. Then when you take the \$200,000 difference in the State revenues that were less than they had projected and again you gentleman kept those numbers constant, exactly what they want, but now they know it is less. That adds up to the bulk of the dollars. The only other differences were Medicaid was \$150,000 and School Food & Nutrition was \$60,000.

Alderman Thibault asked where are we going to get this money.

Mr. Clougherty answered if they revise their form and give me those forms tomorrow, that is their call under the State law and the tax rate will go up unless the valuation comes in better to offset, which I am not optimistic about.

Alderman Levasseur stated we have open invoices here for West High on Page 8, custodial contract manpower and custodial indirect cost. Do we know that the money that they are requesting actually goes to the bills that they are talking about? In other words, if they send you a bill saying if we have five bills here for \$1,000, credit it to manpower. Do you know for a fact that it goes to manpower? In other words does the actual bill come from manpower or is it coming in a different request form from the School Department.

Mr. Clougherty replied these are bills that we are sending them that they are not paying. We know that those bills are generated by Barbara and Ann over at PBS.

Alderman Levasseur asked so you are actually getting bills from these companies.

Mr. Clougherty answered we are getting bills and those bills are being passed on to the School through PBS.

Alderman Levasseur asked if we went and audited the School Department and manpower billed them for \$3 million, they would have \$3 million worth of statements.

Mr. Clougherty answered they would have \$3 million worth of bills from PBS.

Alderman Levasseur stated ServiceMaster is like a separate contractor. Their money that they are asking for comes in as a bill and then it is paid. Do they pay for that all at one time or do they pay for that as it accrues?

Mr. Buckley replied this is money that the School owes us. We are billing the School and Barbara at PBS from the way I understand it and I have only looked at it very briefly but ServiceMaster or whoever does the job gives her the bill for all of the buildings in the entire City including schools and everyone that they have worked with. They apportion it out. She has a formula and then she pays it out of her appropriation and she sends these invoices to the School. You could go to her and she could pull out a bill for each one of these and the bill would include many buildings.

Alderman Levasseur responded but it would also have the ServiceMaster logo on the bill.

Mr. Buckley replied right.

Alderman Levasseur asked do we have the authority to tell you that we want you to audit a certain section or a certain thing over in the School District.

Mr. Clougherty answered no.

Alderman Levasseur asked nothing. You have no right to go in there. We can appropriate \$115 million but you can't audit anything?

Chairman Hirschmann answered what I want to tell you is this item is on our agenda for information. We have no authority over the School District at this time.

Alderman Thibault asked if there is a contract, how can you question it if we accepted the contract.

Chairman Hirschmann stated the only thing that did change lately is that the voters spoke last week. Have you and the Mayor had any meetings on changes in the future, Kevin?

Mr. Clougherty replied to be honest with the election and everything we haven't sat down. We have been more trying to deal with the tax rate setting and that issue. My understanding also is that the Charter change doesn't take effect until

July 2002. I believe the Mayor has asked Tom Clark to give him some direction in terms of what that vote means.

Alderman Levasseur stated there is a \$1,950 charge here from West High School for 22 false alarm calls. I think that is unbelievable.

Chairman Hirschmann replied it happens all the time.

Alderman Levasseur asked is that a chargeback.

Mr. Clougherty answered yes, well I shouldn't say that is a chargeback. That is a direct charge that they pay.

Alderman Lopez stated the contract we have with ServiceMaster which is \$3 million or something like that, is that a direct contract or do we give the \$3 million to the School and we get the chargeback.

Mr. Clougherty replied that is a contract with the City and it is administered by the Public Building Services Division of the Highway Department. They oversee it. They carry out the services and then they bill the School District for reimbursement.

Alderman Lopez asked so the School District gets the money then.

Mr. Clougherty answered no.

Alderman Lopez asked so ServiceMaster gets the \$3 million.

Mr. Clougherty answered right. That comes out of the Highway Department's budget or PBS's budget. Then you also budget a chargeback on the School side, which they pay and we also show that as a revenue coming back to the City.

Chairman Hirschmann asked on the Riverfront Park Foundation, \$64,000, what is the story with that.

Mr. Clougherty answered each year they have to pay us for debt service and we bill them. They usually pay us at the end of the year. The way it works is they get their money from their naming rights at the end of the year and they pay us for that so we pay the debt service on the project as it comes due and they reimburse us.

Chairman Hirschmann asked when will you be getting that money.

Mr. Clougherty answered we usually get a payment in June.

Chairman Hirschmann asked why are we billing so early then.

Mr. Clougherty answered because I make the debt service payment and I don't want to lose it. I want to make sure that as I am making the payment that they know the payment is being made.

Chairman Hirschmann asked why don't we change it to an end of the year billing.

Mr. Clougherty answered because a payment has to be made in accordance with the bond issue. The way we look at it is yes they are in arrears but is the taxpayer paying for the service or are they paying for it. Maybe the taxpayers are advancing the money, but the bottom line is at the end of the year they pay for the debt service.

Chairman Hirschmann stated the point I was bringing out is they are a lot more flush this year with money with all of the concerts that they have had over there and I was thinking they would get on a timely schedule if they are not on one. Maybe that number could be broken up...if they are getting all of their revenue in the summer for 10 concerts, why can't we change the payment schedule.

Mr. Clougherty replied I am not sure they are flush. One of the things on the agenda tonight is to talk about that. What I am recording here is the debt service as it was issued by the City when that was included in the \$20 million bond issue that we did. That is the schedule of when those payments have to be made. Now the schedule...it so happens that when this whole project started we had to go out and issue the bonds and meet that schedule but that didn't coincide with their contracting with their naming rights for getting their money so they would have to go to Merchants Motors and say will you give us some money faster and I just don't see that happening.

Alderman Lopez asked is there any reason we can't approve the invoices that we submitted for the City Solicitor to look at.

Chairman Hirschmann answered I would like him to be here to approve it.

Alderman Lopez asked what does the phrase "collection agency uncollectible still a customer also on initial list." What are we saying here?

Mr. Clougherty answered what she is saying is that the collection agency has said that this is uncollectable but we are still keeping it and we are reflecting it here and it is still on the list. We haven't written it off. You and the full Board are the ones who make the decision on writing things off.

Alderman Thibault asked should we table this item and bring it up at our next meeting.

Mr. Clougherty stated you had asked us to develop this report. This is going to be a standard report so you don't have to table it because next month you will get an updated report.

Alderman Lopez asked can't we write this off tonight.

Chairman Hirschmann answered I would rather wait and hear from the Solicitor.

On motion of Alderman Thibault, duly seconded by Alderman Pinard, it was voted to receive and file.

Chairman Hirschmann addressed Item 5 of the agenda:

Communication from Kevin Buckley, Internal Audit Manager, submitting the results of an audit conducted on the \$100,000 of City funds provided to the Riverfront Park Foundation.

Mr. Buckley stated the first item I have is what we were just barely touching on, which is the Riverfront Park Foundation. If you remember, Alderman Vaillancourt sent a letter asking me to look into the \$100,000 that was spent on the stage. I went over there and looked at every single payment they made to the stage and all of the payments, which were paid pretty much up front because we were the first ones in the door with money to make a payment, were on legitimate invoices and everything looked fine on that. Then I went a step further to look at anything that was paid after that and to see what was actually going on with the stage. All of the payments that they made from the other fund looked fine, but there are a whole bunch of outstanding bills. The stage is not completed. I went down and looked at the stage. There is only a partial roof on it. There are no stairs. All of the finishing stuff is missing and they are in a lawsuit right now with the promoter and they have liens on the stage from some of the contractors. It is a big mess over there right now but they feel as soon as the lawsuit is finished they can get another promoter and they already have three people who are trying to get in the door to run the concerts next year. As soon as that happens, part of the deal with the new promoter would be to take over and finish the stage.

Chairman Hirschmann asked whose job was it to do the stage.

Mr. Buckley answered it was a combination of three different things. The City put up \$100,000.

Chairman Hirschmann asked didn't the City loan the Foundation the money to build a stage.

Mr. Buckley answered only \$100,000 and initially it was a \$325,000 stage when the City decided to give them \$100,000. Then the promoter decided that the stage wasn't big enough to bring in the big acts that they wanted to bring in that could make them money. They redesigned the stage between the Foundation and the promoter and I think they even came to the City and asked for more money and the City said no you have your \$100,000 and that is it. Between the promoter and the Foundation they decided that...I think that all of the promoter's money was going to go to expanding the stage. The Foundation wasn't going to have to kick in anymore. They said if you want a bigger stage you are going to have to pay for it. Now the stage is up to \$525,000 or \$550,000.

Chairman Hirschmann asked how much is invested in it now. You said it is not complete. Is there \$500,000 there?

Mr. Buckley answered no. The paid bills equal \$257,000 and there are another couple of hundred thousand of unpaid bills there.

Chairman Hirschmann asked who is liable for that.

Mr. Buckley answered the Foundation who has a line of credit. They do have some cash to pay bills with but they are holding it...not much but they have a little pot of cash.

Chairman Hirschmann asked so the lawsuit is between the promoter and the Foundation.

Mr. Buckley answered yes. The Foundation feels that the promoter owes them all of this money. There were all of these side agreements with the stage and stuff.

Alderman Levasseur asked and the promoter was the guy who just left town.

Mr. Buckley answered yes. The promoter feels that he doesn't owe them anything so the whole thing is in court now. You can't get a new promoter because you have a contract with this promoter until the lawsuit is over.

Mr. Clougherty stated that gets to my point about flush with cash. Depending on how the lawsuit goes...if things go there way maybe they could do something but until that is all taken care of, that is not the case.

Chairman Hirschmann stated I assumed that the promoter was bringing in these acts and he was taking the profit or loss and the Foundation was getting a set fee for having these acts there. If there was any loss, the promoter should have absorbed the loss but the Foundation would always get their fee for having something going on down there. Am I wrong?

Mr. Buckley replied no. The Foundation always gets a fee.

Chairman Hirschmann stated so if they are always getting their money then we should in turn get our money.

Mr. Buckley replied they have several different pots of money. They have it budgeted so that the naming rights and advertising goes towards debt service. I believe the money that they get from the promoter for the concerts goes to operating costs. There is a parking fee that goes to some other money they owe. There are different fees and they are all for different things. Unfortunately the one that pays the debt service is paid late in the year after the debt service is paid but you are pretty much assured of always getting that money.

Alderman Thibault stated I am looking at a letter here that says the stage is 90% complete.

Mr. Buckley replied that is correct.

Alderman Thibault stated so there is not much left to go then.

Mr. Buckley responded there is a lot of stuff that they have to do to it to make is useful.

Alderman Levasseur asked, Kevin, on that 10.5% loan that we got from our good friends over at the Bank of New Hampshire, can you refinance that downward.

Mr. Clougherty answered the loan with the Bank of New Hampshire is with the Foundation and not with the City.

Alderman Levasseur asked we just approved...we just did something for 10.5% which I thought was a ridiculous amount of interest to pay for something.

Mr. Clougherty answered the only thing that we approved was the \$100,000. The way the Foundation is set-up is if something goes in the ground there and for some reason the Foundation goes away, that is City property. Our \$100,000 went into the Foundation for the stage. Conceivably, I would guess that in the worst case scenario if something were to happen and they weren't able to settle this, then the

bank who loaned them the money and the Foundation would have to dismantle the stage and try to recover costs from selling it.

Alderman Levasseur asked and then we would be just a creditor like everyone else. We just gave them the \$100,000. We didn't loan it to them.

Mr. Clougherty answered right.

Alderman Levasseur stated but I remember specifically someone coming to us and stating that they were getting a 10.5% loan on this.

Mr. Clougherty replied it was probably the Foundation saying that they had a 10.5% loan.

Mr. Buckley stated the Foundation has a line of credit from them that they have barely dipped into. Even if the bank had to take the money back, there is not much of that line of credit that they have used yet so that wouldn't hurt us to much. The big thing is the contractor's liens.

Alderman Levasseur stated I thought the \$100,000 was a loan to those guys.

Mr. Clougherty replied that is not my recollection.

Alderman Lopez stated it was \$100,000 in CIP money. The Board of Mayor and Aldermen gave it to them.

Chairman Hirschmann asked so you are not asking for any action this is just for our information.

Mr. Buckley answered yes and you are just going to have to keep your eye on it because if things get out of hand you may want to do something to protect your investment down the road but for now wait for the lawsuit to be settled.

Chairman Hirschmann asked when you say protect your investment in the future are you talking about the loan to the Riverfront Park Foundation.

Mr. Buckley answered I am talking about the \$100,000 that you have invested in the stage. The way the whole thing is structured, anything that goes in the ground if they default it comes back to us.

Chairman Hirschmann asked would we be taking that on as a liability or something.

Mr. Buckley answered no we would be taking it on as an asset.

Chairman Hirschmann asked if it is not completed are we liable.

Mr. Buckley answered no, we are not liable for anything but if they default...

Alderman Levasseur interjected I don't understand if we gave them \$100,000 then they don't owe us \$100,000. We gave them \$100,000. We didn't have any strings attached to it or do we?

Mr. Buckley stated this goes back to the original \$800,000 that we gave them to set-up the whole park. Anything that goes into the ground there goes back to the City if the Riverfront Foundation goes under.

Chairman Hirschmann replied it is a legal appurtenance like building a carport onto a house.

Alderman Levasseur asked what did the \$800,000 get spent on.

Mr. Clougherty answered that is what built the park originally.

Alderman Lopez asked could you give this information to our City Solicitor so that he knows what is going on.

Mr. Clougherty answered right. We had talked about maybe filing a friend of the court briefing or something like that just to be on top of this and to be notified if there is a determination.

Chairman Hirschmann asked are we already involved that you know of, Kevin.

Mr. Buckley answered not that I know of.

On motion of Alderman Pinard, duly seconded by Alderman Lopez, it was voted to notify the Solicitor's Office of the situation with the Riverfront Park Foundation.

Chairman Hirschmann addressed Item 6 of the agenda:

Audit Status Update submitted by Kevin Buckley, Internal Audit Manager,

Mr. Buckley stated the next item I have is my regular audit update and the only thing that I think is of interest on this is probably the Health Claims consulting audit where they are going through all of the health claims that the City has paid

on the self-insurance program paid by Anthem. We finally started to get credits back from Anthem Blue/Cross. We have gotten \$18,000 in credits so far on the first batch of things that Health Claims has submitted to Anthem that they have overcharged us for. There is another big bunch of them out there that they are arguing over so we are going to be getting some money back. This is the very first time we have actually gotten money back. I just wanted to point out that money is finally starting to come in on this thing.

Mr. Clougherty stated the only other point I would make is that when we talked earlier about doing the Welfare audit, that is a priority and it may back up some of the audit schedules that are on here.

Alderman Levasseur asked how much do we pay Health Claims Consulting, Inc. to watch over Anthem.

Mr. Buckley answered we have paid them nothing so far. They get a percentage of what they recover. I think it is 34%. My final item is the audit I did on the general fixed audit account group balance at the end of the year prior to GASB 34 to see the problems that we may have getting up to speed on that. There are five observations in there. The first two are pretty major observations with the lack of documentation and some segregation of duty problems. The segregation of duty problems have all been cleared up from the people pretty much at the different departments where I found the problems. They were very responsive to all of that. The only other thing is there are a lot of documentation problems that we have to address with fixed assets because it is going to become an audit concern in future years once we start reporting it in the body of the financial statements.

Alderman Lopez stated I think you hit the nail on the head. I read your report and I am concerned...I think some of your recommendations are outstanding but what I am concerned about is this is a report and how are we going to implement some of the recommendations, which I think are really good for the City? How are we going to implement them? Are we going to send them to the Administration Committee for implementation? We keep getting good recommendations from our auditor and I am concerned that we are not implementing them. I see that some of the comments that come from some of the departments are excellent and they say they are going to comply with the signing the A900 and stuff like that but then I see in other departments, such as Welfare, that it is not feasible for them to do it and they need control of this item. I am just wondering where we are going with these good audits.

Chairman Hirschmann stated an audit is a function of Finance and in Finance they have been very proactive in creating policy and drafting policy and Kevin's department, since the audit function has come back during this term, we have just

assigned him a lot of audits. You are correct. There are policy issues that I think Kevin is going to have to address with the new Board.

Mr. Clougherty stated if you recall we had talked to the previous auditors and to McGladrey about procedures manuals and we had asked for dollars to update the procedures manual with the new system and that request was denied and we were asked to do that internally. At the time, we told you that was going to take some time. We have fairly close to a final draft of that procedures manual done, but again we have to do that in our office in between everything else we are doing so we are near a final draft and we have incorporated a lot of what Kevin has here. I would expect early in the next session with the new Board we will be able to come in and say okay these are the new procedures, certainly in time for the start of the new budget next year and at that point you will see a lot of the stuff in one document so it is not done piece meal and then we go from there. I think Kevin has done a good job.

Alderman Lopez replied I think he has done an excellent job and I just hate to see it go to waste if we don't implement policies to make sure that all of these departments are on the same line.

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

TABLED ITEM

7. Communication from Kevin Sheppard, Deputy Public Works Director, regarding the Johns Manville Settlement Fund.
(Tabled 10/9/01.)

Mr. Clougherty stated this is an item that was requested by Kevin Sheppard, but it is one that we can't deal with until the end of the fiscal year so that is why we are leaving it on the table if that is okay. We expect to have a solution for Kevin on that. What he wanted to do was an appropriation that we couldn't do so now we have to wait to either take care of it as part of the next budget or if something becomes available this year. We are monitoring that but we would like to have it left there.

Chairman Hirschmann asked isn't that an internal housekeeping between your department and his.

Mr. Clougherty answered it will require perhaps an action by the Board and that is why we had it on there. If you want to take it off, we can reintroduce it. If you would like us to do that, we will.

Chairman Hirschmann asked it is a small amount of money isn't it, \$38,000.

Mr. Clougherty answered from my standpoint I don't have a problem but I think Kevin felt comfort in having it on here so it didn't get lost.

Deputy Clerk Johnson stated items like that we usually like to carry from committee to committee so it doesn't get lost in the shuffle of things over the course of time. We will make a note on there stating that it is being held until the end of the fiscal year so you don't keep playing with it at each meeting.

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

A True Record. Attest.

Clerk of Committee