

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

December 20, 2010

5:00 PM

Chairman Ouellette called the meeting to order.

The Clerk called the roll.

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

Absent: Alderman DeVries

Messrs: L. Sorenson, W. Sanders, L. LaFreniere

Chairman Ouellette addressed item 3 of the agenda:

3. Department travel/conference summary reports submitted as follows:

- David J. Beauchesne (Planning & Community Development)
New England Geographic Information Systems Conference,
Newport, RI
November 8-10, 2010
- Jay Minkarah (Economic Development)
Northeastern Economic Developers Association Conference,
Providence, RI
October 17-19, 2010
- Matthew Normand (City Clerk)
New Hampshire City & Town Clerks Association
Annual Conference, North Conway, NH
October 13-15, 2010

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

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

Alderman Long stated I know we have the first page.

Ms. Lisa Sorenson, Financial Analyst, stated overall receivables are coming in slow but steady. There is nothing out there that is too crazy. The numbers are a little off because we do not have that receivable for meals and rooms which is about \$454,000, but we do expect that in around December 31st.

Alderman Long stated the collection rates that you have here, for the current \$953,000 that is outstanding, that is 37% that we haven't collected over the 90 days. That 37%, what has been the history of that number? Has it been lower? Is it going lower? Is it going higher?

Ms. Sorenson replied historically, this number has been about the same during these few months because that \$453,000 skews it a little bit. If you take that out, we would be at about a 69% collection rate which is what we have been at over the last few months.

Alderman Long asked the Finance Department senses that that is a medium or fair number? That is an acceptable number?

Mr. William Sanders, Finance Officer, replied we did a report for you last month and we didn't include this month where we showed September 30th from two preceding years and we were probably a little bit lower than this. We do have some large receivables that I think we will be talking about tonight that are in that over 90 day category that have some unique reasons that didn't exist in prior years, but I would think that if that number could get down into the 20% to 25% range that is more consistent with what we've seen over the past few years.

Alderman Long stated we will be getting into the larger numbers, which is good, but a 42 page over 90 day report is killing me. I know a lot of this is people who owed \$300 and now have \$1.50 left that they haven't paid. I don't know if there is something that this Committee needs to do to get this cleaned up. There are some

things in here from 2007 that I'm assuming could be cleaned out like the Corcoran issue. I know there is a calculator for when they pay us. I'm trying to get a grasp on this and I'm spinning my wheels with the same people on here for over a year. In reality, is this going to eventually be written off? If they haven't paid in over a year then it goes to collections, so why is it that some of them who have been here for a year and a half haven't gone to collections yet? Take it from there so we can clean this up and see a fix. I know you have been meeting with IT to see if there is something different with respect to the HTE system that will flag us on some of this so we at least have corporate records that are identifying their principals. It seems to me that it is too easy to be Company A, get a police detail, get Highway to help you with something or get parking tags and then not pay them and then next year, file under Company B and get rid of Company A. Has IT met with your department? There was a schedule I saw. They were meeting with Building, but they haven't yet.

Ms. Sorenson replied not yet, no.

Alderman Long asked do you know if that is going to be an initiative? I bring up the landlord that we had the issue with. There are three names that he is in under here as. We should have learned from the first name that he wasn't going to pay us, but we still charged him with the second and third name. His company was dissolved in 2005 and we are still dealing with him in 2007 under that name. Do you know what I am trying to get at?

Mr. Sanders replied yes I do, and I do have hopes that the Innoprise system will be better. I think an effort right now to make HTE more robust and more informative is not going to happen. At the moment, we are in a maintenance stage with our HTE system and I think all IT efforts and department efforts at this point are moving towards the implementation of Innoprise which is spread out over the next 18 months approximately. At the moment, the Planning & Community Development area and the City Clerk's Office are working on some specific modules. For the finance module I think that is scheduled for the spring and summer of next year. I think there will be more opportunity and flexibility in the Innoprise system to incorporate some things that we would like to see in the receivable module. It is a very wooden and inflexible system. We have some departments that are not on HTE and we don't have complete visibility of all their receivables in the City to be completely honest with you and that has been the case for a decade. It certainly was more difficult five years ago than it is today in terms of getting control of the receivables. Yes, I think there are things that we can do in terms of identifying and providing departments the ability to identify principals as you put it, Alderman, and other characteristics of these companies that would be available not just to the Police Department, but the City Clerk's Office and the Planning & Community Development Department would have similar information

on these companies from a common database where they could easily access this information. We could have cross checking for fellows who aren't paying for this permit or license and that could be used to facilitate the collection of that before other permits are issued by other departments. Today, that ability is extremely limited and it gives rise to the multiple names that you see. The one item that you are talking about I would like to address for one moment. It is on page 4-2. The individual who had the issue with Planning & Community Development that the Aldermen addressed a week ago in terms of waiving these fees, it has been the accounting practice of Planning & Community Development to not report these fees until they are actually collected so they don't set up receivables until the cash is paid. Historically, they have almost been on a cash basis. The reason that these receivables were put on the books for this individual was because July of 2009, three or four years after those initial refusals to pay were encountered, it was the plan Planning & Community Development, which I think has merit, in addition to working on the collection of those receivables, recording them as receivables so we would become aware of them in Finance and they would be referred to a collection agency in 90 days. They were referred to a collection agency in 90 days and there have been multiple letters and phone calls from the collection agency to try to collect these receivables, all to no avail. We continued to carry it and I would recommend that for some period of time we continue to make efforts to collect. Once we write off, it disappears from everyone's view. There are actually more visits that were made and higher amounts due to us than what you see on here. I think that if you recall the letter from the gentleman it was actually about \$60,000. Planning & Community Development only put \$20,000 into the accounting system so that it would trigger this ultimate process of referring it to the collection agency eventually. That is why we are only showing \$20,000 here. That is why it appears we are still doing business with a person we didn't understand in 2008 or 2009. I think Planning & Community Development did and they were trying to exhaust every opportunity or option they had to collect. That is why it is showing up in our bad, past due debts and it seems like it should have been there four or five years ago. It didn't really get into the accounting system until 2009 so in the accounting world it is only a year and a half old. Hopefully that explains that one.

Alderman Long stated yes, I understand that. It just seems to be that we have a procedure where we are at a standstill. It doesn't seem like it is getting any better so I'm wondering if there is something that we could do to get it better because \$1 million is \$1 million. I quasi know the history of write offs and it shouldn't be happening in those amounts.

Mr. Sanders stated this is certainly an area of importance to us and as Lisa mentioned, that rooms and meals receivable has to be booked in June because of how we do the accounting here, but we will receive that money. It is still a large

number and there are other unique situations like the excavation fee receivable that we are clearing which is about \$85,000. We are focused on it. I do think the accounting system will give us new and better tools to work these receivables and decline services to people who owe us money, which is probably the most important way to collect a receivable, when that person wants something from you. We need to get smarter doing that and make sure the departments are using the new accounting system to do that. I acknowledge that our receivables past due are higher than they have been historically, but some of that could be the economy. Beyond that, I'm not making an excuse, but we need to do things differently and better.

Alderman Roy stated I guess my question is for Leon. All of these charges for code enforcement, are these all for the certificate of compliance program?

Mr. Leon LaFreniere, Planning and Community Development Director, replied yes.

Alderman Roy asked and you are working with the City Solicitor right now to see how we can improve that whole process? Is that correct?

Mr. LaFreniere replied the City Solicitor and my department are the first department out of the gate with Innoprise. As of late last week, we have been spending time with the representatives from the software vendor explaining our needs in that area and concentrating on how the code enforcement module interacts with the accounts receivable module.

Alderman O'Neil stated maybe it would make sense to have Jennie in here, although she may be presenting to the Administration Committee tomorrow. That part of our receivables may need to be moved up in the schedule. We need to play every card we can. If they go to get a street opening permit, but they might owe Planning & Community Development money, they shouldn't be able to get that street opening permit. I think there are enough checks and balances. Bill, I don't want to misquote you, but you might have said a year or 18 months off. I don't know if you are talking just your department with Innoprise.

Mr. Sanders stated the 18 months was in reference to the entire implementation. The Finance Department, the receivables and payables activity, will be in the spring and summer of next year or maybe early fall because it will affect all departments with revenue. Revenues and expenditures will be a somewhat large implementation.

Alderman O'Neil stated maybe we can invite our Information Systems Director to the next meeting to talk about this because we certainly have, on the surface, the ability to....if you have a parking ticket you can't register your car. We have that simple system set up. There needs to be other ways that we can collect on these folks. I don't know if it is something Finance is looking at with Planning & Community Development or other departments, but these outstanding payments that just keep going on and on and we add to that, like the situation on Hall and Hanover Streets. He was never going to pay after \$5. He was never going to pay, but we kept fueling it. I understand that there were legal reasons why, but it doesn't make any sense. Maybe having Jennie come in at a future meeting would make some sense.

Chairman Ouellette stated I would ask the Clerk to make that note.

Alderman O'Neil stated Alderman Long brought up some of these, but I was looking at one for \$2.98. At some point do we just need to get rid of that? Maybe we need to have some threshold.

Ms. Sorenson stated typically the accounts are sent to collections and when I am preparing the write off list I will go through my over 90 day report and look for real old ones, contact the collection company to see if they have been able to reach them and if they haven't, I'll submit them for write offs.

Alderman O'Neil stated as Alderman Roy is pointing out, there is a FairPoint for \$6.80. That wasn't the one. This was an individual person that I saw.

Chairman Ouellette stated I'm looking at one for \$.68.

Alderman O'Neil stated I think it would make all of our lives easier to get rid of some of these.

Ms. Sorenson stated I would have to look at the date and when the \$.68 was billed.

Alderman Roy stated I think it says October of 2007.

Ms. Sorenson stated it goes year, month, day.

Alderman Long stated if we look at 4-32 you will see on the top that the transaction amount was \$7,772.50 and there is an amount unpaid of \$.50 from March 31, 2010. There are a few of those. On the next page there is a \$.68. I guess the unpaid amount, if it is not obvious that they are going to make payments, the unpaid amount is different than the transaction amount and it appears that that

is all we are going to get, we need to review those. It would be nice to review those and clear those off so we could have a clearer picture of what we are dealing with.

Mr. Sanders stated Lisa will be putting together the write off list for the second quarter for the January meeting so we'll attempt to take a look at that. If there are other receivables with the same vendor outstanding, I don't mean to sound like Scrooge, but anything over \$.60, the willingness to forgive an amount due to the City if there are larger amounts outstanding I would like to keep it all there, but we will go through it.

Chairman Ouellette stated I think what it must be is an interest payment. If someone has a parking fee for \$45 and they are late paying it, it is now \$45.68, but they are only sending in \$45. They are not paying the fine or the penalty.

Ms. Sorenson stated right and then when the payment is received it could be misapplied and maybe the \$.68 went to the finance charge instead of paying off the entire \$45. That is why the \$.68 would still be showing up.

Alderman O'Neil stated I bring this one up again and I believe we have talked about it before, but Adam's Petroleum is related to some service station work on Mammoth Road. They had two cops out there for a period of time. They are in that one time and they are never going to do this again, but they continue to show \$16,000. It goes back to 2005 to 2006.

Ms. Sorenson stated we have made our best effort to try to collect that by sending them to collections so that is where they have been for the past few years, in collections.

Alderman Long stated Dig Right is the same way. There is Dig Right LLC and Dig Right Excavation LLC. They all have the same principal. They all have the same agent. I used the Secretary of State looking for any of those principals and any excavation company because I knew that if I kept looking I would find one of those names because that is their business. They are not about to give up their business.

Mr. Sanders stated I'm sure the Committee is aware of it, but when we write off receivables it does have an impact on the current year's financial results. If, for example, we request approval to write off \$30,000 of receivables, if we were to say that is entirely in the Highway Department, they will have to take that as a charge against their fiscal 2011 revenue numbers. If they were expecting to hit their revenue dead on, the write off of this receivable would put them \$30,000 short. That is the reason, if you look over the historic write offs of the City, they

have been modest or honed as closely as possible and we have exercised every right we have to collect them because the impact of writing off the receivables...I can use Corcoran as an example. As I understand it we are going to collect \$.20 on the dollar and you can see from our schedule we are owed \$110,000 so we are going to have about a \$90,000 write off against the Highway revenue number for this year. I point that out because it is a large number, but in general, the receivables, we like to make sure that our collection agent is completely sure he cannot collect this and the Solicitor believes there are no avenues left to us before we write things off. It does affect the City. When we book those receivables we take that money to revenue in the year we record it.

Chairman Ouellette stated Awesome Pizza owes \$878.50, but they continue to do business in the City. How are they getting their business license renewed? I believe they even opened up another place on the West Side. Alderman O'Neil's point was in terms of getting a better cross reference check between different departments so we can get a better handle on these things being taken care of at a faster rate. If they don't have their business license they can't operate their business. I'm sure they will write a check for \$878.50 the next day.

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

Chairman Ouellette addressed item 5 of the agenda:

5. Communication from William Sanders, Finance Officer, submitting the City's Monthly Financial Report (unaudited) for the five months that ended November 30, 2010.

Mr. Sanders stated page 5-1 is the cover letter. Our expenditure performance through the month of November has pretty much been on target in terms of what is left as a benchmark. We only have two departments that are varying from the benchmark in any material way and those are Information Systems and Human Resources for reasons that we had discussed in prior months. The one item that bears repeating as it has in prior months is our healthcare costs of about \$5.6 million through the month of November or about \$900,000 over budget for the first five months. Obviously if you annualize that you would see us approaching a \$2 million shortfall in the health insurance line. Health insurance is unpredictable. It can be high in some months and lower in others, but it continues to slip from our budget through five months. As I mentioned in prior months we do have a health insurance reserve of about \$3.5 million so we will be able to absorb a \$1.8 million to \$2 million shortfall in the health insurance line, but that does bode poorly for subsequent years after this year if we don't have some resolution of the situation.

Overall through November, we're on track with our budget. We have about 60.26% which compares very favorably with the 60.06% we had a year ago. Revenues for the first five months are significantly higher than they were for the same period a year ago and slightly ahead of budget. They are \$1.9 million higher than a year ago and that is primarily due to timing differences which means that we received the money earlier this year than we did a year ago and payments in lieu of taxes is a timing item. Our higher school charge backs are timing, but as you might remember from the forecast from earlier this month we are projecting better than budgeted on the revenue side. Overall, the City closed the month of November in pretty good shape and we're heading into December and January and we'll see what comes.

Alderman Roy moved to accept this item. The motion was duly seconded by Alderman Long.

Alderman O'Neil stated last month I was completely on the wrong page when I asked this question. Let me see if I can get on the right page today. I believe it is 5-7, non-property tax revenues. One of the items I like to look at is auto registration. It traditionally has been a good tracking system. Am I on the right page for that?

Mr. Sanders replied you can look at that because it shows you what we have actually collected in auto registrations. I think you want to go to 5-9 because it compares the first five months of this year with the first five months of last year and that's a better understanding. Everyone remembers that last year was better to budget so it can be difficult. You can see that we are ahead of our auto registration this year by about \$110,000 so we are slightly ahead in the auto registration line.

Alderman O'Neil stated in the text of your summary you wrote something about building permits. I'm trying to make sure that I am using the same page. If I go just below that it shows that we are tracking about \$462,000 less than last year. That is all permits?

Mr. Sanders replied that's correct. Building is just a piece of that. Building is ahead. If you ask me what permits were significantly below it, I don't have that information with me this evening, but I will get that to you.

Chairman Ouellette called for a vote on the motion to accept this item. There being none opposed the motion carried.

Chairman Ouellette addressed item 6 of the agenda:

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

Mr. Sanders stated it is not available this evening. The Mayor wanted to issue them earlier in the month before the BMA meeting so we issued the December one at the first December meeting. I will be asking department heads to have their forecasts ready for the first BMA meeting in January at the Mayor's request.

TABLED ITEM

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

A True Record. Attest.

Clerk of Committee