

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

October 6, 2009

6:00 PM

Chairman Sullivan called the meeting to order.

The Clerk called the roll.

Present: Aldermen Sullivan, Lopez, M. Roy, Ouellette

Absent: Alderman DeVries

Messrs: B. Sanders, L. Sorenson, K. Buckley

Chairman Sullivan addressed item 3 of the agenda:

3. Department travel/conference summary report submitted as follows:
 - Stephen J. Adams, Jr., (Airport) Northeast Chapter/American Association of Airport Executives Annual Conference, Baltimore, MD.
(August 7, 2009 through August 12, 2009)
 - Kathleen Gardner, Heather Freeman (City Clerk's) New Hampshire Tax Collector's Association/New Hampshire City & Town Clerk's Association Certification Program, Concord, NH.
(August 10, 2009 through August 14, 2009)
 - Kerrie Xintaras, (Planning & Community Development) Community Planning and Development's Show Me the Money: Financial Management for Participating Jurisdictions, Boston, Massachusetts.
(August 25, 2009 through August 26, 2009)
 - Brian Keating, (Planning & Community Development) Financial Management for Participating Jurisdictions, Boston, Massachusetts.
(August 25, 2009 through August 26, 2009)

- Matthew Normand, (City Clerk's) NH City & Town Clerks' Annual Conference, North Conway, NH.
(September 9, 2009 through September 11, 2009)
- Mark Brewer, (Airport) 2009 F. Russell Hoyt Airports Conference,
(September 19, 2009 through September 20, 2009)

On motion of Alderman Lopez, duly seconded by Alderman Ouellette, it was voted that the travel/conference summary reports be accepted.

Chairman Sullivan addressed item 4 of the agenda:

4. Communication from William Sanders, Finance Officer, submitting the City's Monthly Financial Report (unaudited) for the two months ended August 31, 2009.

Mr. Bill Sanders, Finance Officer, stated our spending through the month of August, the first two months of the fiscal year, seems to be in pretty good shape overall, as I point out in the letter. We still have an unexpended balance of almost 81% compared to about 80% a year ago. There are a couple of categories on the expenditure side that I would point out: Healthcare costs are running over budget again this year. The letter indicates that we are about \$500,000 over budget. We still have some adjustments that we would make when we close the books for September once we bill the Enterprise funds, which I did not take into account. That would be about \$150,000 so we should be about \$350,000 overspent on healthcare through the month of August. I would point out that in a couple of the categories it is a little early to say that we're in the clear. The severance pay account that was set up by the Aldermen holds a \$700,000 reserve for fiscal year 2010 to cover all department severance. Through the month of August we had spent about \$53,000 against that account so that's leaves us with a balance of almost \$650,000, which puts us in good shape relative to the whole year. It is obviously difficult to predict retirements in the current economic environment. That is helpful to the City's budget. Hopefully, those results will continue. It is just the first two months of the year and on the expenditure side we're in good shape. I would say that because it's not wintertime we don't know where the Highway Department will end up. We will be beginning, starting next month, to review our forecast data. We've requested that the departments do monthly forecasts and we'll be bringing that to the Committee on Accounts starting next month. On the revenues side, we are trailing our 2010 budget. There are two categories that are contributing to that. The first and the largest is automobile registration. Through the month of August we're about \$350,000 below last year through August. We don't have the final results from September, but we are also slightly below last year in September. If you remember the first three months of last year, those were actually the good old days. People were still buying cars through September and things were going

well. The comparisons to a year ago are difficult because we were generating fairly high monthly revenue figures. The drop off in auto registrations a year ago occurred in the October/November/December timeframe and then stayed low for the rest of the year. Hopefully, this year we will show some positive auto registration activity compared to last year starting this month. We are getting ready to set a tax rate as we go into next month so we will be anxious to see these October registrations. Hopefully, we'll be able to hold our budget for auto registrations, but right now we are trailing. The other category is interest income, which is about \$100,000 below last year. Interest rates have continued to disappear in terms of investment activity. We're probably earning somewhere between .5% and .7% on our overnight money, which compared to 18 months ago, it was in the 2% range. It is a challenging situation in both of those areas. Other revenues seem to be holding fairly well. The other big category would be the building permits. We're trailing a little, but not a lot. Hopefully, the River's Edge Project is going to see some activity in the next 60 days in terms of permits. That would be positive to our budget.

Chairman Sullivan asked have we seen any activity with new permits being pulled from River's Edge this year?

Mr. Sanders replied it is trailing a little bit, but not substantially. It seems to be holding its own, but it's not higher.

Chairman Sullivan asked that could potentially be an ace card that we could play?

Mr. Sanders replied yes. After the last two years, we just want to hit the budget and be solid on that. I think we were conservative and the Aldermen were conservative this year in a challenging economy.

Alderman Ouellette stated I'm a little surprised with the revenue targets for the auto registration, seeing how the Cash for Clunkers Program was supposed to be such a good tool. I thought we would be breaking even there.

Mr. Sanders replied first of all, what we are experiencing in auto registration is fairly consistent across the state. If you look at the state's auto registrations through the August/September timeframe theirs seem to have declined vis-à-vis a year ago. It could have been that if there wasn't Cash for Clunkers we would be even further behind than we thought. It is my understanding that most of the trade-in activity that was taking place could have been more expensive vehicles being traded for less expensive. If the larger vehicles have higher auto registration fees and people are moving towards more fuel efficient and smaller vehicles that could be reducing registration fees. I don't have a perfect explanation for it.

Alderman M. Roy stated looking at the two month expenditure report, it shows that Information Systems is at 57% compared to almost 84% or 85% for most departments. Is that prepaid contracts?

Mr. Sanders replied that and the encumbrances of service agreements, which has been a historic practice in Information Systems Department.

Alderman M. Roy stated I wanted to make sure this wasn't anything to red flag.

Mr. Sanders stated not yet.

On motion of Alderman Ouellette, duly seconded by Alderman M. Roy, it was voted that the City's Monthly Financial Report (unaudited) be accepted.

Chairman Sullivan addressed item 5 of the agenda:

5. Communication from Lisa Sorenson, Financial Analyst, submitting Finance Department reports as follows:
 - Department Legend
 - Accounts Receivable summary
 - Open Invoice report over 90 days
 - Open Invoice report for interdepartmental billings
 - Open Invoice report all invoices due from the School Department only
 - Listing of invoices submitted to City Solicitor for Legal Determination

On motion of Alderman Lopez, duly seconded by Alderman M. Roy, it was voted to discuss this item.

Chairman Sullivan asked is there anything we should know about?

Ms. Lisa Sorenson, Financial Analyst, replied for AR it is pretty typical of the Accounts Receivable module. We've been cleaning up a lot of items. I do have some things on the write off list.

Chairman Sullivan asked could you summarize them for us?

Ms. Sorenson replied item six is the Accounts Receivable for first quarter FY10 write off. These items were submitted to the City Solicitor and deemed uncollectable.

Chairman Sullivan stated the statute of limitations expired for Jose Albuquerque. What was that?

Mr. Sorenson replied that was for worker's compensation and Nancy's bankruptcy.

Chairman Sullivan stated in the grand scheme of things, those seem to be relatively small items.

Mr. Sorenson stated yes, they only total \$692.

Chairman Sullivan asked are there any major delinquent accounts that we're close to making headway on?

Ms. Sorenson replied the only one out there would be Corcoran Environmental and that is still up in the air. Everything else is okay.

Alderman Lopez asked didn't we hire someone to do collections? Could we have an updated status on that, please?

Ms. Sorenson replied yes, we did. I don't have any of that with me. I could get something together for you.

Alderman Lopez stated I'm looking to see what they have done for us as far as collection and performing his other job duties. Mr. Sanders, would that also be in the Parking Division?

Mr. Sanders replied yes, it would. They are also collecting on parking tickets. We don't have that information with us tonight, but we will pull it together and have it ready for the next Committee meeting. I think overall it would be fair to say that collections have been good. We haven't collected 100%, but we didn't anticipate that. I think we were hoping for somewhere in the 30% to 40% range, which is standard collection activity once something is moved into a collection agency. I think we're in that ballpark, but I'm speculating saying that. We'll get a report together.

On motion of Alderman Lopez, duly seconded by Alderman M. Roy, it was voted that the Finance Department reports be accepted.

Chairman Sullivan addressed item 6 of the agenda:

6. Communication from Lisa Sorenson, Financial Analyst, submitting 1st quarter fiscal year 2010 write off list for the Accounts Receivable module, requesting authorization to write these receivables off.

On motion of Alderman M. Roy, duly seconded by Alderman Lopez, it was voted that the request for authorization to write off Accounts Receivable be approved.

Chairman Sullivan addressed item 7 of the agenda:

7. Communication from Lisa Sorenson, Financial Analyst, submitting uncollectable School District receivables requesting that these items be approved for write off in fiscal year 2009.

On motion of Alderman M. Roy, duly seconded by Alderman Ouellette, it was voted to discuss this item.

Alderman M. Roy asked keeping my personal opinion about when these ended up getting billed though the district to myself, is the write off language just a technicality to satisfy bond counsel and our DRA commitments? It is hard for me to look at \$105,000 and say we are writing it off when it got paid. It is not like the City isn't paying its debt. The School District is not paying what it was budgeted for. I have a little bit of a problem with the language, but if that's technically correct I will support a motion to go ahead and accept the submission.

Ms. Sorenson replied technically we are asking for a write off of the invoice.

Alderman Lopez asked you're asking to write off? Could you refresh my memory of why we are writing something off for Information Systems?

Mr. Sanders replied there is an attachment on page 7-3 which is a communication from Karen DeFrancis, the Business Services Officer for the School District, where we asked her to go through the three write offs and explain to us why they could not be paid. As related to the Information System's activity, they did not have the money available to make that \$6,000 payment. That was probably the result of a misunderstanding between the Information Systems Department and the School District. They thought they had an understanding to bill the School District, but it had not been formalized.

Alderman Lopez stated unless we have an agreement this could happen in 2010.

Mr. Sanders stated that is correct, Alderman. For each department that provides services to the School District, we have submitted contracts for 2010, which stipulates the services to be provided and the fees to be paid. The latest communication that I had from Ms. DeFrancis states that that would go forward to the Board of School Committee on October 13th. We have every expectation that it would be approved by the Board of School Committee. Obviously, if they do not approve them, we will promptly report back at the next Board meeting. I don't anticipate that. I expect they will approve.

Alderman Lopez stated I would hope so. The services we provide in agreement with the School District are mandated by a Supreme Court ruling. Has the City Solicitor been involved in this process?

Mr. Sanders replied yes, he has. The drafts of the agreements were reviewed by the Solicitor. I have received an approval from the City Solicitor's Office.

Alderman Lopez stated I would not want them to draw down their line items when we are expecting some of these bills to be paid.

Mr. Sanders stated if they are going to draw down the line item they need to do that at the beginning of the year, when we understand what the level of services and our revenue numbers should be. That is the other reason to have these contracts. We're all confident at the beginning of the year what our revenue numbers are going to be on the City side.

Alderman Lopez stated this should be resolved quickly.

Mr. Sanders stated I would hope that this would be resolved before the second Aldermanic meeting this month.

Alderman M. Roy asked is there anything that this Committee or the full Board of Mayor and Aldermen can do to assist you in expediting the contracts or do you have everything covered?

Mr. Sanders replied I'm confident that we have things covered and the various departments have worked with the School District. I expect that they will be signed by the School Committee and signed by the superintendent. That's what's required.

Alderman M. Roy asked what would be the process for any adjustments to those contracts if they differ from the approved budget?

Mr. Sanders replied one that is highly likely to be reduced from the original budget is the Facilities Division chargeback for janitorial services and that sort of thing. The contract we sent over to the District was \$517,000 lower than the original budget and that was based on communication between the Facilities Department and the School District. If that is the final contract that they sign, the implication of that would be that the City's revenues would decline by \$517,000. This could also affect the tax rate.

Alderman M. Roy asked by tax rate you're not talking about next year's budget, you're talking about the documentation that gets sent at the end of October to DRA?

Mr. Sanders replied that's correct.

Alderman M. Roy asked how would the \$517,000 affect the tax rate?

Mr. Sanders replied looking at that in isolation I would put about a 99% chance that that would affect the tax rate. There are possibilities of things that would offset the \$517,000.

For example, we have advised the School District that if their impact fees of \$600,000 are not spent in fiscal year 2010, they will be required by law to return it to the developers who paid the money. For those two items, one offsets the other. They could have a small fund balance. We assume the School District would not have a fund balance in the original budget. It might only be \$5,000 or \$20,000 but there would be a small offset potentially there. Their tuition from surrounding towns may also be higher.

Alderman M. Roy asked will we see those numbers at our next Board meeting or in November?

Mr. Sanders replied it would be November.

Alderman Lopez asked since we appropriated that amount of money for each department, you will instruct them not to spend the appropriation number?

Mr. Sanders replied yes, and I would be asking the Aldermen to pass something to direct the Facilities Department to not spend that \$517,000.

On motion of Alderman M. Roy, duly seconded by Alderman Ouellette, it was voted that the request for uncollectable School District receivables for write off be approved.

Chairman Sullivan addressed item 8 of the agenda:

8. Communication from Kevin Buckley, Independent City Auditor, submitting the 2009 Annual Auditor's Report.

On motion of Alderman Lopez, duly seconded by Alderman M. Roy, it was voted to discuss this item.

Mr. Kevin Buckley, Independent City Auditor, stated this is my second year presenting an annual report of the activities of the Office of Independent City Auditor. It compares my activity to the activities of other auditors about the same size. The reports are issued during the year for jobs that are currently pending, planned projects and then there are statistics that show the breakdown of how much time I've spend in different audit categories. Also, it shows how my budget compared to actual expenditures. It is a comparison over the years where you can see of how my audit time was spent. The percentages remain pretty much the same across the years. The benchmark comparisons for the most part are right about where you would expect an office of one person to be.

Chairman Sullivan asked do you have a timeframe for the completion of the Transit Authority audit and when you might be starting the Parks and Recreation Business Office and Building Maintenance audit?

Mr. Buckley replied I'm hoping the MTA audit will be done before the end of December. I just started working heavily on it now. I've been involved in a bunch of side projects. As soon as I get done with that, I'll start on one of the other two. The two were originally planned because they were thinking of combining those two entities. We wanted to look at the business offices of the two and see how that would work. The focus changed a little bit so it is not as high a priority as it once was.

Chairman Sullivan asked these are sequential?

Mr. Buckley replied yes.

Chairman Sullivan asked are the policy and procedure manuals complete?

Mr. Buckley replied I have completed manuals from about three quarters of the departments and drafts from the rest of them. The drafts are pretty detailed. They are all but completed manuals.

Chairman Sullivan asked everyone has given you something? Have the departments started instituting the compliance checks that are outlined in the manuals?

Mr. Buckley replied yes, those were done in conjunction with each other.

Alderman M. Roy stated I wish every department could track their time like you do.

Alderman Lopez asked do you know what the Aldermen are looking for when you go down to the MTA?

Mr. Buckley replied what I was asked to do was an overview of the activity down there. Initially, I scoped it out to include looking at their performance data that they report to you about their ridership. I'm auditing how they collect their data and whether their data is sufficient to show the trends. The last time they reported, they referenced the five year report that showed the short range planning report.

Alderman Lopez asked do you have a long range plan when you would complete that?

Mr. Buckley replied I'm hoping to get that done before Christmas.

On motion of Alderman M. Roy, duly seconded by Alderman Lopez, it was voted that the 2009 Annual Auditor's Report be accepted.

Alderman M. Roy stated there are four items on the table and at the next meeting as our elective terms wind down, I wouldn't mind clearing some of those off the table. If we

could put everyone on notice that at our next regularly scheduled meeting we'll be pulling all four items off the table, with your approval?

Chairman Sullivan replied I heartily agree. I think we have gotten a sense of where we are with the policies and procedures manuals and I don't think it would take a lot to remove that. Let's do them all at once. The VISTA one was the one that had a lot of structural recommendations involved. We could chew it over between now and next month and figure out what we want to do with those.

Alderman M. Roy stated I wanted to put everyone on notice with your approval.

Mr. Buckley stated if I could make a comment about the VISTA item, I believe that the VISTA grant is not the way it was before. We're no longer doing the payroll for them. The feds have taken that over. That has eliminated almost all of that.

Chairman Sullivan stated I think the reason we had it on the table was because you had a number of recommendations for policy changes and we were keeping that on our plate so we would have a vehicle to work on some of those recommendations. I know we still have the hotline floating out there because it got sidetracked a number of times. We wanted to keep these things around so we could work on them as time permitted.

TABLED ITEMS

9. Update on the status of Policy and Procedure manuals for each department.
(Note: The Committee has requested that all manuals be completed by June. Tabled 1/06/09. Retabled 7/07/09.)

This item remained on the table.

10. Communication from Kevin Buckley, Independent City Auditor, submitting the P-Card Program Performance Audit.
(Tabled 11/25/08 waiting for solutions to all of the observations)
On file for viewing with Office of the City Clerk, One City Hall Plaza.

This item remained on the table.

11. Communication from Kevin Buckley, Independent City Auditor, submitting an audit of the Office of the City Clerk, Business License and Enforcement Division.
(Tabled 10/21/08)
On file for viewing with Office of the City Clerk, One City Hall Plaza.

This item remained on the table.

12. Communication from Kevin Buckley, Independent City Auditor, submitting an audit of the VISTA program and updating the committee on the status of pending and future audits.
(Note: Tabled 2/4/08 Copies of the audit and supporting documentation previously sent to the BMA and Committee members; Remained tabled 3/4/08; Updated communication between Kevin Buckley, Internal Auditor, and Janice Lopilato, State Program Specialist of the Corporation for National & Community Services attach; Tabled 3/11/08; Internal Auditor to present the attached Business Expense Policy as amended.)
On file for viewing with Office of the City Clerk, One City Hall Plaza.

This item remained on the table.

There being no further business, on motion of Alderman Ouellette, duly seconded by Alderman M. Roy, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee