

## COMMITTEE ON FINANCE

**March 7, 2000**

**Upon Recess of BMA**

Mayor Baines called the meeting to order.

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Levasseur, Sysyn, Clancy, Pinard, O'Neil, Lopez, Shea, Vaillancourt, Pariseau, Cashin, Thibault, and Hirschmann

3. Communication from Mayor Baines advising that City staff is working with representatives of the Center of NH for collection of outstanding parking fees collection of \$308,132.18; and further, the City's internal auditors have been directed to review all similarly developed contracts and a contract processing procedure is being drafted to ensure proper controls in the future.

Alderman Shea stated as a local paper asked, why did this happen. I don't know who could answer that, but I would like someone to answer that.

Mayor Baines replied as I said in the newspaper, that is the great mystery. I really can't answer that with any clarity at this time where that responsibility is. What I have been able to discern and there are people who have certainly been here longer than that talk about how that responsibility at one time was within the City Coordinator's Office and then it was shifted. You had a number of different coordinators through that period of time. You had a period of time where you had responsibility shifted with a parking coordinator and it went through different processes. To be quite frank with you, those types of things should not happen in City Government. I think with the comments that Jay Taylor made, first of all, we should thank Jay Taylor for finding it but it doesn't make us look good. I think we need to make sure that all contracts and similar arrangements are scrutinized regularly. First of all, I would like to know what they are. I happened to run into John Hoben when we were dealing with this and asked him his history of it and when he left the office he said he put everything in neat little boxes and organized things for the next person to come along and something happened in terms of that responsibility for that situation. We are in the process of trying to find out if there are any other such arrangements. We will know, when that is finished, have a list of all similar agreements and we will establish a process to make sure that they are

reviewed on a regular basis to make sure that the people in this community can truly have confidence in us.

Alderman Shea asked who are the City's internal auditors reviewing this matter and other contracts. In essence, who is guarding the store? Are these internal audits working out of the Finance Office?

Mr. Clougherty answered there are two internal auditor positions within the Finance Department and they are two CPA's.

Alderman Shea asked they are guarding the store for the City. Is that correct?

Mr. Clougherty answered they are providing an internal audit service for the City. That is right.

Alderman Shea stated so for the last three years I have been asking for internal audits and now they are going to be performed by the Finance Department.

Mr. Clougherty replied you are right. As you know, during that two year period we have been trying to get those positions filled and had to go back and have them reallocated. We had done the advertising and we did a national search and we had only one person apply from around the country. That is exactly what is going to happen.

Alderman Shea asked so there is no third party involved. Just people from your department that you are supervising.

Mr. Clougherty answered correct.

Alderman Levasseur stated as far as the parking fees, I believe they are in excess of \$300,000. Have you gotten a legal opinion on whether that can be accelerated to us now or are we going to have wait for that and get payments. I would like to see that money come forward if it is not our fault. If it was an oversight on their part then it would probably be accelerated to us unless there was a problem with our billing schedule. If we could get that money now, obviously we could probably use that for some other projects.

Mayor Baines replied you should have been in the room with me when I had to give this news to the General Manager of the Center of New Hampshire that he owed a bill that he had no knowledge of. I think in fairness we are going to be sitting down with Sean O'Kane. The Center of New Hampshire is a very important business to our community. They contribute a great deal. Sean, himself, is a very active member of our community. They are now researching it

from their viewpoint. Preliminary indications are that they do owe us money. They will also be dealing with their legal counsel on that matter and we hope to arrange a fairly equitable settlement of that issue. To go in and say tomorrow give us a check for \$300,000, I am not sure that is a wise thing to do or a fair thing to do. We are going to do what is right and just for the taxpayers of this community.

Alderman Levasseur stated I just want to make sure that our legal counsel is on top of that also.

Mayor Baines replied I can assure you that we are on top of that.

Alderman Lopez stated I know you are working on it and you are doing a great job, Mayor. I would just like to know as of today who is the responsible individual that is responsible to collect the money that is owed this City.

Mayor Baines asked on all of these.

Alderman Lopez asked on anything.

Mayor Baines answered a lot of that obviously goes through the Finance Office.

Mr. Clougherty stated it is the responsibility of the Traffic Department. They make the deposits. As with any departments, they are consolidated through the City banking system, but it is the responsibility of the Traffic Department.

Mayor Baines replied in terms of the parking, but there are other arrangements that we have. I think that is what he is referring to and that is a concern that I have because one of the frustrations coming in to this office is who does what in terms of what responsibilities. We will gather that information and we will insure through some kind of policy and procedure that there is responsibility for actions. I don't think it is acceptable to the public to say to them no one is responsible. Somebody has to be responsible.

Alderman Lopez stated we pay good money to department heads with responsibility and I, for one, would expect them to scrutinize everything they are responsible for.

Mayor Baines replied I can assure you that as Mayor of the City and Chief Executive Officer, I feel exactly the same way.

Alderman Thibault asked how did Traffic end up with that kind of a responsibility. I am lost a little bit with that. I would think that any of these contractual agreements should be handled by the Finance Department. I can understand

Traffic picking up the parking meters and stuff like that, but I can't imagine how they ever ended up with this responsibility.

Mayor Baines answered first of all, there are some historians on the Board here. I can just give you from what we have been able to piece together and if Mr. Clark or Mr. Clougherty or Mr. Taylor would like to join in because we have had discussions...this has been going on for well over a month by the way. When we first looked at this and Mr. Taylor presented it to us, we thought it was over a \$600,000 problem, but we had a hard time researching the different documents and Jay spent a great deal of time doing that. The best I can discern is that it was originally the responsibility of the City Coordinator and then we had a change in Coordinators when John Hoben left in 1989, after which I think Carol was in that role for a short period of time.

Deputy Clerk Johnson stated parking was turned over to John Lawless.

Mayor Baines replied okay parking had been turned over to John Lawless and there had been some history there and changes were made there and after that different Coordinators came in and it must have got lost. That is all I can say. Is there anything that anybody wants to add to this because it has been a great mystery, one of the great mysteries of this administration so far.

Mr. Clougherty stated I would add that this contract is somewhat unique. It is not a contract...I believe it is with the Housing Authority initially. It is not a contract with the City, but the City benefits from it. It was unique in the sense that it started in 1981 and then had a formula where 10 years later it would provide for an escalator in the collections to occur. That type of delayed system is unusual and that type of a contract not coming to the City caused some complications too. I think it is just the nature of the contract, and the number of people that were involved over the years that added to some of the confusion on it.

Alderman Vaillancourt stated I don't profess to be a lawyer and I take pride in that I guess, but I do have a legal question. This \$308,000 is so much per year over a 10 year span. I am just wondering, the City made no effort to collect this and it seems to me that if I were the Center of NH I would wonder if I were liable to pay something that dates back eight or nine years ago.

Mayor Baines replied I can honestly tell you that that came up in our discussions and they are reviewing this with their legal counsel. I expect that we are going to find a solution to this.

Alderman Pariseau stated my only concern, your Honor, is that I believe there is some regulation that says that we can't collect any money beyond the year. That was brought up at the Administration Committee dealing with MediaOne. Our concern was that the City is probably not getting what it should get but there is a stipulation that says if that is the case we can only go back one year. I wonder if this is in that same category.

Solicitor Clark replied I don't believe this is in that same category. We may run into some limitations, but we will have to meet with the Center of NH people to work those through.

Alderman Hirschmann stated my only comment is to leave this on the table until it is resolved.

Alderman Hirschmann moved to table the item. Alderman Levasseur duly seconded the motion. Mayor Baines called for a vote on the motion. There being none opposed, the motion carried.

Alderman Gatsas asked, Mr. Clougherty, are our statements audits.

Mr. Clougherty answered yes they are.

Alderman Gatsas asked independent audited.

Mr. Clougherty answered yes.

Alderman Gatsas asked are they reviewed or audited.

Mr. Clougherty answered audited.

Alderman Gatsas asked do those audited statements provide the auditor is responsible for checking contracts with income to the City.

Mr. Clougherty answered they sample contracts as part of their review.

Alderman Gatsas stated well they are supposed to be looking at all contracts that are issued of the City on an audited statement.

Mr. Clougherty replied they are, on an audited statement, looking at what we have.

Alderman Gatsas stated I assume then that the auditors have some responsibility.

Mr. Clougherty replied I don't disagree.

Alderman Gatsas asked Solicitor Clark for a legal opinion.

Solicitor Clark answered there may be some responsibility there.

Alderman Gatsas stated maybe the motion is that we get a letter to the auditors to test their E&O insurance for the \$308,000 that this City may be at risk.

Mayor Baines replied a prudent course of action was to allow the City Solicitor to pursue this and get back to the Board with some information. Is that okay with you?

Alderman Gatsas asked isn't it tabled.

Mayor Baines answered that is tabled but in terms of the question that you asked, I think that is something that we can discuss internally and get back to you on.

Solicitor Clark stated we can definitely take that into consideration in our further meetings with you and other officials and with the Center of NH. We can involve the auditors and find out what has happened.

Alderman Cashin stated the Alderman has made a motion and I think he is waiting for a second.

Mayor Baines replied I asked Alderman Gatsas if he would accept the resolution I proposed and I thought there was some agreement with it.

Alderman Gatsas stated I would rather send a letter to the auditors that we pay an awful lot of money to audit our books and they are standing behind a statement. I think they are at risk. That is my opinion.

Solicitor Clark stated if the Board wishes we can have a letter sent to the auditors placing them on notice.

Alderman Gatsas moved to have the Solicitor's Office send a letter to the auditors putting them on notice. Alderman Cashin duly seconded the motion.

Alderman Vaillancourt asked have we changed auditors in the last 10 years. Should we not send letters to all of the auditors going back 10 years?

Mr. Clougherty answered yes, we change auditors routinely. We go out with an RFP. The RFP has currently been issued. As we have reported to you in the past, the audit contract has expired and we are in the process now of going through that selection procedure. The RFP is reviewed by the State Auditor to make sure that it is consistent with the requirements for municipalities.

Alderman Vaillancourt asked so would the motion be to send this letter to all of the previous auditors in the last 10 years.

Alderman Gatsas answered I would leave that up to the Solicitor and the Finance Department. Whatever they think is the best procedure. I think the one that has the most risk is the final auditor that is in place right now that just sent us the last statement.

Mr. Clougherty stated certainly they have a requirement to look at the contract, but on the City side we have to make sure that we have the right procedures to make sure that all of the contracts that the City is into are available to them to take a look at. In this particular case where it was not with the City, I think that might be an issue. I think that is a good question and we will follow-up with it, but I would just caution the Board in that regard.

Alderman Gatsas replied I certainly understand that, but I believe if you are showing the cash flow that you are showing from that parking facility, somebody is going to ask to see a contract.

Mayor Baines called for a vote on the motion. There being none opposed, the motion carried.

4. Communication from the Finance Officer recommending that the Board reserve up to \$1,449,000 in the City's Restricted line items in the event funds are needed for the School District to be transferred at year-end.

Mayor Baines stated so that we can get this on the table for discussion, I would like a motion.

Alderman Shea moved the item for discussion. Alderman Cashin duly seconded the motion.

Alderman Shea stated seeing that the members of the School Board are here and the Superintendent, I would like anyone from the School Department to come up and speak about this.

Mayor Baines stated I would like Mr. Tanguay come forward and I would like to have Mr. Clougherty and Mr. Hobson because I think we will get the whole scenario of this and it will give us a good opportunity to hear a good, healthy, open discussion of this issue.

Alderman Shea replied you have to remember, your Honor, that I am going to owe Alderman Wihby a meal if I don't come out on top here.

Mr. Tanguay stated I would like to pass out a couple of documents, which I believe would be helpful to the Board of Mayor and Aldermen as we walk you through this. The purpose of tonight's meeting is to address the Resolution prepared by the City Finance Officer, which is basically to reinstate into the benefit account approximately \$1,484,860. This came out of the adopted budget and I would like at this time to also pass out an audit fail for you to follow. While that is being passed out, I would like to share with the Board of Mayor and Aldermen that the District has an open door policy with regard to finances of the District. Each Alderman is invited to attend the meetings of the District Finance Committee and the Board of School Committee. Two weeks ago, I met with Alderman Wihby to address questions that he had regarding the District finances and its hiring for FY2000. Whenever any of you have questions regarding the District, you are welcome to meet with me as some of you already do. As Superintendent of Schools, I report to a 15 member School Committee. Educational challenges, including financial, are discussed at regular public meetings with media coverage. There are two documents that were handed out to you. The first is a yellow document and that is a transition plan that was approved at a Special Board Meeting on July 8. The transition plan was agreed to by the City Finance Officer, Kevin Clougherty, and myself and shared with the School Committee, as I believe he did with the Board of Aldermen. If you could go to Page 3...

Alderman Gatsas stated we certainly have tried to encourage our department heads or anybody that is going to give us information to at least give us an opportunity to read it and take a look at it. We are looking at a five-page document here that obviously nobody has had a chance to look at. I don't know if you would like to give us 10 minutes to try and read through this thing.

Mayor Baines asked would the Board like a five-minute recess.

Alderman Shea answered either that, your Honor, or let him go through the highlights of it.

Alderman Gatsas moved to recess the meeting. Alderman Levasseur duly seconded the motion. Mayor Baines called for a vote. There being none opposed, the motion carried.

Mr. Tanguay stated again, back to the transition plan, the yellow sheets, I will refer you again to Page 3, the last two paragraphs and actually the last paragraph specifically where it states that in fact it is not the wish of the School District to in any way cause a financial burden to the City nor does it expect that in return. We also talked about the City controlled accounts above like employee benefits, departmental chargebacks and debt service and that, in fact, those would all wash out to zero. If I may move on to the blue sheet, benefit and debt service, March 31 the Mayor's budget submission was \$27,798,000 and there is an accompanying document to that. Up on the top left hand corner it indicates that this came from the Mayor's Office. There is also one from Alderman Wihby with a slight increase in the benefit account and Alderman Girard with a slight decrease in the benefit account. We also have attached Mark Hobson's school portion, which is what was sent to the Aldermen and in the City budget book it was \$13,435,928. The actual funding occurred at \$11,951,068, which created a shortfall of \$1,484,860. I think another way to review this is to look at the green sheet, the FY2000 Budget Analysis Sheet showing the School request of \$67,645,858, including athletics and school food and nutrition for a total of \$72,162,906. That is the way the budget was sent to the Board of Mayor and Aldermen or actually to the Mayor. That was the way it was done before the declaratory judgement. After the declaratory judgement, things would be changing. Prior to that time and again when this was submitted to the Aldermen the benefit account was generated by, a dollar amount, by Mark Hobson's office and that is \$13,435,928. The chargebacks came from City Finance and I believe it is \$6,596,000 and principle and interest at \$7,141,858. The Mayor had added, at that point, the negotiated increase for teachers at \$2,322,564. That gave us a new budget of \$69,968,422. The benefit account remained the same. The chargebacks the same and the principle and interest the same, as well as athletics and food and nutrition. There was an adjustment made of 1% plus \$200,000 and that came to \$897,684. At that time, this happened the evening of the Aldermanic evening, and the numbers went in the benefit account from \$13,435,928 and were reduced by \$1,484,860 for a new number of \$11,951,068. We also had an increase in the chargebacks and a subsequent increase almost the same amount for principle and interest of bonds of \$1,452,000. A 1% increase in athletics and food and nutrition and that gave us a new budget of \$100,573,352, which is the number that we are talking about this evening. I wish to point out that sometime between the time that we discussed the budget and had agreed on a number of \$100.5 million we were still using the number from the Human Resource Department. That, by the way, is the number that they put in as well as the principle and interest for bonds which is put in by City Finance. Those are not our numbers. We agree with the numbers and have

no problems with the numbers. Where we are having difficulty this evening is the fact that the number was reduced by \$1,484,000. I noticed that Mr. Wihby handed out a pie chart showing a benefit amount of \$12,725,000. That was done back in April before the declaratory judgment. Again, the numbers for benefits and chargebacks and principle and interest are numbers that are put in there by other departments. They are not our numbers and to repeat myself, the benefits was decreased by \$1.4 million and the debt service was increased by \$1.4 million. If you want, I can stop at this point and talk about the benefit account because I have other areas that I would like to cover this evening.

Mayor Baines stated please proceed.

Mr. Tanguay stated a court decision was rendered establishing us as a School District. This happened back in May 22, 1999. Chief Justice Nadeau ordered the City to provide an explanation as to the District's debt service. The court indicated that the District did not have to pay unexplained debt service payments. Nine months later, the City has not complied with the court's order. To date, the City has failed to provide a satisfactory explanation of the District's debt service. This problem is more serious by the fact that the City Finance Officer's unilateral decision to increase the District's debt service jeopardized item in the FY2000 budget from \$7.1 million to almost \$8.6 million. The failure to explain the debt service jeopardizes the bond rating of both the City and the School District. It could result in a School surplus totaling millions of dollars. I have been informed that the City Finance Officers made District payments on debt service without approval of the Board of School Committee and I might add that when we appeared before Judge Nadeau on a declaratory judgement, he asked if we could in fact want to go back and time for damages against the City, which would total millions of dollars and we said no, that was not our intent. We were looking for clarification. Again, the \$1.4 million request with regard to employee benefits is the result of a unilateral decision by the City Finance Office on the evening of June 7, 1999 at the Aldermanic meeting where the FY2000 budget was approved. With the increase to the District's debt service by \$1,452,762 and the decrease of Mark Hobson's employee benefits number of \$13,435,928 by \$1,484,860, the School District clearly has the authority to transfer funds between its line items and that authority does not rest with City Finance. The decision by the City Finance Officer to shift funds into debt service without providing the court ordered detail leaves us unable to determine whether or not the monies will be needed in that line item. Simply put, there is a need to restore the employee benefit to the number set by Mark Hobson and without having received an explanation from City Finance we cannot determine whether or not that debt service number could be restored to the employee benefits line. I respectfully request that the Resolution to restore \$1,484,860 to the benefit account be approved.

Mayor Baines asked, Mr. Clougherty, would you like to add anything.

Mr. Clougherty answered no. You can let him finish.

Mayor Baines replied he is finished. Mr. Hobson, would you like to add anything before we open it up for questions?

Mr. Clougherty stated I would like to respond. This is kind of a startling presentation and I would like to see some of the information that he has. Obviously we are not going to get into all of the details tonight. The decision to put the debt service numbers at what they were in the budget for the school was based on the actuals that we have and I believe that information has been provided to them so I would contest that, but arguing about that tonight is not going to accomplish anything. The number that was put in was in anticipation of a bond issue that was coming up, including projects that would be done for school. So it was the best estimate at the time. As the Superintendent said when he started his presentation, he has no problem with that number. I think that is justified. I believe the problem that we have, if you turn to his sheet dated 6/7/99, it is the blue sheet, the School Department is appropriated one bottom line from the Board of Mayor and Aldermen. On the night of 6/7/99, there was an effort to bring some clarity to the appropriation. In that regard, it was my understanding that it was negotiated with the budget team to a number of \$100,573,352 because that fit within the tax rate and within the different things that the Board was looking to accomplish. We, as part of that \$1,573,352, had to give the adjustment for what we felt was the right anticipated debt, which the Superintendent said he agrees with. We had to put in the number that they had talked about above the line, the \$80,000,027. The other line items, the other balances there have to add up to that bottom line of \$100.5 million. I agree with the Superintendent. He has the ability to move those line items within his budget. We have been advised by Bond Council that we have got to make payments on debt that is outstanding. We are not going to put the City into a default situation when we are going through a transition period and I think that is the responsible thing to do. The bottom line that the Board is faced with tonight, I believe, is that as part of everybody's best efforts in this whole process, the School District has informed the City that there is a possibility that they could be in need of \$1.4 million at the end of the year for benefits. If the Board of Aldermen wants to be able to be in a position to be able to help them at the end of the year, then we have to take some action today to make sure that the money will be available at the end of the year to transfer. I have two responsibilities to you as Finance Officer. I have to let you know if I am aware that there might be a deficit situation occurring and I have done that. I have to also certify that there will be funds available to transfer when and if the Board wants to do that and we are working on that as part of the letter that the Mayor talked about earlier in this meeting when he talked about some of the initiatives

that he is taking as far as the CIP budget. Those actions should result in there being sufficient funds at year end to help the School District if the Board decides that they want to increase the appropriation and move that over. It has been my recommendation in the letters that I sent to you that the Board should take these things into consideration at year end and that we should take the efforts that the Mayor is talking about in order to generate the funds that may be necessary at the end of the year. Now it is my understanding from the Superintendent that they are going to try and do their best to minimize and that \$1.4 million is a worse case number and it is also my understanding that the Human Resources Director is going to try to do what he can to make sure that our line items for salaries and benefits are controlled as much as possible, but that is the dilemma that we face as part of this year's budget process.

Mayor Baines asked Mr. Hobson to go through his explanation of the whole situation.

Mr. Hobson stated I just want to point out that while I certainly have no problem with taking the credit of the \$13+ million, that number was, and I don't think this is the Superintendent's intention but that number was not arrived completely by our office. We worked with the previous Mayor's Office and we worked with the Superintendent's business office to make sure that we had an idea of how many people we were talking about. Obviously, if you are going to be a full-time school employee and you are going to start working in September, then your benefits are going to start kicking in and that is going to cost X amount of dollars. I just wanted to point that out first and the second thing is that after the Mayor's budget was delivered, that \$13 million number as it has every year since I have worked for the City, became a target of a lot of places where people wanted to try to decrease the City's expenses and tried to make cuts so there were several cuts and several attempts at cuts at that \$13.4 million after the March 31 deadline or whatever the Mayor's budget deadline is.

Alderman Wihby stated if you look at the pie chart that was just distributed, the first page the pie shows that back on April 19 they were looking for \$80 million and if you go back to the second page, that \$80 million is there. That is a fully funded budget that they had asked for. The salary adjustment account was \$2,322,000, but then there was \$200,000 taken out of it so that was the number for salary adjustment. That uses their exact numbers for athletics and the exact number for school food and nutrition. Chargebacks was agreed upon at that meeting. I don't think there was any question that it was \$6.8 million. I used the higher debt number there. \$102,405,000 is the amount of money that if they had everything fully funded with no cuts at all, that is what they would want. If you take out of that, if everybody remembers, there was a double counting of food and nutrition. It was in the food account and it was in the benefits account so we

deducted that early on in my budget, which was in April. Then there was also, as Mark just said, the \$12,725,000 when reviewed by the system came out and said there is \$244,000 less so that was taken out of my number. There was also a Mayor's cut of 1% of the items that have the asterisk next to them and that was a total of \$867,000. Now I noticed that Mark passed something out which was \$805,000 and the Superintendent is \$897,000 so we are roughly around the same number, but basically if you take out those deductions, the total budget that they would need or the total budget that the Aldermen wanted to give them or should have given them was \$100,975,000. We gave them \$100,698,000 so the deficit or just the difference because it is not really a deficit, is \$275,000. Now supposedly they knew this since June 8 and they could have easily at \$100 million budget somehow cut \$275,000 out of hit. If they did that they would have gotten exactly what they wanted because with school food and nutrition it was double counted so there was no cut there and the 1%, if you look at the minutes of the meeting, somebody asked the Mayor where did you get the number from and he said there were some adjustments and there was a 1% cut and that is what this Board voted on. They voted on \$100,573,352. Now, your Honor, we have been taken to court and everything else by the School Department and we spent a lot of money in attorney's fees because they want a bottom line number and they don't want anybody to interfere and that is what we gave them. A bottom-line number of \$100,573,352. We were in that meeting, your Honor, and I was there because I was on the Mayor's budget team and Alderman Cashin and a couple of department heads were also there. That number came out of one of the School Board member's mouth and they said if you give me that we will be happy. Norm sort of didn't like the idea but went along with it because it was an increase of \$2.5 million and he said okay fine we will go with that. We came out and we had the print out at 4:11 PM or something and we brought it upstairs, we showed it to them, they talked about, yes, yes, yes. I think everybody was probably looking at the bottom line because that was the number everybody was looking at. About a half an hour later, we went downstairs, copied it for all of the Aldermen and brought it up here and the Mayor went with it with his message on why he was giving more money to schools because they needed it and it was adopted. Now no one said anything in that room as far as well it is \$100,500,000 plus I have money sitting somewhere else. Nobody said that. It was the bottom line number and I think if you ask the Mayor at the time he will tell you that was the amount of money he was giving them. Now, your Honor, we have got and I am amazed that we have \$100 million operation in this City and it takes three to four weeks for them to give us information. I am amazed at that and I still didn't get the information that I asked for. One of the things that we just got yesterday, your Honor, was the FTE's. When they came to talk to us, they told us that they were going to go from 1,489 to 1,579 and they were going to have 77 new teachers. Now they didn't get all of their money so there can't be 77. I don't know what number you want to give it, but they had to cut it from somewhere. Right now if

you look at this sheet, your Honor, they have 1,617. They have added 128 new teachers to the system in one year and if you take that 128 and using their chart and the average you come up with is an extra...just the extra teachers because they had told us 77, it comes out to almost \$1.2 million and then if you take the benefits from that, that is another \$300,000. So you are talking \$1,500,000 of new help that we didn't know anything about and we were never talked to about and we were never told that we were going to ask for that. All we knew is they were going to ask for 77 and they ended up with 128 in one year. To say that it is \$1 million because of the debt or because someone screwed up on benefits or we didn't know what it was, here is \$1.5 million that they knew they were doing. Now if you look at the financials, from Day 1 and we asked the School Board member at our last meeting do you go back and make adjustments and he said of course we do. Well, if you go back to the March budget and to this month's budget, nine months or more than that, the numbers haven't changed. They haven't had one up or down from that budget. They did it one month and then they corrected it because they put it somewhere else and they sent it back out so the only number that has changed is it has gone from \$55 million in salaries to \$56 million in salaries. Again, is it \$1 million and close to the number of new staff. That is where I say, your Honor, this increase came from. Now, we can only control the bottom line and if we allow them to spend this money and go out of control, we have no control so they can come back every time and we will give them the money and we will lose all of our control. Two years ago it was \$1.2 million deficit. Norm, last year what did you end up with for a bottom line?

Mr. Tanguay stated about \$40,000.

Alderman Wihby asked and did you or did you not take the last two days of payroll of \$300,000 and transfer that.

Mr. Tanguay answered we did.

Alderman Wihby asked so if you hadn't done that, you would have had another deficit, wouldn't you have.

Mr. Tanguay answered no because we followed the Generally Accepted Accounting Principles and did not charge a July or the current expense to a prior year because it didn't belong plus it was a recommendation of the auditors and it was also the time for the School Board to establish their financial regulations if you will.

Alderman Wihby asked when you asked us for funding and we gave it to you the year before, are you going to tell me that you took out two days.

Mr. Tanguay answered can I please respond to the previous statement first.

Mayor Baines replied you can proceed.

Mr. Tanguay stated first of all, Mr. Wihby, you know that the budget we were looking at was \$100.5 million. We don't quarrel with that number at all. Not one bit. We sat in that room and discussed that. We also had in that number and you saw the information, benefits of \$13.4 million. The problem that we are having, Mr. Wihby, is the fact that after we left that meeting and before the Aldermanic meeting began, that number changed. That number was reduced by \$1.4 million. I don't know who did it, but it was changed without consent of this School Board or the Superintendent.

Alderman Wihby responded I disagree. It was never changed. You looked at it. You saw the sheet. You guys approved it.

Mr. Tanguay asked can I finish.

Mayor Baines stated we are going to stop here because in order for this to proceed...

Alderman Wihby interjected we are just having a friendly discussion, your Honor.

Mayor Baines asked is that what it is. What I would like to do is allow people to finish and then the other person can respond.

Mr. Tanguay stated the amount was changed. When the meeting began, we were given the information during the meeting regarding our number. I looked at the sheet and saw the number \$100.5 million. I was fine with that. I did not audit the information. Maybe I should have. In hindsight I should have. I went back to the office the next day and my Business Administrator said do you know what happened, they reduced the benefit and increased debt service. The bigger problem is that we don't have any documentation for debt service. There is still \$8.5 million that we own the City that we cannot pay by law, but the transition plan also addresses that. We met with the Finance Director shortly after the Aldermanic meeting when the budget was approved and we agreed that it was not our intention to hurt the City or vice versa. We even said that if we had excess monies this year it would go back to the City. We still maintain that. We reached agreement that nobody would be hurt in this process. Again, if the Schools had excess funds they would be turned over to the City and conversely if the School had a shortfall the City would absorb it. That was our agreement. I did not worry about it. The issue surfaced with the new Administration. When we met with the

new Mayor to discuss a transition plan and the problems that we had regarding the debt service, \$8.5 million with no documentation. That is what happened.

Alderman Wihby responded you can say what you want. The bottom line is that if you didn't have the \$1.5 million...

Mr. Tanguay interjected can I finish on the staffing. We had budgeted 77 new teachers. We hired a total of 82.5. That included three ESL teachers above the two we had budgeted. We also hired two extra special education teachers above our budget. Both mandated by law. We also had to hire three Assistant Principals for the middle school concept and a fourth Assistant Principal for Central High School in order to maintain their accreditation. Right now, we are in probationary status because of that. The other individuals involved, the tutors, are not benefit people. They do not receive benefits. The aides receive benefits. The aides that we have we again had to hire as we did the tutors by law to meet the IEP regulations for special education. Mr. Hobson and my office worked out the numbers based on the budget that was proposed and accepted at 77 staff and we came up with a number of \$13.4 million so we don't have any extra money. Our number, if you add the new staff, is going to be probably \$80,000 more than that which we are not asking for. We are asking to be made whole based on a budget that was approved, not a penny more.

Mr. Clougherty stated I want to make it clear that there has been debt information provided to the School Department. As part of the bond issue that was undertaken in June, there was a refinancing that had to be recalculated and that information has been provided but I will meet with Norm tomorrow and as I have said we will work that out. Again, I am kind of caught off guard here by the assertion, but we will work that out tomorrow and certainly make sure that he has the information that he needs. Second of all, I would again say to you that at the end of the discussion there needs to be the realization that if the Board and the reason I wrote the letters is that if the School Board or the School District at the end of the year is going to be in a situation where they need \$1.4 million or \$400,000 or whatever that number comes to, then we have to take some of the initiatives that the Mayor had talked about earlier to make sure that that money is going to be available on the City so that I can certify that the number is available for transfer. That is something that this Board will have to deal with and vote on.

Mayor Baines stated I just want to clarify that I took those actions not related to this because we were assured that that money was there regardless. I took the actions I took in terms of the overall budget picture of the City not related to this issue at all because of the information that was provided both by Human Resources and your office.

Mr. Hobson stated on that same day I also went and told you that I am still concerned about that number. I am concerned about that number for a couple of reasons. One is that as you know we are self funded and we have catastrophic cases. We met this morning with Blue Cross and they gave us more and more bad news about our health insurance account. One or two catastrophic cases can wipe out whatever reserves we have so what I did share with you is that I am concerned about our ability to come up with "overnight" \$1.4 million and I shared today with the Superintendent and you and the Committee Member Cook that I would hope that we would try to work together to come up with whatever the amount is because the City does not, unfortunately does not have a pot of gold reserve that we can just dip into that easily.

Mr. Clougherty stated I agree with what you said. It is a belt and suspenders approach here and Mark has said that he thinks there are sufficient dollars there, but just to be sure we have to take these additional precautions and monitor it closely as we are going out into the future so that I can certify that.

Alderman Wihby stated we can play games with it was a debt service or it was benefits but it was extra salaries and there were no benefits put to those salaries. When you hire the people you have to put numbers down for benefits. If you look at the extra \$1 million, it went from \$55 million to \$65 million in salaries and they added \$35,000 in benefits for those salaries. Now some of those are full-time people and when you talk about tutors and everything else, they are still full time employees and it is still \$1.5 million of extra additional people. We gave the School Department, last year, \$10 million more than the year before and because of the declaratory judgment we were told that we had to give them a bottom line. That is what we did. We knew what we were giving them. This Board voted on it and I think \$10 million is enough. The taxpayers have to...they are going to go crazy, your Honor, if we just start giving them money every time they come to us. The bottom line is the bottom line. They should have spent it. They knew on June 8. They could have made plans at that time to just spend \$100.5 million. Taking an approach that it is General Accounting Principles that allows you to pay two days in one year, when we allocate funds, your Honor, whether it is half a week or not we pay the whole week out of that year. We don't do that unless there is a reason to do that. Accounting wise it is acceptable but you know what, we gave them the money for those two days and they chose to put it in this year's budget which brings them down about \$350,000 if you take benefits in there all because they wanted not to show a deficit last year after they had promised two years ago to never do that again. Here we are faced again, your Honor, a third year in a row looking at a deficit and it is not right. We have to tell them that enough is enough. Now I noticed that the revenues aren't coming in the way they are. Are we having

problems with revenues? Are you going to be able to make the difference up with cuts or what are you planning to do with the revenue number?

Mr. Tanguay replied first of all I repeat that the information regarding debt service has never been given to the School District and I don't know why Mr. Clougherty...

Mayor Baines interjected can we leave that issue. We are going to disagree on that for the rest of this evening. Let's talk about the issue at hand.

Mr. Tanguay stated we have made cuts in our budget. As of last evening, we are not filling any additional positions. We are also making cuts in purchases where only essential items will be purchased. We also will be speaking with department heads to stay within their budgets. That is what we have been doing. Alderman Wihby, we did not deficit spend two years in a row and we will not deficit spend this year unless we do not receive the \$1.4 million.

Alderman Wihby replied well if I can help it, you won't receive it. What about revenues? Where are you with revenues and how are you going to make the gap up?

Mr. Tanguay responded the revenues according to my latest information is that they are on line. We may, in fact, have excess revenues in some accounts. It is looking good at this point.

Alderman Wihby asked can't you use the revenue to help fund your...

Mr. Tanguay answered according to the declaratory judgement, all of those monies go to the City. We were appropriated \$100.5 million and that is the amount of money the City turns over to us. All revenues go to the City. I might also add, that is a good point under revenues now we added two Medicaid Clerks in our office for a total of about \$44,000 so that we could, in fact, do our own Medicaid billing. We eliminated a contractor who charged us 11% and generated about \$1.1 million. That is over \$110,000 in contracted service fees saved to hire two clerks that we talked about, Mr. Wihby, in adding staff. That also will generate, we expect, in excess of \$1.1 million because of the work being done in house. That money goes to the City.

Alderman Wihby asked why wouldn't you keep the revenues and take our number. Why wouldn't you do that if you are going to have a surplus?

Mr. Tanguay answered because the declaratory judgment says that the Aldermen will fund the total appropriation, which is what they did. They funded \$100.5 million, the total amount. The revenues then go to the City and the City returns the monies to us to the tune of \$100.5 million. That includes property taxes and other items.

Alderman Wihby asked is that true, Kevin.

Mr. Clougherty answered that is my understanding of the interpretation of the School Board of the declaratory judgement. We have been working with the Mayor to try and get that resolved. It is going to take some action between the Solicitor's Office and the attorney for the School District. We are going to try and get that as soon as we can.

Alderman Wihby asked why can't we then just tell them that they can have those revenues now and if it is a plus that bails them out. Why won't they agree to that?

Mr. Clougherty answered they might but until you get a meeting of the minds on the legal...and I think Norm will agree with this that the legal drives the accounting and not vice versa so we have to wait until there is a determination on that to try and work that piece out. That might be part of the solution and that would be a good thing. We are all looking at that. The reason for my letters again is to just put the Board on notice that if at the end of the year we are going to do something we need to be taking some actions now. I think that has been made clear.

Alderman Wihby asked, Kevin, wouldn't a better approach be not to do anything tonight, let them go back and show us that they are going to make the cuts that are necessary and then sometime after year ending couldn't we just transfer the money then.

Mr. Clougherty answered we are not asking for any action tonight I don't believe.

Alderman Wihby replied well you are asking us to set aside a certain amount.

Mr. Clougherty responded but I think we have already taken actions to try and do that and be as frugal as we can. The purpose of the letters was really to inform the Board of the situation and to let you know that we are going to try to work this out so that at the end of the year we will be in a position to do that.

Mayor Baines stated I would like to offer clarification to Alderman Wihby's statement. In reality, that is what would happen. We are just receiving this information. Is that correct?

Mr. Clougherty replied that is right.

Alderman Levasseur asked how many extra aides did you add on. You gave us a bunch of different new hires and you said that aides that you hired on were included in the benefit package.

Mr. Tanguay answered I believe the number is 19. I don't have it directly in front of me.

Alderman Levasseur asked so there were 19 additional aides that were included that go onto the benefit package.

Mr. Tanguay answered correct.

Alderman Levasseur asked does that include the two Medicaid Clerks. Is that two more? Is that 21 now?

Mr. Tanguay answered I think in support staff we added five. I think it is 5.5. The two Medicaid individuals, one secretary in Human Resources and two school secretaries and then a treasurer, which is a part time position.

Alderman Levasseur stated you were given \$660,000 to purchase portables last year and you decided to lease purchase, which saved the City some money and also saved you some money. What is going on with the rest of the \$500,000 that you have left over?

Mr. Tanguay replied thank you for bringing that up. I know that became an issue during lease purchase. I went back and reviewed some notes. A statement was made by the Business Administrator at that time to the School Committee that he wanted to pay cash for the portables and the money was coming out of debt service and possibly the chargebacks. That is not money that can be used for portables. That is outside of the operating budget, totally outside of it. The School Board said that they did not want a cash payment, they wanted a lease purchase and I have the minutes here this evening if you would like to see them. The Board was very adamant about the fact that they wanted to lease purchase. Did we have the \$660,000 in our budget? No. It was not in our budget. He was trying to take it out of debt service and the chargebacks.

Alderman Levasseur stated I wasn't on the previous Board, but I thought that \$660,000 was appropriated to your budget last year and that you made that determination to lease purchase. So you don't have that extra money around?

Mr. Tanguay replied we do not and I have the budget documents that would indicate that we do not.

Alderman Hirschmann stated I also did feel that you would have a few hundred thousand dollars in your budget because of the vote that we did with the portables. I thought the other Board members felt the same way. What we are asking, what Kevin is asking us to do is to consider a set aside and I guess that set aside, based on your stern warning to the public tonight, Mayor, that we are in dire straits. I am trying to recall what you said, your Honor.

Mayor Baines replied I didn't use that word, but we need to be very prudent. My remarks tonight were in concert with conversations and recommendations from the City Finance Officer.

Alderman Hirschmann stated based on this issue, you did have meetings with the City department heads and asked them to do a freeze and I am taking it that the School District is doing that as well based on your recommendation.

Mayor Baines replied that is correct.

Alderman Hirschmann stated what I wanted to say was that our fund balance every year is money that the City departments don't spend and it is given back to the next year's budget and that does help keep the tax rate down so I guess that...what is going to happen, your Honor, is there is a compounded problem here. If we set aside the fund balance for the School District, we are going to get a bad management letter from the audit team when Kevin has the audit team come in that we didn't set aside \$1.5 million. We do this for a specific reason. To keep the next years tax rate down. So by giving that to the School District, we will, in fact by voting for that, raise taxes possibly.

Mayor Baines asked Mr. Clougherty to respond to that.

Mr. Clougherty answered that is right, Alderman and that is why the remedial action that we are asking for is prudent so that we will be able to have what has been relied on in the past as a fund balance to be able to move over into the budget for next year. I think that if the Board will monitor this with us and I intend to bring this back to you on a regular basis to let you know where we are so that...and hopefully this number, the \$1,449,000 I hope everyone agrees is the worse case that I have heard and we are all going to work to try and get that number down. It is to all of our benefit to be able to do that to create the fund balance that we talked about.

Mayor Baines stated Mr. Clougherty, just a clarification after having spent countless hours on this topic and Mr. Hobson also, it is my understanding that the total amount that was set aside for that account has not changed even though we have a dispute of money that maybe should have been in schools and was taken away. The total amount that the City budgeted in this item has not changed and this does not raise the City's budgeted amount for this account by \$1.4 million. Isn't that correct?

Mr. Clougherty replied that is right. The number that was in the Mayor's budget for restricted items was \$27,744,779 and as long as you live within that City wide then you will not generate the fund balances that you might expect in an ordinary year, but the other actions taken in concert with the Mayor should produce those.

Mayor Baines stated that is a very important part to understand. That we are not increasing by this that amount that was budgeted by the Mayor and approved by this Board in that account.

Mr. Hobson replied that is absolutely right and I just wanted to point out that it is several accounts, as Kevin called them, restricted items. Just for clarity for the Board's sake it includes health insurance, dental insurance, FICA, etc.

Mayor Baines responded that is where this whole dispute started that the money got taken away because if the money were purported to be taken away then that count also should have been reduced by \$1.4 million and that did not occur, hence the dispute within City government on that issue. That the intent was, in fact, that the City would take care of that amount of money. That has been the debate, believe me, in City government and I have sat through it. That is the debate and that is the reason I brought in Alderman Wihby and Alderman Cashin over two weeks ago to bring some history to it and that is why it is ultimately before you this evening. To try to bring some final resolution to that.

Alderman Sysyn asked where is the money going to come from. Are you taking it from what is left over from other departments to pay this?

Mayor Baines answered that gets to my most recent explanation. That money was set aside and we are not changing the total of that money at all. Am I correct?

Mr. Clougherty replied yes. You are correct. The total amount, the \$27.7 million was what was appropriated citywide for all of those categories. School has a bottom line and there is an amount set aside. I want to make that clear. It is my hope that you could save \$1.4 million on the City side and have that available at the end of the year out of that \$27 million, but I can't be sure of that because as

Mark has said with health insurance things that are going on we have to make sure that to the extent possible it is. There are two ways to do that. You have to control your expenses which these two gentlemen are going to be working on and then you also have to take other precautions, which is the suspenders part of what the Mayor is doing to make sure that that is available so it is two things that we are trying to accomplish. Ideally, Alderman, we will be able to handle this within the restricted line items of the City side, but I can't certify to you that that is the case and I want to make sure that we take the extra precaution so that down the road if that is necessary I am in a position to do that. Hopefully, the number is smaller and this all works out, but right now I am informing you that there is a situation and we are going to try to work through it.

Alderman Shea stated I have a couple of comments now, but then I would like to present something at the end of the discussion if I may. I just wondered, Norm, you indicated something about the debt service that caught my fancy. What did you mean by the debt service that the School Department...and I didn't quite follow. Is there a debt service that has not been fully paid? Is there something going on?

Mr. Tanguay replied the question is the City Finance Office has given us a debt service number. The original number was \$7.1 million and then they increased it by \$1.4 million, almost the same number that the benefit was reduced by and that created a new number for debt service of \$8.5 million. I think just for explanation also, debt service in the City and Kevin can correct me on it if I am wrong, but it represents projects done for schools such as the building of a school to major repairs. That is what the debt service pays over time. They use that money for those things. The \$8.5 million, we have a schedule indicating how it should be paid. We are lacking the facts in terms of what projects are these for specifically. For example, if they put a roof on Northwest Elementary School and it costs \$50,000 which I know there is more than that left in the CIP and the \$50,000 is taken out of the bond money, what we ask for is we want to know what school was repaired. Also, the \$50,000 taken out of the debt service, how much of it was used and how much was left. That is a confirmation that we need before we can pay the debt.

Alderman Shea asked are there other problems with the debt service as well besides that or is there a problem with the debt service that you are incurring as the Superintendent.

Mr. Tanguay answered no. I think the debt service basically is derived out of the CIP request and we agree with the CIP request. The funding of the CIP requests usually comes from the bond itself and that is how the debt service is created.

Mr. Clougherty stated I understand now what he is saying. In our office, we are responsible for issuing the bond and we are responsible for calculating the debt service and we do that and we have provided that to Norm and he has those schedules and he doesn't, as he said earlier, disagree with those numbers but the actual project activity has to come from some of the other departments and I think that is the piece that he is waiting for. I thought he was saying that we hadn't provided him the information, but we have. I understand now that he is looking for detail and I will help him with that tomorrow.

Alderman Lopez stated this is like a maze. You have to be a lawyer, a CPA and everything else. I would just like to ask a couple of questions. Was \$1 million transferred from employee benefits to the debt service as was reported by Kevin Mahoney and the Superintendent. Was this \$1 million taken from the \$27 million benefit service? That is one question. The other question is the letter that was dated by Mr. Tanguay and Mr. Mahoney on March 3 to Brad Cook said that the money is there in the \$27 million. Am I hearing different figures now?

Mr. Clougherty replied no. I don't think you are. If you take a look at that blue sheet that Norm handed out you can see there are a couple of columns there. The first column of Recommended Expenditures you will see that there is a total of \$27,744,779 and that is all of those restricted line items. Then you will see two columns over the School, \$11,951,000 and then you will see the City, \$15,793,000.

Alderman Lopez stated what I am getting at is this. The \$27 million in the benefits plan as it is, the money is there. I think that was stated.

Mr. Clougherty responded that was the total appropriation.

Alderman Lopez replied right. Now when the FY2000 budget was approved, the documentation saying that the \$1 million came from the employees benefits that was reported by the School Superintendent to Brad Cook. Am I right, Superintendent?

Mr. Tanguay responded yes. There was a transfer of \$1.4 million.

Alderman Lopez asked from the benefits.

Mr. Tanguay answered from the benefits to the debt service.

Alderman Lopez stated that is what I am having a problem with.

Mr. Clougherty replied the problem is that there are certain items that we had to update the School on in terms of the debt and the projection of when the bonds would be issued and we were doing that. You are trying to develop your budget in June and we are going to be selling bonds after the fact. After the process has been completed so in order to do the calculations on debt service you are making your best estimates. That is what we were calculating in there so we wanted to make sure that those numbers were available to the appropriation. That was discussed in that meeting and we included that number. There was some discussion about the \$6.8 million. That was included, but what drives all of those numbers is the bottom line of the \$100.5 million appropriation. How that gets moved within that is at the discretion of the School Board. Now when they look at it they will say well we were either short here or there because we thought that we were going to have more to deal with but from our presentation that number was laid out and it was tied in to what the Committee said and what the Mayor said he wanted for his bottom line and it was laid out in that format that you have in front of you.

Mayor Baines stated there is no question that there is a difference in the bottom line. I don't think anybody disagrees with that. Alderman Lopez, just to reiterate what I said earlier, this money unless there is a catastrophic illness, is available in the amount of money that was set aside. There is no dispute on that. The fact is that we hope we don't have a catastrophic illness. I think we can try to keep it precise and focused here. We do have the dispute in the bottom line. There is no question about that and if we are going to make an adjustment with that, that would be an adjustment. I want it very clear that we are not changing the amount that was appropriated in those categories and the money is there as we speak to take care of that \$1.4 million. The question is, as we learned today when we met with the people at Anthem, the idea of catastrophic illnesses and things like that we have had a number of them this year that have caused us some concern in this area, right Mr. Hobson.

Alderman Wihby stated point of order, your Honor. Your statement is not accurate. The \$27 million was there at one time but it was changed and put into the School budget so by adding more money to the School budget and adding more money into the benefits number, you are raising that amount of money. The total that was appropriated is the same, but you are increasing their line item.

Mayor Baines replied I appreciate and accept your point of order, but I repeated what I have been told by the Finance Officer of the City. That is all I repeated.

Alderman Wihby asked is my comment wrong.

Mr. Clougherty answered no. What the Mayor is saying is that he wants to live within the \$27 million, however, if there is going to be an adjustment then that will have to come from the City side over the School side and that will increase their bottom line. That is an action that this Board has to take. That is not something that the Finance Officer is empowered to do on his own. We are trying to tonight lay out for you that we are preparing to do that at year-end and that is the strategy.

Mr. Hobson stated I hope to increase the School's bottom line by the minimum amount of dollars possible based on the fact that we will try to work together and secondly just a little history for those folks who are new on the Board, we have had a history over the last three or four years of increasing insurance costs and we have had to dip into our reserves and that troubles me so we need to, as Kevin's first letter stated that is in the package, we need to work together to make sure that we can live within that \$27.7 million.

Mayor Baines replied I will just reiterate that is our commitment as well.

Mr. Tanguay stated we will certainly do whatever we can to keep that number in line and reduce it if we can. I think there might be some more movement. Once we have a debt service schedule, for example, the increase of \$1.4 million in debt service, if you were to multiply it by 20 you are looking at about \$28 million of debt for the schools. I realize that interest is built into that but let's say \$15 million in one year. We don't have that kind of debt so I think there might be some room to move there.

Alderman Levasseur stated as a new member of the Board and watching this as more of an outsider looking over this, this is pretty much the picture I get. You ask for \$102 million and the last Board gave you \$100.5 million and now you are coming back asking for almost \$1.5 million to make it \$102 million. I don't believe this coincidences here, but it might go to the fact that when you asked for that \$102 million you knew what you were asking for and you knew what you were doing but when they gave you the \$100.5 million they were asking you to stay within that \$100.5 million. Am I out of order on that? The coincidences are just too much to bear. It is almost exactly the same thing you asked for and now you are just coming back and asking for that money again.

Mr. Tanguay replied it is a coincidence. The bottom line of \$100.5 million is a number we can live with. We don't have a problem with that. It is the changing of the number for debt service and benefits unbeknownst to us until the night of that meeting and then we realized the next day that they had moved money around. That is where the issue arises. If they were to reduce the debt service by the same amount and put it back in the benefit account, we would be fine.

Alderman Wihby asked, Mark, were you at that meeting or no.

Mr. Hobson asked which one.

Alderman Wihby stated the one we are talking about where money was changed around and they didn't know anything about it. Were you there?

Mr. Hobson replied that morning we prepared that document that you saw. The memorandum.

Alderman Wihby asked were you at that meeting that he is talking about.

Mr. Hobson answered I am getting to that. In the early afternoon we were at a meeting in the Mayor's Office. At the subsequent meetings, no, nobody from Human Resources was there.

Alderman Wihby asked, Kevin, were you there.

Mr. Clougherty answered yes.

Alderman Wihby asked did we show them that number in that room of \$100.5 million.

Mr. Clougherty answered yes.

Alderman Wihby asked did they agree to that number.

Mr. Clougherty answered yes.

Alderman Wihby asked did they have the opportunity at this Board level to have told us at that time that it was wrong.

Mr. Clougherty answered they had a half-hour. They had people look at it.

Mayor Baines stated we need clarification here because we went over that today and it was a much different scenario. First of all, so that everybody out there listening and people at home who are listening know, where did this meeting take place? Where was this meeting that Alderman Wihby said took place?

Mr. Clougherty replied in the third floor conference room.

Mayor Baines asked Mr. Tanguay, were you at that meeting.

Mr. Tanguay answered yes.

Mayor Baines asked is the scenario that was just portrayed your understanding of it.

Mr. Tanguay answered no.

Mayor Baines asked would you give your viewpoint of this.

Mr. Tanguay answered I would be glad to. We were not given the information on the benefits or debt service at that meeting. As a matter of fact, Atty. Brad Cook was at that meeting and he can confirm that. Those figures were never, never discussed.

Alderman Wihby replied your Honor, I have two documents that I will get that show the time of day. The meeting was a 4 PM and it shows at 4:11 PM the new number and it shows that just before the meeting started it was in here and presented to the Aldermen. That was presented at the meeting, they looked at it and they agreed to it, your Honor.

Mayor Baines stated the only thing I would say in going forward is those conversations would have been very good if they occurred in this Chamber in front of these cameras and with records taken of it so that everybody understands. This is what has complicated this because when you have a meeting that some people were at and some people were not at...Mr. Hobson was not at the meeting. The person who was given the responsibility for that account was not at that meeting. Mr. Tanguay was at the meeting and he has a different understanding than what you have. Mr. Clougherty has a certain understanding, but there is no record of that meeting. No record. I would like Mr. Cook to come forward and respond because he was at that meeting. I would like him to give his account of that meeting. This has been the crux of this dispute from my second day in office.

Alderman Wihby stated before he speaks can I just clarify something. I was asked to come to that meeting because I had presented a budget that was \$2.5 million and that is why I came.

Mayor Baines replied the only thing I am saying is that it would be nice if those types of meetings occurred in public.

Alderman Wihby responded absolutely. They didn't want it in public, your Honor.

Mayor Baines stated this is public business. When we are discussing money and transfers, the people have a right to know and the public, when we are trying to explain this, are probably looking at City government about a discussion that took place in a room there involving \$1.4 million. There is something wrong with that.

Mr. Cook stated I am delighted to be back. My understanding of the meeting on June 7 was as follows and Alderman Cashin was there and Alderman Wihby was there, Mayor Wiczorek was there, one of his aides was there, Mr. Clougherty was there, the Superintendent was there, I was there and Mr. Sherman was there. The purpose for the meeting was to try to resolve where the bottom line was going to come out because there were several alternate budget proposals floating around and there was a 1% decrease in the budget for all of the City departments except schools and there were at least two, maybe three proposals floating around for schools. We were asked to come in and talk about how that was going to work and it was, I believe, either a 4 PM meeting for a 5 PM Aldermanic session or a 5 PM meeting for a 6 PM Aldermanic session. We discussed a bottom line of \$100.5 million, which would have been a 1% decrease applied to Schools just like a 1% decrease had been applied to everyone else. Because of the transition plan that we knew we had to start to implement because of the declaratory judgment, there were several items that had not traditionally been considered separately for schools in the City. Two of which were the debt service because the City owes what the City owes. It is 100% of the debt of the City. The difference in applying a higher number to our budget than we understood it to be or an adjustment in that is that is a non-discretionary item. The amount of debt that is applied to the School District goes up by \$1.4 million, you have \$1.4 million less flexibility because you have to use it to pay the mortgage. We were told in that meeting and it is my recollection and the Superintendent's that there were three items that would be a zero sum gain because we were after the declaratory judgement and we were going into this transition year and they were chargebacks, which there does not seem to be any disagreement on, \$6.8 million; benefits, because there were \$27 million in the pot for the whole city; and as the superintendent has said our budget was based on a certain number of hires, we have hired more people, we have committee to take care of the increase benefit cost for anybody over that amount within our budget because we hired them for whatever reason. That is not the city's responsibility. The third one was debt service, and debt service would come out in the wash. The dispute you've heard tonight of whose told us what about debt service everybody's right. Finance has given us a debt schedule. What we need to do in order to comply with the declaratory judgement is create a balance sheet for the city's school district. We therefore have to know both what our debt is and what it represents. The problem is you build an additional x school, or you build y school, and you spend x number of dollars. You pay off some of the bond but then you refund the bond. When you refund the bond the trail becomes murky because you're trying to identify in the refinance bond, how

much of it went to a certain project and it gets pretty complicated, and that's what we are still trying to figure out, not at the end of the day what our mortgage payment is. But because of the assertion at the meeting that those three items would be zero sum gains for this budget year for the transition, on that premise and on that understanding which everybody said, yea that's what we are talking about, we said we can accept the \$125 million budget we will have to tighten our belts one percent to do it, that was on the understanding that we would have it. We came in from this room to that room and somebody went someplace, and I am not criticizing them for it, but they had to go someplace because they had to put all of this together for the meeting that all of you folks or your predecessors had to vote on a budget. They came in we are sitting in the pews they hand out the sheet. Obviously the first number we look at was is it 100.5 million budget to make sure it was the number we agreed on. We did not focus on the fact or the ramifications of benefits going down 1.4 and debt service, which is a non-discretionary item, going up 1.4 and therefore we got a budget, and to say that this is raising the budget, in one sense it is, but in the other sense in the amount of flexible money we have to spend, it's not. Because when our debt service went up, 1.4 the city's debt service went down 1.4 because the total was the same. Now, that is a number that we are still trying to justify and we are trying to look at it and find out if it is off a little bit that will add to the flexibility that we have, but right now that's why we have the problem. Not for any other reasons.

Alderman Wihby stated it was fine to say that in a sense your budget is going up and in a sense it's not. But in a sense, no matter what sense you put it, your budget is going up. Maybe the city's budget is not going up but your budget is definitely going up by 1.5 million. Is that an accurate statement.

Mr. Cook replied if, well yes, there are two answers to that, and I did try to give Alderman Gatsas some straight answers last time, and I appreciate some of these people saying I'm a smart lawyer but the fact of the matter is that's a yes and no. Because if debt service stays at \$1.4 million higher that's a non-discretionary item, in order to come out at the same place we thought we were at, we have to raise benefits 1.4. If in fact the debt service hadn't gone up, and it had stayed on the city side, and the benefits had, we could do exactly what we agreed to do with 1.5 million because we would have the flexibility to do it. But if you're saying in adding 1.4 to 1.5 makes it bigger, yes it does.

Alderman Shea stated you glossed over the fact that somebody made a decision concerning the debt service. Who made that decision.

Mr. Cook stated I have no clue.

Alderman Shea asked Mr. Clougherty if he made it.

Mr. Clougherty stated, yes, and that is our responsibility is to make a projection of what the debt service number is, and we did that, and that number was out there

Alderman Shea interjected stating you did that between the time that the meeting was conducted.

Mr. Clougherty replied no, alderman.

Alderman Shea stated did you do that in the presence of the superintendent.

Mr. Clougherty stated no, just for the record that number had been out for some time, and I believe it was in the Mayor's number. They may say it wasn't there. Because we had talked about the bond issue and that adjustment earlier. That was not something that had been done that night, it was something that had been done in May or before.

Alderman Shea stated I'm confused. You went to a meeting with six of you in closed doors, as has been the policy for the last few years, because many of the aldermen have not been involved in the loop so to speak and somehow or other somebody changed the debt service and the benefits and you're saying that the school department was well aware of that and they are saying they weren't aware of it. Somehow or other there is something that isn't kosher here.

Mr. Cook stated what I said was regardless of what that number was, and by the way the door was open, because we had an experience in that budget process with closed doors that we would never have again. But the door was open, people could come in and out, and the premise on which we were operating or the understanding under which I was operating, that's the only person which I can speak for with any assurance, was that don't worry about the specific debt service number, and the benefit number, and the chargeback number, on charge backs we will make sure that you are not charged more than that charge back number because that's something that can be controlled internally. On debt service, it's 100 percent of the debt service for the city and we will make sure it makes it work. And on benefits, we've got 100 percent. It's like you have a pool, a self funded, these benefits as you all understand are a self-funded pool, in which we were in essence were being told what our premium was by the benefits, and Mr. Hobson and Mayor Wieczorek said these three items will be a zero sum gain in this budget don't worry too much about what the number is that will come out, we'll make it work.

Alderman Shea stated excuse me for interrupting but you said before you saw the bottom line, and that you weren't concerned about looking at the other charge backs, debt service or benefits. So basically, you can't really say that you were

aware of what the specific changes were until the 8<sup>th</sup> or the day after, is that correct.

Mr. Cook stated we saw the number. When they came upstairs with the sheet, the final one that was in the budget that was presented to you. So it wasn't the next day that we saw it. But the discussion we had on that day was, for example, I raised the question in there how do we know 6.8 million is really going to be what the charge backs are going to turn out to be because we are now getting into an environment of charge them for exactly what is being provided to them, and they said don't worry about those three categories for this transition year it'll come out alright and that's where we get into the stickiness here.

Superintendent Tanguay stated a clarification, the city finance director said that the number was changed some time ago. The blue documents you have, back in March the number was about \$21 million for debt service, principal and interest. If you go to the sheet that was approved at the Aldermanic meeting on 6/7, it was dated with a time of 5:17, that number becomes \$13 million, that's when it was changed.

Alderman Wihby stated on June 7 you're looking at the maturing debt and the interest on maturing debt.

Superintendent Tanguay stated I'm looking at the maturing debt and the interest on maturing debt total about \$13 million.

Alderman Wihby stated where do you get 13.

Superintendent Tanguay stated, I'm sorry you're right, 15 and 6 that's 21.

Alderman Wihby stated right, \$21 million, so that's the same number we are using in March as on June 7.

Superintendent Tanguay stated, I'm sorry, you're right, I stand corrected.

Alderman Cashin stated I've sat here for a couple of hours listening to all this and you are not going to solve this here tonight. It's obvious, and I think it should have been referred to the Committee on Accounts or something and let these people work it out. But the key point here, one it wasn't a closed session. Two, the door was open. Three, I was asked to come because there was some problems with it. But what we all agreed upon in that room was that we would make it work. You were there Kevin, I was there, everybody was there. Now, let's make it work. Let's stop playing games. Let's do it. This is ridiculous. Every year we go through the same, and it's foolish. I have been committed, I have tried to get

this Board over the last ten years to cooperate with the School Board, to sit down and talk and get together every so often and we've never done that. I don't know who is to blame for it, but I know this Board isn't. And I don't think the school board is. So there is only one other person. Somebody didn't want us to get together for whatever reason, and we can go back to the HTE system, we can go back all the way to day one. There have always been problems. And, until we sit down collectively as two bodies and work these problems out we are never going to solve it. To sit here tonight for two hours and listen to this, I think number one it's aggravating as hell, but more importantly we all look like we don't know what we are doing. And I find that to be pretty hard to take gentlemen. We said we would work it out, let's work it out and stop the bickering and pointing fingers at everybody, let's just do it.

Mayor Baines stated one comment, then I will move on to Alderman Shea, and back to people who haven't had a chance to speak first. We will begin those quarterly meetings, we are in the process of setting up a meeting in April of both boards and we will continue that process throughout the time that I am here as mayor. So, that is going to change, and we are going to start a dialogue, and somehow bring the Boards closer together to try to do the people's business. That's what I here a lot about. I here a lot of personality, there are some good issues here, but we are going to try to bring the boards together.

Alderman Clancy stated I've been sitting here for a couple of hours and this is the second year in a row where we have had differences with the budget with the school department. I don't know why we don't sit in this room here in front of the cameras instead of people pointing fingers at different people and get this thing ironed out once and for all. All I am hearing here is a lot of double talk tonight. Everybody's pointing fingers at one another, you said this, you said that, but if we have it in this room here both boards, school and aldermen, we have the cameras on, I think we can get it resolved.

Alderman O'Neil stated math wasn't my best subject in high school, so I get a little bit lost with all of these handouts tonight, but something is very obvious to me, this is a turf war, and that's all this is about. It has nothing to do with the numbers. It is a turf war and until we decide to end this turf war this is going to continue to go on. We must end the turf war.

Alderman Wihby stated I'm glad that Alderman O'Neil said that because I'm prepared at the end of this meeting to present a charter change for the city of Manchester and I'll talk about it later. But, your Honor, this is not a turf war, this is what we gave them, we gave them \$100 million, we told them to spend it. They took us to court. They spent money on attorneys to sue the city, and now because they don't have enough money and they've overspent they are coming back and

looking for more money. We gave them \$10 million more; they are looking for \$1.5 million. And I tell you how Alderman Cashin said let's work it out, you are not going to work it out if every time they come and ask for money you go ahead and give them more. This is a mini Claremont over here. Taxpayers are going to revolt. We can't keep on spending. We've got to keep them to, the only control we have is to give them the amount of money we gave them and tell them that's what they get to spend. If there is a deficit at the end of the year, we can review that in June, but we shouldn't put any amount of money in here, we should be voting this down today and looking at it in July if there is something we want to do at that point after they show us that they are going to make some cuts.

Mayor Baines stated I don't think any individual member of this Board here has any soul purpose other than protecting the interest of the taxpayers. Every single alderman is concerned about protecting the interest of the taxpayers. I have found that during the time that I have been on this Board. And I have watched disagreements in year's past, and for anybody to say I've got the interest of the taxpayers, every single member is trying to do that, and we are trying to be fair, just, we are trying to be honorable. I don't think any one person has any ownership of the issue of protecting the taxpayers. I'm committee to that and I haven't spoken to anyone who does not have the same commitment. But we have a problem here. We have people that said one thing happened. People who say another thing happened. We are trying to come to an equitable solution of this issue.

Alderman Gatsas stated Mr. Cook I certainly, I am not going to apologize for the last meeting but I think Superintendent Tanguay may owe you an apology because I'm looking at the minutes of a meeting on September 7<sup>th</sup> on a bond resolution that asks for a lease purchase on those portables. September 7, 1999. On a motion by Alderman Shea, duly seconded by Alderman Hirschmann, it was voted to table the bond resolution at the request of the superintendent. Now, maybe you can enlighten us, or enlighten Mr. Cook who was sitting there in that hot seat, unaware of why that was tabled. Obviously that would have been resolved in September and not being looked at by this Board in February.

Superintendent Tanguay stated that item was tabled at the request of the Superintendent of Schools, that is correct. The reason it was is because there was a dispute or disagreement between myself and the city finance director regarding the resolution and the language in the resolution. It took some time after that to get some clarification from bond counsel so we finally reached agreement.

Alderman Gatsas stated we then, according to the little that I know here, obviously that item sat on the agenda for October meetings, November meetings, and then in December it was removed from the table and was received and filed. So if you are trying to tell me that for a four-month period, that you couldn't get resolution to wording in a bond, I find that as a serious major problem. I'm looking at another document that I have here based on the June 7<sup>th</sup> meeting when the Board approved a budget. And let me just read it so that there is no question about what was said that evening when funds were accepted, and then we'll get into some of the statements that you made prior to. "Deputy Clerk Johnson pointed out that because of the recent so-called Claremont decision, in discussing with the Finance Officer and the City Solicitor, and the Clerk, we did confer on these numbers, to stay with the budget that has been discussed this evening we would suggest a motion to amend the resolution but to place the school department's budget at \$100, 573,352 as a single bottom line number, which should include all of the fringe benefits, and school food services, and all those numbers that are listed under the school expenditures column." So, I think that that's a statement that obviously anyone sitting in that room it's pretty clear. Now to go back and address some of the things that you brought up, I certainly understand the declaratory judgement, it's pretty clear if you want to go back when that was passed May 22, that was a pretty good day because that's my birthday, it kind of stood out in my mind, that the budget that the city proposed to you was a bottom line budget. I'm not here to decide where you are going to move numbers, or what line item you are going to move, obviously there are fourteen members or board of directors as I would call them that were elected by the city and you're the CEO and I certainly would let them make those decisions. We're looking at some statements from management reports that I think that if you were a standing company that management report, the board of directors would probably have removed the CEO, if you were a running entity with a bottom line figure. So I will leave that decision to the 14 people who were elected by the city, however, I have some problems with when we are looking at reserves in a medical account that we are not even actuarially sound, as a self insured body. If we were a private company we would be shut done by ARISSA because we don't have reserves to pay claims. So I have some serious problems with us looking at a number from a reserve account to help fund a bottom line figure that I believe your board of directors certainly has to put you to task to keep you in line. So that's my problem with one looking at reserves in a reserve account. When we are under-funded now, and obviously the auditors came back and told us we were under-reserved in that account. And with the catastrophic that Mr. Hobson is talking about, and the situations where medical is. I don't want to put the taxpayers of the city at risk that we even remotely go close to a reserve account.

Mayor Baines stated there were some pretty strong statements there and I would like our Chief Financial Officer to be able to respond to that.

Mr. Clougherty stated I think what Alderman Gatsas is saying is accurate. We had \$1.4 million in our reserves. You build them up for that purpose. They were depleted during the year, and that's one of the issues we are going to have to deal with in this upcoming budget and that's why we are making some of the recommendations to cut back that we are bringing to your attention tonight. So, I agree with the alderman, I think that is something that we are going to have to work on. The item with respect to the bond issue on the table. I think Norm you are confusing this year with the prior one. The first time, this request for portables is the second request. You recall we had gone through this exercise a couple of years earlier. A couple of years earlier there was some serious dispute between the City's bond counsel and the district in terms of the language and that did cause a delay, but the second time the item was put on and it was asked to be held by the superintendent because they were trying to wrestle with their budget and deal with some items over there and how they wanted to approach it, issue the bond or pay for it out of their budget. So it was two different timetables.

Superintendent Tanguay stated I'd like to go back to the management letter and the last year's letter had significant improvements over the prior year. I think a lot of the issues had to do with number one, the more recent one, the declaratory judgement. In the prior years had to do with a lot of problems with HTE. I'd like to really go back to July of 1997, over 2 ½ years ago when I arrived in Manchester. I arrived from California, had been there for nine years, and had spent 3 years in Alaska. I am a native of Manchester. I live in Manchester. I chose to live in Manchester when I returned.

Alderman Gatsas stated I don't know, if he wants to address some of the questions that I posed, again I don't think he wants to open that up to this board, I think he has a board of his own that's been elected by city voters that he can give them whatever comments he wants. I don't think he wants to open up the opportunity and I certainly will welcome it if he so desires. I don't think it's our place. I think you have a board that you can discuss that with. If you want to open up this management letter, your honor, I certainly will welcome it, and I certainly will apologize to the school board for whatever comments are happening here.

Mayor Baines stated if we are going to get into that we are going to have a special meeting sometime and I'll allow Alderman Cashin to chair it.

Superintendent Tanguay stated he would defer it to the School Board, I am here as a courtesy to the aldermen. I'd like to say in terms of accountability since I have been on board 2 ½ years.

Alderman Gatsas commented that he did not think the Superintendent wanted to go there, stating if he's opening it up I don't have a problem your honor.

Mayor Baines stated please proceed and try to bring this to some closure.

Superintendent Tanguay stated he would defer to his School Board.

Alderman O'Neil stated I don't think the superintendent or Mr. Cook is debating the \$100,573,000 that that's your bottom line. But how money is spread within that budget effects how they can operate, and there is certainly a difference between...

Alderman Wihby interjected I don't think that is true.

Mayor Baines stated let him finish his statement. Everybody has had a chance and Alderman O'Neil has been relatively quiet this evening.

Alderman O'Neil stated, Kevin, explain to me or define what a restricted item is and who controls movement of that.

Mr. Clougherty replied the restricted items are those items that are included in that category.

Alderman O'Neil asked who controls it.

Mr. Clougherty answered for the most part they are controlled by the Human Resources Director.

Alderman O'Neil asked who controls non-departmental items.

Mr. Clougherty answered the Board. This contingency has to be voted on and civic contributions, you know all of those things come before you.

Alderman O'Neil stated but there is a difference between if an item is restricted and is controlled by Human Resources and an item that is non-departmental, which is controlled by the Board of Mayor and Aldermen so to say how that is put in there, even though the bottom line doesn't change, affects how they can operate.

Mr. Clougherty replied again it is on the School side and the City side.

Alderman O'Neil asked, Kevin, am I correct with my statement or am I wrong.

Mr. Clougherty answered I think you are okay. The problem here and hopefully Brad will agree because we have talked about this a number of times, is that the judgment by the courts is not the clearest in the world and the judge makes the best effort he can and you try to work through these things over time. The problem that we have in this particular transition is because you are trying to set some things up at the end of the year that should have been done at the beginning. Now we won't have this problem next year because you are going to have a separate resolution for school and all of this, I think, goes away. This is a unique situation where people are trying to work something through that is not uncomplicated under a legal agreement that was given at the last minute that we are still trying to interpret and work through and I think that again my recommendation is that we try to take the precaution so that if you want the option at the end of the year to do something we have that option available and that is the only reason for my letter tonight.

Alderman O'Neil stated, Kevin, I just want to make sure that I am clear on this. Restricted items are generally controlled by the Human Resource Department.

Mr. Clougherty replied that is right.

Alderman O'Neil asked non-departmental items are generally controlled by the Board of Mayor and Aldermen.

Mr. Clougherty answered there is one caveat on restricted, Alderman. They are controlled by the Human Resources Director on the City side and they are controlled to the extent that you, the Board, adopt labor agreements and that is what is reflected in those. It is not that he has a lot of external control. He has to follow those agreements. There are some precautions for the Board on that.

Alderman O'Neil asked so you did agree with my statement earlier that where a certain dollar figure, \$1.4 million if it is restricted, as opposed to non-departmental, can affect how a department...whether it is schools, fire, police, it affects how they can operate, correct.

Mr. Clougherty answered School is again a little bit different because they have a bottom line and they can move that within their bottom line whereas on the City side it is very much controlled in all of the other departments. I am sorry if that is a different answer, I didn't understand the question before but that is the answer. On the School side they have some latitude to move within that bottom line whereas on the City side they do not.

Alderman O'Neil asked so you are saying they can take that \$1.4 million of debt service...

Mr. Clougherty interjected no. I think Brad and I agree on that.

Alderman O'Neil stated then it affects how they operate. You can't sit there and say that they have the latitude to move it around. They can't move it around so it does affect how they operate on that item.

Mr. Cook stated the declaratory judgment by the court is a very complicated document and it came in on, and I am sure that Judge Nadeau did this on purpose, Alderman Gatsas' birthday knowing that he would be an Alderman so he would enjoy this.

Alderman Gatsas asked you are not going to open that up are you Mr. Cook. I thought I was giving you the graces of keeping you out of that hot seat.

Alderman O'Neil stated, your Honor, I don't think he necessarily needs to go into the judgment.

Mayor Baines asked you are not going to go into the judgement are you.

Mr. Cook answered no but in the budget process that we were already in when the declaratory judgment decision came down, we not only had a budget process that was underway as you recall, but then the declaratory judgment comes in and we all have to figure out where we are and the best conclusion that could be reached was the next year, both under the terms of the declaratory judgment and the practicalities that were agreed upon by everybody that the Year 2000 budget would be a transition year. Again, and I won't say this in the same detail as I said it before but when we worked out the bottom line number it was on a presumption that given that was a transition year, those three categories of items were going to be zero sum gains because you are absolutely right. If we have to pay the mortgage and our percent of the mortgage is \$8 million more in principle than it was otherwise going to be, that takes a certain amount of money that is going to pay the mortgage payment. We can't say to the City of Manchester that has \$21 million in total debt, it is not the total debt that was in question, it was the School Department's portion of that debt that was applied to it and, therefore, what we can do because we don't have discretion not to pay the debt or we put the City in default. We are not going to do that.

Mayor Baines stated I think about 90% of Manchester is asleep right now.

Alderman Gatsas replied no, your Honor, I think the taxpayers are wide-awake.

Alderman Thibault stated I think we have heard enough hear for the last two and a half-hours. I would have to agree with what Alderman Cashin said before, your Honor. They are working it out and they are getting to the bottom of this. This is a one year thing that his only happening this year. It is over after this and we will never be faced with this again. Let's go on with the program.

Alderman Wihby replied this isn't a one-time thing. This is the third year in a row that there were going to be coming in with a deficit. \$1.2 million two years ago. They would have come up with a deficit if they hadn't switched those two days and this is the third year. The taxpayer is not going to put up with this. Alderman Thibault, during that meeting when they were looking for \$100.5 million, it is in the record that you had a lot of concerns. You wanted to see a lot of that Claremont money used and you asked them what can you do to help us out and what you end up doing now is you are giving them more. You are going to be okaying \$1.5 million more.

Mayor Baines stated again, we've heard that and we can say things.

Alderman Wihby requested a roll call.

Mayor Baines stated we can say things over and over again but it does not make them true.

Alderman Shea stated the last word your honor.

Mayor Baines stated I think it's the last word, anybody going to object.

Alderman Shea stated you mentioned earlier there was no record of the meeting, even though it was an open meeting, we didn't have any in terms of that situation. Alderman Shea stated to the Mayor you said that you wanted an open government, you want to open all doors, is that correct.

Mayor Baines stated we may take some hinges off.

Alderman Shea you want to allow a total and full disclosure of all the facts, therefore, I am troubled, very troubled with what I am hearing this evening, especially as relating or pertaining to the debt service, the change of numbers in the budget, and employee benefits and maybe it's time to call in a third party such as the Attorney General to conduct an investigation to determine the facts including who knew what when, who changed what when, and so forth. So I am requesting that we ask the Attorney General to come down and investigate the school department and the finance office to see what we can come up with. This

evening we have listened to contracts that haven't been fulfilled, bond issues, reserve funds, we don't know what state the city is in and for your own benefit your honor, I would recommend that you ask the Attorney General to come down, an impartial third party, and investigate what's going on in our government. Because when the citizens listen to all that's going on, this is a very confusing situation, and I don't see why any department shouldn't allow an Attorney General's office to come down and investigate the City of Manchester. That's my proposal.

Mayor Baines advised we do have a motion on the floor, and requested the clerk clarify the motion on the floor.

Alderman Shea noted it was not a motion, he was asking for the Mayor Baines to do it.

Mayor Baines stated thank you, and I appreciate your advise, and again requested clarification from the clerk.

Deputy Clerk Johnson stated the only motion on the floor was a motion for discussion initiated by Alderman Shea and seconded by Alderman Cashin.

Mayor Baines stated there was an actual motion.

Alderman Cashin noted he thought he had made a motion to refer it to the Committee on Accounts.

Alderman Wihby stated he wished to move to reject the recommendation.

Mayor Baines asked who the main maker of the motion was.

Deputy Clerk Johnson advised Alderman Shea by Alderman Cashin for discussion.

Alderman Cashin stated he recalled the second for discussion, he remembered that.

Deputy Clerk Johnson noted it was followed by a motion to recess, and the meeting was called back to order.

Mayor Baines noted that they had the discussion.

Alderman Wihby stated at this time he did not think the Board should dedicate \$1.449 million for them, I think they should go ahead and show us that they are going to make the cuts and we can decide it some time in July, and so I move to deny this request.

Mayor Baines stated you are moving to not follow the advice of the Chief Financial Officer of the City.

Alderman Wihby stated yes, and that was being more prudent than what the chief financial officer is telling us to do, because that is saying we are going to make it up in the budget and we are still going to have the \$1.4 million on our side, that is even better, that is being more conservative.

Mayor Baines stated that was a negative motion, which is normally not allowed.

Alderman Vaillancourt stated as I recall, and I don't mean to challenge the clerk, Alderman Shea moved item number 4 and Alderman Cashin seconded it and he is the one that said for point of discussion, but Alderman Shea clearly moved item 4 which would mean that the motion on the table was to accept the recommendation.

Mayor Baines stated that was my understanding as well. Mayor Baines asked if that was Alderman Shea's understanding as well.

Alderman Cashin stated that he moved it simply for discussion.

Mayor Baines stated then the clerk will disavow that as a motion then because the second was not in concurrence that's my ruling on that. The problem that I have, the Chairman has ruled not to allow that. There should be, under Robert's Rules and I know we don't operate clearly under Roberts Rules normally you have a positive motion.

Alderman Wihby stated no you don't. Mayor Baines stated that's the truth. Alderman Wihby stated I have a motion to deny it.

Mayor Baines stated I would like a motion to accept it.

Alderman Shea so moved. Alderman Vaillancourt seconded the motion.

Mayor Baines stated that is a positive motion and we can vote on it.

Alderman Wihby asked if Mayor Baines would check with the City Solicitor to see if you can have a negative motion.

Mayor Baines stated the Chair has rules that we will not accept a negative motion, I will accept a positive motion. I should have the authority to do that.

Alderman Wihby stated he wanted to challenge that...

Mayor Baines interjected stating they had the City Solicitor to answer my comments.

Solicitor Clark stated your honor, you asked if you had the ability to make that ruling, and yes you do as the parliamentarian.

Mayor Baines stated we have a motion on the floor I will call for discussion.

Alderman Gatsas asked are we trying to, the motion that we are making on the \$1.4 million is that based on the reserves in Human Resources.

Mr. Clougherty stated it would be based on the appropriation of the \$27 million. And that's what I'm concerned about.

Alderman Gatsas stated my question is, is the \$1.4 million that is bantering around that we are going to find to help them out, obviously it has to come from a reserve account from Human Resources.

Mr. Clougherty stated it's from the appropriation but it could have an impact on the reserve and that's why I am concerned about it.

Alderman Gatsas asked how we even put an impact on this city.

Mayor Baines stated the only thing I ask, [Mr. Clougherty] this was your recommendation that we do that, explain why this is your recommendation to do this, because we are voting to accept your recommendation.

Mr. Clougherty stated my recommendation which is not inconsistent I don't think with the alderman's is that you put aside the amount of money at this time and try to reserve it. Now, at the end of the year, hopefully the amount that you are going to need is less, and if it has to be transferred than at least you've created that opportunity. I have to tell the Board that there is an amount that I have been informed of potential issue, and I have to certify that the monies are available. I cannot certify to the Board that that money is going to be available at the end of the year, given the caveats.

Alderman Gatsas stated then he can't make that recommendation. The letter you recommended is at this point with the information you've gathered, can't be made, because you are putting the city at risk. You told us to reserve it. Your telling the school board and the superintendent that there is \$1.4 million here that maybe we might help you with. Now that's a caveat that they are going to go out and he could possibly spend that and say you know you guys talked about helping us out. Now all of a sudden we have some catastrophic illnesses and that reserve account is zero.

Mr. Clougherty stated and I don't disagree with you alderman. That's true. My issue is benefits could be short and it states reserve up to 1,449,000. I want to make sure that we do everything we can in those restricted line items to make sure that we are going to live within the \$27 million. Now, as I mentioned earlier, there is the other items that the mayor had talked about that had to be taken into consideration to beyond that restricted item. Because in the event that there is not anything that's prudent for me to move from the reserve or from the appropriation I'm not going to authorize that and these other issues that the mayor had talked about earlier would serve as an opportunity to perhaps gather that in other line items. That's all I'm saying. We want to have that ability to do that at the end of the year you have to take that action now.

Alderman Clancy asked Mr. Clougherty why don't we let them go on with what they are doing right now, then if they have a shortage then they can come to us at the end of the year.

Mr. Clougherty responded because if they come at the end of the year without trying to minimize the number, you don't have anything to give them unless you start working today to try to create some type of a balance in some of these line items that would be available to transfer. That's what I am informing the Board of tonight.

Alderman Clancy stated but right now you say you want to give them the 1.4 million

Mr. Clougherty stated no, what I am saying is there is a problem of up to \$1.4 million. The Human Resources Director has informed me that he thinks that he will be able within his appropriation to deal with that. My concern is that that may not be the case, and if you are going to ask me at the end of the year to transfer I wouldn't be able to certify that that's available for the exact point that Alderman Gatsas has brought up on a couple of occasions tonight. So if the Board wants to have the flexibility at the end of the year to do the transfer, you have got to start taking some steps now.

Mr. Hobson stated he forgot what he was going to say, but part of the point is that Mr. Clougherty's line in his letter says that reserve up to that amount in the event it is needed. Now, it is needed is sort of a loaded little phrase there. We've heard from the school district that they are making cuts now, so they will not need that entire amount. We have some in that 27.7 now we have some flexibility in FICA account, we have very little flexibility in our health insurance account, etc. I could go through each line and say here is where we have a little, here is where we don't. The point is, and I will say it one more time, if we don't work together and both sides of the house make these cuts and cutbacks we probably will dip into reserves and we don't want to do that.

Mayor Baines stated and that certainly is not our plan.

Alderman Wihby asked Mr. Clougherty isn't it more prudent to tell them to go back and make the cuts and leave this in that reserve account, or benefits account, so that they go back, they make the cuts and they know they are going to have to make the cuts. Now, if there is a little shortfall then, the school department could show a deficit if they had to, we can show a positive on our side but the deficit would be on their side. But isn't it more prudent not to give them or set the money aside and tell them to make the cuts.

Mr. Clougherty stated yes, Alderman the bottom line is the smaller you can get that number you're right. The better it's going to be and the less you are going to have to transfer. The issue I have is that if the number does come out to be the \$1.4 and we don't take action now then you are going to have a problem, so I have to bring this to your attention tonight.

Alderman Gatsas stated let me try and bring this into the simplest sense as is possible.

Mayor Baines stated good luck.

Alderman Gatsas stated it's going to be pretty quick. Directing his comments to Mr. Clougherty, Alderman Gatsas stated let's take two assumptions. The assumption you are taking and the superintendent is taking is that there is a \$1.4 million shortfall somewhere. Whether it's in benefits, whether it's in debt, whether it's in overspending there is no caveat that is going to put the finger on it tonight. You are at that point assuming and listening to Mr. Hobson saying we've got some problems with reserves. I think that allowing anything but the school department to make whatever severe cuts they need to come into play, and then come back to this Board here, because we certainly can't tell them where to cut. On a declaratory judgement that's their ballgame. They have fourteen directors that I'm sure will lead the superintendent down the right avenue to make the right

decision. We shouldn't be putting this city at any risk if there is not \$1.4 million, if that is their shortfall, and Mr. Hobson has his catastrophics and there is no reserve then the city is looking at a problem of \$1.4 million not being able to solve the school board's problem and we've got a bigger one at this end. So I don't think we should be putting anybody at risk for anything other than saying come back and see us in July and tell us what the real number is so we can make the decision. Do you agree with that simple...?

Mr. Clougherty interjected stating I think that's what we are saying.

Alderman Gatsas stated to Mr. Clougherty, you are asking us to reserve 1.4 million and put it in a window that we don't know we are going to touch it, and I don't think we should be doing that.

Mr. Clougherty responded stated maybe the term reserve is what we are talking about here. What I am saying to the Board is you have to give direction to the Human Resources Director to try and work within that amount of money that he has. And if he is saying that he is going to have sufficient funds at the end of the year, in the event they are necessary then great, but I need to monitor that from now to the end of the year, and if it's not enough we are going to have to come back and tell you that.

Alderman Cashin stated the alderman from Ward 2 makes a valid point, I'm not going to argue with it, but I'm going to ask the superintendent a question, if you leave here tonight and we tell you that we are not going to fund the 1.4 million, what effect is that going to have on your budget and what effect is it going to have on education between now and June.

Superintendent Tanguay responded it'd be disastrous. We will have to lay off a lot of people, I suspect even some certified staff, some teachers, the impact would be incredible, negative impact.

Alderman Cashin stated I don't think that that's what this Board wants to do, I would hope not.

Alderman Gatsas stated no, but I don't think this Board wants to put an impact on the City.

Mayor Baines requested the comments go through the Chair.

Alderman Gatsas apologized.

Alderman Lopez stated I think we all agree with a lot of things but I think at the beginning of this meeting we wanted to try to work together to try to solve a major problem here. Couldn't we have 60 days and let these people work it out and have official meetings where they are recorded to make sure we get the correct information, and then if the school department doesn't put their best foot forward I think that motion might be in order. But, I think they are going to work it out. Let's give them an opportunity. Can't we table this for 60 days.

Alderman Wihby attempted to second the motion.

Mayor Baines did not recognize the motion, stating he would not accept it right now. Mayor Baines stated I want you to know that the two issues that have taken almost all of our meeting time since I've taken office are issues that should have been resolved a long time ago. Both of these big issues. The portables, and this issue. This issue has been discussed now and been in deliberation over eight months. Let me give you the clarification on that. This is an issue that I have tried diligently with the people in house and city government to bring some resolution and a recommendation to the Board. We have a Chief Financial Officer of the City, whom I have told we have to rely upon for sound financial advice. Now this Board obviously has the ability to say yes or no to it. He has come up with a recommendation to protect the City and look for a common resolution of that. And we've been discussing this now well over two hours.

Alderman Wihby asked about the motion.

Mayor Baines stated there was a motion on the floor, which should be voted up, or down, then we have a record and then we go forward.

Alderman Wihby requested a roll call.

Alderman Cashin requested clarification of the motion on the floor.

Deputy Clerk Johnson stated the motion on the floor was made by Alderman Shea and seconded by Alderman Vaillancourt to accept the recommendation of the Finance Officer.

A roll call vote was taken. Aldermen Wihby, Gatsas, Levasseur, Sysyn, Clancy, Pariseau and Hirschmann voted nay. Aldermen Pinard, O'Neil, Lopez, Shea, Vaillancourt, Cashin, and Thibault voted yea. Mayor Baines broke the tie vote and voted yea. The motion carried.

Alderman Levasseur requested clarification during the roll if the understanding was the motion was that they don't give the money to the school board. Mayor Baines advised no, the motion was to accept the recommendation of the finance officer that we will reserve up to \$1,449,000 in the city's restricted line items in the event the funds are needed for the school district to be transferred at year end.

During the roll call, Alderman Lopez noted he wished there was more time stating this was committing the \$1.4 million. Mayor Baines stated this was reserving it.

Mayor Baines commented that he was following the advice of the Chief Financial Officer of the City.

Alderman Wihby gave notice for reconsideration at the next meeting.

Mayor Baines so recognized the notice for reconsideration.

Alderman Vaillancourt stated that he understood the motion had to be with the prevailing side.

Mayor Baines stated under the rules any member of the Board can make that.

Solicitor Clark advised that under your rules any member can give notice of reconsideration.

Alderman Pariseau asked if they could be made or ensure that the school department will contact this Board with ideas to make a sincere effort to cut.

Mayor Baines stated yes, and we will make sure that that is accurately communicated to them.

Alderman Vaillancourt stated the motion to reconsider is not in order, but the motion of filing is in order.

Mayor Baines requested the solicitor to clarify.

Solicitor Clark stated that Alderman Wihby was entitled to give notice of reconsideration for the next meeting.

Alderman Vaillancourt stated having voted with the prevailing side I move to reconsider now then so we can get this over tonight.

Alderman Wihby stated your honor, I am just going to end up putting it on an agenda like they did with the civic center.

Mayor Baines stated let's move forward and address the next item of business.

5. Communication from the Chief of Police requesting a transfer of \$27,204 from Contingency to Police Department line item #3319C10898 which is the local match of the 1999 Local Law Enforcement Block Grant.

On motion of Alderman O'Neil, duly seconded by Alderman Pariseau, it was voted to approve the request. None were recorded in opposition.

6. Resolution:

"Authorizing the Finance Officer to effect a transfer of Twenty Three Thousand Dollars (\$23,000) from Contingency to Library for Library Heating."

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted to read the resolution by title only and it was so done.

Alderman Clancy moved that the Resolution ought to pass and be Enrolled. Alderman Lopez duly seconded the motion.

Alderman Levasseur asked if the increase was in oil and heat for the building because we allowed a \$6,000 extra a year security officer to stay there so we have to heat the building all night long.

Mr. Brisben, Library Director, stated we are usually heated by oil. It costs us \$1,400 a month last year, but we are on gas right now because we are replacing an old furnace and boiler, and it's the cost of gas. We had Brian Nepper from Energy North come and point out four different cost factors that went toward our last. Our last Energy North bill was \$1,700.

Alderman Levasseur stated that was not his question, his question was if it was because you have the extra security guard and are keeping the heat on at night.

Mr. Brisben stated no that's not true.

Alderman Levasseur asked if the heat was on at the same time.

Mr. Brisben replied yes.

There being no further discussion, Mayor Baines called for a vote. The motion carried.

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

A True Record. Attest.

Clerk of Committee