

## COMMITTEE ON FINANCE

**April 17, 2000**

**7:00 PM**

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance.

A moment of silent prayer was observed.

The Clerk called the roll.

**Present:** Aldermen Gatsas, Levasseur, Sysyn, Pinard, O'Neill, Lopez, Shea, Vaillancourt, Pariseau, Cashin, Thibault, Hirschmann

**Absent:** Aldermen Wihby, Clancy

**Messrs.:** M. Hobson, F. Thomas, K. Clougherty, W. Robinson, R. Ludwig, R. Riddle, R. Descoteaux

Salaries and benefits presentation.

Mr. Hobson referring to handouts stated Mark Abet of William Mercer Company is the City of Manchester's consultant for several years on matters of health insurance. Mayor Baines and Alderman Cashin felt it was appropriate during the budget process to present some history of the salary and benefit information. Some Aldermen are concerned about the long term costs of the classification project know as Yarger Decker. It may be appropriate to begin the presentation with an apology to those Aldermen who felt that communication about the cost of the project was not adequate. It is my responsibility to prepare and communicate the cost of the project and the cost of each contract. If there was inadequate communication, that is my error. Yarger Decker prepared two projections on the cost of the project before the project was adopted. We prepared an update of those costs in June 1999. We prepared a three-year projection to FY 2002 for all affiliated employees around that same time. We updated the information for each contract through FY 2002 and that was given to the Board of Mayor and Aldermen at each contract adoption. That brings us to tonight. Our first slide is on page two. This is the related salary cost. Since 1990, the City of Manchester's salary cost has increased approximately \$14,000,000 over an eleven-year period. \$10,000,000 of that money has been invested over the last five years. Yarger Decker was in place for three of those fiscal years. The percentage change shows

the calendar years that went up from 1990, 1991, 1992, 1993 and then it changed over to a fiscal year in the 1993, 1994, 1995 seasons. We can see that the issues with the classification study started a long time before we hired Yarger Decker. There were issues with salary movements and changes and issues with regulations that dated back almost twenty-nine years. The average salary increase for those eleven fiscal and calendar years is 4.11%. Over the last five years, the increase has been strong at 7.5%. We had a peak in the initial year of Yarger Decker's implementation FY 1999. By FY 2002 we should be flattening out again to approximately 4.6% or slightly less. Our twelve-year average when we include the last 2002 period is 3.87%. Here is how we stand up against the last national and local economic statistics. The State Government provides this. Manchester, due to the Yarger Decker schedule in 1999 was 1.25% higher or stronger on salary average than the State of New Hampshire. You can see New England and the United States as well. The Yarger Decker base raised us about 1.25% ahead of the State average. This slide gives us quite a bit of information. These are the direct Yarger Decker new costs that were added into the budget. These are attributed to both affiliated and non-affiliated employees. It also includes contract costs such as overtime and uniform allowance, etc. The two yellow bars represent the salary that was budgeted for under salary adjustment in the restricted items of the budget. In FY 1999 we budgeted \$715,000 for half a year. Yarger Decker was implemented on January 3. We expended \$429,000 of the \$715,000 that was budgeted. However, the departments absorbed all of the \$429,000. The \$715,000 was returned back to the general fund budget. While we budgeted \$715,000 we spent \$429,000 and returned the \$715,000 back because it was taken from the operating expenses of the departments. In FY 2000 we are at the same point. We have 1.55 million dollars for Yarger Decker costs. The Yarger Decker non-affiliated costs that are now rolled up into a full year are part of the departments' budgets. That is approximately \$900,000 that is in their budgets now. The remaining cost of approximately 1.5 million dollars is attributed to the contracts. At this point, we are projecting that we will be able to return the 1.55 million dollars back to the general fund and the departments will pay for the contracts (Yarger Decker) from their current operating cost. The 1.55 million dollars and the 7.15 will hopefully be returned back to the general fund. In FY 2001, that is when the affiliated contracts are completely implemented and we see that 1.5 million dollar number come up and the other cost related to the contracts at \$472,000 and a small amount for the non-affiliated.

Alderman Lopez asked on the \$900,000 that is non-affiliated employees that is within their budget.

Mr. Hobson replied in the affirmative.

Alderman Lopez stated and the 1.55 million dollars comes up to 2.5 million for the Yarger Decker.

Mr. Hobson replied in the negative and stated the 1.55 million dollars that was budgeted in the salary adjustment account was for the affiliated groups for their contracts. The \$900,000 was put in the salary accounts of the departments. It was not pulled out and put in some other line item.

Alderman Lopez asked was that all new money. Did they absorb \$900,000 of new money that was put into their budget so the total package is 2.4 million.

Mr. Hobson replied in the affirmative and stated \$429,000 in FY 99 was for half a year so it doubles into the \$900,000.

Alderman Hirschmann asked the \$647,000 in FY 00 is that department head raises.

Mr. Hobson replied in the negative and stated those are non-Yarger Decker related costs of the contracts.

Alderman Hirschmann asked which is what.

Mr. Hobson replied such as overtime, uniform allowance or any other salary item that has to do with the twelve collective bargaining agreements that is not attributable to the Yarger Decker program.

Alderman Levasseur asked how many employees are we covering under this.

Mr. Hobson replied 1,255, which is on the next slide.

Alderman Levasseur stated 1,255 employees under this situation and there is \$647,000.

Mr. Hobson stated he misunderstood the question and stated how many employees covered under the contracts.

Alderman Levasseur replied in the affirmative and stated under the twelve.

Mr. Hobson replied approximately 80-85% of our employees are in labor agreements and there are 1,255 full-time equivalents. We are looking at about 1,000.

Alderman Gatsas asked for FY 01 we have no salary adjustment account.

Mr. Hobson replied in the affirmative.

Alderman Gatsas asked what is the reason.

Mr. Hobson replied it was the advisory committee's recommendation that worked on the Mayor's budget to put those funds into the operating expenses just as we did with the non-affiliated in FY 00. Once you give these people a salary adjustment and then give them their raise to bring them up-to-market that carries over into the next year. It becomes part of the operating cost of the department because the contracts are fully implemented.

Alderman Gatsas asked in past years that was a "slush fund". It just hung there and was not used.

Mr. Hobson replied the salary adjustment account was a projected number. When the previous administration asked us including the Chairman of the Board at that time, what would the contracts cost, we would give our best estimate and then we would put that amount in the salary adjustment. If the departments can absorb that through their budget and then that is what has taken place.

Alderman Cashin asked the salary adjustment account was held in Finance and salaries were drawn against that account at one time. That was not just a "slush fund" by any means.

Mr. Thomas stated the salary adjustment account was there to cover things not budgeted for in your operating budget. If there was a new contract coming on board, normally you did not have the contract settled by that time and you could not budget it in the operating budget. You would have to put it in the salary adjustment account from a best guess. Once the contracts are settled you can borrow from the salary adjustment account. In my operating budget, with the mild winters, I have been able to cover all of those costs.

Alderman Cashin asked Mr. Clougherty if he agrees with that.

Mr. Clougherty replied in the affirmative and stated the salary adjustment will be set up as Mr. Hobson explained as a projection against what the Board of Mayor and Aldermen would approve for contracts. The departments would draw down against that, if necessary, at the end of the year. We would make that available and come back to the Board.

Alderman Gatsas asked Mr. Thomas with all the praises that you have around here; you must have a very close line to the Almighty because you have certainly

been granted two years of real light winters. In the future, if we have bad winters the “slush fund” will not be there.

Mr. Thomas replied that is correct but this year, the way the budget is proposed, we do have money built into our salary account. Maybe not as much as I would like to see, but I do have money to cover things like severance payments, retirements, and the institution of A steps.

Alderman Gatsas asked so all of the departments that we are looking at in the next two weeks, there must be added “slush” in the payroll side of their budgets that we can look at from a line item by individual.

Mr. Thomas replied there is no “slush fund” in sight. The number that was generated from my salary was a number that I generated. It was a number that was given to me and in my opinion a little on the weak side. If I do have a bad winter, if I do have a lot of severance payments, longevity steps or anything that normally gets paid out of salary adjustments; I could be in trouble. Unfortunately, we do not normally have enough in contingency to cover those types of payments.

Alderman Gatsas stated we need to see individuals, projected and current, in each department listed and what their wages are.

Alderman Cashin stated we purposely set up the salary adjustment account years ago because we did not want to put it into the department budgets because the Department Heads were using it for some increases for certain people and we had to stop that.

Alderman Gatsas stated I know you are trying to change what has been happening around here for years but I am just asking the question so that we can get it resolved in today’s ideas.

Mr. Hobson stated the other good point about the salary adjustment account is that first of all in this tenure during the Mayor, he had asked us to hold back on spending. One of the reasons that 1.55 will hopefully be available is because we have held back on spending and people like Frank Thomas have had a good winter. Every year the City of Manchester is able to contribute money, from its operating account, back to the general fund at the end of the year to help offset the tax base for the following year. We were able, through last year and this year, to be able to bring the salary adjustment amount back.

Alderman Shea asked Mr. Clougherty when this money is in the City’s possession, are we able to get any interest.

Mr. Clougherty replied in the affirmative and stated it is an accounting procedure as part of the general fund, it is invested regularly.

Alderman Pariseau asked does your current budget include this 1.55 million.

Mr. Hobson asked you are asking if the Mayor's proposed budget for next year include the Yarger Decker salaries of the 1.55 million dollars.

Alderman Pariseau stated I am asking if the Mayor used that surplus from this year towards next year's budget.

Mayor Baines replied in the negative.

Mr. Clougherty replied what has happened in previous years; the expenditure side versus revenues will offset any balances. We come down to a fund balance. The Mayor is including a fund balance projection of about \$300,000 can then be applied.

Mayor Baines stated we put in about \$500,000. Last year it was about \$467,000 and we look at an average. That is hard to discern at this point in time, exactly what our fund balance will be.

Mr. Clougherty agreed and stated that is a conservative number in the budget of \$300,000.

Mayor Baines stated the answer is no, we did not include up to \$500,000 that we projected.

Mr. Clougherty stated it does not carry one year to another.

Mr. Pariseau asked Mr. Hobson, referring to page 6 of the handout, from FY 99 they returned \$715,000 because departments absorbed that in their operating budget. He was looking at the departments to be able to absorb the increase in the Yarger Decker amount of \$959,638 so it would leave 1.55 million dollars available to apply for next year's tax rate.

Mr. Hobson replied we hope to not spend that money for this year to help us offset our expenses in the general fund.

Mayor Baines stated we do have some expenses that are not itemized at this point. Mr. Clougherty can go over some of those that we are concerned about. That will answer your question.

Mr. Clougherty stated these line items are not multi-year. They do not go from one year to another. At the end of the year they lapse. If there is a balance in the current year of 1.55 million dollars in that account, that along with the other entire general fund department line items will carry down to the bottom line. We will take a look at where our revenues are, whether they came in on projection that will be the determination whether the City of Manchester is in a positive situation of deficit. If we are in a positive situation, then some of that amount can be applied to the future year's budgets as has been done in the past.

Alderman Pariseau stated Mr. Hobson said we would be able to return the 1.55 million dollars back to the general fund as surplus. If we have that 1.55 million-dollar surplus, it ought to be able to be applied to the tax rate for next year. Apparently, that is not included yet.

Mayor Baines stated not yet because we do not know. We are still dealing with a potential deficit issue, health insurance, the catastrophic situations that we are facing and until we have an ascertainment of exactly how things are going to play out, versus all of the cost savings.

Alderman Gatsas asked do we have a rough idea where those numbers lay and play right now. Mr. Clougherty gave Alderman Pariseau an answer, but the Mayor was asking for specifics, could you give me some specifics without a lot of language.

Mr. Clougherty replied we had given him \$300,000 at the most as a number to use for his budget.

Mayor Baines stated we have had some very confusing conversations regarding this topic. The clarity is still not at the point where I would like it because of the uncertainty I have asked all of the department heads, by Friday, to give me projections on what they feel will be their cost savings (salary freezes and restraints and spending) that I asked for since around March 1, 2000. One department head today told me he expects it to be in the vicinity of about close to \$200,000. We are trying to do those types of things to maximize savings and hedge it against whatever will happen which is very volatile still as we speak.

Alderman Gatsas asked there must be some idea where we are at with two months left in the year. There must be some ten-month number that tells us how much we are behind or ahead. You are putting \$500,000 of this 1.55 million dollars away. That leaves \$1,050,000 that is "up in the clouds" that nobody has any number for.

Mayor Baines replied it has been elusive and I share the same frustrations as you. We have had long conversations about that. I thought we would be able to “nail it down” in a figure. Mr. Clougherty, if you want to try one more time to explain it.

Mr. Clougherty stated at the Committee on Accounts meeting, we gave out quarterly information. Through three-quarters, the bottom line of the general fund appropriation of 87 million, we have spent 67 million. There is a balance of 19 million, which is 22% remaining for the final quarter of the year. The revenue forecast will be at about \$40,000 to \$80,000 more than the budgeted amount. You have some thin margins and that is the reason for the conservative approach in forecasting the fund balance.

Mayor Baines stated we went back and forth on that. I thought it should be higher. Mr. Clougherty did project to me averages over the past several years in the vicinity of \$400,000. We are going to do better than that based upon the information that we have.

Alderman Gatsas asked, Your Honor, does that include the school revenues.

Mayor Baines replied in the negative.

Alderman Gatsas asked do we know if they are short or where they are at with their ten-month period.

Mr. Clougherty replied the numbers that we provide to the Board of Mayor and Aldermen did not include School this year under the transition plan in the Superior Court ruling. We have asked the Superintendent several times for information and he has told us that he is on track to meet his revenues.

Alderman Gatsas asked obviously, the Superintendent has made deposits into an account over the last ten or nine months, is that correct.

Mr. Clougherty replied he has deposited into a couple of accounts.

Alderman Gatsas stated he has made deposits in two accounts for the last nine months. Do you have a precise idea of how much he has given for the first nine months.

Mr. Clougherty replied in the negative.

Mayor Baines stated we would be on target at a certain point in time. I will do my best to get us there, Alderman.

Alderman Cashin asked why do we not have that information.

Mayor Baines replied it is not for a lack of effort. There are some issues related to accounting on the school side that are very real. We have talked about them openly and candidly. It is our understanding that as we speak, they are gathering all the required information that we have told them that we wanted including information related to specific employees and their actual salaries, benefits, etc. They do not have, in place, an effective accounting mechanism to give us that kind of information upon request.

Mr. Robinson stated the School District was able to provide salary information to me on Friday, but they have asked for an extension until tomorrow so they could audit those figures.

Mayor Baines stated I appreciate and share your frustration but I hope you would also appreciate that we have been trying diligently to get all of the information that has been requested by this Board and by individual Aldermen who have asked for specific information to help with the deliberations that are taking place. Those are the facts.

Alderman Lopez asked on the 24<sup>th</sup>, they are going to come before the Finance Committee, will all that information be available that night.

Alderman Cashin stated it better be.

Mayor Baines replied I made that abundantly clear. I did it in my budget message that I expect them to have that kind of accurate accounting to answer any and all questions relative to their financial situation. We have specifically and reviewed some material that we received today regarding scenarios that they are looking at. It is very general in nature. We have asked them to go back and fine tune it and put exact dollar amounts so that we can make thorough, thoughtful and prudent decisions. I have communicated that and I expect it and you should expect it as well.

Alderman Lopez stated we have to have that information. Even if they come here and present and do not give us the information. They are going to say HTE is wrong and we cannot have that. If they want to work with us and we want to work with them, we have to have the information.

Mayor Baines agreed and stated we have not seen the information that you are alluding to. We are making an effort, as we speak, that was one of my frustrations during my deliberations on the budget. In fact, at one point in time, I had Mark Hobson go over to the School District and go through all of these issues directly

because of his inside knowledge having been over there. That is how we came up with some kind of definitive numbers that we generated on our own to try to get into an area with the budget that we felt comfortable with on the school side. Having said that, I made it very clear that they have to provide the kind of accounting and accountability to withstand the scrutiny of their budget. You should expect it, I am expecting it and it is up to them to deliver when they appear before us next week.

Alderman O'Neil stated it would be helpful if a phone call from you tomorrow so we do not get this information Monday night as we are sitting down at the meeting. Hopefully we have it at our homes on Friday.

Mayor Baines stated I would convey that first thing tomorrow morning, Alderman.

Alderman O'Neil stated we are going to have to start with other departments and it may be helpful later if we get information ahead of time.

Mayor Baines stated we would communicate that, first thing, as well.

Alderman Shea stated we not only want information concerning this year but the projections for next year. That is the significant part about it.

Alderman Gatsas asked the only reason I bring that revenue side up, Your Honor, is that certainly this Board needs to look at it. If there was a "divorce" they are never pleasant or a happy situation, but in a divorce you never get the opportunity to go change your clothes at the house you used to live in when you wanted to do it. So you are burdened with their revenue side. We should not be responsible for that number; they should live with that number just like we have to live with it when they give it to us. We should not be responsible for their health insurance. If it is a divorce, it should be at total divorce and we should not have to worry about it and we should give them money and let them spend it the way they have appropriated on their side because they have fourteen people that are telling them where they want to put it. I do not have a problem with that, but we should not be responsible if their revenue side is 2 million short this year, that one million dollars that is in the float is going to be eaten up either by a revenue shortfall on their side because we do not know what it is and we are not going to know by the year end comes. Maybe we should make a total divorce and not just a separation.

Mayor Baines stated that is a very complicated issue. We have had long conversations about it but we will be talking about that further as we go on.

Mr. Hobson stated slide number seven shows us some good news and that is that the City of Manchester has done a very good job in my opinion and in the opinion

of some of the national statistics, of staying within a reasonable amount of total full-time equivalent employees. That is not a body count that is the amount of people who add up to 40 hours (workweek) plus benefits. That is a layman's statement of what an FTE is. We moved from during the Yarger Decker study, it was agreed to by the Board of Mayor and Aldermen and recommended unanimously the committee that we moved to a standard 40-hour work week and that we have longer operating hours for such departments at City Hall. We have and we did. There was a cost of doing that. The cost was broken down over two years of \$425,000. That added fourteen and a half more full-time equivalents. Not new people but increased hours. We went from 1236 to 1259. In next year's budget, in the Mayor's projection in 2001, we are shrinking a little bit in terms of our full-time equivalents of the positions that he has approved. Mayoral Assistant Robinson and I are working on getting some national statistics for you, some municipal benchmarks where we can show you cities our size, our budget, our departments, how many employees other cities have for similar functions.

Alderman Levasseur stated I have been giving this a lot of thought as far as being compared to other cities and other states around the country. Since our state is the only one that relies 90-95% of our tax base comes from the property taxes, it is unfair to be comparing ourselves with other states because they have broad base taxes, income taxes and property taxes in which to pay for government to run itself. I suggest that when we start comparing ourselves to other states, especially the Yarger Decker study was comparing us to Boston. That is an unfair comparison because of the tax bases that they have. We only have property taxes. We do not have the broad base and we do not have income taxes. We are in a very small niche, we are very unique and we should be real careful where we compare ourselves from now on.

Alderman Gatsas asked Mr. Hobson, the 40 hours that you are considering a full-time employee for benefits.

Mr. Hobson replied in the affirmative.

Alderman Gatsas asked does that mean somebody working 35 hours is not entitled to benefits.

Mr. Hobson replied in the negative and stated this is just for budgetary purposes.

Alderman Gatsas asked you are not using employees for 35 hours in your budgetary purposes.

Mr. Hobson replied if an employee scheduled hours, for example a school nurse, if that person is working 35 hours then they are working 35/40<sup>th</sup> of an FTE, which would be about .875%.

Alderman Gatsas asked is that calculation in here.

Mr. Hobson replied in the affirmative.

Alderman Gatsas asked a Business Service Officer II is 35 hours, he is not considered full-time with benefits. It is grade 23 salary schedule I(A) 35 hours.

Mr. Hobson replied that person is now on 40 hours when the Yarger Decker study went through.

Alderman Gatsas asked all employees now are at 40 hours.

Mr. Hobson replied the only employees that stayed at 35 hours were specific people who were related to an issue like the School District where the nurses only work when the school is open. The rest of the employees are at 40 hours.

Alderman Pariseau asked how much of a savings would we be able to project if we put everybody back at the 35-hour level.

Mr. Hobson replied approximately \$400,000. To clarify that question, when the study was implemented, as Howard Tawney just pointed out to me, we had several people who were previously considered to be non-exempt that were moved into an exempt category. There were approximately thirty people that that happened to. We would have to back out what those thirty people are or would be. So you are probably looking at very rough figures. If it was approximately \$425,000 to put them on, you are looking at a savings of around \$50,000-\$60,000. It is approximately \$375,000.

Alderman Pariseau asked if we were to take the Mayor's Office, they are there for 40 hours. If the Mayor wanted to maintain his office schedule from 8:00 to 5:00, one would come in at 8:00, another at 8:30 and another at 9:00. Could these departments do that and maintain that eight-hour coverage.

Mr. Hobson replied what you would probably do is move the hourly people down. The City Hall hours and most of the departments used to be a 35-hour workweek. We have now told everybody that it is not a 35-hour workweek, it is a 40-hour operational workweek. Our hours are 8:00 to 5:00; the place has to be staffed. All of your people who are exempt from the Fair Labor Standard Act, they are supposed to be there anyway. You would be taking the exempt people that are

paid on the hour and you would be rolling those people from a 40-hour workweek to a 35-hour workweek and then not paying them.

Alderman Pariseau asked you would not pay them for the extra five hours.

Mr. Hobson replied that is correct.

Alderman Vaillancourt asked the 1259 people working 40 hours, do you have an average salary of one of those 1259 people. Is it \$40,000 or more.

Mr. Hobson replied I do not have that with me tonight but that is something that we will be calculating and will be getting to you shortly.

Alderman Vaillancourt asked for a ballpark figure.

Mr. Hobson replied I couldn't give one at the moment.

Alderman Vaillancourt stated you look back to 1995 and 1996, you have 1178/1179. We have gone up about 7% since then. The population of Manchester has not increased 7%. Then there is increased efficiency due to the computerization that we spent hundreds of thousands, if not millions of dollars on. Why are the number of employees has gone up when supposedly the efficiency should have gone up so we could cut down on the number of employees. If we are going to come to grips with this budget, and not have a tax increase, this seems to be the page that it has to happen. Is there a reason we have gone up besides the previous 35 to 40 hours a week. Why have we gone from 1178 to 1259 when the population has not gone up when we also have increased efficiency with computerization.

Mr. Hobson replied Mr. Chairman; I could give you a report by department of the years since 1995 of full-time equivalent bodies. Would that be helpful.

Alderman Gatsas asked if the total wages, including overtime wages, in your graph on page 6, you have somewhere in the vicinity of 1.6 million dollars in total wages for those 1259 employees.

Mr. Hobson asked are you referring to FY 01.

Alderman Gatsas replied in the affirmative. Total wages would be the blue bar and the light blue bar and that is roughly around 2.1 million dollars. If we have reduced wages or hours from 40 hours to 35 hours, if we used 10% on that number, it should correlate 10% in wages roughly. It is probably going to be more than that because we are talking overtime in your two bar graphs. The most you

are going to look at for savings, from a 40-hour week to a 35-hour week is somewhere around 200.

Mr. Hobson stated those are the contracted costs for FY 01. Obviously you would have to include the non-affiliated people who are not under a contract who are hourly that would be going from 40 hours back down to 35 hours.

Alderman Gatsas stated I am using that \$472,000 and 1.5 million is coming up with 2.1 million dollars.

Mr. Hobson stated I am looking at the extra \$900,000. Your quick estimate is around 300 if you used those three numbers together and 10%.

Alderman Gatsas stated I am saying it is going to be closer to two and that does not include the overtime that you are going to have to pay people because of a bad winter, for example. If we set a workweek at 35 hours we are paying time and a half over 35 hours and not 40 hours.

Chairman Baines stated you could get into departments that require services and by reducing employees you could raise the cost.

Alderman Shea stated since 1996 to a projected 2001, there are less than eighty workers. I used the figure 1178 and 1259, but if we used 1255 it would be 77 workers. Where were they added, that is a critical point. For instance, we never had a Human Resources Department. A lot of the work was done in Finance. How many people are in the Human Resources Department.

Mr. Hobson replied fourteen.

Alderman Shea asked Mr. Clougherty how many employees in the Finance Department.

Mr. Clougherty replied it has been at fifteen for a number of years.

Chairman Baines stated your point is well taken, you would have to go through each department and find out what function they are performing and determine whether you could do without that function and what cost would that represent.

Alderman Shea stated you have made the statement of using common sense and saying if two departments are working separately, one department may be able to do it.

Chairman Baines stated those are the types of things that we are going to be looking at. As you know, under the Charter, you cannot deal with reorganizations and consolidations as part of the budget process but it is something that we are going to begin functioning. If you went into the fiscal year with this kind of a scenario, by the end of the next year, that does not mean the number of employees that you are going to have. If we look at trying to do some things differently within government even though we start there, we may not end up there by the end of the year if you look at the recommendation that we may come forward with.

Alderman Shea stated these are going to be tough decisions that have to be made.

Chairman Baines stated and there are decisions that need to be made appropriately by the entire Board of Mayor and Aldermen. This is the right process to do that.

Alderman Levasseur asked are you going to give us a list of how many employees have been added to departments. Have there been any additional departments because you bring up the point since 1995. Did you say that Human Resources was not a department or when did you become a department.

Mr. Hobson replied there has always been a personnel function and then it became Human Resources three years ago.

Alderman Thibault stated you also have to remember that Human Resources now has taken over the health insurance function also which ended up giving them six or seven extra people.

Mr. Hobson stated when we took over salary and benefits; it doubled the size of the department. It went to fourteen from seven.

Chairman Baines stated those are the types of discussions we need to have. A lot of us are new to the process; it is going to be very helpful. If you are going to make true cost savings beyond where we have cut, it becomes a personnel issue there is no question about it. Those are the types of decisions that are always there for us to chew on for about a two-month period. We can certainly do that if people are prepared to make those kind of cuts.

Mr. Hobson stated I brought Mr. Abet with us tonight to address some health and dental issues. On slide eight, we see that perhaps something that the Board needs to be concerned about. On salaries, you can control your salary line item. You can decide how many people you are going to have working for you and you can decide how much you are going to pay individuals. On health and dental and some of these other items, these are screaming out of control. We can see on a percentage basis that we are up to 20.33% on an average for our health insurance.

The fact that the City's FTE has been at 1255 and we have had "x" amount of people added. Their additional FTE's have grown significantly over the last three years. Every time you hire a full-time person who is a teacher, they qualify for those benefits and they utilize those benefits and therefore your claims go up. As we look at our health and our dental mix, and lots of other municipalities are faced with the same issue, this is something that we need to pay some attention to over the next year or two. It is a startling issue frankly. There were some issues for some of the new Board members and then to refresh us, I have asked Frank Thomas to come here tonight, who is Chairman of the Oversight Committee. That committee actually brought the process forward before Human Resources was hired, before I was here. They brought in the company to do the work. They had a thirty-year old system that they were very concerned about with compliance. Frank Thomas told me that there were some conservative estimates that the City of Manchester could have been in liability cases for literally two to three million dollars for some issues. Fair Labor Standard Act, Americans with Disabilities Act and other regulations had not been followed to the degree that they needed to be. We combined twenty-five pay scales into one pay scale. We had twenty-five different pay matrixes for different departments. If you were a secretary in a department you were not necessarily paid the same or weighted the same as a secretary in the Environmental Protection Division. We tried to put everybody on one standard pay scale. We created a 40-hour workweek for all departments. If you talk to people like Bob MacKenzie, Frank Thomas and others they will tell you that the expectations of them are higher and they are able to do that now because they have more people power. We increased our public service hours. We implemented a merit system and an employee development plan. That was not easy. We have some union representatives with us here tonight. They were tough negotiators over what merit would be and how employee development would work. It is going to work well. It is still in its infancy. We are probably one of less than twenty-four municipalities that are trying to pay people on merit. Most places do not do that. We also established, as Alderman Thibault was saying, a Human Resources system that did not exist before. We have employee handbook and employee regulations as part of the study. Mark Abet will address the Board with some points that are important to Manchester about our benefit structure.

Mr. Abet stated I would like to spend a couple minutes talking about some of the environmental causes for the recent escalation in healthcare costs. I am sure many of you if not all of you have heard about it or read about it in the local and national press, it is not much different here in the northeast and in New Hampshire than it is the rest of the country. Healthcare costs are certainly on the increase. In the northeast particularly, we have seen total healthcare costs increase at an average rate of about 7-1/2% and many employers and industry experts believe that the rate of increase will continue to grow. The likely contributors are significant increases

in pharmacy benefit costs. Five years ago, pharmacy benefit costs made up about 5% of total healthcare costs. Today it is about 15%. I am here with the City of Manchester and pharmacy costs exceed 16% of your total healthcare costs.

Mr. Hobson stated it is 19.8%.

Mr. Abet stated in addition, there has been a great deal of industry consolidation. Industry consolidation on the part of providers with physicians coming together and forming alliances as well as hospitals. Also, health plans have merged very quickly. In New Hampshire, you had three local non-for-profit health plans that covered 80% or 90% of your total population. You now have two health plans that are both for profit and that would be Cigna Healthsource and Anthem Blue Cross and Blue Shield of New Hampshire. Many of the fringe players and the principal players have also experienced significant financial difficulties specifically Tufts Health Plan whose attempting and is pulling out of the State of New Hampshire and Harvard Pilgrim which we have all read a lot about. There is no silver bullet to this problem unfortunately. We, as consultants, are recommending to our clients, as a first step to understand what the cost drivers are. In order to make targeted successful interventions, it is important to know where the weaknesses lie and how best to address them. Historically, the City of Manchester has maintained a very aggressive posture with Blue Cross/Blue Shield. The City of Manchester's health plans are funded on a cost-plus basis which means the City pays for all of its claims and pays Blue Cross/Blue Shield a fee to administer those claims. The 20% increase that Mark Hobson mentioned is purely reflective of the City's own claim experience for healthcare. Within the City, one of the significant contributors, aside from the pharmacy costs are there has been an unusually high incident of catastrophic level claims during the most recent year. It was nine claims in total for individuals have exceeded \$75,000. Where in the past, the average was somewhere around \$3,000 to \$5,000. We are recommending to Mark Hobson and his colleagues in the human resources and benefits area is to take a close look at what some of these cost drivers are and try to attempt to answer questions such as why are pharmacy costs 19% of the total. Why have there been so many large claims in the past year. What are some of the other issues that might be going on that we might not be aware of at this point.

Alderman Shea asked once we know why, I am interested in how are we going to do something to improve the situation. You are giving us the whys which are very important, but what about other items like the non-profit. That is adding to the cost as well because obviously Anthem is not here as Blue Cross/Blue Shield was. There is a for-profit company and naturally there are stockholders and shareholders which will tend to have an impact. How are some of the ways that you think we should be considering to deal with this problem from your point of view.

Mr. Abet replied there are many solutions to specifically address the switch from a non-profit to a for-profit. What we have talked about is introducing “managed competition”. Which is to introduce another health plan carrier for the City of Manchester employees and establish a level of competition between Blue Cross/Blue Shield and this other health plan. What that will do is it will strengthen your relationship with Blue Cross/Blue Shield because rather than focusing on keeping Mark Hobson happy they are going to be focusing on keeping the City’s employees happy because every year at enrollment time, Blue Cross/Blue Shield and this other plan are going to be competing for the City’s membership.

Alderman Shea asked are there any other ways.

Mr. Abet replied another issue related to the pharmacy costs. There are several pharmacy design features that you could add or consider managing pharmacy costs. Some of them are not terribly employee-friendly. For example, introducing a formulary program where certain drugs would not be covered. Asking employees to pay a fixed percentage of their pharmacy costs so that those employees who wish to take more expensive medications when alternatives are available would pay more for that ability.

Chairman Baines stated those are negotiated issues.

Alderman Levasseur stated Your Honor, that to me is non-negotiable when there is a chance to save money on these items.

Chairman Baines stated I am just pointing out that we have contracts in effect for three years and these benefits are part of the contract.

Alderman Lopez asked Mr. Abet, you are going to be providing some recommendations to Mark Hobson and the possibility of some solutions for us to look at and will this Board be able to get a copy of those, Your Honor.

Chairman Baines replied in the affirmative and stated whatever recommendations we have, we will be conveying during the budget deliberations because we need some resolutions.

Alderman Lopez asked are we high in all of the cities around.

Mr. Abet replied in the negative and stated you are high compared to some of the private sector clients that we work with because of the number of retirees. Your ratio of retired employees to active employees. Many private companies and

publicly traded companies specifically are really cutting back on their retiring medical benefits.

Alderman Gatsas asked how many clients do you have that are 100% self-insured with no insurer behind.

Mr. Abet replied very few. Maybe about five but that is me personally.

Alderman Gatsas asked normally a self-insured plan has a reinsurer, we have no reinsurer in the City of Manchester.

Mr. Abet replied you have what is called aggregate stop loss. That is a form of reinsurance.

Alderman Gatsas asked to what amount.

Mr. Abet replied it is 110% of expected paid claims. There are two types of self-insured environment; specific stop loss and aggregate stop loss. Specific stop loss would protect the City of Manchester from the catastrophic level claims. You would purchase reinsurance, for example, at \$75,000 per person. Any claims in the course of the year on an individual, which exceeds \$75,000, would be bourn by the reinsurer. Aggregate stop loss protects the total cost of the health plan covered group. The reinsurance company will provide an aggregate stop loss level of 115%. 15% over their expectation for the claim costs. Then any claims on the whole for entire City that exceeds that 115% would be bourn by the reinsurer.

Alderman Gatsas stated unless this Board is familiar with what you are talking about, maybe you should give them specific numbers so they can appreciate what you are or are not talking about. That is more important than you giving them aggregate or specific stop loss. When you said there were nine claims that you considered catastrophic over \$75,000 the industry would not consider that a catastrophic claim at \$75,000. Do you agree.

Mr. Abet replied in the negative and stated I would consider catastrophic claim over \$50,000.

Alderman Gatsas asked with the clients you represent, what do they use for a stop loss on average.

Mr. Abet replied they average about \$75,000 to \$150,000 per person.

Alderman Gatsas asked that would be based on what number employee base.

Mr. Abet replied I have clients that have 100,000 employees and some have 1,000 employees. Typically, I would recommend that my clients select specific stop loss coverage that is no more than 10% of their total claims base. As an example, for the City of Manchester your total claims base for 1999 was about 13 million dollars. Therefore, I would recommend a specific stop loss level not to exceed \$130,000.

Alderman Gatsas asked \$130,000 for 1200 employees that is what you would recommend. You are not very conservative that is pretty aggressive.

Mr. Abet replied I would say that is reasonable.

Alderman Gatsas asked if we are 110% self-insured so if the claims were 13 million dollars then we are reinsured to about 14 million dollars in change is that correct.

Mr. Abet replied in the affirmative.

Alderman Gatsas stated so anything over that, the reinsurance company would pick up. How many times in the course of five years have they run over that.

Mr. Abet replied never to my recollection.

Mr. Hobson stated one of the things that we asked Blue Cross/Blue Shield to do this year was in conjunction in talking with Mark Abet was taking a look at changing the aggregate and pricing something different for us for next year in terms of taking a look at a stop loss of \$100,000 per claim instead of that percentage above and taking a look at how that would price out. What has happened, and we are still working on actual figures, we are still trying to extrapolate School District expenses from the health and dental accounts that is on the City side. We are working with the Finance Department and the School District to do that. Once we extrapolate that, we will have an idea of exactly where we have been for our expenses on health insurance and we also will know what our actual expenses have been. We have drained our reserves, as you know, the last two years in a row; we have had to dip into those because of our loss experience.

Alderman Gatsas asked why have we not looked at independents for the reinsurance and third party administrators to judicature claims.

Mr. Abet replied for the reinsurance it is a good idea to look at independents.

Alderman Gatsas asked what is the average claim turnaround time for Blue Cross/Blue Shield.

Mr. Hobson replied they run pretty well in the mid months two to three weeks.

Alderman Gatsas asked twenty-one days.

Mr. Hobson replied less on an average.

Alderman Gatsas asked fifteen days.

Mr. Hobson replied in the affirmative.

Alderman Gatsas stated basically we are talking about is employees looking at turnaround claims of fifteen days and if that is a good number. If we are looking at a third party administrator, we should be looking for somebody that is judicating those claims much quicker. Good turnaround is eight days.

Mr. Abet agreed and stated a couple points; first of all about 75-80% of the claims are actually not paid to the City's employees and their families. They are paid to providers. Most of the time, the City employees would not experience any ill effects as a result of delayed claim payment.

Alderman Gatsas stated but would enable you to use the discounts that the providers give you if you pay in a much more timely fashion. I assume those discounts are coming back to the City of Manchester whenever they are being realized.

Mr. Abet replied in the affirmative and stated my second point is that one of the reasons you are working with Blue Cross/Blue Shield besides the fact that their corporate office is in Manchester is that Blue Cross/Blue Shield uniquely enjoys statutory discount levels for 95%+ of the claims that are paid that other health plans do not have.

Alderman Levasseur stated as far as the administration of the claims you say we pay a fee to Blue Cross/Blue Shield, I am sure you have gone over this before but is it cheaper for us to do it in-house or is there a better way to do it. Can we do an immediate thing or is that something that is out of our hands right now. Is it cheaper for us to do it ourselves.

Chairman Baines asked instead of paying Blue Cross/Blue Shield a fee and how much is the fee.

Mr. Abet replied the fee is about \$1,000,000.

Alderman Levasseur asked we are paying \$1,000,000 as a fee to implement claims.

Mr. Hobson replied it is approximately 8% administrative fee.

Alderman Levasseur asked have we locked into that, is it a contract.

Alderman Gatsas asked when does that contract come up.

Mr. Hobson replied we roll over every year with them.

Alderman Gatsas asked could you give a specific date.

Mr. Hobson replied it is a June 30<sup>th</sup> effective date with them.

Alderman Gatsas asked are we entertaining other reinsurers, other third party administrators.

Mr. Abet replied that would be part of my suggestion in terms of looking at that.

Alderman Gatsas asked where would you for the last five years with that suggestion.

Mr. Abet replied over the last five years, the City of Manchester healthcare costs have been very much tracking with healthcare inflation.

Alderman Gatsas stated they are high and have been for the last five years but why did we not look at this five years ago. I am looking at a number that obviously this City is at risk for dollar one. The limit to an employee on the medical is \$1,000,000. My suggestion and this Board has to look at it, somebody better be looking at a new reinsurer and new third party administrator. Those numbers at \$13,000,000 people will be knocking down your door to play the game. Does the \$13,000,000 include the schools. Take it out and say \$6,000,000 with 1200 employees you are going to be a "king fish".

Mr. Abet agreed and stated in New Hampshire.

Chairman Baines stated we talked about that last week.

Alderman Levasseur stated let's go back to the 8% \$1,000,000 fee that we are paying Blue Cross/Blue Shield. What were we doing before Blue Cross/Blue Shield was doing that, were we administering those claims ourselves.

Mr. Hobson replied in the negative and stated we have never administered them internally.

Alderman Gatsas asked who is administering COBRA.

Mr. Hobson replied Combined Services out of Concord, New Hampshire which is a company loosely connected with Blue Cross/Blue Shield, as you probably know.

Alderman Gatsas asked where do we see that fee or is that embellished in this \$13,000,000. What are they charging you for the COBRA.

Mr. Hobson replied let me get that for you.

Chairman Baines stated we appreciate your expertise in this area, Alderman Gatsas.

Alderman Gatsas stated some of the things that all the Citizens in Manchester is where are we going with taxes and that is the nerve that is exposed. When you start looking at reducing employees or benefits, that is not the way we can look. People do not want services cut. We need to take a look at where we are going on an entirety on the health benefit. If it is up 20% this year and with the new mandates that are being put in, there are another 20% probably following tail suit next year. We need to start looking at what is the best avenue for the City of Manchester and not inviting third party administrators in here that would love to sit down at the table that a group of 1,200 employees on a self-insured plan at 110% would jump all over. You could reduce costs by 20-25% off the \$6,000,000 not the \$13,000,000. I cannot tell you what the School Board is going to do because they need to ride on their own. If you would judicate claims and put them side by side items, my bet would be that the School Board is probably going to come up with a higher number the way it runs across the country.

Chairman Baines stated that is the "wild card" in this whole thing in terms of administering that program. Whether the schools are not part of that.

Alderman Levasseur stated this idea we have for third parties, can we get something into effect where we could put this out to bid very soon. At least let the competition open up. It is interesting to note that when I was looking over the security systems that we are putting money aside in CIP, I was talking with Mr. Robidas about it and I was amazed at how Honeywell jumped over hoops to try to

get us back in after we told them we could do it better. I saw the cost that they were applying with the money they were charging us. I am amazed by the amount of money they were charging us and how much we can do it on our own. Now if you start putting this out to bid and open up the competition, you are going to see some savings from a lot of different areas.

Chairman Baines stated I do not want you to feel that we just been lying around and letting this lay there without any innovative approaches because I did approach the New Hampshire Municipal Association about managing this program for us because they originally talked with me about the possibility of saving about \$500,000. We went at that very aggressively about two months ago. We asked them to come in and report back the results because they did a very thorough analysis of our program.

Mr. Hobson stated they sent us a one or two page document that said they could not beat our current costs and current relationship with Blue Cross/Blue Shield. They felt that many of the things that we were doing now are the things that they would recommend and that they would do. They did talk to us about the aggregate, which we are looking at. The third party administrator pulling out other pieces such as prescription or vision and taking a look at how we can manage those. They brought up a lot of salient points. We have that document and want to take a look at that with Mercer. The cost plus program for Blue Cross/Blue Shield, for those people who are in the Blue Choice program, that is what manages cost plus. That is approximately 70% of the business. The other 30% are those people who are in an HMO product. That product is not run on a cost plus basis with an administrative basis. It is not done in-house; it is a premium based program similar to how you would pay your home insurance or your car insurance. They send us a bill for you each year and on a monthly basis we distribute that out and you make a co-payment. We do not have everything including dental. Dental is also premium based. So not everything is self-insured.

Chairman Baines stated we are very receptive to that as I indicated to Alderman Gatsas last week about bringing some cost savings through that kind of approach. We are going to look at how we are going to go about doing that. We also need to look at what is going to happen two or three years down the line in terms of introducing some competition in this arena as well. We have to look at this short term for next year and also long term in terms of how we can contain these costs.

Alderman Vaillancourt asked the reason I asked about the average cost earlier, maybe you can explain to me; at the State level when we deal with personnel, we take the salary of every individual and then for all the benefits, health and FICA, we add a 30% figure, do you do that in your budgeting here.

Chairman Baines replied it is around 33% but what we are actually trying to do with some conversations with some Aldermen is making that actual in terms of making what is happening with each employee in terms of benefit.

Alderman Vaillancourt stated with someone who is making \$100,000 a year it would be less than the average percent.

Alderman Shea asked when you have a third party do you still maintain the same company like Blue Cross/Blue Shield. I am not clear about what involvement that third party might be.

Mr. Abet stated basically a third party administrator would do nothing but pay the claims. You would have to contract separately with an organization to provide the network of providers like Blue Cross/Blue Shield does for the City of Manchester to provide the hospital pre-certification services that Blue Cross/Blue Shield provides and some of the other services. You would be carving up the total service to different providers.

Alderman Shea asked so here is the City of Manchester and here is Blue Cross/Blue Shield and you would put someone here in order to be an intermediary between the two. This particular middle person is an independent company that has already been established, it is not simply another department of the City, it is an independent person who would gain a little of resources if they could keep the cost down.

Chairman Baines stated if we could offer some clarification because this gets into the contract issues that we have negotiated. Could you explain that in terms of comparable coverage.

Mr. Hobson stated there is an addendum in all of the contracts and anything that has to do with salary and benefits and working conditions is in those contracts. We could not just impose, on the affiliated groups, a change to go from a Blue Cross/Blue Shield program to a Cigna program unless everything was identical and the stars were all lined up and everything was fine, then that would take place. Otherwise, the Blue Cross/Blue Shield and Delta Dental document is in their contracts.

Alderman Shea stated I am not indicating that.

Mr. Hobson stated I know you were not, I just wanted to make sure that people understood that.

Alderman Gatsas asked that is wide scope statement that you have made that if you gave most employees "x" brand because it is the City of Manchester's brand there is no insurance company other than a name that appears on a card. The City from dollar one along with whatever plan description that they write is incurring the claims. You could come out with a brand "x" with the City of Manchester's name on it and possibly give the employees better benefits than what they currently have now.

Chairman Baines asked from your experience in this area, do we have time to do that to put something like that together.

Alderman Gatsas replied if it were my dollar, I would make the time. The time is available if you move it in the public life as you would in the private life. Maybe Mark Hobson does not want to hear that but I bet if you wanted to sit down with Medical Claims who is a third party administrator, General American who is a reinsurer (two off the top of my head) both according to most of them are pretty good providers, especially General American, they are rated AA or A+.

Chairman Baines asked so the answer to my question is yes.

Alderman Gatsas replied you better run it real hard and quick.

Chairman Baines asked any other comments about this.

Alderman Gatsas replied the one that is really astounding is the prescription card. To be close to 20% of your premium based on prescriptions, the pharmacies are selling an awful lot of Prozac in this City. That is probably the drug that is going to be the failure of most prescription cards because there is no generic.

Mr. Hobson stated we do have a formulary imposed on the HMO product.

Alderman Gatsas asked of the 19%, how much is Prozac.

Chairman Baines stated I just want to remind everybody what Alderman Cashin indicated last time that during this budget process, if you have any questions or require any additional information, you could call Wayne Robinson and will find him very responsive to your concerns and do anything he can to provide you with the appropriate information to help us make good decisions.

Discussion with representatives of the Parks, Recreation and Cemetery Department relative to their FY2001 budget request.

Mr. Ludwig, Director of the Parks, Recreation and Cemetery Department stated with me this evening is Rick Riddle who is our Business Service Officer and Ron Johnson who is the Deputy Director. Just to give the Aldermen a little background on the department. Our department is made up of two areas; an enterprise division and a Parks and Cemetery division tax funded. The enterprise division is made up of the JFK Memorial Coliseum, the West Side Arena, Derryfield Golf Course, Gill Stadium and McIntyre Ski Area. Effectively, that means is that we are supposed to carry our own weight in those areas. We struggle, but we are trying. We are here basically to talk about the tax funded division this evening, which involved about 1,200 acres of park land throughout the City of Manchester, about 76 facilities that include playgrounds, both on school grounds and in passive parks, baseball fields, football fields, field hockey fields, soccer fields, softball fields and Little League fields, etc. as well as maintenance on all high school athletic fields. We also maintain about 9 or 10 passive parks on the East and West Sides of the City of Manchester and about 50,000 street trees and also, accept some dual responsibilities with the Highway Department as it relates to maintenance of right-of-ways, trimming back shrubs that no one else wants to take responsibility for out there. We also are in charge of the city's cemeteries, our largest being the Pine Grove Cemetery at 275 acres of which about 175 acres are active, 8 satellite cemeteries which many of you may or may not know that are scattered throughout the City that we have had to take over. When the cemeteries are abandoned, by State Law they become a ward of the City. They are ours and we do maintain those. We have been in close contact with Wayne Robinson, of the Mayor's Office and Mark Hobson or Howard Tawney in Human Resources as it relates to the number. We had put together an FY 2001 department recommended number of about \$2,869,301. The Mayor has recommended with a number of \$2,686,275. A difference of \$221,779 that we needed to go back to our budget and find and being told salaries were not an issue and we needed to go into the operating budget, which is what we have done. I am going to try to sum up to be the best of my ability, where some of the areas are that we went in and tried to pair that number down to get to the Mayor's bottom line recommended. At this point, we have accomplished it. It is deep, this is a "bare bones" budget and this has been difficult for us to do but we have picked through the things. Unfortunately, as with any other budget, the hardest hit always becomes the capital and those are items that are unfortunate to have to cut but that is where we have our largest amount of dollars appropriated in projects that we have moved forward in the past and also equipment that we do not get out of a Motorized Equipment Replacement account. Items in general that may not be eliminated in their entirety, but we had to take a look at to remove dollars were capital projects, cemetery expenditures expansion which means the development of more cemetery land within the Pine Grove Cemetery, school game court coloring which means we go to most of the schools and try to put back hopscotch, basketball courts as well as some areas on playgrounds. We do have the responsibility as of a year ago now that the

swimming pools are back in the General Fund budget. We have 2 very tired swimming pools; Livingston Pool is one of those. The bottom of Livingston Pool is currently jackhammered and hopefully we can nurse it through one more season.

Chairman Baines asked how old is that pool.

Mr. Ludwig replied about 65 years old. Racco Theodore Pool, which was built in 1965, we put about \$25,000 worth of enterprise money into the pool last year as a patch in the deep end to keep it going. Some difficult decisions have to be made that I do not want to have to bring to this Board on short notice and cause newspaper issues about. We are trying to be up front about it. Livingston Pool, if we are not mandated soon by the State of New Hampshire to stop dumping chlorinated water into the water shed, that will shut us down because of the fact that the water going out of the pool is more than what goes over the dam at the end.

Alderman Gatsas asked the water runs continually through Livingston Pool. It costs Manchester Water Works somewhere in the vicinity of about \$10,000 a year for that water going from one end to the other as a filtration. When I was a member of the Water Works, I tried to get them to pay for a new filtration system which is about \$20,000 which would have probably paid for that system in 2 years. But they are still running water through it 5 years later.

Mr. Ludwig replied you are correct, Alderman there is a 4-inch pipe that runs 24 hours a day from when we open the pool in June until the end of August.

Alderman Levasseur stated the Water Works seems flush with cash, Your Honor. Maybe we should take some of their money and put the filtration system in and not bother their budget.

Mr. Ludwig stated I bring it to your attention because we did have to build some dollars in to try to make Livingston Pool functional for another year as well as Racco Theodore Pool. The perimeter piping, although we did address some filtration pit piping and some concrete work in the deep end of the pool. We put a false floor in and made a patch for \$25,000 at Racco Theodore Pool last year and we are "squeaking" by, these are huge investments for ten weeks.

Chairman Baines asked what is the average usage at Livingston Pool.

Mr. Ludwig replied last year it was extremely high, it was a nice season. On any given day, you would have 450 to 500 people in that pool. Racco Theodore, the numbers are down a bit because typically the people would migrate over to the

Dupont Pool, which is a little bit nicer right now. We see that kind of thing happen. Several years ago when we decided to spend some dollars to rehabilitate Dupont Pool, there was a lot of discussion that took place as to whether it really should happen or not. In the background of my former boss, Clem Lemire, I thought why put that kind of dollars back into Dupont pool. But having seen the attendance figures that have come back to Dupont pool is quite amazing in that all the people that come out of those multifamily homes on the West Side to use the pool. I am quick to say that I was wrong about what should happen over there and it is a beautiful facility and we are fortunate to have it.

Chairman Baines stated to Mr. Ludwig, would you mind that I corrected you in that it is pronounced "Rocco" Theodore Pool on behalf of the Racco family.

Mr. Ludwig stated excuse me. One thing I have tried not to do is shorten the name because that would be completely disrespectful but to mispronounce it is another issue and I apologize to Racco Theodore, they did make a significant donation. It is a beautiful pool. It is the only 50-meter pool in the City of Manchester by the way. That is important to swim teams because they really frown on swimming a 50-yard pool versus a 50-meter pool. It does not sound like much to you and I, comparable to a 400-meter track or anything less, they just do not want to use it. Some of the other items that we would have to take a look at is, over the years at the request of former Boards, we were asked to assume from the Highway Department, a program that mitigates ugly weeds along sidewalks and brick barriers down in the millyard. We have tried to expand the program on a very small basis over the years. We would recommend cutting back a little bit on that as necessary.

Alderman Vaillancourt asked are we working with this book here. I am wondering if when people refer to something, they could refer to the page they are on so we could follow along. I am asking not just for this but for every department that comes in. Is that the standard procedure. When we did budgets in Concord, I am no longer on the Finance Committee, but we always refer to the page we were on.

Alderman Levasseur asked is it free to swim or is there a charge.

Chairman Baines replied in the negative and stated it is free.

Alderman Lopez stated Mr. Ludwig is just giving an overall view at this particular time of the situation of where he is going to pick up that \$200,000. I would request that maybe he would continue and then we could get into it farther.

Chairman Baines stated to Mr. Ludwig, continue with your overview and then we can go through the document that you now have in front of you. We will make sure, as the other departments come in that they are going from the document.

Mr. Ludwig stated that is fine and if somebody has a specific question, we now have a book and we can try to do that. Effectively, we have been asked to reduce our budget per the Mayor's recommendation by about \$240,000. The total amount of that is coming out of our Operating Budget. It is a "hard hit" for us and it is a bit unfortunate that at a time when we are putting more money into parks, we are basically going to be cutting back on the tools and other items that we need. While we will have the employees, it appears, and that is a good thing, we are going to be hard pressed on some of the things like for the last several years we have tried to fertilize on a couple of occasions, intown parks and West Side parks and passive parks. Those are the kind of issues that we really have to go to. We can, if requested to do that, work with the Mayor's number and we will try. If anyone has some specific questions, Rick Riddle will try to help you

Alderman O'Neil asked what is the number you are working off of for the Mayor's number.

Mr. Ludwig replied \$2,686,275.

Alderman O'Neil stated I couldn't find that in there.

Mr. Riddle stated the number that you have, Alderman, does include benefits that is not something that is not included in our budget that we request.

Alderman O'Neil asked do you agree with the number of \$3,196,193.

Mr. Riddle replied in the affirmative and stated that was our original request.

Alderman Gatsas asked Mr. Robinson does that include wages.

Mr. Robinson replied I do not have that in front of me but, yes, I would say that it includes wages. As a point of clarification, I know the Finance Department sent out those forms to the various departments for approval. Mr. Clougherty, have you received theirs back stating that the numbers were correct.

Mr. Clougherty replied in the affirmative and stated they were verifying operating expenses, as you know, the salary information was provided to them by Human Resources and that was verified with Mark Hobson.

Mr. Robinson asked you have signed off on the numbers.

Mr. Riddle replied in the affirmative and stated the \$3,196,193 though includes fringe benefits that we did not sign off on so we did not sign off on that particular number but we did agree on the operating expenses.

Alderman O'Neil asked that includes the 2 ½% reduction on everything but salaries is that correct.

Mr. Robinson replied in the affirmative.

Alderman O'Neil asked you are talking about 3.2 million dollars roughly.

Mr. Robinson replied in the affirmative.

Alderman Gatsas asked if I go to 3 pages before that, 160. I will start from there because I am not going to go any further than that. There is wage information here, does 3.2 million dollars include wages or not. The top of the page says "FY 2001 Mayor's Budget Request" if you run down to the bottom of the page it says 650 Parks, Recreation and Cemetery Department the total is approximately 3.2 million dollars. If I look at this sheet, does that include wage.

Mr. Robinson replied in the affirmative.

Alderman Gatsas stated to answer Alderman O'Neil's question, is answer should be no and not yes. He was asking about Operating Budget and not wages.

Alderman O'Neil stated I was asking about everything. But he was mentioning a number of 2 million dollars with a difference of \$200,000.

Alderman Gatsas asked that couldn't be right if that includes wages because your wage figure must be higher than \$500,000 in that department.

Mr. Riddle replied the \$2,686,275 was what the Mayor asked us to balance to that does include fringe benefits. When Human Resources and Finance Department allocated fringe benefits to our department that brought up the Mayor's Budget Request to \$3,196,000. That is the difference. It is the fringe benefits that we did not ask for.

Alderman Gatsas asked it does not include wages.

Mr. Riddle replied that it does include wages.

Mr. Hobson stated when you look at the bottom line of the budget that becomes allocated; the fringe benefits are put under what we call "restricted items"; health and dental and a few other items. The financial system itself, through the payroll process, allocates that by each employee, it does it exactly by what that person is. If Ron Ludwig is in the system, he has a family plan for medical and dental then it is allocated to him by account number. When they verify their payroll numbers to us, they in turn are also verifying for us on the system, their benefits numbers. We are comfortable with what they have signed off on. What you see are the things that they have control over and that is their salary, operating costs, etc. Wages are in that report.

Alderman O'Neil stated I am confused and Alderman Levasseur made a good point about if you use a number up in the right corner of the page, there is a page 141 which is their first and it says "Line item 110 Regular Salaries \$234,302". Then if you go to page 144, there's another "Line item 110 Regular Salaries \$223,577". It does not break it down to is it a Cemetery number.

Mr. Clougherty replied those are the breakdowns of the different programs within the department, Alderman.

Alderman O'Neil stated but it does not say that anywhere, Mr. Clougherty. The headings are all the same.

Alderman Pariseau stated I do not understand it either. They are talking about a figure of \$2,686,275.

Chairman Baines stated that is without benefits.

Alderman Pariseau stated but then on the final page 162, looking at your budget of \$3,196,193 including benefits. What is their problem.

Mr. Ludwig stated the problem is, Alderman, that we have been asked to fund salaries at the full rate, even overtime has been held for the line for this year. The cuts of \$240,000 have to come out of the Operating Budget.

Alderman Cashin asked Mr. Ludwig, you submitted your Operating Budget, the Mayor looked at it, he sent it back, and you okayed the Operating Budget, am I right so far. Did you see the salary budget from the Finance Department and all the fringe benefits.

Mr. Ludwig replied in the negative.

Alderman Cashin asked why did they not see those.

Chairman Baines replied fringe benefits have been added into the budget.

Alderman Cashin stated a department head should have seen the whole package in order to approve it, Your Honor.

Chairman Baines stated I agree with you on that and I do not know what happened in terms of communicating that. Do you send that for verification to them, Mr. Clougherty.

Mr. Clougherty replied in the affirmative and stated we were asked to prepare a report that broke out the operating expenses and to provide information that the individual departments could sign off on. They have done that. That includes their salaries, Alderman. They did not prepare the salaries; they are prepared by Human Resources with the benefits. That information is included in the report that was provided, I believe. But they signed off only on the expense side.

Alderman Cashin asked you “believe”, you are not sure.

Mr. Clougherty replied we sent them salaries and expenses. We did not send them benefits. The report that you have in front of you provides the benefit information because as Mark Hobson was explaining, the individual departments do not have the ability to tap into those restricted line items. But it is important for the Board to know what those expenses are as you are reviewing the budget.

Alderman Cashin asked but do you agree with that.

Alderman Gatsas asked what do you have for total wages.

Mr. Riddle replied we have total wages of \$1,942,075 with overtime.

Alderman Gatsas stated I came out with \$1,930,000 so I will take your number. Alongside of that number on the sheet that you are looking at, you must have operating costs.

Mr. Riddle replied in the affirmative and stated we break them down by line item by different object totals.

Alderman Gatsas asked what are your total operating costs on that line item.

Alderman Vaillancourt stated your instructions apparently were that there be no cuts in salaries. It looks to me in order to achieve a 2.5% reduction; they had to

cut their operating budget 8.87%, which makes sense because much of it could not be touched.

Chairman Baines stated that is exactly right. The Mayor's Advisory Council as the parameters in which we could work agreed that to.

Alderman O'Neil stated Your Honor, I do not think anybody is debating that. But this is somewhat confusing.

Alderman Hirschmann stated this is from Wayne Robinson, it is a compilation of the Operating Budget and the Salary Budget and it shows is a \$71,000 cut in order to get down 2-1/2%.

Mr. Robinson stated that is correct. To give you some background to how the budget was put together is initially the departments submitted their budget and they were looking at close to 34 additional FTE's for Fiscal Year 2001. With those 34 FTE's, we were looking at close to \$1,000,000 in salary and benefits. Based on the current compliment, we were looking at a \$4,000,000 increase in salaries and close to \$2,000,000 in benefits. The Advisory Committee was put together, and we decided to fund Fiscal Year 2001 Salary at 100%. Then we went back to Fiscal Year 2000, current year, and said to fund that 100%. We added those two together and then took 2 1/2% from that. That is basically how we came up with the budget. There were some departments that had some fixed costs such as the Highway Department in their solid waste that we funded 100% or if some departments had some rent expense where the lease was going up, we funded that 100%. There are also some departments that the Mayor felt should be made whole due to the size of the department. Those departments had FTE's of 10 or less. The remaining departments funded that difference.

Alderman Gatsas stated the information that I am looking at is "Fiscal Year 2000 Original Budget" \$3,034,862. "Fiscal Year 2001 Mayor's Budget Request" \$3,196,193 so that is about \$160,000 increase over last year's budget. I do not think benefits went up \$164,000 and that is all I am saying.

Alderman Vaillancourt stated it is an increase because the salaries have been increased but it is a decrease of the \$71,000 after you take that into account.

Alderman Gatsas stated but the salaries that he is agreeing with me, Alderman, I totaled them in here for the Mayor's Budget and come out to \$1,930,000 and they came out with \$1,942,000 so we are agreeing with that number. The number that I am looking at is that an increase on wages from last year of \$400,000.

Chairman Baines replied in the affirmative.

Alderman Lopez asked the way I am reading this is the Operating Budget, which Alderman Gatsas asked for is \$744,200, am I correct.

Alderman Levasseur replied in the affirmative.

Alderman Lopez asked on page 154 there is no money for overtime, is there going to be money for overtime.

Mr. Riddle replied that is all on page 141, the Human Resources Department just allocated all the overtime in one organization \$70,000 is in 6500.

Alderman Lopez asked since the Mayor used 2.5%, at what point would you have lay off people. Have you thought about that.

Chairman Baines replied we only cut expenses under our 2.5%, your question is if we reduced it below that, would you have to go into personnel.

Mr. Ludwig replied I cannot speak factually, I can say that we are close as it relates to having 60 ½ employees, 15 in administration, 40 who work in three divisions; park, recreation and cemetery. We are going to have probably the best bridge club around because we are not going to have anything to work with.

Alderman Lopez asked would an increase in your budget be, with the market out there, on the salaries that we pay Parks and Recreation part-time workers and all, is that going to be increased, are you going to be able to get the people.

Mr. Ludwig replied we know with the job market that it has been difficult to attract people into certain positions and that is the reason the labor category, it has not been in that department yet but in others, has been elevated to a level to allow them to attract some individuals. If you use that labor number for a part-time employee, and you base the other 140 part-time people that we typically bring in during the summer, we were looking at that category alone at about \$100,000 increase in salaries.

Alderman Lopez asked how is that going to effect your budget.

Mr. Ludwig replied it is up by that amount.

Alderman Lopez asked on the overall percentage of the entire City Budget, we used to have a 1.5%, have you calculated our small percentage that Parks and Recreation need to do the job.

Mr. Ludwig replied what do we represent as it relates to the total City Budget. We have done it before, but off the top of my head I do not have it.

Alderman Lopez stated Parks and Recreation does a good job anyway with the people that they have.

Alderman Shea asked Ron Ludwig, one of the problems that constantly comes up and it is probably a little bit divorced from what we are talking about but is the maintenance of the school yard program, how much does that cost your department to use people to service the needs of all the different schools.

Mr. Ludwig replied Rick Riddle is looking to hopefully get that number because we do try to track it to charge back to the School Department. But there are playgrounds, fencing issues, typically in the past we shared expenses with Public Building Services who a couple of years ago gracefully bowed out of their responsibility as it relates to who is going to fix fences and maintain certain things that may be in question.

Alderman Shea stated one of the constant problems that exists is the Highway Department will plow the sidewalks around schools but your department is responsible for the interior of the schoolyard. Would it make more sense somehow to settle this and say they have the plows and rather than divide it among two departments it makes sense to do something that might take it away from your department. It is an aggravation because some guy has to run around all the parks.

Mr. Ludwig replied it is never good to have to be called by Norm Tanguay at 4:30 in the morning when you think it is going to snow. But that is part of our duties. There are 23 facilities out there that we are responsible for in the School District beside our own. The reason being that our vehicles are in the majority of being smaller and pickup trucks maneuverability in school yards which are very difficult out there today for a lot of reasons; portable classrooms are all over the place and things of that nature. Typically, it has been easier for Parks and Recreation to go in and assume the duties of plowing in those areas. We have the 4-wheel drive vehicles anyway and I do not see that as a major issue because at that time of the year, we are not picking up litter and some of the other things.

Alderman Shea asked you do not find it a burden with extra personnel and overtime. That is not an expenditure to your department.

Mr. Ludwig replied absolutely it is an expenditure and it is not worth it to try and save \$3,000 and get up and hear teachers say that their lots were not plowed but the streets were scraped down. We have to get out there like everybody else and try to open up. It is a difficult task for us because when they declare a snow

emergency, where do they go – into the schoolyards. It is a different animal out there.

Alderman Shea asked you only save \$3,000.

Mr. Ludwig replied a typical snowstorm would run us around \$3,000 or so.

Alderman Shea asked but if you have 6 or 8 it is about \$30,000.

Mr. Ludwig replied in the affirmative.

Alderman Shea stated I thought that there should be some continuity. It does not make sense for three departments to be involved; custodial, PBS and Highway. It makes things simpler.

Alderman Levasseur asked the \$71,000 that you have for the cut, Your Honor, where is that on these pages, is there an actual number or did you add them all up.

Chairman Baines asked do you have this composite sheet.

Alderman Levasseur replied in the negative.

Chairman Baines stated we sent it out to all the Aldermen.

Alderman Levasseur stated I probably have it in my pile of other stuff.

Chairman Baines stated we understand that you get a lot of paperwork.

Alderman Levasseur stated for one suggestion when you do all of these departments individually the way you did all the numbers, if you could go to the last page and actually break out those numbers it would make it a lot easier for us. These numbers do not seem to add up with what I have for your number minus the wages and the benefits.

Chairman Baines stated we are going to get a copy of this for everybody and revamp the format based upon this experience.

Alderman Levasseur stated just at the end would be real easy.

Chairman Baines stated I was not planning to Chair this tonight, but that is another issue. We went over the figures using the same figures and then we will turn it over to the department to talk about the reactions to the budget.

Alderman Levasseur stated all I would like to see at the bottom is the total operating cost underneath.

Mr. Robinson asked what report are you talking about.

Alderman Gatsas stated the work that Wayne Robinson has done on this budget, if he can add two more lines to it, it is going to take us home. This report that everybody is looking at is the way of just saying okay we do not want to look at 200 individual lines and what they comprise of. There is a big line in here that is \$300,000 City Reimbursement. What is that number, what are we getting reimbursed for.

Mr. Robinson asked what format do you want the numbers in because I was just told about a half an hour ago that the next set of numbers you wanted a different format than that.

Alderman Gatsas replied this format here what you have along with what was expended in 1999 and year-to-date.

Mr. Robinson stated I understand that but I was just a half an hour ago that you wanted it in a different format.

Alderman Cashin asked Alderman Gatsas, is that format okay is we add the columns.

Alderman Gatsas replied in the affirmative and stated this is fine. Your Honor, there is five rookies here.

Chairman Baines stated you are right and I have already learned from this experience tonight so it will not happen again.

Alderman Gatsas asked what is the \$300,000 reimbursement.

Mr. Ludwig replied the \$300,000 is half of an original amount that was allocated five or six years ago when they formulated the Enterprise System as revenue to the Enterprise System that just flowed through the School Department. I was awarded the ability to go to the School Department and justify our quarterly bills after that on a regular basis. I have been doing that for the last five years, so good luck to everybody else that has to submit a bill to the School Department. Now, where did the \$300,000 come from – the department could not justify in expenses that it accomplishes through Parks work; work on a ball field, soccer field, line a field it could not justify the full \$650,000 amount. We were asked to come up with a number because we were not into work orders, we are getting better at what we are

doing. The Mayor's Office at the time, picked \$350,000 to be justified with the School Department and they moved \$300,000 into the General Fund to be transferred back to the Enterprise System. Our number that we accomplished in High School Athletics is exceeding \$350,000 we are going up to \$370,000 and things are getting more expensive. We are doing other things for them and we are tracking that number which means that \$300,000 number which I call a subsidy to offset losses that we cannot handle in ice skating and skiing and those kinds of things.

Alderman Gatsas asked what if I help you with \$90,000. Can I give you \$90,000 savings of the \$200,000 you are looking for. I am going to have Ron Ludwig do what we should have had him do what we should have done a long time ago and take Gill Stadium out of the Enterprise Fund which costs him \$90,000 a year. It should not be an Enterprise Fund if it is costing him money. There is no revenues there, \$4,700.

Mr. Ludwig stated but that is part of the reason the monies that are in place are in place. We charge that back to the School Department. I have met with the School Board and the School Athletic Committee and we are finally understanding that the dollars we charge back they are responsible for. They are ultimately 95% users of Gill Stadium unless they tell me otherwise.

Alderman Gatsas asked so you are charging it all back.

Mr. Ludwig replied in the affirmative.

Alderman Gatsas asked so the cost of \$97,000 that I remember you giving me at one time for Gill Stadium is all charged back.

Mr. Ludwig replied the one thing that is difficult to grasp is the fact that even though Gill Stadium is in the Enterprise, we would have a difficult time as we would when the pools are in the Enterprise trying to bond a pool repair for a couple of hundred thousand dollars or an addition to a locker room or a new roof at Gill Stadium because that number is a flat line and we cannot increase revenue unless we bring in Minor Baseball at Gill Stadium.

Alderman Hirschmann stated to Mr. Ludwig, on \$3,000,000 I do not think \$71,000 is a lot. You are not going to suffer by cutting \$71,000 that is my opinion and asked your salaries are going up 8% this year so when you figure out your overhead rate for sending a man out to do a service, charging the School back for plowing are you increasing those by 8%.

Mr. Ludwig replied in the affirmative.

Alderman Hirschmann asked so your revenues are going up rather than declining on that side, is that right.

Mr. Ludwig replied in the affirmative and stated the effective number that we end up charge the School Department is increasing. I look at it as drawing off of the \$300,000 that we have in the General Fund. It is unfortunate as well that when you put the \$300,000 into the General Fund, and then you take 2 ½% of that I am not sure that is correct either. That is a \$300,000 number that is a paper transfer but it shows up in our Operating Budget then you cut it by 2 ½% as well. Granted, that is only \$6,000 or \$7,000 but to us that is a lot.

Alderman Hirschmann stated on their behalf, Your Honor, I read the Parks Commission meetings whenever I get those minutes and the School Department has not paid the October invoices that were issued. That is important.

Mr. Riddle stated we did get paid on March 31, 2000. They did withhold a couple of interest payments on the Gill Stadium bond because they are still bickering between debt service payments but other than that we have been paid for the first six months.

Alderman Lopez stated on the Enterprise System, I want to say as a commissioner, has done great for this City. In the last three years, they have been able to do a lot that they could not do for fifteen years. Without the Enterprise System, it would be more burdens on the taxpayers. I would be very careful of taking anything out of there.

Alderman Thibault stated while we are all here, and I certainly would like to take a moment to thank the Parks and Recreation Department for taking care of Jr. Deb parks behind the West Side Ice Arena. They did an outstanding job. They were there for a day and a half or so repairing all of that so that it can be used this year as it is and then next year we are going to go to contract on one of the fences. They went way beyond the call of duty and I want to make sure everybody hears about it.

Mr. Ludwig stated I have a final comment for everyone to hear about the Enterprise System; we have been struggling with whether it is going to succeed or fail for five years. We were given a lot of old facilities to try and bring back into line. I will bring your attention to \$175,000 arch repair at the JFK Memorial Coliseum. Many people do not know in this City that it cost us \$175,000 to repair those arches but if we do not, the roof of the JFK would fall down. It did not bring much attention to us like new lights but it was something that we had to do and we knew that. I do not know if this system will fail down the road. Maybe I will not

be here when it does but right now we are still trying to be creative and make it work that is what we were assigned to. For five years when we carried swimming pools at a cost of about \$250,000 a year operationally, that is about 1.2 million dollars that we were asked to assume in the Enterprise System and carry. There was no revenue generated by any swimming pools nor should there be in the City of Manchester.

Alderman Gatsas stated I do not know if it effects Ron Ludwig and his team but Mr. Hobson do you have one of these books. Maybe you can help me. I keep hearing 30% or 33% or whatever number you want to use for benefits. I have tried to compile some of those numbers. Go to page 147. Does Ron Ludwig know, being a department head, how many singles, couples or families he has in his medical plan.

Mr. Ludwig replied in the negative.

Alderman Gatsas stated so you have no idea what your budget would be for that. He should know what his total number is. We are just throwing a number at him and saying here is your budget.

Alderman Cashin stated you are right, they should know.

Chairman Baines stated we are dealing with some history here and I agree that he should know those numbers but he has not had to deal with those numbers in the past. They have been provided by Human Resources. If the Aldermen want to have that we could send that out and we will send it out to all departments showing this is how we calculated your benefits, would you take a look at them. Most of them will say they will have to call and verify but we will do that so that this is not an issue in subsequent meetings.

Alderman Cashin stated the one thing that would avoid, Your Honor, like Ron Ludwig said earlier "I had nothing to do with it and I really do not know". Now they are going to know and buy into it.

Chairman Baines stated I agree they should know it.

Mr. Hobson stated Your Honor, when Ron Ludwig was answering the question earlier about the system report that came from Finance, he was answering correctly. We sent out a Human Resources payroll report that listed each employee, their name, their position, what they got paid, what the projection was for overtime, what they got for on-call pay, what their dental was, what their FICA was, what their health insurance was, and it was by person by account. It is similar to the report you asked for in the previous meeting to have a list of

everybody in the City of Manchester. We sent out that report to every single department and we got all of those reports back from every single department. When the final report comes from the Finance System it generates it out of payroll and each employee has a number and it ties it to that number. That is the reason Ron Ludwig would not see it at the final. But in the budget process, he did sign off on his payroll and his benefits. Every department head is going to tell you that they are very tight on payroll, we went tight on payroll. They asked for more than what they are getting on payroll. We squeezed it, I admit that.

Alderman Gatsas stated I believe what everybody is telling me but when you look at a number here on the first page that says overtime Fiscal Year 2000 was \$1,000 and I guess we squeezed them to \$70,000.

Mr. Hobson stated you are looking at a division.

Alderman Gatsas stated I am looking at a division and they were squeezed from \$1,000, when you tell me the payroll was squeezed, to \$70,000. It does not sound like it was squeezed.

Mr. Hobson stated they have separate divisions underneath their department.

Alderman Gatsas asked every time I look at the number 130 if I go through here there should be no other payroll numbers or overtime numbers next to it. Regular Wages is 110; Overtime is 130 I understand how to read it. If we through, all the 130's were lumped into the \$70,000 is that what you are telling me.

Mr. Hobson replied in the affirmative.

Alderman Gatsas asked why would we do that and not leave a comparison basis so that we could see what we are looking at.

Mr. Hobson replied I do not produce this report per say, I produce a payroll report that merges into this.

Mr. Clougherty stated in prior years, the process has been that the departments key into the budget module at the beginning of the process. They key in all the detail that they have for their respective sub-organizational units below the department. This year, the Mayor decided that he wanted to do that in a different environment and not have the departments key it in. He wanted to make some decisions based on a different approach so that once his budget was developed, we then have to go back to the departments and have them prorate the information in their budgets. Because the Human Resources Department provides the salary and wages, they would have to go in and break it down by every organization unit. They have not

done that so the system just takes it into that first organization unit and includes it in there.

Alderman Gatsas asked why did it do it in the past.

Mr. Clougherty replied the departments would key it in as part of their budget submissions. They would know how much they were going to put in each sub-unit for overtime.

Chairman Baines asked I want to clarify the process of changing that.

Mr. Clougherty replied the departments can go in and look at those sub-units that have been provided to them and if they want to pro-rate that amongst the different organizations we can do that. In the past, we let the departments key in the early phases but then once the budget passes from your hands into the Aldermen we do not change anything unless the Board asks us to do that. If a department wants to pro-rate those items they could provide something to Wayne Robinson, it would not effect the bottom line and we could effect the pro-ration change. But we do not want to open up the system to the departments to do that.

Mr. Robinson stated as a point of information when Finance was running the reports last week and I was trying to get them out in a timely manner, one person on the system was basically taking up 45% of total memory of the system. If we are going to go back to the department heads and ask them to individually enter this information, you may get this information next week.

Ms. Descoteaux stated they can ask for the detail and we can put it in. I can regenerate the report based on the fact that they do not want the \$70,000 in one organization; they want it divided out.

Mr. Robinson stated that is fine but I thought we were talking about having the department heads reallocate.

Ms. Descoteaux stated they are going to reallocate it like they did originally.

Mr. Clougherty stated but we will key it in.

Chairman Baines asked so you can take care of that.

Ms. Descoteaux replied in the affirmative.

Alderman Cashin stated I am not going to sit here on Saturday and listen to that. I want everybody to understand right now that every Alderman here is going to get

the information on Saturday that they want and it better be available to them. I am not speaking in a threatening manner, I am just telling you. If not, someone will have to answer to it.

Chairman Baines stated we are going through this fine. Mr. Ludwig, I appreciate you coming here tonight instead of Saturday. This did work out very well for us. We are bringing some clarity to it. We can provide the information.

Ms. Descoteaux stated tell me what fashion you want it in; by department, by organization, it does not matter.

Chairman Baines stated that is all we want to know. You can see some frustration because we are trying to respond to all the different requests and as long as we can agree we will produce it.

Alderman Vaillancourt stated the 2.5% scenario is the budget you presented during your budget hearing. If we wanted to go to the 5% scenario, we would save another 1.5 million dollars. To go from the 2.5% to the 5% scenario for example, with Parks and Recreation, they would have to cut somewhere around another \$71,000. Which to me looks like it would be maybe 1 ½ people with benefits in the department as I was talking about employees earlier.

Chairman Baines stated those are the types of decisions that the Board can make or individual Aldermen can make a motion when we get into that process. If you get the votes, that is exactly what happens. That is the process. But I hope we do it with a thorough understanding of the actual impact of the cuts that we make. That is all I am asking and your department heads would like the opportunity to talk about impact.

Alderman Hirschmann asked seeing how the Aldermen brought that up could you send a follow-up letter to us telling us what would happen.

Chairman Baines replied we have already done that. We tried to this time around anticipate everything that had been done historically here by asking for these percentages. So we will provide that information, we have it.

Mr. Ludwig asked the additional request came out when, Mr. Robinson.

Mr. Robinson replied it was way back during the budget process.

Mr. Riddle stated we were not asked to address physically how that would effect the department we just filled in numbers.

Mr. Robinson stated I asked for what the impact of service would be on a 5% cut, 6% cut...

Mr. Riddle stated we did not receive that, Mr. Robinson.

Mr. Robinson stated I will check my email, I believe you have opened it.

Chairman Baines stated we did send that out to every single department in the City of Manchester. We will verify that tomorrow and Wayne will talk to you. If you have not done it yet, we will get it in and we will provide it to the Aldermen.

Alderman Levasseur asked these gentlemen have come forward, they sat through an hour of us, are you okay with 2.5%. You are going to leave and say thank you and that it is. We are going to go through this Saturday with ten more departments and they are going to say yes, Your Honor, thanks for 2.5% and go their merry way and that it is. Just get me through the process of what is going to happen from here.

Chairman Baines replied the process that happens from here is you, I have already done my work. It is what you propose. If you wanted to make a motion to do something like that you could get a second and there would be a vote on any proposal that you have. That is the process.

Alderman Levasseur stated I do not have a problem with what you have done.

Alderman Cashin stated that is the reason I said we needed all day Saturday to do this. This is a very time consuming process.

Alderman Levasseur stated the only reason I have a problem with that, Your Honor, is that I do not have the experience to say yes take out another \$100,000 based on what – a number I come up with.

Chairman Baines stated this is a preliminary go-around.

Alderman Cashin stated a department head would come in just like they have and they will tell you exactly what they need and what their budget is and whether they agree with what the Mayor did or not. If they do not agree with it they are going to tell you why. Then we have to either say okay fine we are going to go along with Mayor's budget or we are going either increase or decrease at whatever we decide to do. It is all done by vote. What is being submitted to us is nothing but the Mayor's recommendation. We have to act on his recommendation; we can increase it or decrease it as we see fit.

Alderman Levasseur asked if we let them walk out of here without making some sort of a vote now, does that mean that we are agreeing to that 2.5%.

Alderman Cashin replied in the negative.

Alderman Levasseur stated so we are going to have another go down the road.

Alderman Vaillancourt stated I would like to suggest to these fine gentlemen and to everybody that comes before us that they shoot for the 5% rather than the 2.5% scenario.

Alderman Thibault stated a few minutes ago, Ron Ludwig was trying to express that he is going to have to cut here and there. Those are the cuts he was telling us he is going to have to make in order arrive at this. He has already said that. If you want more than that, you have to ask him.

Alderman Shea stated in answer to Alderman Levasseur, it might not necessarily be that we say that each department should cut to 5%, we may say one department may get so much and another department may get so much that adds to 2.5% in one case and 3.5% in another, 5% in another. Or we can say everyone is at 5% but we have to analyze in terms of what is important in a department and then how much expenditure they might have and how much of an impact it will have on their department.

Alderman Levasseur stated I understand it but the Mayor made the cuts and we have to go deeper.

Alderman Shea stated we do not have to go deeper.

Alderman Cashin stated my only problem is when you say a 5% cut across the board, you cannot do that because you are going to run into small departments that cannot afford 5%, it does not work.

Chairman Baines stated we did not do the 2.5% consistently we had to take into consideration some special requirements in individual departments. We were not able to do that nor did we think that would be fair.

Alderman Lopez stated along the line, we do not really want to go in and micro-manage the departments. These people get top money and the process, in my viewpoint; the Mayor gave them the money and put it where they are going to use it and that is it. If we go in and micro-manage and tell him cut out \$20,000 here we do not want to do that.

Mr. Ludwig stated to clarify for Alderman Levasseur, in the past what we have asked to do then is respond. Wayne Robinson has indicated that he has asked us to do that. I have not seen that. Typically we would do that in writing and we would spell out for you maybe you are in favor of not reducing the weed program and sidewalks in the downtown area and I want to eliminate half of the \$20,000 that is allocated there. You could read that because I would give it to you and you would say no I do not want to. I brought with me this evening, a study that was done by University of New Hampshire on street trees and I built into my original budget request a number that would allow us to go into a section of the City that was identified through this study by the University of New Hampshire that says we have a lot of hazardous trees that we cannot attend to with a two-person tree crew within the City. I have pictures in case you are interested; this is not from Walt Disney this is in Manchester. It is a significant problem out there. I put a number into this budget; I have taken the number to do this tree work out of that budget already.

Alderman Gatsas asked looking at this budget analysis; there are obviously only four departments that make up 75% of the Operating Budget. Your Honor, you had the advantage of taking a look at the budgets they submitted to you. Nobody on this Board has seen anything that has been submitted on what their requests were on an original basis. Is that something that we are ever supposed to look at or not know or what is the process of that.

Chairman Baines replied I have not been here in past scenarios so I do not know what the individual departments coming in shared with you. As we met with the individual departments, some of them were very extensive in terms of information. We tried to let the departments manage and come in with a number that we could feel people could live with and then work toward that number saying what services can you provide with that kind of a cut. It is up to the Board in terms of the detail that you want to receive in terms of developing a budget. That is your call. Whatever you want from the departments, they will provide.

Alderman Gatsas asked in the past have you seen what departments have sent in for budgets. If they just submitted something just to the Mayor that the Board never saw or did the Board see what Parks came in for with a budget request.

Alderman Cashin replied to a degree we did. I am sure some of it we did not see.

Chairman Baines stated you are looking at the actual detail if they need a new fire truck, equipment you want a list of all the equipment.

Alderman Gatsas stated I am not looking to micro-manage anything but at some point when you start talking \$200,000,000 and people are putting you in command

of that amount, maybe I would like to know whether they are buying five trucks or one truck or no trucks or when was the last time they bought a truck. Just to say to somebody arbitrarily cut and that might be 2.5% what he was from last year but it could be 14% from what he initially came in at and maybe he deserves it and maybe this Board might say that department should get a 14% increase and somebody that got an increase for example Frank Thomas maybe this Board says you do not need two trucks this year and that is \$2,000,000 because we are giving it to Parks.

Alderman Shea stated we do not do that. If we were to do that we would micro-manage. As people, we do not tell a department head you cannot have two trucks or you should buy two trucks. It does not work that way, Alderman Gatsas. We give them a bottom line and they spend that bottom line predicated upon our saying that they are a department head. We can recommend maybe, but we cannot go in and say that.

Alderman Gatsas asked are you telling me that we are getting a divorce too from Parks like we did with School.

Alderman Shea asked I do not know what you mean by divorce.

Alderman Gatsas replied we should at least see what they are looking for.

Alderman Shea stated that is fine but the point of the matter is we cannot say to them that we are going to give you \$200,000 less and we are going to tell you where that \$200,000 less is going to come from. We cannot do that. We should just replace them and run the departments.

Chairman Baines stated Alderman Cashin, the information that the Board wants we will have the department heads provide. We just need to know what people want and we will deliver it.

Alderman Cashin stated generally what we do with the department heads, we say if we do this what effect is it going to have on you and they come back and tell us. It is just a matter of communication. This is the first time we have done this in a long time, we have not had the department heads in and I am a little nervous about it because it is probably been seven years since we have had them in and I do not know what is going to come out of this.

Alderman Pariseau asked Mr. Ludwig were you here last year.

Mr. Ludwig replied in the affirmative.

Alderman Cashin stated there was a lot of things that were not talked about and there are going to be some surprises on Saturday.

Alderman Gatsas stated I am not one to pose surprises. If we find \$300,000 in garages and bond \$1,000,000 that we do not need or do not bond two projects, these kinds of surprises are easy.

Mr. Ludwig stated I agree with Alderman Shea to a degree in that this Board and any Board that I have been in front of (maybe six or seven) have never really micro-managed but in effect there needs to be cuts and I agree with that and you cannot take it from salaries and I may agree with. I have to take it from somewhere so then it effectively becomes my decision to say what I am going to eliminate. Am I going to eliminate fire safety alarms in the buildings, I do not think so but I may have to make some difficult decisions related to hazardous trees that could come back and have an effect on the City of Manchester and if I do not tell you about it and put it on record.

Alderman Gatsas stated I understand where everybody is coming from and I do not think anybody is looking to micro-manage anything. I just think that we would like to see what he submitted for a budget. We may come back and I may say you do not deserve a 2-1/2% cut, we should give you an extra 5%. I do not think that is micro-managing anything.

Chairman Baines stated having gone through this for the first time; some department heads come in with very specific, very detailed descriptions of everything they want. Some come in with limited information. When I go through this again next time, there is going to be a standardized format. Basically, they have been operating in terms of their presentations, the way they have operated in the past. Some of them for five or ten years. I agree with Alderman Gatsas that there should be more specificity in terms of the presentation. We have to pull this together and we will be glad to talk to the department heads in terms of coming in with more specific information on Saturday.

Alderman Vaillancourt stated we are elected to do business and you can use this word micro-manage if you want, but we are elected to look at budgets and to come up with a budget that we think is fair to the people. I spend week after week, month after month in Concord analyzing something far more complicated than this for a salary far less than what I am getting here. So I would like at least that much information and I would sit here as long as it takes to look at it. As far as this department is concerned, I suggest that they could cut one person out of 61 people and they would have even have to fire somebody, I am sure they could do that through attrition and reach another 2 1/2% savings there. That is one way to deal with this department and we will find it in every department.

Alderman Cashin asked is that a motion.

Alderman Vaillancourt replied in the negative and stated it is a suggestion.

Chairman Baines stated but then we will have to get to the point, not to press the issue now but, we could all make speeches like that and I could say cut another 10% and see what that does but you have to get the votes to do it and that is where you are going to be at in terms of this process.

Alderman Hirschmann asked Mr. Ludwig, the pools seem to be the big challenge in your department right now is that right.

Mr. Ludwig replied in the affirmative.

Alderman Hirschmann asked as far as your workload, the pools are a challenge because you do not have the funds to replace them and fix them. Can you tell me a number to bring them up to speed.

Mr. Ludwig replied a facility like Livingston Pool; we have done some preliminary work on that because it is getting close. You could be looking at \$850,000 bathhouse to \$1,000,000 bathhouse, pool etc.

Alderman Hirschmann asked and then Racco Theodore Pool what is the amount.

Mr. Ludwig replied if you compared it to something like we did at Dupont Pool, you would be talking about \$800,000.

Alderman Hirschmann asked so that \$1,000,000 that was found in the budget last week that I voted against to throw against parking decks, maybe we could use it for something that is really broken.

Alderman O'Neil stated the follow-up on something Alderman Gatsas stated earlier, that 75% of the budget is four departments. That is absolutely true. Unless you are talking about less police service, less fire service, less garbage pick-up, less streets plowed, less potholes patched, and then Schools everything else, in all honesty, is so minor in the big picture. That is the real world.

Chairman Baines stated just to put it into perspective so that everyone knows what we were coming at through this process, those who are preaching. None of us on this Board would like to have a tax increase. But the bottom line is to get it down to zero tax increase; you have to cut about \$8,000,000 from this budget if revenues are what they anticipate. Alderman O'Neil is absolutely correct, these are big

ticket cuts that this Board needs to be prepared to address and to do that you need to muster eight votes to do it. That is the challenge. Those of you, who are bent on doing it, muster the votes, come in with a motion and get it on the floor. That is the process. That is the reason we have this two-month plus after the Mayor presents his or her budget.

Alderman Gatsas stated I can appreciate that but until we get the information and if we are willing to spend the time for anybody that is going to say that a department is going to come in here for a half hour or forty minutes on a Saturday does not exist. I am sure this Board has spent long tedious hours on other issues that are not as important as this. I am willing to sit here and listen to a department if it takes three hours and if it is a matter of cutting something \$71,000 rather than cutting a body and reduce service. I have just gone through this budget and found \$40,000 that I could pop out of here in a heartbeat. That is the reason I would like to look at numbers from 1999 that tells me exactly what that department spent on something. Not a budgeted number, not a revised budgeted number but something that they spent because if somebody is telling me they are looking for fifty, they better have been pretty close to that fifty in 1999. If they were at twenty, that means they cheated on their line item and put it somewhere else. So unless we get those actual numbers you cannot do an intelligent budget. We need to take our time and look at the numbers correctly like we should be, like we have told the taxpayers that we would because we were elected to do this. I do not care what the past is, what happened in the past. I can only deal with what happens in the present. I want to do it so that it is done correctly. Whether you call it micro managing, Alderman Shea, I say it is prudent business sense.

Alderman Shea stated your prudent business sense I agree with you. I am disagreeing with you on the final budget parts we should not tell them what they should cut. We should examine it; we should do what you said. If they have a \$50,000 item and they budgeted for \$20,000 I agree with you. But we should not tell them exactly where to cut. The second point is we did not receive any information this evening about revenues from the departments. That is helpful too in terms of analyzing. So there are two parts to the budget; expenditures and revenues. We should have a picture of that too when the department heads come in.

Alderman Gatsas stated I do not want to look at a department. I do not care if Human Resources has to do it manually and if they have to be twenty-four hours a day for the next three days to get us the numbers, I want actual numbers. If FICA is supposed to be 7.65% that is what it is supposed to be not just a guess number, it should be what it should be based on the wages. If benefits are ten singles, two couples and five families with no dental then that is what it should be so we can look at a number and say Parks and Recreation this is your budget based on

benefits, wages and operating costs so we can talk intelligently and tell them you may have too many people in a certain place because it does not warrant it. I cannot tell them that, he has to tell me that. Until we get those numbers and they are exact, we should not be playing with a \$200,000,000 budget just arbitrarily out of the sky.

Mr. Hobson stated we have that, not in front of you and we will be happy to give that to you.

Alderman Gatsas stated maybe there are some of us who want to look at it, maybe there are others who do not. I want to look at it and I do not want to look at it Saturday morning at 8:30.

Chairman Baines stated the only thing I want to make sure of and we have been very patient in our office and Wayne has been dealing with this. We just need to know exactly what people want. We will gather the information and we will have it for you on Saturday.

Alderman Gatsas stated Your Honor, Wayne has been great. He is a standout. I do not know how many people are asking for information but I know that he probably knows my middle name. Maybe it is not Wayne, and maybe it is somebody else but the numbers have to be on a sheet. They cannot be numbers that we are looking at arbitrarily as a percentage. Any time you use a percentage, nobody knows where anybody is.

Mr. Hobson stated we do not use a percentage on their benefits.

Alderman Gatsas asked you are telling me when I look at this page and I go through their benefits, it is an exact number based on the number of people in their department.

Mr. Hobson replied in the affirmative.

Alderman Gatsas asked exactly there spent.

Mr. Hobson replied in the affirmative and stated I can give it to you on a per person basis in a budget report that I have given to the departments and I will be happy to give that to you.

Chairman Baines stated please do.

Alderman Vaillancourt stated I certainly agree if we can cut \$40,000 someplace other than employees, that is fine. But my colleague here has pointed out the last

page of this document and it looks like there are very few City departments, going back from 1994 to 2000, where the number of personnel has risen dramatically, there are certain departments where that has happened and we can begin to look at decreasing the number of people there. Am I saying that we are going to have less police protection if we cut four police officers out of 250/285 I do not think so. I will probably get myself in trouble for saying this but I think the City employees are probably very good people by and large and they do hard work but as somebody who has wandered the halls in Concord, I have seen employees up there hour after hour playing video games sitting at their desks. You can tighten up the number of employees that you have. State employees sitting at their desks in the State House playing video games. Two of them in the democratic office as a matter of fact. If this happens in Concord, it might even happen here. Not that I am disparaging City employees but you might have a chance to cut back some employees.

There being no further business to come before the committee on Motion of Alderman Pariseau, duly seconded by Alderman O'Neil it was voted to adjourn.

A True Record. Attest.

Clerk of Committee