

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

November 15, 2010

5:30 PM

Chairman Ouellette called the meeting to order.

The Clerk called the roll.

Present: Aldermen Ouellette, DeVries, Long, Roy, O'Neil

Messrs: L. Sorenson, D. Pinard, T. Arnold, W. Sanders,

Chairman Ouellette addressed item 3 of the agenda:

3. Department travel/conference summary reports submitted as follows:
 - Mark Brewer (Airport)
AAAE Board/PRC Meetings & 2010 Russell M. Hoyt National
Airports Conference, San Diego, CA
September 17-21, 2010
 - Samuel Maranto (Planning and Community Development)
HUD National Training Conference for HPRP Grantees & the
Hearth Act Implementation, Denver, CO
September 13-17, 2010
 - Kevin Buckley (Independent City Auditor)
Association of Government Accountants Performance Management
Conference, Baltimore, MD
October 13-14, 2010

On motion of Alderman Long, duly seconded by Alderman O'Neil, it was voted to approve the travel/conference summary reports.

Chairman Ouellette addressed item 4 of the agenda:

4. Communication from Lisa Sorenson, Financial Analyst, submitting Finance Department reports as follows:
 - Department Legend
 - Accounts Receivable summary
 - Open Invoice report over 90 days

On motion of Alderman O'Neil, duly seconded by Alderman Long, it was voted to discuss this item.

Ms. Lisa Sorenson, Financial Analyst, stated outstanding receivables are a little higher than they were last month. That's due in part to a large invoice for the meals and rooms for FY 2010, which typically will come in at the end of December. That is skewing the numbers on this report this month.

Alderman O'Neil asked Lisa, has the Finance Department had a chance to have any discussions with the respective departments about some of these Public Works outstanding receivables? I think they are attributed to the road degradation program. I know we had said we would wait, but we should be having some discussions now with some of the utilities. Has anything happened on that end?

Ms. Sorenson responded I asked someone from Highway to be here tonight. Don Pinard is here.

Alderman O'Neil stated there were a number of outstanding receivables over 90 days that affected Public Works. Corcoran Environmental, we are all aware of that. National Grid was a big one. There has been discussion about waiting and waiting, and we can call the bond. To me that's not the appropriate way to go. Is there any specific game plan regarding collecting some of that money from National Grid?

Mr. Don Pinard, Highway Department, responded in talking with Kevin Sheppard this afternoon, he said that we would probably refer that to the City Solicitor. The bond is out there, and I want to say there is litigation going on right now. I don't know if the City Solicitor has any information.

Alderman O'Neil stated I don't think the litigation is about the bond; it's about passing the ordinance.

Mr. Pinard stated right. It's my understanding if we pull the bond or receive payment from that bond and the litigation does not go in our favor, we're going to have to turn around and reimburse them.

Alderman O'Neil stated the problem is that the court case could go a year. Are we going to wait that long? Are we going to wait for the court case to get settled before we try to get our money? It doesn't make a lot of sense to me. Does the Solicitor have anything to add to that?

Mr. Thomas Arnold, Deputy City Solicitor, responded I would add, as has been pointed out, it is in litigation. The litigation is over the City's ability to collect the fee. You are right that it's not over the bond; it's over the ability of the City to collect the fee. There was a request for a temporary hearing. That we entered into a stipulation on. Basically, it provided that the bond could be held as security for the road degradation fee pending the outcome of the litigation. Mr. Pinard is entirely correct. If the litigation goes against us, if we had collected the money, we would have to refund it to National Grid. That was the basis of the stipulation we entered into after I had discussions with Highway.

Alderman O'Neil stated you really didn't answer my question. Are we going to call the bond or not? What happens June 30th when the fiscal year ends and this isn't resolved from a legal standpoint? Does that come out of the City Solicitor's budget, the \$77,000 to date?

Mr. Arnold responded it certainly can't come out of our budget; we don't have the money.

Alderman O'Neil stated we can't wait till June 30th to figure this out, is my point. It's in the budget. It is revenue that is accounted for. Why aren't we sitting down with National Grid and trying to work something out?

Mr. Arnold responded as I said, based on discussions with Highway, back when the litigation was started, we entered into a stipulation based on the allegations that we would rely on the bond and if the litigation were unsuccessful from National Grid's point of view, the fees would be paid or the bond would be called. The payment of the fees is awaiting the outcome of the litigation at this point.

Alderman O'Neil asked are you saying that if this isn't resolved by June 30th, we're going to call the bond then?

Mr. Arnold responded no, I am not saying that. I am saying that the bond can be called based on the outcome of the litigation. When the litigation is determined in a final manner, it will determine whether National Grid pays the fees directly, rather than having the bond called. If they don't we can call the bond. The bond, as I said, is security.

Alderman O'Neil asked is there any time period that we are going to call the bond if this thing isn't resolved?

Mr. Arnold responded at present, no.

Alderman O'Neil asked why hasn't there been an agreement on this?

Mr. Arnold stated as I said, Alderman, the obligation of National Grid to pay the road degradation fee depends on the outcome of the litigation. We are apparently going to litigate it, and based on the outcome, when that outcome is determined, the fee will be paid or we will call the bond, if it's in the City's favor. If it's not in the City's favor, then it will be established that National Grid had no obligation to pay the fee in the first place.

Alderman O'Neil stated Tom, we have eight months left in the fiscal year. What if this takes longer? You haven't answered my question. What's going to happen by the end of the fiscal year if this isn't resolved? We're going to wait to call the bond?

Mr. Arnold responded Alderman, I don't know what more I can say.

Alderman O'Neil stated somebody can say that if we don't have an agreement by January 1st, we are going to call the bond. That's what someone can say. We budgeted this money. We're probably going to get into a big discussion tomorrow night, maybe a little bit today, about department budgets. Yogi Berra would say something about this being real money.

Mr. Arnold stated I understand that, Alderman.

Alderman O'Neil stated so we need to reach some deadline. We're not going to wait for the court. That could take six or eight months to resolve this.

Alderman DeVries asked would this be a better question to ask of Finance?

Alderman O'Neil responded well, it was referred to the Solicitor to answer my question. I'm bothered about just waiting for the court to rule on this. It's a lot of money. Don, do you know what the total budget is for the year?

Mr. Pinard responded it's \$77,000 right now.

Alderman O'Neil stated and it has gone up \$12,000 in a month. We've got to move on this somehow.

Chairman Ouellette asked Mr. Sanders, could you bring some clarity?

Mr. William Sanders, Finance Officer, responded I was going to point out that the degradation fee was set up as a special account of the City. The money was set aside to be used for road work. So, although I'm all in favor of collecting

receivables, if we didn't collect this by June 30th, it would not affect the revenues of the General Fund. It would affect the cash balance in this special revenue account that is to be used for road work.

Alderman O'Neil asked are you saying that in this fiscal year there are no funds on the operating side attributed to this revenue?

Mr. Sanders responded that's my understanding; that is correct.

Alderman O'Neil stated that's not my understanding. That might be good to clarify by the next time we meet.

Mr. Sanders stated I shall.

Alderman Long stated Tom, the way you explained it to me, I got the perception that we really can't call the bond until there is a court decision.

Mr. Arnold stated I believe that is correct. That is the stipulation we entered into.

Alderman Long stated so the bond issue is off the table until the court decides whether we are granted this or not, this degradation fee.

Mr. Arnold stated until the court rules on whether the City can collect a degradation fee or not. That is correct.

Alderman Long asked was the bond so that they wouldn't get so far ahead, so that once the court says yes we could charge this? We could call on the bond if they don't pay us.

Mr. Arnold responded as I said, the bond is security to insure the payment, should the court rule in our favor.

Alderman Long stated we can't call the bond right now to pay the \$77,000.

Mr. Arnold stated no, I don't believe you can.

Alderman O'Neil asked can we stop issuing excavation permits? We've done this before when utilities failed to keep up with...

Mr. Arnold interjected we did stop for a brief period of time. That led to the stipulation that I referred to, that they would post an increased bond to insure payment.

Alderman O'Neil stated so we are going to continue to issue permits because they have a bond which we can't call because there is a court case, and if we lose the court case, we can't collect on the bond. That's a great position for the City to be in.

Mr. Arnold stated as I said, if we lose the court case, we can't collect the fee; if we had collected the fee, we would have to reimburse it to National Grid.

On motion of Alderman Long, duly seconded by Alderman O'Neil, it was voted to accept this report.

Chairman Ouellette addressed item 5 of the agenda:

5. Communication from Lisa Sorenson, Financial Analyst, submitting the accounts receivable policy, a four-year outstanding accounts receivable analysis for the month of September, responses regarding department prepayment policies, and Pan Am Railways history.
(This data was requested by the Committee at the 10/18/2010 meeting and was sent to Committee members on 11/08/2010.)

Chairman Ouellette stated this was the information that was asked for at the last Committee meeting. I believe we got that sometime last week.

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

Alderman Long stated I have what you sent us. If I can just go through some of it, on the first page, the analysis includes outstanding percentages. You are saying that the receivables have increased over the past few years. Is the increase due to better data we are receiving from HTE?

Ms. Sorenson responded the increase is due to the code enforcement module coming on to HTE, so it's bringing the numbers up a little higher. That's why you'll see that growing a little bit.

Alderman Long asked so without that module working, were we missing some things?

Ms. Sorenson responded they weren't on the HTE module, yes.

Alderman Long asked with respect to sending a 60 days overdue report, has a department provided more services to an entity that was in arrears, that you are aware of? Has a department...let's say Police, Company A, they haven't paid. Do you know if Company A is still getting services? Has that ever happened?

When you look down at E and F, they are kind of conflicted. One says that if I'm Company A and I'm in arrears, I owe money, I could pay cash up front. Then F says that you have to pay all of your outstanding charges. I'm wondering if E and F conflict with each other. One says you can get services; you just have to pay cash up front. The next one says if you have a write-off, you're not getting any service until you pay all of your outstanding charges.

Ms. Sorenson responded typically, once an account has been written off, I will add that to the customer's account in HTE, so when someone goes in to try to invoice them or they come in to try to pay for something, it does show that it is a cash up front only for that account.

Alderman Long stated okay. The small claims court, Tom, how often does that happen? Anything over \$1,000 goes from the City Solicitor's office to the small claims court.

Mr. Arnold responded I couldn't, off the top of my head, tell you how many times it has happened. I can tell you that it has happened several times. I'm not sure I'd say it has been many times. Basically, when we get into this type of claim, it is sent to us to determine if we should pursue this type of action, and that involves an analysis of a number of factors, including the debtor's ability to pay. In other words, we don't want to be spending court fees and attorney time to try to squeeze blood out of a stone, so to speak. So, we have gone to small claims court before. We have done it on several occasions, but off the top of my head, I couldn't give you a number.

Alderman Long stated in my prior term, I never heard of any small claims court matters and since I've been here in January I haven't heard of any. I'm wondering why that is in there. I would think that would be a good way to go, because you are getting more detailed information through discovery. I'm anticipating, for example, I'm Company A owned by Pat Long, and my wife Karen is going to own Company B because I owe you \$16,000, so I'm switching everything over to her. It's just too easy. For example, Adams Petroleum, I looked it up at the State website. They've never been registered with the State to do business. So I'm wondering if these departments quantify these companies. I'm Pat Long Excavating and I go to the Highway Department for a permit to excavate and I own whatever I own, and I'm not really Pat Long Excavating. Do we ask for State papers? How do we confirm that these are legitimate companies? Adams Petroleum owed us \$16,000 that we wrote off, and they're not registered with the State to do business in New Hampshire.

Ms. Sorenson responded that's a great question. I'm not sure what each individual department does to verify who they are doing business with.

Alderman Long stated it seems to me that the past due procedure takes way too long. You've got 30 days, then you've got two weeks, then you've got another two weeks. On the second letter, you put a deadline in for payment. So you are looking at six weeks, then a second letter, however long that is going to take, add that to six weeks. Then a third letter, however long that is going to take, add that to six weeks. It seems to me we're just extending ourselves way too long when we know somebody is not going to pay us.

Alderman DeVries stated for the City Solicitor, I would assume you are part of the group involved in the analysis of whether you want to send to small claims court a particular account. I just want to be sure that you are aware, as you are going through the decision as to whether it is of value to send to small claims, that last year we were successful in putting in place a lien provision, so if you have a favorable judgment and then non-payment by the individual, there is now the ability to place a lien against any assets that have been identified that will sit there, if it's against real property or other. That would have to at some point be justified and it just should be part of your consideration if you are looking at a problem firm that you know has assets but just will not pay. It was a bill I put through.

Mr. Arnold stated if it has been sent to our office and it appears we can collect it, we will certainly go to small claims court. It's only when it appears that we can't collect it because there aren't assets that we may stop and consider.

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

Chairman Ouellette addressed item 6 of the agenda:

6. Communication from William Sanders, Finance Officer, submitting the City's Monthly Financial Report (unaudited) for the three months that ended October 31, 2010.

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

Mr. Sanders stated on page 6.1 is a brief summary of the report for the four months which ended October 31st. We continue to expend in accordance with our budget on a complete total city basis. We should have about 66.7% left; we are one third of the way through the year; we have eight months remaining. Only two departments are significantly at variance with that benchmark, and they are the same departments that have been mentioned in prior reports for this year, Information Systems and Human Resources. The only line item that continues to be a challenge is the healthcare cost line item. Right now we are seeing ourselves at about \$680,000 above budget for the first four months. It's obviously a

category of cost that is lumpy, up one month and somewhat tempered in the next. There is no question that we are overspending our budget there. As I've mentioned in prior months, we do have a health insurance reserve account with \$3.5 million in it that the Aldermen funded quite generously in the last budget cycle, so that money is available for any shortfall this year. We are hopeful that it won't be terribly significant, but it could be in the \$1 million to \$1.5 million range, just based on annualizing the \$680,000. Overall, at the end of October, the City is at 67.3%, and that compares favorably with last year's 66.2% in terms of unexpended amounts. Our revenue picture is about \$1.2 million higher than the same period a year ago. A significant portion of that is just timing of receiving receivables. The big one this year was the Highway block grant. It came in a little bit earlier than it did last year. That was \$672,000, but we are experiencing higher building permits through the end of October and somewhat higher workers compensation reimbursements from the State. Overall, from a budget point of view, 2011 is performing pretty well, at least through October.

Alderman Roy stated we're doing okay is what you are saying. That's what I'm reading here. We're tracking about the same as last year so we are doing okay. Regarding health insurance, we all know we're going to be over on that. Do we get money back on that at the end of the year, for health insurance payments that we give out?

Mr. Sanders responded no, we don't get any refunds of our health insurance costs. We are self-insured. Those costs are incurred to pay actual claims of employees and retirees of the City. The only buffer that we have is the health insurance reserve account that has been funded with surpluses in prior years, and more recently with transfers by the Aldermen.

Alderman Roy asked so there is no money we get back each year?

Mr. Sanders responded we get a prescription drug rebate from Anthem each year. That comes in, I believe, semi-annually. We get a six month rebate and then an end of year rebate. On average those numbers have been about \$75,000 for each six month period, maybe about \$150,000 for the whole year.

Alderman O'Neil stated on the revenue issue, you said it's timing, some of it. These are my words, not yours, a bit skewed. The one that would probably show a little bit of where we are at is the building permits. That's not a timing issue; that's a real issue. I'm trying to figure out if the higher workers compensation item is a good thing. Looking at the number it is, but in the big picture is it a good thing?

Mr. Sanders responded it's a reimbursement that we get this year. It's actually, based on our performance over the last twelve months. You may recall last year we had a fairly challenging workers compensation situation. We actually

expended the entire budgeted amount and we received from the Aldermen at the end of the year, so we actually overspent our line item by about \$500,000 in workers compensation last year. This year the budget is significantly higher. I think that was corrected. Our workers compensation is running better and more in line with what we budgeted. It's probably a little bit of a bad thing.

Alderman O'Neil asked did anything stand out that you can remember? Auto registrations are always a good indicator.

Mr. Sanders stated it's modestly higher through the month of October, only \$20,000 on millions. I wouldn't characterize it as significant. It is not down \$300,000, which in prior years it has been at this date, so it seems to be stabilized and our estimates for our budget seem to be reasonable.

Alderman O'Neil stated it's a good thing. I know we are going to get into a discussion tomorrow night and probably a little bit in the next item about budget forecasts, but all in all it appears that the plan that was laid out when we approved the budget seems to be tracking okay.

Mr. Sanders stated we have some challenges with this year's budget. I wouldn't suggest otherwise. The forecast is showing a surplus to the General Fund. It is early in the year and it is before the winter weather has arrived, so it is difficult to know what the Highway situation will be as they plow and pay overtime. Personally, I'd feel better if we had a little more forecasted surplus than we have now.

Alderman DeVries stated I want to drill down a little more detail on the workers compensation line item that you were referencing that we are tracking fine on this year but had problems with in the prior budget. Don't I recall, though, that there was anxiety over the budgeted amount two years ago for that particular line item? It might even have been suggested that that wasn't an appropriate amount to get us through the year and thus we increased this year that budget line.

Mr. Sanders stated the Aldermen did increase this budget line quite significantly this year. This year's budget, if you look at page 6-4, there are two categories in the middle of the page: Workers Compensation - Salary and Workers Compensation - Medical. This year we have budgeted about \$2,284,000 for those two line items. In last year's budget we had about \$1,650,000, so the budget had been increased by a significant amount of money. The 2010 amounts proved to be significantly inadequate.

Alderman DeVries asked do you believe there might be benefit for this Committee for us to look at a longer trend on Workers Compensation to better understand? We want to make sure that we have in the fund enough money to pay out any significant claims that could come along. I would suggest that probably one or

two years doesn't give us that information. Is there an education we should go through before we get into the nitty gritty of our budget?

Mr. Sanders responded we receive the actuarial evaluation every year for the workers compensation that we establish. We could share that with the Committee and walk through that to show you what an independent actuary sees and the experience that he's looking at.

Alderman DeVries stated great. What is the timeframe for the receipt of that report?

Mr. Sanders responded I believe we have it in hand for this year, the year just ended. It's part of our audit process, so we could make that available.

Alderman DeVries asked could you mail it to us ahead of time so we have a little time to digest it?

Alderman Long asked do they measure over the years on that report or do they just do a snapshot of one year? Can we go back five years and see the ups and downs of that report?

Mr. Sanders responded it is an assessment as of June 30th of each year. We would have five years of reports. We could make them available to you if you would find them helpful. They are more of a point in time estimate of what they think is required.

Alderman Long stated so they don't compare it to last year...here's where it was; here's where it has been going for the past five years.

Mr. Sanders stated they do not.

Alderman O'Neil asked if we go to page 6-4, from your summary letter, the track in all those columns to the right, is that 66.7% the ideal?

Mr. Sanders responded that would assume that we were ratably spending money in equal amounts for each of the 12 months. It's a somewhat simplistic expectation. Obviously, our debt service we pay in lumps in January and July of each year, but absent a very sophisticated budgeting and calendarization of our budget that we don't yet have...

Alderman O'Neil interjected but if we take, for example, the three large City departments – Fire, Police, Highway – they all seem to be tracking right on target.

Mr. Sanders stated that is correct.

Alderman O'Neil stated you pointed out that both Human Resources and Information Systems have some items that would make their percentages a little off. I'm trying to figure out the difference between 6-4 and 6-5.

Mr. Sanders stated 6-4 is 2011, the year that we are in; 6-5 is 2010.

Alderman O'Neil stated I think this item we are on now and the next one are the key big picture items for the City regarding our finances. Is there any way to take these two sheets and put it in a little...

Mr. Sanders interjected a comparative page where they are side by side?

Alderman O'Neil stated that might allow us to go specifically looking at 6-4 or 6-5 to say, for example, that the Finance Department is tracking a little better or a little worse than last year at this time. It may be helpful. These items are very helpful to us. Thank you very much.

On motion of Alderman Long, duly seconded by Alderman DeVries, it was voted to accept this report.

Chairman Ouellette addressed item 7 of the agenda:

7. FY 2011 Budget Forecast to be submitted by William Sanders, Finance Officer, if available.

Mr. Sanders stated the City Clerk handed out a projection of our FY2011 performance based on department head projections that we received in the last five business days. Overall, we're reporting a surplus of \$305,000 net in the General Fund. That's comprised of a small revenue surplus of \$20,000 and an expenditure surplus of \$285,300. Just to give you a frame of reference, a month ago the expenditure surplus was expected to be at \$342,000, so it's about \$60,000 lower this month than it was last month. So, we've had a little bit of degradation in the expenditure surplus that the departments are tracking. You can see on the attached page the list of departments and the surpluses and deficits that they are currently projecting. As I mentioned last month, historically, for the past three years that is, it has been the case that the department heads are conservative early in the year, and as the year plays out, those that are at zero might show some improvement. One thing I would point out, and I am focused on the expenditure surplus...if you look at the grand total line, it is \$285,300. As you all know, by State law we are legally precluded from spending more than the appropriation that is approved by the Aldermen. So, one would hope that we would be in a better position than just \$285,300 in the month of October, with winter weather and other things coming that we know aren't projected in here because the Highway Department doesn't

know any better than anyone else does what the weather will be. It's still positive; department heads will continue to work, I'm sure, to improve that position.

On motion of Alderman DeVries, duly seconded by Alderman O'Neil, it was voted to discuss this item.

Alderman DeVries asked Mr. Sanders, do you take a look at the different grant applications that have been submitted across the City – noticing the Health Department and the Fire Department – to see if there is any ability to assist any of these deficit projections by grant applications, assuming that they may be accepted? Obviously, you don't know.

Mr. Sanders responded I don't have a procedure to do that, but I will make a note to work with Mr. Maranto to develop some sort of a way of doing that, or directly with Chief Burkush or whichever department might be involved.

Alderman DeVries asked might it be at a department head meeting, just a request to the fellow departments that if they have any grant applications they think...obviously we don't know if they would be successfully awarded. I truly don't know if Police have gone after any of the COPS grants, if they are available. I don't know who has applied for what. It might be useful as we are trying to project out to June 30th to know if there is something coming down the pike. We're always looking hopefully.

Mr. Sanders responded I will do that for next month.

Alderman O'Neil stated Bill, this sheet as well, if there was a way to put it...although this is very user friendly. I'll speak for myself as an Alderman. Is there any way to do...I don't know with this if we want a comparison to last year or if just some way to include a few months. I know we can save all of our monthly Accounts Committee agendas and go back and look there. As you pointed out, just on the net surplus, a month ago we were at \$342,000. You or your staff might want to look at just giving us a little way to compare either the last few months or the end of a quarter maybe. One of the things that was pointed out is there appears to be a shift in Police. Is there a reason for that?

Mr. Sanders responded yes. The Police this month are assuming substantially more retirements during the balance of the fiscal year. A month ago the Police was projecting a deficit of about \$129,000 and they now are showing a surplus of about \$5,200. The counter to that is with retirements, there is severance pay. As you look down in the non-departmental category on the schedule and see the severance line, if the Police Department is correct, and I have no reason to doubt that they are pretty accurate as far as whom they expect to retire, we are only left with about \$145,000 in the severance account. They are using over \$440,000 of severance payments, just in the Police Department, to achieve that \$129,000 of

savings in the operating account, if you follow me there. They had \$462,000 of severance which they are currently projecting for the year, of which they have already spent \$88,000.

Alderman O'Neil stated go over that again. You mentioned the retirements, you mentioned the savings, the shift from the \$129,000 projected deficit to a surplus now of \$5,200 is based on the retirements. I thought you mentioned something about \$440,000 being paid out to date.

Mr. Sanders stated the total projection right now for all departments for severance is \$552,000. Of that, \$74,000 is at Highway; \$15,000 is in the Tax Department; and the Police Department is projecting \$462,000. Of the Police Department's \$462,000 they have already spent \$88,000.

Alderman O'Neil asked do we know if that is all inclusive? I went to a ceremony a few weeks ago and they handed out five or six plaques. Would that be all that severance would be? I don't know if they all retired at the beginning of this fiscal year or the end of the last one. Can we get a breakdown of the Police Department's retirements? This will come up tomorrow night in the discussion with the Fire Department and the challenges there. We recognized a potential savings in the salary of \$270,000 due to retirement. That would be similar to Police, but we don't have those and I don't know if it's going to be expected. You mentioned that Police was \$462,000; Public Works was \$74,000. What was attributed to Fire for severance?

Mr. Sanders responded I did not receive anything this month that said they had any severance.

Alderman O'Neil asked there is none projected for the year? They were never included in that \$552,000 number?

Mr. Sanders responded there is no one from Fire included in that \$552,000 figure. I'm reading from their communication. "We are not aware of any retirements from now until the end of the fiscal year." Then they talk about changes in Concord that may affect that.

Alderman O'Neil asked and that is in a letter to you?

Mr. Sanders responded yes. Each department head sends me an email.

Alderman O'Neil stated I know this discussion is going to come up tomorrow night. I think we need to look at it, as Alderman Roy whispered to me on the Police, it's encouraging to see the departments saving, but the hit to the severance, it almost ends up being a wash. Those are the comparisons we need to do, and I think we need to keep tracking it. Bill, when you mentioned a number earlier, you

mentioned only three departments. Are there only three departments that have expected retirements?

Mr. Sanders responded yes.

Alderman O'Neil stated you mentioned the Tax Collector for \$15,000.

Mr. Sanders stated yes, and the Highway Department and the Police Department.

Chairman Ouellette stated I would add that the driving force of people not retiring goes back to the health insurance costs. That's going to be another significant problem as we go forward. As the Mayor said publicly, it's a very difficult situation. What the answer is, I don't know, but collectively we'll work together to find those solutions.

Alderman O'Neil stated I think you're absolutely right, Mr. Chairman. There is a direct correlation or relationship between salaries, health insurance, and severance. It all ties together and how we address it...we have to get creative. Retirement is driving the City becoming an older workforce with higher salaries, and unfortunately the majority of our employees provide some type of manual service, whether it be Fire, Police or Public Works. We're going to see higher workers compensation maybe and some higher general health insurance costs in all, if they get hurt off the job. It all ties together and you're absolutely right.

Alderman Roy stated I want to caution everybody here that the answer isn't a mass exodus of employees that are going to retire. There are two problems with that. Number one, it's a brain drain if all of our experienced, skilled people are leaving. Number two is the severance part of it. If we had today 20 other employees who decided they are going to pull the plug, we don't have the money in the severance account to pay them. It's going to adversely affect the departments' budgets because they are going to have to make that up somewhere. It's a fine line. It's not an easy answer.

Chairman Ouellette stated I'm not suggesting that would be the answer.

Alderman Roy stated I didn't think you were.

Chairman Ouellette stated I just think it's sad that people plan their whole life to retire and they get to that point and they feel that it's not affordable to retire because health insurance costs have gotten out of control. That was my only point.

Alderman Roy stated I agree with you 100 percent. I didn't think you said that; I just wanted to caution everybody that that isn't the answer.

Alderman DeVries stated it occurs to me that a report I haven't seen here, and maybe they've seen it at Human Resources more recently, but they usually put forth a report that helps us understand the percentages of our City workforce that is currently moving through the steps and those who have maxed out on the steps. It seems that that should be part of our thought process as we are trying to evaluate. I know the last report that I saw, I want to say that it was well over a year ago, that I really saw some detail. I was surprised that we really hadn't moved the number of people away from...they are still working through the steps. We need to work a little bit better in unison with the Human Resources Committee to understand why we're not maxing out on the steps a little bit quicker than I thought we would, at least when we first implemented it a decade ago.

Mr. Sanders stated I agree. At least for myself I use an estimate that about two thirds of our people are still in steps. It's probably not perfect; maybe it's a little lower than that, but it's not 50% or 40%. Certainly promotions and other things move people through that grid, as well as people retiring. A new generation moves through the grid.

Alderman DeVries stated I go back to when I was a newly elected Alderman a decade ago, some of the representations that were made from either Human Resources or Finance at that point in time. I know it wasn't you and it was a different Human Resources director as well. I had an understanding that we would be moving toward a workforce that had maxed out on the steps, and that doesn't seem to be occurring. We probably need to understand that.

Alderman O'Neil stated I want to follow up on Alderman Roy's comment about how it's not in our best interest to have a mass exodus. Just talking about the State retirement system, we have somewhere around 80 firefighters and 35 or 40 police officers who have age and years of service. I hope that the City not only monitors the legislation but actively participates because if they make a significant change in the retirement system, it could cost us \$5 million, \$6 million or \$7 million, maybe more. That's the liability it would have for the City. It might be great for a small town; it's not great for the City of Manchester. Employees are not going to stay. That is just the ones who have 20 years. I had a police officer say that if they make a significant change, he is going to take the penalty and retire at 19 years of service. As you said, they have worked their whole lives for this. They are paying attention to what is going on. They aren't going to work another six, seven or ten years to get what they have now. We need to be active in those discussions with the legislature.

On motion of Alderman O'Neil, duly seconded by Alderman Roy, it was voted to accept this item.

Chairman Ouellette advised that ordinances are to be considered for consistency with the rules of the Board and requested the Clerk make a presentation.

8. Ordinances for consideration:

“Authorizing the Mayor to dispose of certain tax deeded property situated on Island Pond Road, Manchester, New Hampshire, known as Map 611, Lot 4A.”

“Amending 70.54 Permit Parking in Lieu of Coin Deposit and Parking District of the Code of Ordinances of the City of Manchester by changing Lake Avenue between Elm and Chestnut from District 26 to District 27.”

Deputy City Clerk Kathie Gardner stated two ordinance amendments are herein presented for your consideration. They have been through the proper committee process, noticed to the public, and the public has had an opportunity for comment and input. Therefore, in the Clerk’s opinion, they have been properly enrolled.

All being in order, on motion of Alderman O’Neil, duly seconded by Alderman Long, it was voted to advise that the Ordinances are properly enrolled.

TABLED ITEM

10. 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. Retabled 2/22/10 until the implementation of new software is completed.)

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 DeVries, duly seconded by Alderman Long, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee