

COMMITTEE ON FINANCE

May 4, 2000

6:30 PM

Chairman Cashin called the meeting to order.

Chairman Cashin called for the Pledge of Allegiance, led by Alderman O'Neil.

A moment of silent prayer is observed.

The Clerk called the roll.

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

Messrs: M. Hobson, H. Tawney, L. Hebert, H. Ntapalis, K. Clougherty, R. Sherman

Chairman Cashin addressed Item 4 of the agenda:

Discussion with representatives of the Finance and Human Resources Departments and Risk Management relative to restricted items in FY2001 budget.

Mr. Hobson stated I would like to introduce Howard Tawney, our Deputy Director, and Harry Ntapalis, Risk Manager. I would also like to introduce Lynn Hebert who is our representative from Anthem Blue Cross/Blue Shield. Lynn is here tonight more in a support role and to be able to help answer some questions should they arise. I want to thank you for allowing us to be here tonight and I would like to, Mr. Chairman, if it is okay I would like to direct folks to make sure that they have the two corrected sheets that were handed out tonight – Page 1 and Page 4. If it is all right with you, Mr. Chairman, I would like to go right to #4 on restricted items and since that is the biggest chunk of funding, I would like to start with that one first. Mr. Hobson stated it would say revised proposal for general fund FY01 restricted line items. If I could, Mr. Chairman, I would like to spend a few minutes just going through these line items. I realize that most people are familiar with this but for the record I think it would be good to just walk through each piece. Our health insurance line item, the first line item, is a combination of both a self-insured account and a premium-based account. Our HMO product that some of you may be familiar with is a straight premium that we receive from the

vendor, Anthem Blue Cross/Blue Shield. We get a bill. The employee pays their portion and we pay the remainder. The Blue Choice Program is a self-insured program called Administrative Plus. That is where you have heard the fact that there are some administrative fees associated with that program. It is a managed program, co-managed between the vendor and the employer. The Mayor's proposed general fund number of \$6.848 million was from a run that was conducted close to three months ago. Since that time, we have had new claims experience, we have had an opportunity to negotiate the rates, and we have had an opportunity to extrapolate or move out the School claims. We are almost there now to move out School claims from City claims. The estimated expense has come down pretty dramatically. Our estimated expense for next year is \$5,703,015. That is in the second column. That would allow us to establish reserve requirements again at \$1 million because we have nothing left in our reserves at this time. That would mean that our revised proposal would be approximately \$145,000 less than the Mayor's proposed general fund number. If we have the estimated expense of \$5.7 million and we include the reserves of \$1 million, we are at \$6.7 million. On dental insurance, we have had an increase. That is the next column. We had an increase going through the same situation where we have been extrapolating School and looking more at the City's premium side.

Alderman Gatsas stated we are looking at City side here and we are not associating School side but when we have to give them their money in \$1.8 million, obviously are they...do you have another \$1 million reserve set-up for them. Where are we going? Why are we splitting these hairs at this point?

Mr. Hobson replied I am splitting these hairs, I believe, because I am supposed to under the transition plan. I am responsible for the municipal side of the salary and the benefits and we have...

Alderman Gatsas interjected I understand where you are going with that, but my question is is then the projections that you did for School, does that include another \$1 million reserve.

Mr. Hobson replied we have given the data to School from what we had for experience through February I believe and Blue Cross has delivered data to them as well and they need to establish their rates and review their numbers with their Board and come back to us.

Alderman Gatsas asked do you have some rates with you now that associate something with these numbers that we can take a look at.

Mr. Hobson answered I explained to the Chairman today that the rates actually changed. We received new rates today, too late in the day to rerun our numbers in our spreadsheets.

Alderman Gatsas asked does this sheet include the new rates.

Mr. Hobson answered no. As I was going to finish this portion of the presentation, what I wanted to let you folks know is that as we said two months ago and I realize that health insurance is such a big bite of what we are dealing with, these rates will most likely come down two more times. We have new rates today and then we are going to have claims experience for another 30 days and we will most likely have new rates that are favorable to the City again for the month of May. It looks like we will be coming down by 2% or 3% percentage points over the next 30-45 days. That, unfortunately, is a common issue. The Chairman of the Finance Committee will testify to the fact that during the last budget process we were working on insurance numbers literally up to the last day of the budget process. So, they will change again.

Alderman Thibault asked does that mean that School will now have to revise their budget or was that already included in the budget that they presented.

Mr. Hobson answered they presented a budget just like we did based on the numbers that they had at that time

Alderman Thibault asked that you gave them.

Mr. Hobson answered that we gave them that they had in their own new computer system as of January and that Blue Cross also helped to support them. Just so we know basic facts, I can no longer look in my computer system and see their employees. They are gone.

Alderman Shea asked when you said that you extrapolated what the School portion was, could you explain to me what you did prior to extrapolating and what you are doing...I know you said what you are doing now but what impact did that have on the City vis a vie the School.

Mr. Hobson answered in FY99 and FY00, School was...all School employees and all City employees were pretty much lumped into the same pool. The insurance companies had them grouped by...in fact we could even go down to the group of the Principal's Association and the teachers in a particular building and we could have rate and claims experience on those individuals. What has happened since the January separation transition plan is that we have been researching and looking

at what School claims experience is versus what municipal employee claims experience is and it is actually the reverse of what we thought. We thought that the more extensive users or risk pool would be on the City side or on the municipal side and it is actually not. The higher percentage rate is on the School side in terms of volume of users and volume of use. So, right now as of late today School has new rates and the City has new rates. So the municipal side is going to rerun its rates in our computer system and this number will come down slightly. Not megabucks, but slightly, and School's number will go up because of the amount of employees that they have now that are truly in their plan. They now have a truer and more accurate picture of their claims experience, i.e. when people have gone to the doctor and they have a bill and that bill comes back over. It doesn't just go into one big pot at the City, it is now going to the School District.

Alderman Shea asked could the School come back to the municipal government because of unanticipated catastrophic costs that they might incur and say look we don't have enough money to meet our obligation or can they use any kind of transfers to meet that. Maybe I am getting ahead of myself, but how are they going to meet any catastrophic expenditures for medical and health benefits if...like we were able to do that because we were in a pool so to speak, but what are they going to do if anything?

Mr. Hobson answered that begs to Alderman Gatsas' question and that is if philosophically the City stays in a cost plus program where we self-administer and self-insure and the municipal side does that and the School District side does that and we both use the same vendor and we both take advantage of that large pool but we manage our side and they manage their side, then they have to have reserve requirements established and they have to have employees over there doing the same work that we have over here. There is a duplication of efforts. No one should kid themselves about that.

Alderman Clancy asked do all of the School employees pay the same rate – 12.5%.

Mr. Hobson answered they all pay the same health insurance rate, but I believe through negotiations they pay a different premium for dental. Some groups pay a little bit more than others.

Alderman Clancy asked is that afforded to all of the City employees.

Mr. Hobson answered yes. For the first time in quite a few years since Harry was involved with the program, we have the same exact program for all City employees. We have the exact same HMO, the exact same Blue Choice Program and the exact same dental program. All City employees can access those programs.

Alderman Clancy stated I go to the dentist quite frequently, like every three months, and I was wondering what the difference between now and before is.

Mr. Hobson asked in your dental plan itself.

Alderman Clancy answered right.

Mr. Hobson stated two years ago we had Delta Dental with a \$750 a year maximum with coverage A & B and that coverage A & B basically covered you for those things like cleanings and fillings. We added coverage C, which allows bridges and dentures and other types of devices and it goes up to \$1,000 a year as opposed to \$750. That is a very competitive plan. We feel very good about that offering. What we don't offer is orthodontics coverage for children or adults.

Alderman Hirschmann stated I understand the transition plan that we are trying to attempt, but in theory both entities will be paid by City tax dollars so wouldn't it make sense for us to combine forces somehow and still be in a pool.

Mr. Hobson replied the answer to that, I believe, is yes and we still are in the same pool yet we have to account for it separately and we will rate differently. So, philosophically what we will be faced with and I believe we talked about this earlier with the Mayor, what we will be faced – we thought that the municipal rates would be high and the School rates would be lower and, therefore, we would want to stay in that pool because they were helping us. It is the reverse. Their rates will come down if they stay in the same pool with us. That is a philosophy issue. There are management things that we need to walk through and in my opinion sooner or later the Board will have to make a decision about that in terms of what way we go.

Alderman Gatsas stated I have a few questions. Mark, maybe you can shed some light on this. On a fully insured plan, that would mean that the City would not be at risk for anything other than premiums.

Mr. Hobson replied correct.

Alderman Gatsas asked on a self-insured plan with 115%, basically it wouldn't matter if the insurance card that an employee took said Blue Cross/Blue Shield or the City of Manchester on that card as long as the benefits that we structured, because you wrote the benefits or whoever wrote the benefits that Blue Cross/Blue Shield wrote the plan for was something that the City put forward so as long as those benefits were comparable and they were exactly the same as what Blue Cross/Blue Shield is offering, if I took a card to the doctor and on that card it said City of Manchester instead of Blue Cross/Blue Shield, they would not be denied any kind of coverage.

Mr. Hobson answered that is accurate.

Alderman Gatsas stated so really we are insured from dollar one.

Mr. Hobson responded may I throw one wrinkle into that and that is that the City historically is not a straight self-insured program. We do just a little bit of a wrinkle there where it is called an Administrative or a Cost Plus Program. It is self-insured, but we don't have a bevy of people downstairs that process...

Alderman Gatsas interjected no. Blue Cross/Blue Shield does your administration.

Mr. Hobson stated I just want to make sure that people understand that.

Alderman Gatsas stated I will get to that one. I am concerned that all of the employees in the City with coverage that they have would not be denied coverage or have less coverage if they had a card that said City of Manchester on it.

Mr. Hobson replied my answer to you is yes and the second part of this answer is that I am always concerned about the response we are going to get from the collective bargaining units.

Alderman Gatsas responded I am going to go there. The contract, from what I have read on the collective bargaining side, states as long as we give them a comparable and the word is comparable medical plan there is no problem if it is in between negotiating.

Mr. Hobson stated unless...in most of the contracts now, while that language may be there most of the contracts have as addendums the plans or the basic plan descriptions.

Alderman Gatsas asked so if that does not change and that is identical.

Mr. Hobson answered if it is identical and the card says Pete's Insurance from Wisconsin...

Alderman Gatsas interjected the employee is not going to be hindered in any way. He would get the same coverage with the City of Manchester backing it because that is what we are doing now from dollar one and someone else would administer the claim. Is that correct? That would be the next thing. Let me ask you a question. Does the City hold the checkbook and what I mean by the checkbook is we send Blue Cross/Blue Shield \$500,000 a month. Is that correct?

Mr. Hobson answered yes.

Alderman Gatsas asked do we send it to them or do we deposit that in our account and they draw off it for claims. How does it work? Do we send them the money?

Mr. Hobson answered we send them the check.

Alderman Gatsas stated my statement is that if we held the checkbook, we would deposit funds into that checkbook, Blue Cross/Blue Shield would run their claims against that checkbook so if Ted Gatsas got reimbursed \$15 and forgot to cash his check, it would belong to the City.

Mr. Hobson replied right.

Alderman Gatsas stated and the interest that we would accrue would be the City's while those claims were being digested.

Mr. Hobson replied I am sure Blue Cross would like it the other way, but it is that way.

Alderman Gatsas stated so we are not receiving interest now and we send them the money on the front end of the month. Now do we have the ability...let's assume there are 10,000 claims paid in a month. Do we get a claim run with the employee's name and the amount that is being paid? Do we ever see that?

Mr. Hobson replied I think as a result of some changes it is by name and not subscriber number.

Alderman Gatsas asked do we get that before the claims are paid or after.

Mr. Hobson answered after.

Alderman Gatsas stated so let's assume they pay a claim for Ted Gatsas for \$217,000 and Ted Gatsas is not an employee of the City. In a month from now somebody is going to say oh my God there is a red flag, we took money out of their account and paid this claim to the Elliot Hospital so we never really know what happens unless somebody is keeping a pretty tight thumb on that.

Mr. Hobson replied yes and I believe we are keeping a tight thumb on that.

Alderman Gatsas stated correct me if I am wrong but I remember reading in the paper before I became an Alderman that there was an awful big credit that Blue Cross/Blue Shield sent back because of misbilling. Is that correct? \$1.2 million? A computer problem or something to that effect?

Mr. Hobson replied I am not sure.

Mr. Tawney stated that is correct.

Alderman Gatsas asked what is that because of.

Mr. Tawney answered there were computer problems and we went through a settlement last year.

Alderman Gatsas asked so basically we don't have control over our destiny even though we are paying from dollar one.

Mr. Hobson replied I don't know how to answer that. Maybe Lynn could.

Alderman Gatsas stated I don't understand why she is going to come up and answer questions when these people are administering the claims here.

Chairman Cashin replied the only reason I am asking her to come forward is because they keep turning around and asking her questions and she doesn't have a microphone and I don't think it is fair to her.

Alderman Gatsas responded okay well maybe they shouldn't be asking her questions. If they don't have the answer, then maybe they should come back to us but if these people are the people who are administering our claims and the people that we have put in charge of either negotiating contracts or assisting the City in the best procurement, I would assume they should know this because this is the biggest number we have in the City.

Mr. Hobson replied let's just circle back. The question was, the original question was was there some sort of an overpayment. I didn't remember it when you asked but I turned to Howard and he said yes there was. He told you that there was and he told you that it was a computer issue. I know that Lynn worked with people in our office to reconcile the matter. If there is a question of whether or not we have destiny over our funding and over our resources, yes. Our office is accountable for making sure that those bills are paid and that they are paid appropriately and the audit department in Finance audits what we do and what we don't do.

Alderman Gatsas asked but there is no audit over Blue Cross/Blue Shield.

Mr. Hobson answered that is correct. There has not been an actuarial, a full blown audit for a couple of years and you brought that up at one of our Committee meetings and we talked about the fact that we wanted to put that in the budget and get that done.

Alderman Gatsas stated I think there are companies out there that will come in and do a complete audit based on recovery and you don't pay them anything. They come in and take a fee of 25% of whatever they recover and you don't have to pay them on the front end and then to do an actuarial is something different. I looked at some numbers here. Maybe you can help me. The \$5.7 million that is under estimated expenses, I am looking at a maximum group rate with Schools so I am at a little loss here between Schools and City that is \$17 million for a maximum working rate. So, I am looking for a number of where you got \$5.7 million. Does that include administration?

Mr. Hobson replied that is the City's burden for Blue Choice and HMO and administrative fees.

Alderman Gatsas stated administration I would assume must be on a 50/50 split with Schools or could I be wrong.

Mr. Hobson replied we are still sort of in the discussion stage of negotiating that.

Alderman Gatsas stated the problem I have is that once we are given oranges to look at it is very important that we see what the School side is because if that number has gone down \$1 million then obviously the Mayor's budget has gone or what we should be seeing instead of \$1.8 million is \$1.7 million so if that is a negotiating point that we have here then I think we should be entitled to see that. I don't think it should just be sent to Schools without this Board knowing what it is. That is certainly a burden on this side of the table. If they are going to enjoy that, that is fine.

Mr. Hobson replied I have no problem with sharing any information with the group. As part of the transition plan, the transition plan says that they are responsible for making their payments and managing those funds now and not our office. So, we have put the package together and sent it to them and said this is the issue and you folks now need to wrestle with this and come up with some new numbers. We can get it from Blue Cross and I happen to be meeting with their business administration tomorrow, Mr. Mahoney. I can talk to him about it. How quickly he can turn it around in his computer system I don't know, but we can give you a pretty good number from Blue Cross.

Alderman Gatsas asked do you have an idea of what the maximum working rate is currently with the new rates you have.

Mr. Hobson answered no, but I can get it for you.

Alderman Gatsas asked what were total claims on the City side for this year so far.

Mr. Hobson answered we will look that up.

Alderman Gatsas asked is there a specific reason why we don't have a stop loss.

Mr. Hobson answered we can provide a report for you that talks about our total costs to date and our total claims to date.

Alderman Gatsas asked how much are they.

Mr. Hobson answered total cost to date for School is \$6 million...

Alderman Gatsas interjected we are divorced from School remember.

Mr. Hobson replied I thought you asked me for both.

Alderman Gatsas responded no. Just give us ours.

Mr. Hobson stated our total cost to date is \$5,106,674.

Alderman Gatsas asked that is for how many months.

Mr. Hobson answered nine. Our estimated cost for year-end is \$6,808,899.

Alderman Gatsas asked so what you are telling me is that you are dropping claims by \$1.1 million.

Mr. Hobson answered about that.

Alderman Gatsas stated no. You are dropping claims by \$1.1 million because the \$6,808,899 is not reserves.

Mr. Hobson replied our claims costs...the \$5,106,674 is total cost.

Alderman Gatsas responded total cost for nine months divided by nine times twelve is \$6,808,898.

Mr. Hobson stated and our claims costs so far are \$4,667,696.

Alderman Gatsas asked the \$5,106,674 is what.

Mr. Hobson answered total cost. That includes our stop loss, our administrative fee and the claims.

Alderman Gatsas stated that has to be in there.

Mr. Hobson replied I said that.

Alderman Gatsas asked so it is \$5,106,674. That is the number we have to use so if I divide that by nine and multiply it times twelve I am going to have a number of \$6.8 million. So, what you are telling me is that you are dropping claims by \$1.1 million.

Mr. Hobson answered from the Mayor's number, yes.

Alderman Gatsas replied no. From the current number of \$6.8 million you are dropping claims \$1.1 million. Not the Mayor's number. I am using the actual numbers. I don't care what the Mayor's number is because I can only go by what he has given me. The Mayor's number is \$6,848,000 million and I am using \$6.8 million because that is what the actual run rate would look like.

Mr. Tawney stated in the general fund...in the Enterprise Fund there is close to \$1 million that is part of those total claims. That was not total claims on the general fund, but total claims on the City. The Enterprises pick up most of the rest of that.

Alderman Gatsas stated well we want to run the Enterprise funds if they are on the medical plan. The Enterprise funds are not in the \$5,703,015? They have to be.

Mr. Hobson replied the estimated cost to date of \$5,106,674 million is everybody.

Alderman Gatsas asked does that include Enterprise.

Mr. Tawney answered no.

Alderman Gatsas asked where is there another...

Mr. Hobson stated we want to make sure you are going off the same piece of paper we are.

Alderman Gatsas replied we are going off the same one you are.

Mr. Hobson stated the number that you have on this sheet, the \$5,703,015 million is just general fund numbers.

Alderman Gatsas asked why would it not include Enterprise funds.

Mr. Hobson answered because it hits their payroll.

Alderman Gatsas stated they are not paying claims. This is claims here.

Mr. Hobson replied I understand.

Alderman Gatsas asked so where are you saying they get their money from to pay claims.

Mr. Tawney answered we charge it back to them for the claims that they have.

Alderman Gatsas asked you are telling me that on medical insurance at the Water Works and I will make this clear, what you are saying to me is if they incur \$200,000 worth of medical bills it is a chargeback. I don't think so. Not for the five years that I was there. If it was, then the City hasn't got its due.

Mr. Hobson answered it is paid from payroll and if Kevin or Randy can shed some light on this, it would be great.

Mr. Sherman asked, Mark, the \$5.1 million that you said was claims to date including all costs, is that City-wide and includes all the Enterprises.

Mr. Hobson answered yes.

Mr. Sherman stated the \$5.7 million that Mark has on this Page 4 that he has given you is just the general fund. If you look under the budgets that are in front of you for the Enterprise funds, you will see that they each individually have health insurance and all of the other employee benefit items budgeted there as well. The problem that we have is we are taking the \$5.1 million, which is a total City claim and extrapolating that out over 12 months and you are comparing that, which includes all the Enterprise funds, you are comparing that to just the general fund appropriation. Even though that may come out to \$6.8 million and it looks like that is what our claims are going to be for FY00, only \$5.7 million of that is attributable to the general fund. The way the Enterprise funds pay their health insurance is they pay it based on the estimated premium based off the payroll system. That is all that they pay. If there are additional claims against the Enterprise funds, it comes out of the reserve that Mark is trying to establish here. That \$1 million reserve that right now City-wide is zero, but if Water Works should happen to have an additional claim over and above what they have contributed based on their payroll and the number of employees it would come out of that reserve.

Alderman Gatsas replied I hear you Randy. Maybe these people don't understand it but maybe I can shed a little light. So, what we are doing is giving the Enterprise funds a fully insured plan?

Mr. Hobson responded basically as I said they pay the premium through payroll.

Alderman Gatsas asked so you are giving them a fully insured plan with the general fund being at risk when they are the people who have the opportunity to contribute a little bit more but we are giving them a fully insured plan.

Mr. Sherman answered that is what you heard.

Alderman Gatsas stated that doesn't make...

Mr. Sherman interjected let me add one more thing. If Water Works and I don't know what the number is but if they pay \$100,000 a month for their health insurance and their claims are only \$60,000, that additional money would go into this reserve fund so some months they will contribute and some months they will take out and I don't know if anybody has ever looked to see if Water wins or loses or Airport wins or loses, but that is the way it would work. In essence, they have a premium-based system and they are fully insured.

Alderman Gatsas stated I assume that all of the Aldermen understood that in years past, but I would say that it certainly doesn't sound like a fair and equitable position.

Mr. Hobson replied it is certainly something that we can look at.

Alderman Gatsas asked what is the percentage of employees on the Enterprise side.

Mr. Hobson answered about 18% to 20%.

Alderman Gatsas asked so 20% and they are looking at rates fixed on what number. What are you using for a fixed rate for them? Let's just use an easy number. Blue Choice.

Mr. Hobson answered the Blue Choice single rate is currently \$237.61.

Alderman Gatsas stated the maximum working rate looks like \$258.14.

Mr. Hobson replied I think that is pretty close.

Alderman Gatsas asked so we are shorting ourselves at least \$20/month on a single. What do you have for a rate for a family?

Mr. Hobson answered \$641.52. That is current now.

Alderman Gatsas stated so the working rates are much different. So, we are giving them a fully insured plan and we are taking the risk on a self-insured plan. Now maybe you can help me with a couple of other things.

Mr. Hobson replied may I make a point before you go further. The items you are bringing up are very good. They are salient points and the biggest issue we have been wrestling with, I think, internally as a City is this whole separation with School. I understand that what you are saying is something that needs attention and I am not being defensive. When I take a look at what the fish are that we have to fry, School is a much bigger item for me right now just so you understand.

Alderman Gatsas responded I can appreciate that but that fish was a lot different fish before May 22 of last year so why wasn't it looked at then.

Mr. Hobson answered I don't know. It should have been.

Alderman Gatsas stated let's talk about some reasons of the plan and some things that are in the plan. Is there a particular reason why we don't have a stop loss?

Mr. Hobson asked on an individual case basis.

Alderman Gatsas answered correct.

Mr. Hobson stated we proposed that for FY01. It is in next year's budget.

Alderman Gatsas asked so that is probably why the number is a little bit less expensive.

Mr. Hobson answered Blue Cross stated that it didn't change the rate all that much. Howard, frankly, felt very strongly that it was something from a management standpoint that we needed. I agreed with him. We brought it to the Mayor and that is the way we priced the product.

Alderman Gatsas asked what is the number you are using.

Alderman Shea asked what did you call it, stop loss.

Alderman Gatsas answered yes. Right now the City is at risk from dollar one up to 115% of premium. So, if somebody incurs...what is your cap on claims, \$1 million per individual? What is the maximum claim payment?

Mr. Hobson replied \$1 million.

Alderman Gatsas stated well I can tell you that if I was an employee in the City looking at that, that is ridiculous in today's society. That should be looked at and that is only pennies to negotiate. If somebody goes out and has a \$3 million claim, the City would pay up to \$1 million. Actually, it is 115% so it would be another \$150,000. That is what the City is at risk for from dollar one. With a stop loss, the City would be at risk from dollar one to...what is your stop loss number? It should be at least \$150,000.

Mr. Hobson replied \$100,000.

Alderman Gatsas stated well let's use \$100,000. I think it would be closer to \$150,000 to make it a better number but anyway the City would be at risk to \$100,000 and then the insurance company would step in and pick up from \$100,000 to \$1 million. I am confused on why we are looking at these numbers and not combined numbers when that is all we have looked at in the past. I know you did your separation, but do you have a copy of the sheet you sent school so that I can just kind of put them back and forth here and see if they line up? Just so that you know, I am looking at a maximum working rate that Blue Cross/Blue Shield submitted to you of \$17 million. That is a maximum working rate. So when I look at that number and you are telling me that we are at \$5.7 million in

claims and let's take another \$1 million and pump it in and I will give you the benefit of the doubt of \$1.3 million so we can use round numbers and say it is \$7 million. That is a long way from \$17 million. That includes administration and stop loss.

Mr. Hobson replied earlier today I spoke with the Mayor and I spoke specifically with him about the fact that this is what I have given you and this is what I have. This is all I have for hard data right now that I know of about the program. Wayne and I and the Mayor discussed that you are going to want to know because obviously you are the body that needs to know what the bottom line is. His answer was that we need to explain to the Board that right now this is what we have, this is within my charge and we can try to establish something within the next few day. School needs to get up to speed to run its numbers.

Alderman Gatsas responded but all I am saying is that Blue Cross/Blue Shield has given you a quote. That quote is \$17 million.

Mr. Hobson replied I have no problem with sharing the raw school data with you.

Alderman Gatsas stated I know, but I don't think that School is going to be at \$10 million. That is the point that I am trying to make. If they are, then we have a bigger problem with them than we ever thought because I think that the count on the bodies is almost 50/50.

Mr. Hobson replied no. That is not accurate.

Alderman Gatsas asked including or excluding Enterprise.

Mr. Hobson stated first of all, their full-time employees have gone up around 275 to 300 people in the past three years. That has weighed in significantly on volume, obviously. We have not experienced that volume on this side and if I can say so and I think everybody understands that, when you give benefits to professionals like teachers and principals, etc., they are more prone frankly to use them and to utilize them and to max them and that is part of what we are seeing. We are seeing volume, more of them, and volume in that they use it more.

Alderman Lopez stated Alderman Gatsas is very educational, but it is a little deep. I am not speaking for anybody but myself but I don't think we are going to solve anything unless we know exactly what we are going to do or what kind of plan we are going to have to make us sit down with the body here to try and make something...I don't know where you are going.

Alderman Gatsas replied I am getting to it. When was the last time an RFP was put out on health insurance?

Mr. Hobson responded it would predate me.

Alderman Gatsas asked how long have you been there.

Mr. Hobson answered two and a half years.

Mr. Ntapalis stated to my knowledge, Alderman, there has been no RFP put out since we have been Cost Plus. The self-insuring has gone on since the late 1970's, early 1980's. Again, the program that was put forward early on had been a Plan J, which was really a Cadillac of products and that is what had been built into the 16 varying labor contracts and that is what the expectation was at that time.

Alderman Hirschmann stated just to give a little history, I was on the insurance committee in 1997 and we did have the NH Municipal Association come in and give a proposal.

Mr. Hobson replied we did this year as well.

Alderman Gatsas stated my question was when was an RFP put out on this insurance.

Mr. Ntapalis replied never.

Alderman Gatsas stated in the short time that I have had an opportunity to look at it, I have had a couple of groups look at it and they are telling me that in looking at the numbers and without a census in place and I asked for a census with lives and age, they tell me that there is a 10% to 30% possible savings. That is an incredible number.

Mr. Hobson replied and it may very well be.

Alderman Gatsas stated I think that certainly Blue Cross/Blue Shield has been a great tenant for the City and paid taxes and is a great company to have in the City and they employ an awful lot of people, but I think that when you are talking from 10%, which is about \$1.7 million to 30%, which is about \$5 million, it certainly should be something that we are looking at. That is only my opinion if it were my dollar.

Mr. Ntapalis stated one of the concerns that we had, obviously, is the labor negotiation. The type of coverage that evolved in health insurance maybe about five years ago when we broke away from what I called the Cadillac of plans, Plan J, and went to a PPO or a preferred provider group and that is the Blue Choice product that offers the three options, it was built in to most of the contract and what is unique about it in our earliest... Alderman Hirschmann had mentioned the desire to compare some of the other products that were out there and we found that we could not mirror the coverages and there was other exclusionary language that would have played havoc and possibly put the City into issues with employees public relations.

Alderman Gatsas replied let me just stop you there because the plan that is in place is a document that you write and it is no different whether I administer it, whether Blue Cross/Blue Shield administers it, or whether a third party administers it because you pay it from dollar one. If you wanted to put in there that an office visit was zero, you could do it but it would cost you the \$15 that you have there now. If you wanted to incur claims up to \$2 million, you could do it because you write that plan so whoever writes it or whoever is going to take a look at this plan is going to quote it off of what you give them. That is not going to change because you are at risk from dollar one.

Mr. Ntapalis responded the only close proximity to dealing with that issue is putting a mirrored plan out that is segregated away from the Blue Choice program was administered by Atlantic Administrators a couple of years ago and that was with Police. That had all kinds of promise of offering the same coverages and the same options at a reduced competitive rate and within the first year it went up 62%. The following year, even the reinsurers didn't want to touch excess coverage over and above it and it went bust. The police officers got off of it. I am just giving you some examples.

Alderman Gatsas stated you shouldn't have opened that can of worms.

Mr. Hobson stated we did do an RFP for the police product but that was not the whole plan. School, back in 1998 did do an RFP looking at their side and they called in SchoolCare, which at that time was owned by Healthsource. That was just on the School side. The NH Municipal Association has come in twice. Most recently under Mayor Baines. This last time, you heard the story. They felt that our pricing, our service, our products they couldn't beat or compete so they didn't. The only thing that stops us from doing an RFP is this Board's will. It is a philosophy decision if that is what you want to do. Because it is a negotiated item, it is something that the Board decides if it wants to do that. So, if we decide to go out to bid and go out to RFP to at least look at the numbers and see what the

savings are, we need to gear up for that, take a vote and do it. A couple of things. Number one, I would strongly not encourage us to do that for July 1. I don't know if we will be able to do it well and do it justice between now and July 1. Calendar year is where our claims run from. A January transition might be fine. The renewal date is in July.

Alderman Gatsas asked do we have a 12 and 12 or 12 and 15.

Mr. Hobson answered 12 and 12.

Alderman Gatsas stated so it doesn't matter when they stop.

Mr. Hobson replied I understand. I am just picking a date.

Alderman Gatsas stated let's not confuse people here when you start saying about claims that you get them down a muck road that they start...you know 12 and 12 ends and we carry on no matter what happens. Don't confuse them with claims.

Mr. Hobson replied my basic point is that I don't think there is any way we can do justice to a bid between now and July 1 and I think there are some other issues that we have to consider. You brought up some of those points and Blue Cross is here and I don't really care. They are a tenant. They are an employer. They have excellent service and product and our employees like it. All of that counts for something.

Alderman Gatsas asked does it count for \$5 million.

Mr. Hobson answered no, it does not.

Alderman Hirschmann stated the last time you came before us you had your consultant with you. Has he made the recommendation...like Alderman Gatsas' stop loss theory sounds really important.

Mr. Hobson replied we have already done that for this year. Actually that didn't come from the consultant. That actually came from Howard.

Alderman Hirschmann stated I remember Clark Dumont standing up here with a big check for \$5,000 with the Mayor because they audit their own claims every so many days.

Mr. Hobson replied that was Delta Dental. Blue Cross was here to make a donation to the parade.

Alderman Thibault asked we could go out on an RFP right now to compare what we are doing and what we could be doing right. That wouldn't hurt anything. What kind of a price tag does that carry?

Alderman Gatsas answered zero.

Mr. Hobson stated all I am saying is that if you do that I think you need to be prepared that the ultimate thing is if you go out for an RFP you might get what you ask for and we might move away from the product that we have and if we do that we have to be prepared for that.

Alderman Gatsas asked why do you say that.

Mr. Hobson answered because I have to sit across from 16 union negotiators who will be pounding me at the table if they think we are moving away from Blue Cross. It is just my reality.

Alderman Thibault asked if we do this and we gave them the same product more or less as we have now, why wouldn't you be able to talk to these unions and say look we are giving you the same thing. If we went with another company, can't we also get a guarantee of let's say three years or five years that they can't bring up the price of that product?

Mr. Hobson answered most companies in the market might do a two year rate guarantee. There could be more. The reason I am saying it and please don't shoot the messenger, I am just telling you about my reality. If you attempt to change their product that they are used to that is an addendum in their contract and excuse me but they will go ballistic. It doesn't mean that we still can't do it. It doesn't mean that we shouldn't do it.

Alderman Gatsas asked are you saying that their contract says Blue Cross/Blue Shield in it.

Mr. Hobson answered their contract has an addendum that says the Blue Cross/Blue Shield Plan, the HMO, the Dental Dental. You would have to build a product that would be identical.

Alderman Gatsas stated I would find it hard to believe as conscientious as the union people are if you sat them in a room and explained to them the process of health insurance and that it doesn't matter whose name is on that card because the City is at risk for every single thing they tell you. The only difference is that somebody else's name is on the card. It could say the City of Manchester and that

benefit plan is what it is. It has nothing to do with a Blue Cross/Blue Shield plan, it has to do with the City of Manchester plan because we are at risk from dollar one and I would find it very difficult for any of those negotiating people who know the position that the City is in to say unequivocally I am not changing. I find that hard to believe.

Alderman Hirschmann stated on that particular issue, when we went through this a couple of years ago, the City side employee's complaints were that a lot of them had to go find new doctors because they were in network or out of network. It was a big problem. We did go through that and people had to switch doctors. They were given a book and their doctor wasn't in the book.

Alderman Gatsas replied I can appreciate where you are going but let me tell you that being experienced in the self-insured plan that ACVM, which is the third party administrating body that you have that the doctors participate in, is no different than the Blue Cross/Blue Shield one. As a matter of fact, it is a better product when you step into Massachusetts because the limitations that you have currently with Blue Cross/Blue Shield like if you want to go to Mass General it is not as good a plan as if you stepped outside.

Mr. Hobson stated ACVM is possibly a better plan for retirees. Please don't misinterpret what I am saying. I am not trying to speak for the unions nor am I trying to defend them or put them down. My experience has been, in fact, Alderman Gatsas four teachers sat here at the last meeting and I would say and that is not a big deal but I got 10-12 phone calls the next day saying what are you people doing and are you moving away from Blue Cross. There is an anxiety around it and part of the anxiety is and I think some of you are aware of it, about a year and a half ago we sat down with them and worked out the program that you see now. It took us about a year to negotiate it so they feel that they have ownership in it. They feel that they have helped to build the product. What we are telling them is that the product is costing us more money and the City has a concern about it. What you are saying is absolutely right and it is rationale. I think sometimes with insurance benefits people don't always think rationally.

Alderman Gatsas asked have we looked at a fully funded plan because you are not very far.

Mr. Hobson answered at the last meeting you asked us to do that and I spoke with the Mayor and we are getting numbers for a fully insured program. May I add one more point? Something that we have to talk about philosophically is if that is the way we want to go because that will probably be the better way for us if we move into a cafeteria style program where we offer products and choices. I am not

saying it is the only way. I am saying that it is one way that we can take a look at it where the City does not have to have reserves.

Alderman Clancy asked, Mark, one of the Police Department's bargaining units decided to get their own insurance company a few years back, right.

Mr. Hobson answered yes. That is when we put out the bid.

Alderman Clancy stated then they came back onto Blue Cross/Blue Shield. What did that cost the City for them to come back?

Mr. Hobson replied I want to say the tail was \$125,000.

Alderman Gatsas responded the letter you sent me was \$165,00. That was with claims still running.

Mr. Hobson stated it was certainly well over \$100,000 and when it is all said and done it is probably going to be close to \$200,000.

Alderman Clancy asked did they pay that or do we pay it.

Mr. Hobson answered it was combined. For a year they paid a higher premium to come back into the pool if you recall that during negotiations. It certainly didn't offset the whole amount, but the union members themselves paid a higher amount to come back into the pool for one year and then they came back into the pool on the same basis as everyone else. That was negotiated.

Alderman Gatsas asked was that something that the Board allowed them do to.

Mr. Hobson answered yes, through negotiations.

Alderman Gatsas asked so if we had seven bargaining units that came to us and wanted to go out on their own plans they could do that or would we have to vote for that.

Mr. Hobson answered you would have to vote for that, Sir. Hopefully no one will ever talk about that again.

Alderman Gatsas stated I am just shocked that they would allow them to do it to begin with.

Alderman Lopez stated I just want to get back at what is at hand because we have a budget to approve and everybody is talking about RFP's and all that stuff and whether we can do it and the timeframe that we are talking about with the budget process, but before you answer that I just want to get something clear in my mind. The administration is \$1.2 million or \$1.5 million?

Alderman Gatsas answered \$1.2 million.

Alderman Lopez asked since we split, did I understand or is it still going to be \$1.2 million because they were doing everybody and now they are not doing the School so is the School going to take half of that.

Mr. Hobson answered they will have their own administrative fee, yes.

Alderman Lopez asked since we are in a budget process here, where are we going with this thing. Can you do what everybody has been talking about here and get something to us before we have to approve the budget?

Mr. Hobson answered I think we are long overdue for two things. I think we are long overdue for some kind of an audit actuarial of the whole kit and caboodle, however we do that and I think it would be a very good exercise to do an RFP. Can we do both of those things between now and July 1? I have to honestly say that I don't think we can do them well.

Alderman Gatsas stated there is no reason why we have to do an audit before July 1 so we can do an RFP. You can probably get an RFP, if you wanted it done, in less than two weeks and get a number back from an insurance company because I have done it in the course of two days. I am saying that in private life you get it done.

Alderman Wihby stated I want to go back to Alderman Lopez's question. If it is \$1.2 million for administration and you said that they were going to pay their fees but you didn't say what are we paying less than \$600,00? What did we decide that we are going to tell them?

Mr. Hobson replied right now what we have been doing with School is we have been splitting the administrative cost on a 50/50 basis. Going into next year, they will have their set of administrative costs and we will have ours. So, ours will be based on our employees that are in the pool. I beg your pardon, actually we are going to start that this month.

Alderman Wihby asked so the \$1.2 million was the total number and it includes School and City.

Alderman Gatsas answered that included both.

Alderman Wihby asked so we are only going to be paying half of that.

Mr. Hobson answered we will pay a little less.

Alderman Gatsas stated correct me if I am wrong but the Plan JW that Blue Cross/Blue Shield carried was the Cadillac of Cadillac's so when you took the employees from a Cadillac to a Hyundai...

Mr. Hobson interjected we gave them a nice Chevrolet.

Alderman Gatsas stated so you gave them a Chevrolet. That is probably why everybody was up in arms. I can tell you that we have done that in private life and taken them from a Plan JW to that and they are screaming and yelling and kicking and biting all the way.

Mr. Hobson replied that was semi before my time but the point of that was that there was a log jam in negotiations and the City was unable to give any raises and the only way the City would give raises was to change the health plan and take the savings from the health plan and put it into raises. That is frankly when I arrived on the scene so that is what happened. What Alderman Hirschmann was talking about was the conversion of the plan and the conversion within Blue Choice in the beginning. It is just different in the public sector. That is all I can say. It doesn't make it better or worse. It is just different.

Alderman Shea stated I had one lady call me and say that right now under her plan she pays her own insurance because she is disabled and her concern would be the cost of medication that she has. In other words, she was saying that under her plan she pays something like \$208/month for medication and she pays some astronomical amount. Now why would she come out with that number and how could she come up with a number like that if we were with someone else? I don't understand.

Mr. Hobson replied I missed the first part of your point, but perhaps what we could do is after this meeting I could find out the details and contact that person and try to fix it.

Alderman Shea responded what she said was that she would not want to change insurances but why would she have to pay more or would she if you switched. She is afraid that if we were to do what Alderman Gatsas is saying...

Mr. Hobson interjected no. What Alderman Gatsas is proposing and I don't want to put words in his mouth but what he is proposing is that you take the current plan offering and you make it identical under some other umbrella. Either you totally self-insure and you move the thing in-house or you go out to a third party administrator for claims administration, etc. He is talking about offering an identical plan with a different carrier.

Alderman Gatsas stated it would be the same carrier. The carrier is the City.

Mr. Hobson replied but remember 33% of the group is in an HMO that is premium based.

Alderman Gatsas responded it is still your product.

Mr. Hobson replied I understand.

Alderman Gatsas stated but don't confuse people. It is the product of the City.

Mr. Hobson replied I am not confusing people. I am telling them what it is.

Alderman Gatsas responded yes you are.

Alderman Shea stated let's assume that somebody goes to a healthclub now and there is something in that healthclub that says if you do a good job and you are part of this wellness program we will return so much money to you. Would that be included in another plan?

Mr. Hobson replied yes. We would make it identical.

Alderman Gatsas stated that is because the City is now paying and it would not change.

Alderman Hirschmann asked how much money would we save if we proposed a 15% co-pay.

Mr. Hobson answered that was your proposed number last time in negotiations. I assume it will be that or higher in the next round.

Alderman Gatsas stated, Alderman, I don't know why you would want to look at the employee side when we have a big basket right here.

Alderman Hirschmann replied I am looking at both sides, Alderman.

Alderman Gatsas asked why would we want them to pay more.

Alderman Hirschmann answered I thought we should look at both sides because when we went to this Yarger Decker plan they went and compared salaries with the business world and with other cities and everything and if you look at co-pays for everyone else in the world, no one has 12%.

Mr. Hobson replied we did compare benefits as well and that is what we found, that we are extraordinarily competitive in our benefit package so we raised the co-payments just so people know that.

Alderman Gatsas asked I assume we have a 125 flex in place for pre-tax dollars.

Mr. Hobson answered yes we do.

Alderman Gatsas asked who administers COBRA.

Mr. Hobson answered Combined Services LLC.

Alderman Gatsas asked how many people would you say on a yearly basis do we administer.

Mr. Hobson answered 111.

Alderman Gatsas asked what is the cost of our COBRA contract to administer.

Mr. Hobson answered \$10,700.

Alderman Gatsas asked on a yearly basis.

Mr. Hobson answered yes, I believe so.

Alderman Gatsas stated so that is \$96 per person. I don't know where that would go, but I would tell you that whoever is in charge of the Insurance Committee that should be eliminated because that is sending out three pieces of paper to an employee in the course of a year to extend their benefits. For us to be paying that kind of money doesn't make sense to me.

Mr. Hobson replied it does pay the bills as well.

Alderman Gatsas asked what bills.

Mr. Hobson answered the premiums. I understand what you are saying.

Alderman Gatsas asked say that again. They are paying premiums?

Mr. Hobson answered they are processing...if you are terminated as an employee they are the COBRA company that you deal with. The City steps out of the picture.

Alderman Gatsas asked so they send a check of \$250 to the insurance company and explain to me what happens then. The insurance company then turns around and sends the check to the City?

Mr. Tawney answered sends it to Blue Cross.

Alderman Gatsas stated I know but they still must be participating in the self-insured plan. They haven't opted out to a conversion plan, have they?

Mr. Tawney replied no.

Alderman Gatsas asked so they are on the self-insured plan and they send the money to Blue Cross/Blue Shield on a monthly basis and that goes into the premium pot.

Mr. Tawney answered right and then there is a settlement monthly of those items along with all of the other items.

Alderman Gatsas asked so what you are saying is that for them to send a check to us is any less difficult than for us to hold onto the money so that we know where it is at.

Mr. Tawney answered it would be in-house staff to handle the checks and cash and so forth.

Alderman Gatsas asked what are we paying the insurance consultant...how many years has he been here. I guess that is the first question I should ask.

Mr. Hobson answered I think that William Mercer as a company has participated with the City for about five years.

Mr. Ntapalis stated first we had done an actuarial study in 1992 and 1994 and that was about the time that Mercer came into the picture on insurance.

Alderman Gatsas asked so at no point during that eight year period...how long have we been self-insured in this City – since 1991.

Mr. Ntapalis answered for health insurance, a lot longer than that. I want to say probably since the mid-80's or early 80's.

Alderman Gatsas asked so from the time he came in he has never sat down and given anybody advice about looking at stop losses or any of those things. Why are we paying him? What is he looking at? What is he doing for us?

Mr. Hobson answered as a department we used Mercer last year and the year before that to work with us to negotiate the single program that all of the unions have at this time. We used them to negotiate the final rates with Blue Cross and we also asked them to do a spot audit of claims, I believe I FY99. Not a full audit, but a spot audit. That is what we have used William Mercer for. We, as a Human Resource Department. From what I understand, the relationship with Mercer is that they do a number of things for the City. There is a consultant fee established for them under the City Solicitor's Office and we do a fee for service with them. So, if HR hires them, we do it under the Solicitor's Office and we pay a bill for their work.

Alderman Gatsas asked so they haven't given us any advice on cutting costs.

Mr. Hobson answered this last time what he suggested that we do...he met with the Mayor and I forget who else was there, some administrative staff, and he talked about a number of different strategies.

Alderman Gatsas stated I have a problem looking at these numbers. When you look at a number that says the maximum working rate is \$17 million and if use your number of \$7 million including the other people, I believe that if you tell Schools that their insurance is \$10 million they are going to have a nervous breakdown. The \$1.8 million that was budgeted to them is not going to be enough because that is going to increase them by \$2 million to \$3 million just in insurance.

Mr. Hobson replied I don't have a response at the moment.

Alderman O'Neil stated I think we need to go in two areas and I don't know that we are going to solve it all tonight. Number one, if I understood the Human Resource Director earlier, the numbers are going to change and I think we were talking specifically on the health side. They are going to change for at least the next four weeks and that is going to affect the budget so we are not going to solve anything tonight if the numbers are going to change and we are going to be getting new numbers four weeks from now. Something that would be helpful based on where Alderman Gatsas was going with this is I think we need this page broken down to what is School's portion, what is general fund, and what is Enterprise. That might be helpful. Now, obviously Fire State pension just has to do with the Fire Department. The other thing is it sounds like we may and I emphasize the word may want to change philosophy or direction that we want to go in with not only health insurance, but disability and general liability insurance. I don't think we are ever going to solve this with the 14 or 15 of us sitting around the table. I think it is even more involved than the Human Resource & Insurance Committee. What we may want to consider is asking maybe three Aldermen who have the time to put into it and that are interested in it and obviously Alderman Gatsas...

Alderman Gatsas interjected trust me, I am not interested.

Alderman O'Neil stated let me finish. They can sit down and put in the time and report back to the Board with some recommendations. This is big and it is bigger than we are going to solve any night sitting here. I certainly don't have the knowledge in insurance, but there are many sitting around this table that do. I think we really need a sub-Committee of a Committee to resolve this if we are going to change direction and philosophy. I don't think there is anything wrong with that because maybe the system that is in place isn't working.

Mr. Hobson stated could I possibly just finish my presentation.

Alderman O'Neil stated we are still on the very first line of this thing. We are not going to...

Mr. Robinson stated if we are talking about going with a sub-Committee or whatever to look at this item, I think it is only fair that we include School because whatever we do here directly or indirectly will affect them.

Alderman O'Neil replied that is fine but I guess my point is it is bigger than the Mayor and the 14 Aldermen sitting around this table on a Tuesday night or a Thursday night to resolve this.

Mr. Robinson responded that is correct. I would like to note that we are planning a meeting of the School Deficit Committee next Wednesday.

Alderman Gatsas asked the what.

Mr. Robinson answered the School Deficit Committee.

Alderman Gatsas stated so that must mean that they are in the red.

Chairman Cashin stated that is a committee that was set-up by the Board.

Mr. Robinson stated this item will be brought to their attention.

Alderman Thibault stated I think that Alderman O'Neil is right. The 14 of us here with the little knowledge that we have are not going to resolve this problem but in a committee of four or five people they may be able to work on it. Wayne brings up a good point. Maybe on the committee there should be one or two members of the School Board.

Chairman Cashin stated I think we have discussed this at length. Mark, could you go back to page 4.

Alderman Wihby asked didn't Superintendent Tanguay sit here in front of us and tell us that they did their own numbers for health and stuff. We didn't give them to them. They did it themselves.

Mr. Hobson answered what we did was we gave them data from July to December out of THE and then of course insurance claims lag so we gave them billings and spreadsheets and data that came in in January and February. We gave them that information and Blue Cross met with them on several occasions and told them where they were.

Alderman Wihby stated it is not like we are hiding anything from them.

Mr. Hobson answered absolutely not. They have, as Alderman Gatsas pointed out, they have more information than you do right now because they have their information as well and I am happy to share that with you if that is what you would like.

Chairman Cashin asked could you please share the information with us. Whatever you give to one Alderman, give to everyone.

Alderman Gatsas asked can you tell me what the deficit that the School side is running at this point on their claims is.

Mr. Hobson answered I would rather not.

Alderman Wihby asked are you talking budget to actual.

Alderman Pariseau stated I don't think that it is Mark's place to give it to us.

Alderman Gatsas asked why not. He is the Administrator.

Mr. Hobson stated all I have at the moment is a tentative number and I would rather wait until Tuesday or Wednesday to give you a hard number.

Alderman Gatsas stated don't look up if it is between \$1 million and \$1.3 million.

Chairman Cashin asked it is agreeable to the Board that he not answer the question until he gets the hard number. Mark, if you have a number, I would appreciate it if you would give it to us because it has been asked for.

Mr. Robinson are you talking budget to actual.

Alderman Gatsas answered that is all I can be talking about.

Mr. Robinson stated we have no control over their line items so they could transfer money between line items to cover it.

Alderman Gatsas stated I don't care where they move it from but they obviously moved it from somewhere last year.

Mr. Hobson stated as of this afternoon, their budget to actual without including Federal funds or any type of other Enterprise numbers is about \$2.5 million above the \$1.5 million.

Alderman Gatsas asked and they still have three months left.

Mr. Hobson answered yes.

Alderman Wihby stated when they gave us the numbers though and they gave year-to-date and they changed the numbers over, did that number change. Were they planning for some of that \$2.5 million?

Mr. Hobson replied I don't know yet. I really don't. As I said, it is very soft. I don't know what their Federal dollars could be. It could be \$1 million more.

Chairman Cashin asked are there any other questions.

Alderman Lopez asked whether the representatives from Finance would like to comment on this since all of this was in Finance at one time.

Mr. Clougherty answered yes that is correct.

Alderman Lopez asked would you like to comment in a direction here on what is going on because we are paying some big bucks around here and it seems like for what we are getting we should hire Alderman Gatsas.

Mr. Clougherty stated just to be clear, Alderman, we never did the risk management piece. In terms of the claims and in terms of the program and getting back to what Alderman Gatsas asked for, we have done an RFP for audit services and we did get responses. As he said, people would like to perform the audits for a piece of the findings. The problem that we ran into is under the existing Charter and ordinances, we can't do that. Although we have talked to people about having audits move forward, we can get the spot audits from Mercer, but we can't get somebody that would be interested to do it for anything other than a flat rate.

Alderman Gatsas asked is there an ordinance that says that.

Mr. Clougherty answered it is part of the procurement code, Alderman. We had done that. We wanted to proceed that way and we weren't able to do that.

Alderman Gatsas asked how do you change that. By ordinance?

Mr. Clougherty answered yes.

Alderman Gatsas asked does it have to be a Charter change or an ordinance change.

Mr. Clougherty answered ordinance.

Alderman Gatsas stated so we can change that by ordinance.

Chairman Cashin stated this Board can change that any time it wants to.

Mr. Clougherty stated under the new Charter it is an ordinance change. I don't believe that is the way it was previously.

Mr. Hobson replied that is correct.

Mr. Clougherty stated so we have looked at those items and we have made some recommendations with respect to that.

Mr. Hobson stated if it would be okay, I would like to let Ms. Hebert leave and I would like to state that what the Mayor asked us to do today was to consider talking about getting a Human Resource/Insurance Committee meeting together that the full Board would be invited to participate in and we would have the leadership and the underwriters from Blue Cross here to get into some very specific financial questions if that would be your will. That is what the Mayor proposed that we take a look at. Blue Cross obviously will do that. I just had Lynn here for Q & A purposes.

Alderman Gatsas stated I don't have a problem with that but don't you think, Mr. Chairman, that we are running closer and closer to deadlines not to RFP this. I mean an RFP is not going to hurt it.

Chairman Cashin stated if it is the will of this Board, but I would rather have the Mayor here before we vote on an RFP.

Alderman Lopez asked when you say an RFP, I don't know where you are actually going in getting this done and what Mark is saying with the people coming in or consultants. What is the end goal that you are trying to achieve?

Alderman Clancy answered lower rates.

Alderman Lopez replied naturally but we have the input from Kevin back there who said that we have done RFP's and it was done with the Police Department and now they are back with us. I just don't understand where we are going.

Alderman Gatsas stated what I am trying to say to you is I have done a preliminary RFP talking to third party administrators. They tell me that based on the numbers that Blue Cross/Blue Shield brought in from their renewal rate and obviously they have changed but I can only go by what is here and they tell me that based on numbers and if they can get a census based on age that they are looking at between and I am talking overall between School and City because those are the only numbers, I am saying to you that the maximum working rate and when I talk about

maximum working rate that Blue Cross/Blue Shield submitted was \$17 million. That was between City and School.

Mr. Hobson stated and retirees as well.

Alderman Gatsas stated that is the total kit and caboodle that is floating around the entire City.

Alderman Shea asked could you define what maximum working rate means. What is that?

Alderman Gatsas answered that means if we rang the bell total of what it would cost the City. If everybody hit whatever number they were supposed to hit, it would cost the City \$17 million. Worst case scenario.

Alderman Shea asked is that for health benefits and dental insurance.

Alderman Gatsas answered that is just health. So when I look at that number and that is what they are telling me that the medical is for City and Schools and somebody is telling me that it could be 30% less, that is \$5.1 million.

Alderman Lopez asked the City Solicitor if there is anything that prohibits the Board from appointing an Alderman to negotiate with a team to come up with something.

Deputy Solicitor Arnold answered no.

Alderman Lopez stated I think that we have an Alderman who is very knowledgeable in what he is talking about and if he worked with Finance, the City Solicitor and HR and Harry they could work as a team and give something to this Board to look at and make a determination as to what is going on. Otherwise, I agree with Alderman O'Neil in that we will be here all night. We have already been here for two hours and we haven't gotten to number two yet. If Alderman Gatsas would accept something like that, I think that would be an appropriate thing.

Alderman Gatsas replied I certainly want to thank you for where you are going with that, but I think these people are capable enough to do it. They don't need me to go out for an RFP because they know what the numbers are. I think that anybody who is going to come in and talk to them about an RFP is going to talk about stop loss and Harry has already brought that up. They don't need me to do that.

Alderman Lopez responded I agree with you, but we also pay a consultant who hasn't guided them in that particular area. Maybe we should pay you and fire the consultant.

Chairman Cashin asked could we please finish Page 4.

Alderman Levasseur stated before you go on, all of this stuff that we are going to discuss is all encompassing under what we are talking about now so for us to go well we are only on line 1 so what if we are only on line 1. This all encompasses what we are talking about. So to rush through this stuff really bothers me because rushing through this stuff isn't going to solve any of these problems and I am tired of well we are not going to get this done unless we have a committee. We need another task force like we need another tax increase around here. So, let's just do it and not be talking about speeding through it. If we need to go through it, we need to go through it. If it takes a little more time, let's do it right. The tax increased bother me and I want to make sure we do it and I want to go to the public and say that we have done our best job and I don't like to rush through things. I have been hearing about that for the last three or four weeks. I want to know because I have only been here for two or three months and a year from now it may go faster because we will know this stuff.

Alderman O'Neil stated this is bigger than just an RFP on third party administrators. Our whole insurance program needs to be looked at. Workman's compensation is out of control. The whole system needs to be looked at and that is all I am saying. We are not going to solve it sitting here on a Tuesday night or a Thursday night. That is all I am saying. I agree with Alderman Lopez. Get the people who can get the job done and let's start...the guy from Mercer sat here two weeks ago and I wish I would have written down half the things he said. Why hasn't he been recommending things?

Chairman Cashin stated maybe he has recommended it. Maybe he has recommended it to these people. How do we know that? You know when this Board and I am going to say this and it may upset a few people here tonight but when this Board has to set-up a committee to do the work that we are paying department heads to do, if I was a department head, I would be embarrassed. This is what I am hearing here. This is what I heard here tonight. When it comes to risk management, well Finance doesn't have anything to do with that and when it comes to stop loss well we are looking at that now in this budget. Why because this Board brought it up just now? Why aren't people doing...for 10 years I have been hearing the same thing. Every time this Board says something, oh yea we are going to look at it in this budget and it just goes on and on. I don't blame these new guys for being as frustrated as they are. How do you think I feel? The

bottom line here is there is a lot of work that should have been done over the last 10 years that obviously hasn't been done. That is exactly the way I feel.

Alderman Levasseur stated it is like we have to make a motion for an RFP. Do we have to make a motion every time we want these guys to get something done? Just do the RFP. It doesn't cost any money and then give us the numbers.

Chairman Cashin stated we shouldn't even have to ask them to do an RFP.

Alderman Levasseur replied exactly, but if we have to make a motion to do it, let's do it.

Chairman Cashin stated I apologize if I have offended anybody, but I couldn't sit here any longer.

Mr. Tawney stated under the ordinance, an RFP has to be approved by the full board of Mayor and Aldermen.

Alderman Levasseur moved that they go forward with an RFP.

Chairman Cashin stated unless the School Board is participating in it, I don't think you want to vote on an RFP tonight. You have to involve the School Board.

Alderman Levasseur asked aren't we the governing body.

Chairman Cashin answered yes you are.

Alderman Gatsas stated I can appreciate where you are coming from and that is why I said they don't need me to do an RFP. I think they have the skill to do it. We are not reinventing the wheel here. This is not a difficult task. This is not like looking for a different insurance company. All this is looking for is somebody to come in and administer the product that we have been giving to the employees of this City for 9, 10 or 11 years. They are not going to get anything different. They are not going to get anything less. They are going to get the same product and we are looking for somebody to administer it differently. Some of the questions...if you said to me Alderman what are the things I would do, one we should own the checkbook. The checkbook should be in our hands. They should have a loss run at Finance that sees it. You shouldn't see it. Every time they pay claims, they should be verifying. Those are two very important things that nobody, any administrator or any guy that would have sat there and we are paying \$40,000 a year to should be fired tomorrow because that would be the first thing he would tell you is that we should have control of the checkbook and they should be looking at losses. Blue Cross/blue Shield is auditing their own numbers.

Mr. Hobson stated that is correct.

Alderman Gatsas stated we have no idea whether they are right or wrong. No clue.

Mr. Hobson replied I don't agree with that.

Alderman Gatsas asked how do we have a clue.

Mr. Hobson answered because we have internal staff that reviews it. Not on the real time that you are proposing or on the type of timeliness that you are talking about, but we do take a look at those bills.

Alderman Gatsas responded well those are two issues that should be there. We should be looking at...when they start talking about reducing rates here when they told us when you sat in front of this Board less than two weeks ago saying there was a 20% increase and now all of the sudden they are coming down with rates, this isn't a magical thing. That is because there is some pain in the butt somewhere asking questions.

Mr. Hobson replied absolutely. They don't want to lose the business.

Alderman Gatsas stated I can tell you looking at these numbers that when somebody without even working the pencil looking at the numbers they gave me said to me they can reduce administration by 60%, \$600,000 is the minimum number without doing anything.

Mr. Hobson replied I am not going to dispute what you have to say and please don't take any offense.

Alderman Gatsas stated we shouldn't be doing it. You should be doing it on your own.

Mr. Hobson replied I cannot do an RFP.

Alderman Gatsas stated then you should have been at this Board two weeks ago saying gentlemen I think we should be doing an RFP. That is the problem that I see in this City. The people that we have in departments who are department heads don't come out with valid suggestions...

Mr. Hobson interjected if they take risks, what usually happens.

Alderman Gatsas stated they say it is policy and you know what, I think that if somebody came to me and said here is proposition A or proposition B and I think we should go with B because that is the better avenue, I can only take the advice from the experts who are sitting there everyday and say let's do B. All I hear around here is it is a policy decision. Well, these 15 guys that sit here don't have the opportunity to sit at the desk and look at the variables. If we are going to do an RFP then we are here for another three months and we are not going to get it done in this budget cycle.

Deputy Clerk Johnson stated I will remind you right now that you are in the Committee on Finance and the Board does have to authorize RFP's and this is not the full Board. There are a couple of options open to you and I know that there seems to be a tendency to want to have an RFP proceeding in some manner, shape or form with the School Board. The Board of Mayor and Aldermen and the School Board are holding a joint meeting next week at the Historical Association. There is a meeting scheduled next Tuesday. This item could come up at this meeting or the other option would be to have the School Deficit Committee suggest that in its discussions and then bring that back to the Board for a recommendation, whichever way the Board wanted to go. However, you are going to have a joint meeting with the School Board shortly and you could bring this up as an item of business. I am sure the Mayor would include it on the agenda if we asked him to on behalf of the Finance Committee.

Chairman Cashin asked is that agreeable to everybody that we hold off until we have the joint meeting with the School Board.

Deputy Clerk Johnson stated in the meantime, I might suggest that perhaps the Human Resources Director and Risk Management could provide a one-page summary of some sort of what kinds of things you are looking at going out for proposal on. Just something for the School Board to have in front of them for discussion purposes.

Chairman Cashin asked is that a problem, Mark.

Mr. Hobson answered no. I will confer with the Deputy Clerk later.

Deputy Clerk Johnson stated just put something together so that we have something for them.

Alderman Wihby asked did Blue Cross's administration costs go up a lot this year. What are the administration fees?

Mr. Hobson answered on their proposal today, I believe their administrative fee was 8.4%. I am not sure where you are getting the 7.5%, Alderman Gatsas.

Alderman Gatsas stated I am looking at the proposal they gave you...well it doesn't have a date on it.

Alderman Wihby asked how much did the rates go up. 20%?

Mr. Hobson answered the rates for the City side went up approximately 18.9%.

Alderman Wihby asked is there any way of having them decrease the rates that they had last year so we can continue what we are doing rather than having to go out with an RFP. Isn't there a way to negotiate with them?

Alderman Gatsas asked and reduce administration by 20%.

Mr. Hobson stated we are negotiating with them and we have involved the Mayor's Office in those negotiations. I am not trying to deflect accountability or responsibility. Obviously, we are open to the policy and the rule of the Board.

Alderman Wihby stated it seems to me it would a lot easier to have them go down on their rates.

Mr. Hobson replied the good news is that we did bring in lower numbers tonight than Mayor Baines had in his original budget. The good news is that within the next few days we will be able to produce new numbers for you and those will be coming down. The good news is also that we are attempting to build up the reserve requirements again within this proposal or with these numbers that you see in front of you and those reserve requirements are not just for the health insurance that is down to zero, but also for worker's compensation and for CGL. Those reserves are too low. We want to build them up and this is a way to do it. We pretty much stayed within the Mayor's ballpark and then of course you also have the fact that you need to look at the reserve requirements and putting RFP's or any changes to the side, you now have about \$2 million within the same ballpark of what you previously had in the Mayor's budget. You have about \$2 million to take a look at in terms of reserves. That is, in my opinion, good news.

Alderman Hirschmann stated this is a philosophical question. We had a full Board meeting two nights ago and there was an opportunity for you to go into executive session with this Board at that time. The Board could give you some direction when you are negotiating something as important as this. We haven't set any parameters or policy. You and apparently the Mayor's staff who take direction

from this Board are negotiating but we don't even know about it. I like Alderman Gatsas' and Alderman Wihby's ideas on negotiating points and setting parameters and setting strategy.

Alderman Gatsas stated correct me if I am wrong. The understanding that I had was the Mayor gave us a budget and it is now our duty to look at his budget, work on a budget and come back with a number.

Chairman Cashin answered that is correct.

Alderman Gatsas asked why is the Mayor negotiating health insurance now and this Board is not negotiating health insurance.

Mr. Hobson answered the quick answer is that obviously on a day-to-day basis he is the one that we deal with as the manager and we have...this stuff has been happening pretty much two or three times a week where we have been getting together trying to crystallize these numbers. It takes a great deal of time. I believe the reason why the Mayor is still involved is...

Alderman Gatsas interjected has the School been in those negotiations with you.

Mr. Hobson replied they have been holding their own negotiations with Blue Cross.

Alderman Gatsas stated the problem I see with that is that I understand where everyone is looking to separate this issue out with Schools and City and I can appreciate that but I can tell you that if they would have done this last year before the health insurance problem got to where it is today, they might have had an opportunity. It is a double-edged sword to this Board because obviously when they come back and say we assumed health insurance was going to be \$10 million, we now found out that it is \$13 million. Well, I don't think they are going to sit there and say we are going to absorb it whether it is \$108 million or \$112 million. I mean if it is \$112 million that this Board agrees and it is another \$3 million in health insurance they are coming back here. So, why are we letting them negotiate their own and not incorporating what we are doing so that we look at an entire package.

Mr. Hobson replied that is probably more of a legal answer than an operational answer. I think the transition plan basically is dictated to do X and we are doing that and following that plan. I am not saying that what you are saying is not accurate or correct or it doesn't make good sense in the real world, but we are dealing with that plan and we are trying to follow that plan. That is the best answer I can give you.

Alderman Gatsas asked so in essence tomorrow they could get their numbers together and they could go get another medical provider.

Mr. Hobson answered absolutely.

Alderman Gatsas asked and Blue Cross/Blue Shield is going to stick with these numbers with us. I don't think so. I don't think Blue Cross/Blue Shield is going to look at a body that went from 2,750 lives to 1,200 and give us the same rates.

Mr. Hobson answered the last time they were here, the Superintendent stated that...

Alderman Gatsas interjected first tell me...if that were the case, you are not going to be looking at \$5.7 million.

Mr. Hobson replied I have no idea.

Chairman Cashin stated if the pool diminishes, the premiums are going to go up.

Mr. Hobson replied absolutely. It is going to change.

Alderman Gatsas stated that is my question. What is your answer?

Mr. Hobson replied absolutely.

Alderman Gatsas stated these numbers then, we are sitting here talking about something that is not even true.

Mr. Hobson replied what I wanted to say is that the School District, as far as I know as of 4:30 PM today, they are in no position to go out to an RFP. Their Board may change their mind when we talk to them on Tuesday. One thing that is very important is that neither this Board nor any City manager hire 300 more people that now take health insurance. That has happened.

Alderman Hirschmann asked what if we want to go out and they don't.

Mr. Hobson answered that is a policy decision.

Chairman Cashin stated we will have to make a decision. If you want to go, we will go. We have a meeting scheduled for Tuesday and I think it makes some sense to wait until Tuesday to discuss it and tell them how we feel so that at least we can get their reaction to that.

Alderman Gatsas asked what happens if in three weeks the School District decides to go out on their own and I understand that they can and I wish them well but somebody is going to come back to us and say it is not \$5.7 million for yours, it is \$9 million.

Chairman Cashin answered that is why I would like to wait until we have a joint meeting with the School Board so we can sit down and discuss the issue so that hopefully we can all agree and all go out together. I think that is what we should be doing and I think that is where you are going. If tonight we arbitrarily decided that we are going to go out to an RFP regardless of what the School Board wants to do, all you are going to do is set-up a barrier and I would like to not set that barrier. I would like to discuss it.

Alderman Gatsas replied I agree with you. The only difference is that any RFP that we would go out for would be to their advantage.

Chairman Cashin responded but there has always been a feeling between the Aldermen and the School Board that the Board of Aldermen wear the black hats and the School Board wears the white hats and never the twain shall meet. We are always fighting and I would like to stop that if we can.

Alderman Wihby stated we are suggesting that it is going to cost us more money if the School changes but if they change it is going to cost them more money too. We are either all going to be in it together or not be in it together no matter what.

Mr. Hobson replied yes. As we started the discussion we said that we are in the interesting situation that we are actually the leaders here in terms of the rate structure. The other part I wanted to say was that in all of my discussions with the Superintendent, he has talked about the fact that he would like to get ready for an RFP. He has two contracts open right now. Teachers and principals. He obviously doesn't want to do anything until he is clear on what the City and the School is doing in terms of finishing up the transition plan. I think he would want to work in concert with us and I think his Board would as well.

Mr. Ntapalis stated there is some advantage to School being in a partnership with us because we with Blue Cross/Blue Shield are their second largest account in NH. Fragmenting that risk pool possibly would work to a disadvantage in the long run to the City, as well as the School. Leaving us with the power of a major group to contend with I think our posture for negotiations would be better.

Alderman Gatsas replied that is why I go back to what Alderman Wihby said. If somebody throws on the table that they will reduce administration and improve the rates from last year, I don't think they want to see us departing to a self-insured plan somewhere else and having the City of Nashua and a few other cities understand why we have done that. I would say that the negotiation hammer is much different than what we have in the MediaOne case.

Alderman Wihby asked can we work on that and try to talk to them before we meet with the School Board on Tuesday so we have an idea whether they are going to reduce the costs or not.

Mr. Hobson answered they want to be in the room with you. Their leadership and their folks since they watched the meeting a few weeks ago and heard Alderman Gatsas' comments, Clark Dumont called me dutifully at 8:01 AM saying I would really like to get together with you people because I am concerned about some of the points that are being raised. We have been trying to coordinate all of these various meetings. Obviously, it is to everyone's advantage to get them in a room.

Alderman Wihby asked can you get them in a room before we meet with School on Tuesday.

Mr. Hobson answered we have been attempting to.

Mr. Robinson stated there was a meeting scheduled for tomorrow that had to be cancelled. The Mayor is out of town on Monday and Tuesday.

Alderman Wihby replied well it doesn't have to be the Mayor. We can relay the message to them that we are looking on Tuesday to talk to the School Board about changing plans or doing something.

Alderman Lopez stated we do have a special meeting on Monday at 6 PM with HR and they can be invited there and all of the Aldermen can attend.

Alderman Gatsas replied when you went back about department heads, Alderman Lopez, I suggest that they are very capable of doing that. Let them do that. I am sure that Mark can call Mr. Dumont tomorrow morning at 8:08 AM and say you better sharpen the pencil read hard because these guys are looking at an RFP.

Alderman Hirschmann asked, Mark, with the separate negotiations already happening are they already considering us two different risk pools.

Mr. Hobson answered it is a very good question if I can answer it. The reason why it is a good question is because we said to them based on the transition plan that we would like to have three numbers. We would like to see what we all look like together, we would like to see what they look like alone and we would like to see what we look like alone. That is when we found out that our rates and our claims were going down and theirs volume to volume are going up. More people and more use. To twist around a little bit, I have no problem in dealing with the RFP and doing the work. I do believe that it would be to the Board's advantage for many reasons that you have a discussion with Blue Cross. I have no problem in meeting with them and handling whatever you tell us to do or we come back and give you some other ideas to think about. I believe that Blue Cross is very anxious to sit down and talk with you and they are a big player in the City and it might not be a bad idea.

Mr. Clougherty asked when you talk about rates, what are you referring to. When you say that you want to talk to Blue Cross about lowering their rates, other than the administrative fee, what are you looking at?

Mr. Hobson answered they established that "premium".

Mr. Clougherty stated my point is that we are paying the claims. If you are talking about the rates that they are going to tell you that you should be paying to them in advance for claims...is that what you are saying, that rate because it doesn't matter. At the end of the day we have to pay the claim. I just want to make sure that when we are talking about rates I know what we are talking about.

Mr. Hobson replied there are three pieces to the pool. The stop loss premium, the administrative fee and your claims. You as a user and me as a user you get some information from us in Human Resources and it says your new rate from Blue Cross is going to be X and the City's new rate is going to be Y so the City is going to be paying this much and you are going to be paying that much and that comes out to be a percentage which is their best guess of what is happening in the future. We started at 19% with them or actually more than 20% with the School side and now we are looking on the City side to be about 15%, but the School side is still very high and it is not just a percentage, it is the amount of people. If we were looking two years ago just to keep this in perspective, two years ago they were probably looking at \$6 million in their health insurance. They are probably looking easily at \$8 or \$9 million or more. More people, more claims. It is volume.

Mr. Clougherty stated my point as we have made in the past is it doesn't matter. If I understand what he is saying and maybe I am not understanding, but you are going to have to pay the claims no matter what they are. So, they are telling you that your claims are...I think what they are telling us is that your claims are going up so what we want is for you to give us more money on a monthly basis to cover those claims based on our best estimate, but it doesn't matter because at the end of the day you are going to have to pay all of those claims whether you sent them enough money or not. So, when you talk about the rates, I want to make sure that I understand that I am not missing something here because we are paying the claims.

Alderman Gatsas replied they are telling them that their claims are going to be down by about \$1 million.

Mr. Clougherty responded exactly and that is the point I am saying. What is the rate then and how does that get factored in if the claims are going down? Do you know what I am saying?

Alderman Gatsas replied the rates should be less than they were last year, not more.

Mr. Clougherty responded right. Do you agree with that?

Alderman Gatsas answered I agree with that.

Mr. Clougherty stated so that was my point. I want to be make sure I understand that when you are talking about the rates and again we may not get this answer tonight, but there is a correlation here between the claims. You always have to keep your eye on the claims because if they give you a rate and say we think next year you are going to have \$1 million worth of claims you are going to have to pay so, therefore, over 12 months lets divide the \$1 million, but if you actually have claims that are more than \$1 million you have to pay that additional amount and that is what we should be looking at and keeping a focus on is the claims management. Now the rate that we pay them to administer is something that we have always looked at and argued and beat on, but I think when we start throwing around rates and things like that and looking at our fees we want to make sure that we look at the claims and don't miss that relationship there in these numbers.

Chairman Cashin asked who is responsible for doing that in the City.

Mr. Clougherty asked for negotiating.

Chairman Cashin answered no, for checking on the claims and finding out where we are.

Mr. Clougherty stated that would be HR.

Mr. Hobson stated we have all of the monthly bills and we go through all of that information on a monthly basis.

Alderman Gatsas stated obviously we are having a full Board meeting on Tuesday. Would it be appropriate at this point to have the Clerk draw up an ordinance change so that we can get an audit paid based on the percentage of savings? In other words, if they go in and do an audit of Blue Cross/Blue Shield and they recover \$1 million, we pay them a percentage rather than have them do it...I think Kevin said we need to change the ordinance to be able to do that.

Chairman Cashin stated this is the Finance Committee and I am not sure if we can do it.

Alderman Gatsas replied I am not making a motion. I am saying have Carol prepare a legal whatever you need to do for an ordinance so that it can be presented to the full Board at Tuesday's meeting so that we can get this moved along and not have it take months.

Mr. Clougherty stated my understanding when we explored this the last couple of times is that although it makes sense for this item, it does open up if you change an ordinance a whole array of approaches and that has been a concern. We may want to look at that before hand.

Deputy Solicitor Arnold stated I agree with Kevin. I will do my best to start on that tomorrow morning.

Deputy Clerk Johnson suggested that a special meeting of the Board could be called prior to or after the joint meeting with the School Board and that this item could be placed on the agenda.

Alderman Gatsas asked about the billing to Enterprise funds for worker's compensation.

Mr. Ntapalis stated some of the Enterprise business administrators have said we think we can do better and they may go ahead despite themselves and do it only to find out that they have hurt themselves and I am trying to prevent that. In any event, your point is well taken that that could be doubled. So from \$250,000 in Enterprise funds I could go \$500,000 on my bills to them. I bill them once a year.

Alderman Gatsas asked so you are saying you could recover how much more.

Mr. Ntapalis answered another \$250,000 between those four departments. The billings are done every autumn.

Alderman Gatsas asked based for when.

Mr. Ntapalis answered what we do is get all of the fiscal year results in through June 30. Right around September they are all available to us so we can assess whatever reasonable prorations we give them. We have been on the conservative side as I said. If I may just follow-up a little bit, as far as going out to the marketplace though with all due respect that would not be a good idea as far as worker's compensation.

Alderman Gatsas asked have you looked at rates lately.

Mr. Ntapalis answered I have.

Alderman Gatsas asked assigned risk pool rates.

Mr. Ntapalis answered I have.

Alderman Gatsas asked are you saying that you did some sort of comparison.

Mr. Ntapalis answered as a matter of fact I even included in your package from three of the top property and casualty analysts market conditions as they are swinging and as they are proposed to swing into the future. They are cautioning that worker's compensation after the reinsurance market comes to play with their rates this July 1, worker's compensation alone is going to climb 62% on average nationwide. Now, if I was to turn around and take School and the City side, \$100 million roughly in payroll and put together a manual rating, even a conservative manual rating right now for the insurance industry based on payroll, I am looking at premiums for the City of Manchester and School at \$10 million conservatively. Split it in half and you are still looking at \$5 million worth of premiums that would have to infuse our budget and that far exceeds by \$1.5 million what currently exists in worker's compensation.

Alderman Gatsas asked how much is their premium.

Mr. Ntapalis answered \$180.

Alderman Gatsas asked what did you use for a manual rate.

Mr. Ntapalis answered 10%, which is conservative.

Alderman Gatsas stated the assigned risk pool rate, I believe, is probably like 33 cents per hundred.

Mr. Ntapalis replied the only thing is that on that \$100 million even at 10% on the payroll you have your basic charges right there, whatever the company's profits and commissions might be.

Alderman Gatsas stated if we went to an insurance company and got a fully insured plan, not off a manual rate, assigned risk pool rate, that rate is about 33 cents per hundred.

Mr. Ntapalis asked on \$100 million.

Alderman Gatsas answered per \$100 of payroll so if I took and I took \$80 million because I think that is what their number over there is.

Mr. Ntapalis asked whose number.

Alderman Gatsas answered \$80 million for School.

Mr. Ntapalis stated then you have School.

Alderman Gatsas replied I just used the \$80 million and just took the School side because you said if they left and their premium would be \$800,000 or 10%. Isn't that what you said? I am looking at a premium of \$264,000. If you went to a carrier tomorrow, Peerless or whoever, and said I want a policy fully insured. I am going to pay you the premium. Tell me what it is without any modification because we don't have a modification now anyway they are going to say to you it is about 33 cents per hundred without any discounts.

Mr. Ntapalis responded they might but then you tack on commissions, fees and taxes.

Alderman Gatsas replied no. That is all there. If you called.

Mr. Ntapalis stated it is too good of a deal to be true.

Alderman Gatsas stated if you call the Insurance Commission and ask them tomorrow what is your rate for a school teacher in the assigned risk pool, which Liberty Mutual must right for the entire State of NH...

Mr. Ntapalis interjected we had Liberty up until a couple of years ago on some of our plans.

Alderman Gatsas replied but that is on a manual rate and that is a little different. I am just saying if you went to a fully insured plan and an assigned risk pool I think it...

Mr. Ntapalis interjected there may be some competitive rates to look at.

Alderman Gatsas replied I know it is.

Mr. Ntapalis stated it is fluxing now. You are 100% right. It has been soft for a number of years and it has been fluxing for the past 24 months. We can take another look at worker's compensation.

Alderman Hirschmann stated my question was on the expenditure sheet that you showed. For FY99 the expenditures were a little over \$400,000. What goes on top of that to make you want to come up with \$1.5 million?

Mr. Ntapalis replied you are going to use the summary sheet against me is what you are going to do.

Alderman Hirschmann responded I am using this sheet and it shows \$400,000. You haven't had a history of over \$1 million since 1994.

Mr. Ntapalis replied what I mentioned early on is that what you are seeing on this sheet is what we carry year from year. We are not including that tail end run off, which is still very viable. With the tail end run off, Alderman, as I submit to the Department of Labor every year, I submit a filing and that filing will put all of the other add-ons in there. In other words, all of the lumpsums as Alderman Gatsas brought up. In FY99 you had \$260,000 worth of lumpsums because they were reasonable and I did them in that one year so I can track it. That goes in there. Temporary partial disability. Medical hospital remedial care. Permanent impairment award. So there are a lot of other things that go into claims that may have still been generating activity from 1986, 1987, 1989 and that puts us in the

vicinity of the last several years I have been averaging to the Department of Labor about \$1.25 or \$1.3 million in total expenditures for worker's compensation alone.

Alderman Hirschmann asked this thing that the other departments are going through with the transition or the segregation of the City and School, are you doing the same thing. This year, are you charging them back for your services? What do you do?

Mr. Ntapolis answered I met with the Superintendent of Schools and his administrative staff and basically they don't have anybody in-house that does risk management or insurance. They have asked that I continue to monitor all of their claims. All of the claims do go through me for worker's compensation as well as GL, auto, you name it. What they have done is set aside the money. Finance has pulled out the cash that traditionally we would be using on the GL account and the worker's compensation account and it is placed in the School budget. So, right now any payment that is being made is really coming right out of that School fund. It is not coming out of my fund.

Alderman Hirschmann asked how come they want to do that on Mark's side, but not on your side. They want to have total control on one hand, but over here it is convenient so let Harry do it.

Mr. Ntapolis answered I think that until they have anybody up to speed that will take over their property and casualty claims I will be doing it.

Alderman Hirschmann asked are you charging them.

Mr. Ntapolis answered I am going to be charging them. I am keeping track of the costs. Not only my salary costs, but any fixed costs for the safety consultant as well.

Mr. Hobson stated if I can just add to that, we are all doing the chargeback program that Harry just talked about on a weekly basis to payroll, which is a whole other subject.

Alderman Wihby asked self-insurance over the past couple of years everybody has been getting out and going with a carrier. That is not to say that in a year from now it doesn't turn around and it is to our advantage again but it definitely wasn't in our advantage before and we should have looked at it a few years ago. You said \$250,000. That is nowhere in this budget that we can add to revenue that you are going to receive from the Enterprise funds. Nowhere in the Mayor's numbers?

Mr. Ntapalis answered it is gleamed so close that I closed out last fiscal year in worker's compensation at an all time low and had a surplus of \$140,000.

Alderman Wihby stated I am talking about the charge for the Enterprise funds. I thought I heard you say that you were going to start billing them double and you could bring in another \$250,000.

Mr. Ntapalis replied that will be realized in next year's budget.

Alderman Wihby asked and that is nowhere in his numbers, right.

Mr. Ntapalis answered no, Sir.

Alderman Wihby asked when you talk about charging the School District for your work and everything, is that in that chargeback number already or is that something that was just decided since.

Mr. Ntapalis answered everything has been built in since January 1. I am just helping them now.

Alderman Wihby asked you gave them a number of what it was going to cost them to have you and included that in the chargebacks.

Mr. Ntapalis answered yes, Sir. It was about \$6,000 or \$7,000 just to do their work with my salary alone.

Alderman Wihby asked and the \$250,000 is going to come from EPD, Airport, Water Works, and Parks.

Mr. Ntapalis answered yes. Alderman Gatsas and I had that conversation. He thought I was light when he was Commissioner and I have kind of taken mercy on them but they took advantage.

Alderman Thibault asked has anybody looked into or seen what went on in School for instance where from 1996 to present they have gone up by something like 70% in claims.

Mr. Ntapalis answered what I did was I took the five largest claim using departments and that is what you are referring to on that slip. I have identified them and of course when you see the claims counts of...we have looked into it Alderman and it is something that we are dealing with with the Safety Review Board and the School Safety Committee because there have been some incidences

that drove in the last three years a group of 1,200 employees that were averaging under \$40,000 a year in expenditures and under 39 claims to over 100 claims and in the six digit figures. We knew there was something inherently wrong about a year ago and we have been trying to work through it. Some of it is very sensitive material dealing with restraining coded children and injuries that take place as a result and I won't get into many of those details because they are under the Federal law, but there are some inherent problems that we are trying to wrestle with.

Alderman Thibault asked regarding Police, how come there is such an increase with them in the last two years. They have better than doubled in the last two years.

Mr. Ntapalis answered again most of the police activity that we have noticed are assault related. Affecting arrests and so forth, scuffles, injuries, sprained fingers, backs. A lot of them have a tendency to be medical only, but there are a couple of them that are severe claims where the individuals are out for a prolonged period of time and again it was as a result of in the line of duty work.

Alderman Thibault asked when they go out on overtime to construction sites or whatever, do we still insure them at that point.

Mr. Ntapalis answered what we do with extra detail and that is an excellent point or any time any of our people are marketed out to do work for anyone, we are indemnified. In other words, if our individuals that are out there performing policemen functions and they are hurt and they are working for Public Service or they are working for the telephone company, we will recover through what is called subrogation from the people that have hired them. We make them indemnify us and name us as an additional insured. That is always a protocol for any contract work.

Alderman Shea stated I was just going to mention that Freitas fellow. You are saying that whoever hired him to do the work is paying for his medical expenses?

Mr. Ntapalis replied we pay initially and then we subrogate against the other insurer. We recover the money.

Alderman Clancy asked how is that going to happen because he was on a work detail and he spotted this guy that was wanted and that had nothing to do with the work detail. He spotted a guy that was wanted and he jumped into the back of this truck and you know what happened there.

Mr. Ntapalis answered technically when they are on 24 hour call unless it is related to the extra detail itself, like we had one instance when an anaconda cable, those big cables, was coming off a spool and it came crashing down on a police officer's foot and smashed his bones, we recovered because it was part of the extra detail. Where he functioned as a police officer in affecting an arrest non-related, we absorb that. Not only that, you should be mindful of another thing. When our employees are injured the State recognizes dual income so if a police officer is injured or a firefighter and he receives worker's compensation for his firefighting, if they have an extra job that is also factored into the equation so they are being paid for dual income in the State of NH.

Alderman Shea stated getting back to that police officer, when he was injured, even though he was on a work detail and he spotted a bad guy and went after the bad guy...

Mr. Ntapalis interjected and he caught him and arrested him and did whatever he had to do, but he was hurt.

Alderman Shea asked who is bearing the medical expenses.

Mr. Ntapalis answered the City's fund. The City of Manchester's worker's compensation fund is bearing the cost.

Alderman Shea asked in other words the detail that he was on does not cover that.

Mr. Ntapalis answered in his instance he acted in the course of his police officer duties. It wasn't directly related to being hurt as part of the job.

Alderman Gatsas asked, Harry, what do we pay the gentleman who comes in twice a week. What is the contract?

Mr. Ntapalis answered about \$20,000 a year.

Alderman Gatsas asked who made the arbitrary decision to hire an outside contractor to administer safety and not have in-house safety people.

Mr. Ntapalis answered historically we go back and we had for 17 years a full-time employee and during a budget process similar to this in the 1980's, he went. They displaced him. The Department of Labor, some years later, and in the Statute 281A:51 it basically said you will have a safety program if you are an employer over X amount of people and you will have safety committees. We had no choice but to reinstitute and with the monies available to me I hired a part-time individual. There were not sufficient funds to hire someone with salary and fringe

on a full-time basis. I know that Aldermen had made attempts in past budgets, but it was always cut. It was reduced and the best I could do to keep on the right side of the law was to hire someone part-time.

Alderman Gatsas stated I think that was probably penny wise and dollar foolish because a safety person in-house that knows the employees, that talks to the employees, that is going to run the Safety Committee, I believe is going to reduce your worker's compensation if not 20% maybe 30% over the long run. So, to say that we are paying someone \$20,000 a year to do it twice a week when that isn't even close to being enough and spending with benefits another \$20,000 to have someone in-house full-time that is going to be able to talk to employees and get them to a safety table I look at these injuries and when I looked at your sheet I believe we had 400+ claims reported to the Department of Labor. Nashua that is a comparable size to what we are and I believe they have an in-house safety person, they had somewhere around 150 claims reported.

Mr. Ntapolis replied Nashua, and my counterpart there is Sue Jeffries and we go back some 25 years together and we meet probably once a month to compare and contrast our issues, is also in a dilemma where they have a contract safety officer two-three days a week and ours is two-three days a week depending on how we need him. I didn't ask how much they pay their individual, but I assume probably somewhere in the same vicinity. They are going to be putting in their future budget for a full-time person. I had thought of doing so this year, but I knew we had some real serious budget concerns and I didn't think this would be the appropriate time. That is the only reason I held off, but your point is well taken.

Alderman Gatsas stated if you came to this Board and said I need another person and it is going to cost you \$25,000 more than what you are paying because we are paying \$20,000 and we have a possibility of saving \$200,000 to \$300,000 I don't think there is anybody on this Board that would say no to you.

Alderman Levasseur asked would it make sense for Nashua and us to get someone full-time between both cities.

Alderman Wihby stated I want to get back to what Alderman Shea asked you. I think I caught some of it, but not the whole thing. Were we talking about the officer that was out doing the traffic duty that was getting paid from the individual employer that was there? We are paying the worker's compensation claim for that?

Mr. Ntapolis replied yes. The man that he mentioned we are paying on our insurance.

Alderman Wihby stated he was out working for another employer.

Mr. Ntapalis replied but his injury was sustained...he affected an arrest. Something happened. There was a felony in progress and he got involved in it. It had nothing to do with that employer. If it was, I would subrogate against them as we normally do.

Alderman Wihby asked in those cases are you collecting the money from that fund.

Mr. Ntapalis answered absolutely and it goes back into my fund.

Alderman Wihby asked so you go to them and say I have a claim with such and such and I want that money.

Mr. Ntapalis answered if we pay \$30,000, we recover \$30,000.

Alderman Wihby asked but with EPD and all of those you don't do that.

Mr. Ntapalis answered I do.

Alderman Wihby asked so if anybody had a claim in Water Works you would call them up and say you owe me \$10,000 for this claim and they pay you.

Mr. Ntapalis answered just to stop here, what I do is I bill Water Works on a chargeback for their premium dollars for those commercial policies in place, their prorated share of administrative costs for TPA's, but dollar for dollar on the actual claim costs I don't bill them.

Alderman Wihby asked so the claim that somebody gets hurt in Water Works, the City is paying. That is where you are talking about the \$250,000.

Mr. Ntapalis answered before I get ahead of myself, this is the piece of the puzzle that maybe Randy could address because I believe then we are made whole on the City side and Finance will then bill them for the claim portion.

Mr. Sherman stated Harry is right. He does not bill them because they get charged directly. When those checks get cut, they are charged directly to EPD and Water and Airport and Parks & Recreation. There isn't an actual billing process that goes on there. They are charged directly. It never hits Harry's funds.

Alderman Wihby asked so how are you going to let me use \$250,000 more in next year's budget. Where is that money coming from? Why are you billing them an extra \$250,000?

Mr. Ntapalis answered I have been a little conservative on the billing side.

Alderman Wihby stated administrative wise and stuff.

Mr. Ntapalis replied administrative, the prorated shares for premiums. I mean I spread it around. In other words, I may take 26 departments and I break it down if there were all fully insured and paying towards fire insurance, boiler machinery. All of that comes out of the GL account. I come up with a figure for each department. Obviously on the City side, I don't send an actual bill. There is a memo bill that I put in my file, but I have been conservative on that.

Alderman Wihby asked it has nothing to do with claims.

Mr. Ntapalis answered no, Sir.

Alderman Hirschmann stated Red Robidas, when we put him on wasn't his title safety and security and it was under HR. He is supposed to be doing safety and security for the City.

Alderman Wihby asked it is not risk management.

Alderman Hirschmann answered well he is not just going to work on burglar alarms. There is not enough time in the day for that.

Alderman Wihby stated it is safety in that someone doesn't get hurt as far as shootings and stuff like that.

Mr. Hobson stated his actual title in the system is Security Manager and there is...part of his job is dealing with safety issues, but not in the same status that Alderman Gatsas is discussing in terms of worker's compensation employee-related safety.

Alderman Pariseau asked why isn't it. Maybe that would keep him away from the Airport.

Mr. Hobson answered the Airport pays for 2/5 of his salary.

Alderman Pariseau asked is he the Airport security officer or the City Hall person. The Airport already has the County Sheriff.

Alderman Clancy asked the police officer that got disabled from the phone company with that cable, did you give the bill to the telephone company.

Mr. Ntapalis answered the bill went to the telephone company and they reimbursed us for the amount of medical problems that the particular individual had.

Alderman Clancy stated he is out on permanent disability. Does the telephone company pay for that?

Mr. Ntapalis replied the telephone company pays for all of the worker's compensation costs. I don't know how the State handles his retirement.

Alderman Clancy stated it is 2/3 disability.

Mr. Ntapalis replied that doesn't come out of my budget but the State probably has some kind of provision to deal with something along those lines. If I could, Mr. Chairman, real quick and I promise I will make it quick just to expand on this loss prevention issue as Mr. Gatsas has mentioned obviously when you can put and I know we have heard a lot about it from other Aldermen in the past on the Insurance Committee as well, more proactive measures including people that are specially trained in loss prevention the individual we use is certified in loss prevention. He is familiar with worker's compensation and GL and so forth as is Nashua's, but I do piggyback...with every company that I do business with when I go out to bid whether it is a commercial plan or a TPA, I get at least one hundred to several hundred hours of free loss prevention time. People conduct clinics for defensive driving, and repetitive stress seminars throughout the City. Those are all free. Free in a sense that it is part of the contract. I am sure that it is built in somewhere along the line, but I do try to beg, borrow and steal.

Alderman Gatsas stated you would have those free all of the time if you had somebody on board.

Mr. Ntapalis replied pretty much.

Alderman Gatsas stated and instead of 100 hours you would have somebody available to you for 2,000 hours.

Mr. Ntapalis replied that is my fault because I didn't come through the budget with that.

Alderman Lopez asked is there any type of program or directives to department heads or some procedure where these people under worker's compensation get hurt is that part of their evaluation when they get the bonuses that they got last year.

Mr. Ntapalis answered as far as the procedures go, all of the department heads are updated and every time there is a change in statute that comes down from the Labor Department, even something as minor as a change in the mileage allowed for medical physicals, we post those and distribute them to each department.

Alderman Lopez replied I understand that Harry. I am talking about when people on worker's compensation get hurt. Do you correspond or is that vocally? Do you correspond to the department head or the Mayor? What is the procedure? How do you train that department head to be involved in the safety aspect of the department?

Mr. Ntapalis responded that is a good question. The reason we went self-insured...one of the reasons why we did it was to constantly have dialogue with department heads. We never leave them out of the loop. If they have individuals that are hurt, every month they get quarterly statements showing the expense that that is costing the City.

Alderman Lopez stated that is not my question. What do we do in writing to the department head to tell them that they have a high rate of safety issues in their department? What do we do in writing?

Mr. Ntapalis replied every month we give them the loss experience, the loss history in writing showing the name of the individual, the cost, we invite them to Safety Review meetings.

Alderman Lopez stated well maybe Mark can answer my question.

Mr. Hobson replied Harry is answering a part of it. They do receive a report every month. They also receive payroll data. If they have people out on worker's compensation, then it goes right to their bottom line. So Frank Thomas, for example, one of our largest users, Frank and I probably talk once or twice a month about his issues with worker's compensation and what is happening with the reports that come out of HR to him. So, with the THE system for the past two years, it has been hitting their payroll. It hits their bottom line.

Alderman Lopez asked does anybody have any knowledge of whether anybody has ever received a letter from the Mayor who is the CEO saying hey department head the safety factor in your department is lousy, shape it up.

Mr. Ntapalis answered they are constantly being notified, not only by our office but by the Safety Review Board. On rare occasions we have solicited the Mayor to come in and carry the big stick and actually attend a Safety Review Board meeting.

Alderman Lopez stated well he is the one who evaluates them.

Mr. Ntapalis asked you mean the department heads.

Alderman Lopez stated that could be one of the criteria for them getting all of these bonuses.

Mr. Ntapalis replied we could always copy the Mayor's Office on their loss history every month.

Alderman Lopez stated everybody has to get involved in this thing in order for it to work. I know how it works where I come from. Somebody is in charge and somebody follows up and somebody gets correspondence. They don't get vocal chords, they get it in writing to make sure that everybody is aware of it. That is how you get the safety factor down.

Alderman Wihby asked on Page 1, Department Salary Budget Detail, all that is is what is in our book anyway.

Mr. Hobson answered yes.

Alderman Wihby asked there is no decrease there or anything.

Mr. Hobson answered before I finish tonight what I would like to do is at least make sure you understand Page 8, which is the next important money page and to tell you that all of these pages that you see here, this is all back-up detail that the Board asked for at the last meeting so while you have this information in the booklet form that you have now, this is broken out, we hope, to your request very specifically in terms of the base salaries, OT, what is counted in salary adjustment, what is in the other special pays and then the total. If you go to Page 2, we break out what is in salary adjustment.

Alderman Wihby asked so salary adjustment is already included in Page 1.

Mr. Hobson answered right.

Alderman Wihby stated all I am getting at is that these are the same numbers that the Mayor used in the budget process. These aren't anything new. If I look under Assessors and I add up all of the different line items it is the same as the Mayor's number.

Mr. Hobson replied with exception to Page 8 that I want to go over with you. May I go to Page 8 now?

Alderman Wihby asked how about Page 6 before we go to Page 8. That is what?

Mr. Hobson answered at the last meeting or at the Saturday marathon there were questions asked about well what did Human Resources propose to your budget when you say that HR cut your budget or whatever. We wanted to show you what the proposed budget cuts were that we made to the Mayor who in turn put them into his budget. These numbers are in his budget. We just wanted you to see what they were because you asked for them. Page 8, these are issues we told you, I believe, on that Saturday and I wasn't there for the whole day but I believe we told you that there were some issues that were coming out with some of the departments. Some of them were brought up to Wayne's attention. One of them was brought up to our attention. The Planner I position was somehow put into the Enterprise fund in the budget process. It is not an Enterprise position. The Outreach Worker, after the budget was established Regis apparently contacted the Mayor's Office and stated that he is 99% sure that he is going to lose the grant funding for this position and he doesn't want to lose the person so that is coming back to the bottom line. The next one is just an operational issue. We have to move \$314,000.

Alderman Wihby asked if we don't move that and the Mayor's budget is adopted, is that a problem. Can we later on transfer that or what happens?

Mr. Tawney answered I believe you can transfer that later on.

Mr. Hobson stated the last one was brought to our attention and it is our fault. We had a data entry error of \$3,500 in the Solicitor's budget.

Alderman Hirschmann asked for detail on the \$314,000.

Mr. Hobson answered I will turn that over to Mr. Tawney.

Mr. Tawney stated the overtime, they came in and zeroed out a large number of items and in discussions with the Mayor they needed to fund certain things and after discussions it was decided that they would use overtime money to do that.

Alderman Hirschmann asked do you mean to tell me that Saturday when they sat there and talked about cutting out the DARE Program and all that stuff somebody decided that all of the sudden they have money in overtime that they can move over to cover all of that stuff. The Aldermen weren't even talking about it, but somebody else went and decided to do this?

Mr. Hobson answered I don't know. This is out of our control. This was brought to the attention of the Mayor's Office. We want to fix it and we are bringing it to your attention.

Alderman Hirschmann stated we want to fix it to, but we want to be doing this as a team. Now, Kevin brought up a point last Saturday. The Mayor proposed his budget in one column and the day he proposed it, March 31, 2000, those numbers are not going to change. If there are any changes, there is going to be another column made up by somebody and I don't know who is running the budget but it is going to say Aldermen's changes, Aldermen's budget, I don't care what it says but it is going to say something different than Mayor's budget. This has to be discussed. I know it says proposed changes but all of the sudden they find \$314,000.

Alderman Wihby replied that was my question. Even if we don't change it, I think they can change it. It is not like...if they didn't tell us about it they could still do it themselves. Is that true?

Mr. Clougherty stated they would have to get approval from the Mayor.

Alderman Wihby stated they came to us looking for additional monies for something and you are saying that they moved this to do that.

Alderman Hirschmann replied I am talking about the DARE Program. When Police was here I said we are going to cut out the DARE Program and you guys are asking for more money for administration and all of the sudden the money is back.

Alderman Wihby asked are we saying that the money isn't just a mistake in changing numbers. It is because they wanted to fund some of the stuff they needed?

Chairman Cashin stated why don't we wait until Wayne comes back.

Alderman Gatsas stated I asked the question and I don't know if it was Police or Fire but it was asked why don't they look at their overtime situation and could they hire...

Alderman Wihby interjected I asked Chief Kane.

Alderman Gatsas stated I asked can you look at your overtime and if you could hire four new firemen or policemen or somebody can you reduce overtime.

Mr. Hobson stated Police had also proposed in their budget process they had talked about the fact that they were concerned about their overtime with court related fees. They are attempting to put some plan together to try to decrease that overtime amount and they are talking about that they may have to hire a person or transfer a person to do that. I don't know where they are at with that, but that is one item. Number two, I know there was and I am not sure if this was...I don't know if it is related. I think this may have just been an operating funds issue.

Alderman Gatsas asked so their overtime went from \$1 million to \$700,000.

Mr. Hobson answered \$770,000. Wayne, on the Page 8 where we have the proposed changes to the Mayor's budget we are all a little stumped over the \$314,000 with the Police overtime. We can't quite put our finger on why we need to do that or how that happened. Can you help?

Mr. Robinson stated in meeting with Chief Driscoll, he was claiming that his bottom line he could live within so he said if they could reallocate the overtime and move it to the operating line he could live with it. That is all that is. It is just taking it out of overtime and reallocating that amount among the operating expenses. His bottom line does not change.

Alderman Wihby asked was this after the budget meeting we had with him.

Mr. Robinson answered yes.

Alderman Wihby stated so when he told us he is short now he is saying that he is not short anymore and he can do this.

Mr. Robinson replied I asked him. I said if you could reallocate \$314,000 from overtime to your other operating lines and not change his bottom line. The bottom line has not changed. It is just a reallocation of funds.

Alderman Gatsas stated he sat right here, Wayne, and told us it couldn't happen. Now if he went in the Mayor's Office and decided that it could happen...

Mr. Robinson interjected he did not decide that himself.

Alderman Gatsas asked who decided.

Mr. Robinson stated I asked him to show me what it would look like if he reallocated those funds.

Alderman Gatsas stated he told us right here on Saturday...I asked him four times and he said it couldn't be done. Overtime couldn't be moved. That is what he sat there and told us. Now if we need the record, let's get the record. I am telling you what he said. I am not looking to shoot the messenger. I am just saying that I remember quite precisely asking him could you bring in new employees to reduce your overtime because that seems like it is 10% and it is too high. He said no because court costs are \$400,000 and went right around the gamut and I can almost see the chart that he gave us and that didn't happen. Now if he had come back in here and said you now we just changed something, but he changed it in the Mayor's Office.

Mr. Robinson replied it is not a change. It is proposed.

Alderman Gatsas asked well why didn't he propose it to this Board first.

Mr. Robinson replied I can't answer that question for you.

Alderman Gatsas stated this thing says at the top proposed changes to the Mayor's budget. I think the Mayor's budget is in, isn't it? How does this process work? Isn't his budget on the board and this is now our budget?

Chairman Cashin replied this is our budget.

Alderman Gatsas responded so this change should say Aldermen's proposed changes. That is what it should say.

Mr. Robinson stated for example if you remember Frank Thomas' presentation, he had the Mayor's budget and then he had another column saying if I could reallocate money from the salary lines this is how it would look. This is all Chief Driscoll is doing. The bottom line has not changed. Impact to the taxpayer has not changed.

Alderman Wihby stated he is no longer asking for us to add to the budget.

Mr. Robinson replied well that is another question.

Alderman Hirschmann stated we are the Finance Committee. We are holding these hearings. We sat here for seven hours. If someone is going to change something in two minutes you think they would have the courtesy to tell us in this room with us here, not going in that room over there or that room over there. Alderman Vaillancourt is right. Now the stuff is starting to happen. It is supposed to happen here. If you are going to be the Chairman of Finance, it has to happen right here.

Chairman Cashin stated I have no control over what happens in the Mayor's Office.

Alderman Hirschmann replied I am pissed off.

Chairman Cashin responded well you shouldn't be. I think what happened here is Mark came to us and presented his budget and he was asked a couple of questions and he may have said no we can't do it and a day later I am assuming Wayne probably sat down with the Chief and said look...

Alderman Gatsas interjected don't say that. Don't put yourself in that box because I am saying to you it didn't happen that way. I respect you too much to let you walk in that door.

Chairman Cashin stated it had to happen that way.

Alderman Gatsas replied I respect you too much to let you walk in that door.

Mr. Robinson stated so far he is correct.

Alderman Gatsas replied it didn't happen a day or two after.

Chairman Cashin stated well then at some time the Chief went to the Mayor's Office and discussed it with Wayne and it was decided that the bottom line was not going to change so what can you do to work it out and he said well I don't know how it is going to work but let's take \$314,000 out of overtime and put it into the operating budget.

Mr. Robinson replied that is correct.

Alderman Hirschmann stated we didn't agree to that.

Mr. Robinson replied that is why it is proposed.

Alderman Hirschmann stated well Chief Driscoll can come back and present it to us. How's that?

Alderman Pariseau asked, Kevin, if we allocate monies to the salary account overtime they can't transfer it over to other line items once the budget is adopted or can they.

Mr. Clougherty answered they can't allocate the salary money to the other line items. If they have money in regular salary and overtime within that salary heading, they can do that but we have had them come back to the Board for something involving salary because that has benefit ramifications and other things.

Alderman Shea stated, Mr. Chairman, I have the Police budget here and they have documented all of the amounts of money that they want for overtime. They have call back \$300,000, emergency \$255,000, court contractual \$400,00, training \$65,000, planned \$35,000, special events \$29,500 for a total of \$1,084,500. Now they put that here in the breakdown of their salary requests so I am not sure if they are padding the overtime budget if they can afford to take \$300,000 out of that and put it towards something else. I mean, I respect the Chief but I don't respect his actions in this case. That is not right.

Alderman Gatsas asked they had \$1 million and change and they can live with \$770,000 in overtime.

Chairman Cashin asked do you want to have him come back and explain this.

Alderman Hirschmann answered yes; he should come back and explain it.

Chairman Cashin asked what do you want to do about the Police Department. Do you want to invite them back here?

Alderman Gatsas answered I would hope that every department is coming back in here.

Alderman Vaillancourt stated I certainly anticipated that.

Chairman Cashin asked you want all departments to come back here, even the ones we have already talked to.

Alderman Gatsas answered absolutely.

Chairman Cashin stated all right.

Alderman Gatsas asked how are we ever going to know this.

Alderman Wihby stated there are no other numbers changed right.

Alderman Vaillancourt stated I would like to change a few.

Alderman Gatsas asked if somebody is telling me that Police have \$314,000 in overtime that can be moved, I don't want to know what Fire has.

Mr. Hobson stated these are the items that were brought to our attention. We knew we were meeting with you on the benefits matters and we were giving you back-up data on the salary matters. I spoke about it with the Mayor's Office and we agreed to include this page with you so you would at least know the data.

Alderman Vaillancourt stated I am very concerned now about this OYS Outreach Worker. Apparently this is Federal funding that has now dried up. So, whenever Federal funding goes away, we get that assuming that we are going to get it forever and when it goes away we just continue the positions. Have we ever considered stopping these positions when the Federal funding goes away? What is this position? I wouldn't consider picking this up until I knew a lot more about what this position is. I can read what it is, but I would like a little description about what it is. What does this person do? Is it absolutely necessary? Is it the kind of thing we can live without?

Mr. Hobson replied you understand that I don't think I am in a position to answer that question for Regis. I can give you objective tactile information about what his organization looks like, but Regis needs to explain that in his budget.

Alderman Vaillancourt stated barring that explanation, I wouldn't accept this position then.

Alderman Gatsas responded the answer to your question, Alderman, is that from what I understand from the little query that I did and it was certainly not in-depth but when we get Federal funds and we hire let's say policemen and we have a complement of let's say 200 and they give us funds for 20 well if we reduce those 20 we have to give money back because the deal is you keep them. I don't think anybody ever tells us that so by perpetual growth through these grant fundings that we get, we just grow without anybody knowing that we are growing because you can't reduce because you have to give money back.

Chairman Cashin stated I am not speaking for the whole Board, but as far as with the police, I knew that.

Alderman Gatsas asked that you could never reduce anybody.

Chairman Cashin answered right that we couldn't reduce those without paying penalties to the Federal government. I knew that and I thought most of the previous Board members knew that. As far as Youth Services, that is a whole new ballgame. I don't know about that. As far as the Police go, I don't mind telling you that I knew that.

Alderman Gatsas replied I understand that, Alderman, but you can go out and get a grant and hire 30 policemen and then next year we own them.

Chairman Cashin responded we need them.

Alderman Gatsas stated I understand we need them, but if you continue doing that then you continuing needing them but you are always at their whim.

Chairman Cashin replied you are right and there is going to come a saturation point. I don't know what that point is or what that number is, but we need policemen.

Alderman Gatsas stated for somebody to just come in and say we are going for a grant for \$500,000 and it is 10 policemen and it is not costing the City anything, I think that there needs to be an impact of somebody saying if you do this, this is what it is going to cost at the end of three years if that grant runs out.

Chairman Cashin replied the previous Board knew that.

Alderman Vaillancourt stated maybe we should ask about that Judd Gregg press release and how much that grant is going to cost us that we got the other night then. I am having second thoughts about that.

Alderman Levasseur replied that is money they give us; it is not people.

Alderman Hirschmann stated I have an insurance question. Harry, I know we haven't gotten to that line yet, but the casualty insurance, the other night we had a public hearing and some of the School Board members came up to us after the meeting and said that their catalogued assets in the School are being stolen and disappearing and they are not being replaced by insurance or by the operating budget. I had a question about that and the second part of that question is with all of the millions of dollars that we are spending on the NORESO alarms for all of the schools don't we get better casualty rates. Why aren't those assets being replaced?

Mr. Ntapalis replied both of those are very good questions. The first question that I will address is the losses that have taken place in some of the schools. Into the school year and many times during vacations anywhere from high school computers to...we reimburse them to the degree that we can but there is a fine line. If there is forcible entry in any of the school buildings like windows ajar, getting past the security systems and so forth those are all items that are compensable. We will pay for those.

Alderman Hirschmann asked is it possible that you are compensating the School District but they are not replenishing the computer and they are using the money somewhere else.

Mr. Ntapalis answered generally payments on checks do not take place at least it has been that way when we process them through our operation and the checks are cut in Finance unless there is an invoice evidencing indeed the work that has been done or the replacement for a product has been acquired. That is a good check and balance. I do feel badly at times though when there is no plausible reason but just a sudden and mysterious disappearance. As you know, even in any insurance policy that is the one area where exclusionary language comes into place so we can't help them there in as much as we would like to. The second part of your question on the alarm systems, we are self-insured so we are not in the commercial marketplace as we were in the mid-80's for liability insurance. There are certain types of credits that you do get and we avail ourselves of credits on say fire insurance in the event of fire loss on fire apparatus that are installed, sprinklers, alarm systems, and detection for water. We get a hefty decrease in premiums. As a matter of fact, so hefty that it dropped from \$142,000 a year in property premiums to about \$75,000 or just about half.

Alderman Shea stated I want to mention that many of the items that are in schools have been purchased by the PTA's or the PTO's and over the course of years those really are...the ownership is retained by either that particular organization so that in essence unless they turn that material over to the school as their possession those are not replaced by anyone so if somebody gets into say Hallsville School and there are three computers that have been paid for by the parents then they have to either have their own insurance or they are not replaced by the City.

Mr. Ntapalis replied you have to have an insurable interest. That is the bottom line. It has to be under our care and control and we have to have an insurable interest before we replace anything.

Alderman Shea responded I must say that the parent groups raise literally hundreds of thousands of dollars.

Mr. Ntapalis stated one exception to the rule that we did make was at Northwest Elementary. As you know they had that major water loss and a lot of the books and periodicals and study materials that were for academics for the youngsters were purchased by teachers. It came out of their pockets and we had them submit an inventory and we were able to replenish scholastic books at that point and waive any of the exclusionary language under our coverage.

Alderman Shea stated particularly at the elementary level teachers contribute at least of their own money anywhere from \$1,000 to \$2,000.

Alderman Lopez asked, Kevin, I didn't quite hear that last portion about overtime. The salary account and overtime account can that be changed at any time.

Mr. Clougherty answered I think Carol is going to address that in her comments.

Deputy Clerk Johnson stated I am in the red book, Page 181. There were a few questions raised this evening about the whole budget process. One of the issues that came up is with regards to the Police Department and the OT and moving that around. If you refer to your City Charter, there is a specific process for transfers of appropriations. I am going to read to you...I am actually going to read to you from the middle of a paragraph and then I am going to back it up a little. The middle of the paragraph says that the Mayor may authorize a department head to transfer all or any part of unencumbered appropriation balances among programs within the department or organizational unit and shall report such transfers to the Board in writing prior to its next meeting. Now Mayor Baines, up until this point, has opted to bring those transfers directly to the Board when he feels it is appropriate that it be done. The Board has actually made those transfers, but the Charter revised that he could do that and then just advise the Board that it has been done. In the instance where something might affect unencumbered balances from one department to another or a major organizational unit, which could be construed to include your restricted items in this case, that would require a transfer by resolution of the Board. So, I think the reason we say that salaries becomes an area where sometimes the Board has to act is if for instance the Chief was taking overtime and putting it up into salaries that would affect your restricted items so that needs to come before the Board because you are in essence expending funds out of a different section of an appropriation on a resolution. So, I guess the short answer can the Chief say he wants to take it from overtime and put it in the operating budget expense is yes. If it were to go into salary, the answer would be it needs to come back to the Board. These are all...the transfers of these appropriations are based on once the budget is all adopted. What has been proposed to you is to understand what the Chief intends to do with his bottom line so when this went into effect it would not be a transfer if the Board were to accept

what is being proposed. But, it again has to be accepted by this Board as understanding that that is what the contents of the resolution are.

Alderman Lopez stated that was a key element on the budget being adopted, but coming back to this Board as far as I understand and I will let Alderman Wihby or somebody that has been here longer...this budget has been given to the Aldermen and he is coming in now to this Board saying I want to take my overtime and put it in my operating budget. This Board could turn around and say hey you found \$314,000, thank you very much.

Deputy Clerk Johnson stated there has been discussion going back and forth and I was not part of...I wasn't here on that Saturday that you all met and I missed the highlights of that event but I guess what I am suggesting at this point in time because there seems to be a general sense that you want to go through each department item on the resolution that perhaps the Clerk places the resolution on a Finance Committee agenda and you proceed to ask all of the departments to be present and you go through each of those line items on the resolution individually and then you can make motions at that time to amend the resolution accordingly. Certainly, if you wanted to remove the funds of \$314,000 from Police at that point, you could do that or if you wanted to come to the agreement that yes it makes sense to allow them to keep the money and maintain the DARE Program or whatever, that is fine to. That is the Board's decision. But, you could at that time make physical amendments and go through it and the departments would be here to answer questions as they arose. It was done that way many, many years ago that I believe Alderman Pariseau may recall when Joe Acorace was here many years ago they used to do that and Alderman Cashin may also recall. Some of you are new here and may not remember those days. It was done that way at one point in time and it seems to be that that is what the Board is feeling they want to do – to go through it department by department and take a physical action at that time while the department head is here. Then we need to come up with a physical schedule to do that, which I can also give you some suggestions this evening on.

Alderman Lopez asked is this common practice, what is being done now. The budget was proposed by the department to come to the Board of Mayor and Aldermen. Is it common practice for a department head to come in and make a proposal?

Chairman Cashin answered yes. The departments submit the budget to the Mayor and the Mayor submits his budget to us. Now it is our budget. Whatever we do, we own this budget.

Alderman Lopez replied I understand that. So, in the past departments, once the budget was cut, came in and said I want to reallocate my funds with this Board's approval?

Alderman Wihby stated a lot of people are upset that Chief Driscoll isn't here, but he may have planned on coming back and talking to us and maybe Mark Hobson came here before that happened. Even though we are upset with Mark...

Chairman Cashin interjected I don't think we should be upset with anybody.

Alderman Wihby replied well what I am hearing from people is that the Chief is trying to play a game or something and that might not be fair. He may have been calling us tomorrow or coming into the next meeting.

Mr. Robinson stated the bottom line has not changed. If you look at the big picture, nothing has changed from the Mayor's budget.

Alderman Hirschmann stated all I am saying is that we are having all of these reasons for a purpose and if the department heads are going to request changes and make changes they should come here. We are the Finance Committee working on the budget. The Mayor has already proposed the budget. The Mayor is part of the Finance Committee as well. The department heads can come here and say we have a \$314,000 request that is going to benefit a department and let us know. We are not supposed to hear from it second hand. Period. Second hand is how we heard it.

Alderman Vaillancourt stated I am not upset with the Chief or anyone. I think we should be upset with ourselves if we thought we were going to get through this without having him back in here and every one of them back in here because I plan to cut at least \$314,000 from this budget and every department budget so I am just glad to see that he has provided us, as Alderman Lopez said, with a guide map to do that. I think we should thank him.

Alderman Wihby asked where are we going. Are we going to have all of the departments in or what are we going to do?

Chairman Cashin stated we will come up with a schedule.

Alderman Gatsas brought up the form that he asked for. It was supposed to include the original budget request and the Mayor's budget number.

Mr. Robinson stated I have it. I can give it to you.

Alderman Gatsas replied we need to have somebody start making a list. Wayne, I am sure you have been asked so many things so maybe what we need to do is have a running list and once we receive it we can remove it so some Alderman like myself doesn't say how come we didn't get it. You can say it was on the list and delivered on such and such a day. I know that it has been three weeks now or two weeks since I asked for it and I haven't seen it. Maybe it is just an oversight or whatever, but we should at least see what the departments came in looking for when they came to the Mayor I would assume. I don't know if this Board wants it or not, but I would like to see it.

Alderman Vaillancourt stated I thought that was going to be the springboard for us coming back here to meet again with them.

Alderman Gatsas asked can I get it Wayne.

Mr. Robinson answered yes, Sir.

Chairman Cashin stated the Board can get any information that they want.

Alderman Gatsas replied I don't question that. I am just saying that I am asking for it and I don't think there needs to be a consensus. I am asking for it and if nobody else wants it, you can ask whoever wants it and if they don't want it, that is fine.

Chairman Cashin asked how do you want to work this out with the department heads. Do you want to call each department head in?

Alderman Pariseau asked aren't we going to finish what we started on that Saturday.

Chairman Cashin answered we still have those that have to come in, but now you are telling me that you want them to come back.

Alderman Pariseau stated I think we ought to go through it once and then see what happens.

Alderman Hirschmann stated what we should do is go through the preliminary round of everyone's presentation and then tell all of the department heads that we may want them back. We will have to decide on a case by case basis. If there are changes that they are requesting, they should copy this Board or ask to come back before us themselves. They may be requesting changes to the Mayor's budget themselves.

Alderman Gatsas stated I believe the other thing we asked for was for somebody to prepare some report or some scheme of a report that everybody would be on the same page with. I thought that Kevin was going to do it or Finance or somebody was going to do that so that the department heads could come back to us and we would all be on the same page. That was another thing requested. That was done on that Saturday two weeks ago. I don't know if that has been done or not.

Mr. Robinson stated I was given a report this afternoon and I don't know what you were asking for. I was given a report and I will show it to you and if it what you were asking for, I will make copies for you.

Alderman Gatsas replied I thought something was going to be prepared so that everything is the same so that every department is on the same page so somebody is not bringing us one element and somebody is bringing us something else and we are looking at different books.

Alderman Wihby stated that came into effect when we were talking about the FICA and all that stuff and we said let's just get the one page and put the FICA in there so we can have it all in front of us. We didn't get it.

Mr. Clougherty stated we have that report. That is the report that Wayne is talking about. It has been prepared. We are just reviewing it to make sure that it is, in fact, what the Board wants. We didn't think we would be using it tonight for the restricted items and you will have it next week. It is done and we will try to get it out to you tomorrow. It doesn't include a column for requests because we don't have that information, but it does have your FY99.

Mr. Robinson stated may I offer a suggestion that the Board get together and decide on a format for your reports. I believe this request came from the right side of the room and the left side of the room has no idea what you guys are talking about. Do you know what you are requesting? We need to come up with one format.

Alderman Wihby replied you are doing a good job. We are not taking out our frustrations on you.

Mr. Robinson stated the numbers have not changed.

Alderman Gatsas responded I will disagree with you and say yes they have because I asked him in that chair five times if overtime and the Mayor was sitting there and he said to me no it can't be done.

Mr. Robinson replied when I said that the numbers have not changed...

Alderman Gatsas interjected yes they have. They have changed. Maybe the bottom line hasn't changed, but that overtime number has been reduced by \$314,000.

Mr. Robinson replied I would have to disagree. If you look at all of the reports, that number has not changed. They are proposing a change. The number that is on the table is still the same.

Alderman Gatsas asked but how does somebody tell us no and this is a proposed change. It doesn't just happen when somebody asked the question five times.

Alderman Shea stated the Highway Department prepared some sort of a budget and they put a sheet on the end here that we were supposed to get that agreed with theirs I thought. In other words, their department adjusted FICA or whatever and Frank Thomas had that and I thought that each department was going to submit that to us. That is what my understanding was.

Mr. Robinson replied once again, we are asking for another form.

Alderman Shea asked didn't we request that at one time I thought. The FY00, the requested FY01, the Mayor's budget, and what the department adjusted would be. I thought that is what we were going to get from each department. That is what I thought.

Alderman Vaillancourt stated I think we agreed it was the best presentation.

Alderman Hirschmann moved that changes within the department budgets come before the Finance Committee. Alderman Levasseur duly seconded the motion.

Chairman Cashin stated I am going to come out of here tonight with a form that everybody can agree with if we have to be here until tomorrow morning. I really don't care at this point. Wayne has given us more paper, we have cut down more trees and we still don't have what we are looking for. Now whose fault is it? Collectively, it is our fault. Now what do we want? Can it be on one sheet? I think it could be.

Alderman Gatsas stated I disagree that it is our fault. We sat here on Saturday, said what we were looking for and if somebody wants me to produce it and let them print it out and have the department heads do it, we can do it. I don't have a problem. They said they were going to have it ready and they would give it to us next week.

Mayor Baines replied we have worked on exactly the form that you asked for. We do have what we think you asked for. We will go and get copies to show you.

Alderman Pariseau stated I think what we are looking for is one sheet from each department addressing FY99 actual, FY00, their proposed FY01 budget and the Mayor's proposed FY01 budget. Four columns.

Chairman Cashin replied they are going to give us a copy of the form and we will use it as a model and make any changes that we want so that everybody knows so when we leave here tonight we are talking about a model.

Alderman Vaillancourt stated as a former sportscaster, I remember the Dean Smith days at North Carolina where they went into that old four-corner offense. I hope we are not going into the four corners and trying to run the clock down to the deadline here because I think we have a lot of work to do and four corners will not be tolerated by this former sportscaster. What I am saying is that time is running and we don't have much time and I realize that if we don't do something the Mayor's budget will automatically take effect, but if we have to work here 24 hours a day I don't think the four corner offense is going to stall this one out.

Mr. Robinson passed out copies of the form.

Alderman Pariseau moved to accept the form. Alderman Vaillancourt duly seconded the motion.

Alderman Wihby stated health insurance at \$12,492 and proposed change negative. What are we comparing that to? Fiscal year proposed changes. Do you have that sheet, Mark? The second to the last column is comparing...I don't know what it is comparing. It is comparing FY00 plus the Mayor's and then the last column does what?

Mr. Clougherty stated if you look at the handout that Mark gave you tonight, there is a reduction from the Mayor's budget from health insurance. What he has done is he has gone down and taken and prorated the difference between...my understanding is that if you look on the sheet that Mark gave you tonight there was a reduction there from \$6.8 million in the Mayor's budget to \$5.7 million. We have taken that difference and prorated it amongst the departments. The \$1 million will show up, I believe, in the HR Department.

Alderman Wihby asked how do we get a column of -\$12,000. Are we talking about the same thing? It says proposed change. What are you comparing it to?

Mr. Clougherty answered the thing that the Board had asked for was a form with a column that lists all of the proposed changes. We are not going to change the Mayor's budget or compare it to anything. You just wanted a list of the changes that are being recommended. If you take the recommended change from HR and you are going to adopt what they are saying and go from the \$6.8 million to the \$5.7 million, then you would have to reduce those health insurance numbers in every department by those amounts.

Alderman Wihby stated so you are saying that the Mayor's recommended for health insurance of \$42,000 I could reduce in the budget by \$12,000. I can make it \$30,000?

Mr. Clougherty replied right.

Alderman Wihby asked so some of them are going to be plus and some are going to be minus.

Mr. Clougherty answered right.

Alderman Wihby asked what is the net result of that last column. Would it be zero?

Mr. Clougherty answered yes. You are talking citywide.

Alderman Wihby stated if we were going to go to our own budget, the Mayor has \$122,000 and you are saying we could now use \$110,000 for our number and basically those are all just health insurance numbers and going to end up being netted out anyway.

Mr. Clougherty replied correct. He goes in and makes those changes and prorates them amongst the departments. You wanted to see the impact and you wanted to see it by item.

Chairman Cashin stated I am going to the poll the Board and I am going to ask each one of you individually. This sheet that you have in front of you, is this what we are looking for? Alderman Lopez?

Alderman Lopez replied it is fine with me.

Chairman Cashin asked Alderman Shea is this what you are looking for or do you want to make some changes to it.

Alderman Shea answered I don't want to make any changes to this. This is fine for the time being. In terms of other items that aren't listed here, there might be some that might affect...if every item has overtime this does not have overtime. As far as this is concerned, fine, but when it comes to Police, Fire or whoever else, they are going to have to have other items on there.

Chairman Cashin replied right but the format was have here is okay.

Alderman Shea responded yes.

Alderman Gatsas stated with one more column added. I think that Alderman Shea wants that last column added of what the departments proposed changes are and they have to be put it in and it can't be done here. So, the department head has to get this same form and we all should be working on the same one and he should then make his proposed changes in the last column and then we should all get that one that is completed.

Alderman Wihby responded my understanding is that all we are doing is okaying the bottom line. They are going to be able to...within their budget after they get it they can move those numbers around anyway. So, if they are going to be able to move it anyway, do we really care what they want now? All they are going to do is give us all new columns of I want this money arranged this way and it is all going to equal the same amount because they are going to say I am happy with the Mayor's number. Do we want them so that we can question those individual line items? Is that what we want them for?

Alderman Gatsas stated that is what Alderman Shea said that Highway had put on their sheet. I was just helping him out.

Alderman Wihby asked then you could actually question what they really want.

Alderman Shea answered that is right.

Alderman Vaillancourt stated the way to decide how you are going to cut a budget is to see everything and to see where things are moving around and how you can cut. That is how we learned something from the Police Department. That is how I learned something when we went through the Highway Department budget. The more information you have, the better off you are. This FY99 expenditures is actual expenditures, right?

Mr. Sherman replied correct.

Alderman Vaillancourt stated I think this format is quite standard and helpful.

Alderman Wihby asked how are you going to put in the department numbers if they are not in the computer.

Alderman Gatsas answered the department head is going to have to put them in.

Mr. Clougherty stated you would have to open up the system and have all the departments key in what they originally gave to the Mayor and wait until that cleared and send them back reports because inevitably when you are putting in those numbers there are keystroke errors or whatever and you want to make sure it is done right and it has to go back and be edited. You are talking...usually when we have them key in their numbers originally, Mr. Chairman, it takes two weeks so that we can go through and make sure that what they have is accurate and we are not giving you wrong information.

Alderman Gatsas replied maybe this is the time for a little bit of manual labor and maybe they can put that column in and the department head can write it in by hand as long as he writes it clearly, make copies of that and distribute it. That shouldn't be difficult. We are just asking the department head to do what he needs to do. As long as he writes clearly in that column and it is not in four different ones, we should be able to see the numbers and without having to go to a computer and asking for 47 days of work, someone can do it in five minutes.

Mr. Clougherty responded we could send that out tomorrow and ask them to complete that column and have it back for Monday.

Chairman Cashin asked all you are asking for is another column, right.

Alderman Shea answered yes, department adjusted. That is what it is called.

Alderman Hirschmann stated so we are going to have a seventh column now that is going to be department head changes and it is not going to be like Christmas on Elm Street and they are going to come back in here and ask for a change. Don't send the wrong message.

Chairman Cashin replied I am not sending any message.

Alderman Hirschmann stated if there are any changes, it should be negatives.

Mr. Clougherty stated just as a clarification, I am hearing two different things so I just want to make sure that what we send out to the departments is right. Are we adding a column and asking the departments to fill in that column with what they originally requested or are we asking them to fill in a column that says given the

bottom line do you have any other changes that you want to make at this point in the process and reallocate. I am hearing two different things here. Are we talking two columns or one column?

Mayor Baines stated I am hearing two things two. One is the original request and I thought that is what everyone already agreed on.

Alderman Gatsas replied then put in another column. They have two columns to provide. Let them write it in.

Alderman Lopez asked why do we need it.

Alderman Hirschmann answered because it gives you an idea of where they are coming from and where they are working from.

Alderman Vaillancourt stated I don't think we need this last column that is in here now.

Alderman Gatsas stated I would like to see what a department is asking for. The department head should have the opportunity to come to us and say this is why we need it. I don't think that we should be looking at...you know somebody hands us a piece of paper that says all of the sudden that the Chief found \$314,000 in overtime. I don't appreciate that. I don't like that. I don't think it is right when we are sitting here until all hours of the night. If we are going to go through this, it should be done in one manner.

Alderman Hirschmann stated I vote for an adjustment column with trailing information of what it represents. The department head can write the change in and then write a little memo saying what it represents.

Alderman Lopez stated I am just trying to understand one thing. If I ask for \$2 million and the Mayor cuts me \$1 million and this Board has my request and has all of these items, why do I have to go back to the \$2 million if I only have \$1 million.

Alderman Gatsas replied because I might want to cut somebody else to \$2 million and leave his \$2 million alone.

Alderman Wihby stated he would be coming into us telling us that he is short and the reason why.

Alderman Gatsas replied we heard that from Police and he found it on his own for \$314,000.

Alderman Lopez asked how much work is involved.

Mayor Baines stated all I ask is that we know what you want. Clearly state what you want and we will make our best effort to get that to you.

Alderman Hirschmann stated a desired net change column.

Alderman Gatsas replied if that is what everybody wants, I will accept that.

Alderman Vaillancourt stated we want the original department request for that line.

Mr. Hobson stated just a little clarity maybe. Your last column is FY01 proposed changes. Aren't those proposed changes your proposed changes? Aldermanic proposed changes? Whose changes are they?

Mr. Clougherty answered those changes that are in there right now are predominantly the ones that HR has been recommending. They would be the Board's changes if the Board adopts any or all of them. If any other department wants to change something like Police has recommended, that change will be in that column and will reflect in their budget. To date, we have not had changes from any of the departments, only HR.

Alderman Levasseur stated, Wayne, I know that the bottom line didn't change with Police right, but that \$314,000 they took out of overtime and put it in so they could fund those other programs so the message they are sending this Board is that they were cut by \$314,000 and then they found \$314,000 in their overtime so they could have cut that money the whole time. So, now we are going to cut the \$620,000.

Mr. Robinson replied they didn't cut \$314,00. They chose to move that money.

Alderman Levasseur asked didn't you mandate a 2.5% decrease in that department.

Mr. Robinson answered right.

Alderman Levasseur stated so that was the \$314,000. That represents 2.5% correct?

Mr. Robinson replied they chose to take it out of that line item.

Alderman Levasseur responded I agree that you didn't tell them where they were supposed to take it from, but the fact is that you told them to take out 2.5% which they did and now they made an adjustment. What you are thinking is now we can go and cut those guys another 2.5% because that would be 5% if they can make an adjustment like that. They gave us an opportunity to see that there is movement in their overtime money. They told us that now they can make an adjustment in their overtime money.

Mr. Robinson replied they could have taken it from any line item.

Alderman Levasseur responded I agree but they could have taken it out of their overtime in the first place and not out of those four programs.

Alderman Vaillancourt stated Alderman Shea has the Highway budget. Why don't we just have everyone follow the format of the Highway budget?

Alderman Gatsas replied you can't do it. It is going to take too long for them to query those things into a program. It can't be done. They are going to have to do too much of a program change to get it that way.

Alderman Lopez moved to accept the format. Alderman Shea duly seconded the motion. Chairman Cashin called for a vote. The motion carried with Alderman Vaillancourt being duly recorded in opposition.

Deputy Clerk Johnson stated that the department's original budget requests will be sent out via the Clerk's Office.

Chairman Cashin stated next Monday we will meet with the rest of the departments from the Saturday meeting at 7 PM. The HR meeting will be moved to 5:30 PM. On Wednesday, we will meet with Police, Fire and Highway again. The following week we will schedule the rest of the departments.

Alderman Hirschmann moved to have a memo distributed to department heads stating that all changes to the budget have to come before the Finance Committee. Alderman Vaillancourt duly seconded the motion. Chairman Cashin called for a vote. There being none opposed, the motion carried.

On motion of Alderman Levasseur, duly seconded by Alderman Hirschmann, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee