

COMMITTEE ON FINANCE

May 11, 2000

6:30 PM

Chairman Cashin called the meeting to order.

A moment of silent prayer was observed.

Present: Aldermen Gatsas, Levasseur (late), Sysyn, Clancy, Pinard,
Lopez, Shea, Vaillancourt, Pariseau, Cashin, Hirschmann (late)

Absent: Aldermen Wihby, O'Neil, Thibault

Messrs: Chief Kane, Asst. Chief Monnelly, K. Clougherty, H. Tawney,
R. Sherman, J. Shaffer, F. Thomas, T. Piecuch

3. Resolution:

“Raising Monies and Making Appropriations for the Fiscal Year
2001”

Chairman Cashin advised that the proposed budgets for departments as listed shall be discussed. Motions to amend the resolution may be considered.

FIRE

Chief Kane stated basically coming here tonight we are looking at the budget and want to make sure that if there are any questions that any Aldermen have...I know that there are some new figures that the Aldermen got in regards to this year's budget and next year's budget and that was brought out. I know that HR put out some additional reports and we want to make sure that if there are any questions with regards to those reports, we answer them.

Alderman Gatsas stated in the two weeks that we have gone through this process, I have asked the same questions and I still don't understand how the process works so with all of the able people that we have in here maybe somebody can get it through my thick head how this should work. The understanding that I have is...we are going to use simply round numbers. \$1 million in salary. This is my department. My people don't work any overtime. My full complement should be

10 and everyone is going to earn \$100,000. That is my full complement and this is my budget of \$1 million, however, I only have nine working all year at \$100,000 and we don't have...out of these nine some get hired, some leave and some get replaced and the complement stays at nine. It never moves at nine. At the end of the year, I have spent \$900,000 in salary. That leaves me with \$100,000. That is what should be in that salary account. Does everybody agree with that or am I doing something wrong?

Chairman Cashin replied you are right.

Alderman Pariseau stated it doesn't work that way in the City. They take that \$100,000 and distribute it into other line items.

Chairman Cashin replied no they don't.

Alderman Gatsas stated the questions that I have asked is if they tell me that their full complement should be 10 and I take the year-to-date numbers and we work them, it seems to always come out to this number but they are never at full complement. Something has to happen in between that moves money around.

Mr. Tawney stated basically it does function like it would in normal business, except for a few departments that are required to have full coverage of a certain number like Fire and Police.

Alderman Gatsas stated stop right there. Last night Deputy Robinson said...I asked the question four times I have five vacant positions and they haven't been filled for four or five years. Now if that is the answer I am getting then this process should be working.

Mr. Tawney replied right.

Chairman Cashin stated theoretically you are right.

Alderman Gatsas responded wait a minute. Is that the way it is supposed to work?

Chairman Cashin replied I agree with you, but let Kevin try to explain.

Mr. Clougherty stated all I can tell you is that the Mayor's budget this year for all of the department's salaries was developed by HR and not by any of the departments. In every department's budget this year...what they have in there for the budget for the departments as I understand it and as Howard and Mark have explained it to me is 100% of all positions in their complement for a full year with merit and longevity and everything else. That is what is in the budget.

Alderman Gatsas asked so what you are saying to me is in the Mayor's budget for Police is a complement of 275. Five of those people have not been funded for four or five years. Filled. Funded but not filled. So, if I do my calculation because that process had to have happened last year when you folks sat in a room and did a budget...

Mr. Clougherty answered last year they didn't fully fund all positions. They went through a different process and it was built more on the current number of people in the departments who were working. It took into consideration those five.

Alderman Gatsas asked if the Mayor still has his hiring freeze on then we should be able to extrapolate these five positions out of this number and put them down here for whatever we call that salary adjustment account because if they are not filled it should be here and not up there. If that is the case and everybody agrees to that, then that is what we should go home and do. You should get us a list or somebody should provide us with a list.

Mr. Clougherty answered it is on that sheet.

Alderman Gatsas stated no it is not because it doesn't tell us with full complement and it doesn't tell us what they are running with now and what they haven't filled. If we can do that, we can pull it out of benefits and we can all go home and probably save \$5 million or \$6 million.

Mr. Clougherty responded that \$100,000 doesn't get spent. It has to stay in expenses and can only get moved to another line item by a vote of the Board.

Alderman Gatsas replied it doesn't work on any of those sheets from last year. Any of them.

Mr. Clougherty responded again the budgeting was based not on a full complement, it was based on the reduction and there were salary adjustments.

Chairman Cashin stated you are missing one more piece.

Deputy Clerk Johnson stated Kevin was referring to one piece that I will point out to you and that is if a department comes to you and says my full complement is 10, or 15 or 200 individuals and that is what I have in my budget it does not necessarily mean that those positions were fully budgeted for a full year because when the Mayor comes in with his recommendations and the Board finishes with the process, they don't always budget what the full complement is.

Alderman Gatsas replied well he has five vacancies and this money is here and if he is not a full complement and he hires them because he says he can then he is going to run over this number.

Deputy Clerk Johnson stated I might have a full complement of 275 with 5 vacancies and decide to hire halfway through the year because that is the way my budget was funded.

Alderman Gatsas stated the statement that was made last night was that they have been five under for four or five years. I bet if I ask the Chief the same question he is going to tell me the same thing.

Chief Kane replied no I am not.

Alderman Gatsas asked what is full complement.

Chief Kane answered full complement is 243.

Alderman Gatsas asked what are you at right now.

Chief Kane answered 235.

Alderman Gatsas stated at the last meeting we had, it was at 226.

Chief Kane replied that was line personnel. We are at 233 now. We have 10 retiring.

Alderman Gatsas stated let's now talk about retirements.

Chief Kane replied well those are vacancies.

Alderman Gatsas responded they are not vacancies. I am saying vacancies that are here. You have a hiring freeze. If you mount a full complement before the hiring freeze, how many people would you have missing. Four or five.

Chief Kane replied I never carry a vacancy throughout the whole year.

Alderman Gatsas responded if there is a hiring freeze, he had to have had that before he filled the vacancies.

Chief Kane asked do you want to know how many vacancies I had before the hiring freeze.

Alderman Gatsas answered correct.

Chief Kane stated eight.

Alderman Gatsas stated so 243 minus 8 brings it down to 235. So, if there was a hiring freeze at that point, you haven't filled them.

Chief Kane replied right but now I have gotten permission to fill those positions.

Alderman Gatsas asked when.

Chief Kane answered a couple of weeks ago.

Alderman Vaillancourt asked you got permission even with the hiring freeze on.

Chief Kane answered yes.

Mr. Robinson stated the Mayor did put a hiring freeze on, but he is also looking at it on a case by case basis. In the case of Fire, it is cheaper to hire three additional firefighters than to pay overtime.

Alderman Gatsas stated I think I asked the Chief the last time we were here or we had conversation, if you replaced bodies and put bodies in how much overtime would you cut. Now Wayne tells me if you add three people we are cutting overtime so what is that number we are cutting? That is what you just said, wasn't it?

Mr. Robinson replied that is what I have been told.

Chief Kane stated I did draw up a worksheet to go over that and I will share that with you and the other Aldermen tonight. The question that we go to here is that if the cost of overtime is at 1.5 times and the cost of replacing a person is at 1.37 then it is cheaper for me to have full-time people as opposed to hiring people at time and a half. We do that to a certain degree because we do have a pool of people who we manage to stick into different positions to fill some of our vacancies and to fill in for sick leave, vacation, etc. Our problem is in managing that effort we have what we call high use periods of time during the year so when we go into the summer months because we could have 21 people on vacation in one week and we need to be at full staffing during that period of time because if we are not at full staffing during that period of time then what will occur is we will be running into overtime issues at time and a half. It is cheaper for us to maintain and make sure that we have full staffing during the summer and other high use

periods. That is basically about 21 weeks during the year. That is when kids are on vacation and parents take their vacation. The other times during the year, the other 21 weeks are areas of opportunity where we can and we do leave a position vacant for a month or two and during that time we can utilize your theory but we don't utilize your theory year round. Typically, we are fully staffed most of the year. We don't have any vacancies that we keep year after year.

Alderman Vaillancourt stated I have several questions on the budget, but first of all you just said something I don't understand. I understand with Police why they might want to have more officers on in the summer when there are children out of school but do you anticipate more fires in the summer. Is that it?

Chief Kane replied no, we don't anticipate more fires during the summer time. What occurs during the summer time is during other periods of the year when the kids are out of school their parents take that as vacation time. Basically Christmas week and February vacation and Spring vacation. Those are our high vacation periods so when someone that is on a truck leaves and goes on vacation, we need to replace that person with another person.

Alderman Vaillancourt asked you mean you have more vacations in the summer.

Chief Kane answered exactly.

Alderman Vaillancourt stated let's go to these sheets. I have gotten several different numbers. The last time you were here I wrote down that you had 246 people with 8 vacancies. You have just given us a new set of numbers here tonight. What do the numbers on this sheet refer to? The number in column I where it says Mayor's budget with overtime, \$11,889,191. How many people does that reflect? 246? 242? How many?

Chief Kane replied 243 and I apologize for the earlier mix-up.

Alderman Vaillancourt asked where did the number 246 come from.

Chief Kane answered it came from a document that is used in personnel that reflects staffing but not all of those positions are funded.

Alderman Vaillancourt asked so the \$11,889,191 is for 243 people.

Chief Kane answered that is correct.

Alderman Vaillancourt asked now it says in the explanatory line, Line U, that the five vacant positions are included in that so if you did not fill those five vacant positions as last night you could save around \$300,000 to \$350,000 from all lines of your budget. Is that correct? If not, how is it incorrect?

Chief Kane answered if we did not fill those positions we would have to use overtime. We would have to hire someone on overtime to fill those positions. We can't leave those positions vacant, especially during the summertime. If we leave the position vacant, let's say on an engine. There are three people on an engine. If we take a person off that engine then the engine becomes non-functioning.

Alderman Vaillancourt asked do you mean out of a staff of 243 people you have to have those five people or the Fire Department would shut down.

Chief Kane answered that is not necessarily what I said. What I said was if we didn't have those people then we would fill in with overtime. Basically we run a shift and there are 47 people on a shift and each person has a position in the department. If someone is vacant from that position, that affects that piece of apparatus.

Alderman Vaillancourt asked could you provide us a history on a month-by-month basis how many people you have had vacant.

Chief Kane answered yes.

Alderman Vaillancourt stated now you said that you have just been authorized to fill three positions out of eight so you have five vacant now.

Chief Kane replied we have been authorized to fill all of the positions.

Mr. Robinson responded I heard three. I can't speak for the other five.

Mr. Tawney stated over the last two years in this City we have had a turnover rate of about 8%. Some of the small departments have no turnover rate. Others, the larger departments, have 8%, 10% or whatever it is during a year's time. Some are more stable than others. Some, like the Fire Department, have a need to keep it filled during different times or at all times. You could say to all departments if you wanted, let's take a 2% cut and of that 2% or take half of it and set it in a pot of money like the salary adjustment account or whatever you want to call it and if they had vacancies then they would absorb that in their budget. So we are taking a 2% cut from all of the budgets and 1% we would put in the salary adjustment account and 1% is saved to the budget line then if the small department did not

have any turnover at all, he would not be fully funded for his budget. He would have to come to the salary adjustment account towards the end of the year and draw on some of that money in order to make sure that he meets his end of the year budget. The other money would be saved. In departments with high turnover, you could then save it within the department and not need to go to the salary adjustment.

Alderman Lopez asked, Chief, the overtime account, is that paid from 243.

Chief Kane answered the overtime account is based on the amount of hours that we would anticipate for people being on vacation and the need to fill those positions. Yes, it is based on 243.

Alderman Lopez asked if you are short the vacancies, that creates more overtime so then you use up your overtime account and Howard are you suggesting or saying that then the Chief goes to the salary account and withdraws and puts that in the overtime account if he has vacancies.

Mr. Tawney answered if he needed the money in order to fund his budget, he could then come back to salary adjustment and draw on the monies to carry him through. As the Chief is saying, sometimes he saves some of that money in his budget in those months that he did not need to have that position filled.

Alderman Lopez stated you go back to the simple theory that you have up here on the board. If you have an overtime account for 243 people and you add those 5 five vacancies according to the document that we received, the people drawing the overtime is already calculated in the overtime account. Is that correct? I just can't figure out how the money in the salary account is utilized for the overtime account. I am missing something here.

Chief Kane replied if you go back to the simple theory up here then you have the \$100,000 and that now drops down into a different account. Well that \$100,000 basically drops down into the overtime account and instead of paying a salary for that position, we are paying overtime for that position.

Alderman Lopez responded I realize that we are paying overtime for that position but let's say for example that we took the \$100,000 for the sake of argument. We have already calculated overtime for 243 people or whatever the case may be. The money is in there for overtime.

Chief Kane replied right.

Alderman Lopez stated I am trying to understand how you need more money from the salary account to put into overtime when you have already calculated the overtime.

Chief Kane replied because the overtime is calculated on full staffing and if full staffing doesn't occur, then the overtime rises.

Asst. Chief Monnelly stated in this fiscal year we calculated that we needed to cover 54,425 hours of vacation, sick leave, injury leave and bereavement leave. With our uncommitted people, if we have full staffing, if we fill the vacancies and are able to keep our staffing level up with our uncommitted personnel we feel we are able to cover about 31,080 of those hours. That leaves about 23,345 to be covered with overtime. That is how we tried to figure our overtime request. Now, based on an average hourly rate because we have to figure the overtime account is for firefighters, fire lieutenants, fire captains and fire district chiefs. It is the whole gamut so we have to try to pick some figure that is somewhere on an average and calculate out how many hours we need to cover during any given year. The request was for \$685,000, but actually we would probably need over \$731,800. As the Chief explained, sometimes we have ladder trucks out of service but we don't necessarily need the entire complement so we are able to save on overtime during those periods. Other than that, we need the full complement in order to keep all of the firetrucks in service in all of the stations in the City.

Alderman Cashin asked how do you pay severance pay. Isn't that out of salary?

Asst. Chief Monnelly answered this year yes, it was included in the salary line. I am sorry, in the FY01 budget.

Alderman Gatsas stated this has nothing to do with you or your department. It is a question that has been a thorn in my side for two weeks playing this game and going home and playing with numbers. Now I think you addressed it or you articulated it very well when you said that \$100,000 falls down into the salary adjustment account and you pull from there.

Chief Kane stated salary adjustment account, no. I didn't use the word salary adjustment account. What I am saying is that if the case is that we are saving a lot of money in salaries sometimes we utilize that money.

Alderman Gatsas asked if I take the calculate of 54,250 hours and divide that by 52, that comes out to 1,043 hours a week. If I divide that by 42 it is 25 employees a week to accommodate those hours. That seems like an extraordinarily high number. Out of sight. That is 10% of your workforce. Do you see where I got that from?

Asst. Chief Monnelly answered the 54,250 is the amount of hours we have to cover in a year for vacation, sick, injury leave, etc. That is an average.

Alderman Gatsas stated so if I take those total hours and divide that by 52 that comes out to about 1,043 hours a week for 25 employees. 10% of your workforce you are telling me on a weekly basis is out for vacation, sick, etc.?

Asst. Chief Monnelly replied the schedules are different.

Alderman Gatsas responded I am just giving you an average. I can't go by any other number. If it is a different number that than during the course of the year...it could be 55 employees in one week.

Asst. Chief Monnelly stated during our peak vacation, there are 21 people on vacation for 21 weeks per year plus sick leave and injury and bereavement.

Alderman Gatsas replied I am giving you that 26 people on average per week. My number is higher than yours. I am saying that is exceptionally high. That is 10% of your workforce. So you are really running your stations with 10% less people because they are out. You are paying them. I am not saying you are not paying them, but they are out. That is a very high number. Does anybody understand where I am coming from with that?

Alderman Shea asked if an employee is a 20-year employee, what is he entitled to. Six weeks? Four weeks?

Chief Kane answered five weeks vacation.

Alderman Shea asked how many holidays.

Chief Kane answered 11.

Alderman Shea stated so that is two more weeks and that is seven weeks so that would account for something. The other question is, Kevin, for my own information let's assume that we give the Fire Department \$12 million for salaries. What happens to the money that is not being used? In other words, we begin paying them in July but there is \$11 million left. Is that money invested? In other

words it wouldn't make any difference whether it is in a salary account or whether it is kept, it would earn the same amount of interest. Is that correct?

Mr. Clougherty replied that is right, Alderman.

Alderman Vaillancourt stated I am looking at Page 40 of the May 5 document. You didn't have anything budgeted in your overtime line last year at all. What line would that have been in?

Chief Kane replied in salaries.

Alderman Vaillancourt asked so that is included in the salary line.

Alderman Gatsas stated no it is not. There is a line missing. I remember we talked about that.

Alderman Vaillancourt stated for example with the Police Department last night they had a line of \$2.6 million and they had an overtime line. You have a zero in your overtime line. So, is it in that \$10.334 million?

Chief Kane replied yes. They just put all of the money into that one line item.

Alderman Vaillancourt stated so the Police Department last night had a 16.5% increase in salaries and an overall increase in their budget of only 12%. Now you have an increase of approximately 10% in salaries, yet your overall budget increase is closer to 17% so obviously unlike the Police Department, the bulk of your increase...well a lot of it is salaries but there are a lot of other places where the increase is, unlike the Police Department.

Alderman Gatsas replied the problem is that you have to pull the restricted items out of there because they aren't right.

Alderman Vaillancourt asked are we going to make changes in the health insurance line of the Mayor's recommended. There is an increase of \$600,000 over last year. Are we going to make changes in that?

Chairman Cashin answered I thought we discussed that and it was an ongoing thing.

Alderman Vaillancourt asked do we have a bottom line budget for this department then of what the percentage is going to be over last year. Right now the bottom line of this department is going from \$13.8 million to \$16.1 million, which is a 17% increase. Is that per the Mayor's recommendation?

Mr. Robinson answered the Mayor's recommendation is now your budget.

Mr. Tawney stated after going through the restricted line items we have recommended a reduction of \$553,605 out of the Mayor's proposed budget for the Fire Department.

Alderman Gatsas stated his total budget without restricted is \$12,583,924.

Mr. Tawney stated on Page 43, on the far right-hand column, the last number, that is the total of proposed changes that we made.

Alderman Vaillancourt asked so what should the total in FY01 Mayor's recommended where it says \$6,111,667 be? Less \$553,000?

Mr. Tawney answered yes.

Alderman Vaillancourt stated so that would be about \$15.6 million.

Mr. Tawney replied that is the HR recommendation for that change.

Alderman Shea stated that is not what is here. He said \$12,583,924 and you're saying \$15 million something.

Alderman Gatsas replied you have to go back to these sheets here. There are a lot of sheets that we have to play with. The one that is page 1-8 where it says revised proposal for general fund restricted line items. You have to pull out \$529,046 is that right?

Mr. Tawney responded \$553,000.

Alderman Gatsas stated so it has gone up.

Alderman Vaillancourt asked are we going to be getting a new 71-page document soon. Is that it?

Chairman Cashin answered no. Alderman Vaillancourt, the Mayor has presented his budget to us. Now we are going to work on it and we are going to come up with our own number. As we progress, these numbers are going to change. In the final document we will have to deal with the number that we have at that time. Some of these numbers are going to change. They have to change daily.

Alderman Gatsas asked can we get from somebody something that shows us in FY99 what the number of employees were that worked for the amount of wages that we have on these sheets. What the complement was and what they budgeted for? Can we do that for FY00 and can we do that for FY01?

Mr. Robinson answered the complement report that was handed out has that information on it.

Alderman Gatsas replied no. I want to know how many vacancies were not filled during the course of that year. That is the question I have because it comes back to this stupid little question up here. If four positions haven't been filled in any department or anywhere else as the Police said, they have had five vacancies for the last four or five years. That theory has to work. It must work. It has to work. The only way it doesn't work is if somebody is moving numbers into other lines.

Chairman Cashin stated you have to remember that severance is coming out of that number.

Alderman Gatsas stated then somebody has to take it onto another line item. They can't just take it out of that number. It has to come out of the salary adjustment account.

Mr. Clougherty stated in his proposal there is no salary adjustment. He has it built into the department this year where in other years there was a salary adjustment and vacancies were taken into consideration.

Alderman Gatsas stated I am reading this little sheet that was given to us. This little sheet says collective bargaining agreement, five vacant positions in FY00, severance \$100,000 plus \$2,000 actual doesn't include FY year-to-date. Do you see where it says that? So if there were five vacant positions in FY00, that number has to correlate somewhere in here. If they didn't fill them, they didn't fill them and if they were budgeted for them then there has to be money floating around somewhere.

Alderman Clancy asked are you trying to say that if there were five vacancies that were worth \$25,000 a piece there should be \$125,000 somewhere.

Alderman Gatsas answered yes. That is what I am asking.

Chairman Cashin asked Kevin can we answer this and clear this up now.

Mr. Clougherty answered if you take a look at the calculations you have what the actual spent to date was. If you look at column C it is salaries to date. That is your actual expenditure at that point in time so if you have vacancies they are in that number. If you take that number and you annualize it over to the column F...

Alderman Gatsas interjected that tells me that they have overspent in wages.

Mr. Clougherty stated it tells you for this year what this is and then you compare that...

Alderman Gatsas interjected is that right. They have overspent in wages if you annualize it?

Mr. Sherman replied yes because they haven't gotten their Yarger Decker money yet from the salary adjustment account.

Alderman Gatsas asked how much is in the salary adjustment.

Mr. Sherman answered \$1.5 million.

Alderman Gatsas asked so it is not by department. It just sits in a lumpsum.

Mr. Sherman answered right.

Mr. Clougherty stated the way that is calculated is HR takes a look at...in the beginning of the year before the contract is settled we are not quite sure what the percentage will be for contract settlements for Yarger Decker and how those will all flush out. So you take an assumption in terms of what is likely to go forward and that is what they put into the salary adjustment line. It is based on calculations from different departments and based on a contract. That salary adjustment is available to be drawn down at the end of the year by these departments in the current year should they have the need for that based on the decisions that were related to the Yarger Decker contract or to the contracts that were developed. Now if a department, because of turnover or because of vacancies, can get through the year they and they don't have to draw on salary adjustment, they don't do that and the salary adjustment then flows to your fund balance at the end of the year.

Chairman Cashin asked does that help at all, Alderman Gatsas.

Alderman Gatsas asked so what you are saying, Kevin, is there is \$1.5 million in the salary adjustment account and if I look at this little sheet that shows overtime and I know there is a problem in there of five, let's call the Police a wash because

it is a wrong number and let's hopefully say that everybody else is right. There is about a \$600,000+ number. What happens with those dollars?

Mr. Clougherty answered it goes to the fund balance.

Alderman Gatsas replied maybe we can use some terminology that is a little easier for the people like myself who haven't been here. When you say fund balance, what does that mean?

Mr. Clougherty responded it means that it doesn't get spent during the year and it goes to the bottom line to be used as your surplus.

Alderman Gatsas stated these numbers are supposed to be actuals. Hopefully when you do a budget you come out with revenues and you come out with expenses and hopefully they are at zero.

Mr. Clougherty replied exactly.

Alderman Gatsas responded so what you are saying is these are not retained earnings. This is saying expenses were \$5 and income was \$4 and there is an extra \$1 at the bottom because we didn't do our job properly. Yes. We didn't do our job properly because you couldn't get away with doing this in private life. Kevin, that is the only way it works. You can't have any surplus. How do you have a surplus?

Mr. Clougherty replied you have a surplus at the end of the year in your fund balance.

Alderman Gatsas stated the only way you can have a surplus is if you have more revenues. We are not talking about revenues. If we have less expenses, it is because we over budgeted. So, we just play with a fictitious number and say okay hopefully we have a lot of money left over at the end of the year because we are floating something down and we use it to next year. Hopefully when you do a budget it is zero. It shouldn't be over.

Chairman Cashin stated they have a budget and the Mayor just approved their vacancies so if they don't fill those vacancies at the end of the year they are going to be over budget. That doesn't mean we didn't do our job.

Alderman Gatsas replied what I am saying to you is if we come in and say there are four people working and we do a budget with every other line item, that line item should be zero. It is not zero because we have this \$1.5 million hanging over

here that we can do severance and he doesn't know about it he just says we have severance of \$100,000 so we take it out of this other line over here. So by the time we are pulling out of this...

Asst. Chief Monnelly responded salary isn't budgeted.

Alderman Gatsas asked why wouldn't that be budgeted. Could you tell me the last five years what you spent? Would it be a pretty close average?

Chief Kane answered it goes up and down.

Alderman Gatsas asked what is the average. We could at least, that is maybe in your department but the rest of them have to have some flow to them. Instead of \$1.5 million you could set aside \$200,000 to pickup the fluff and we wouldn't be over by \$600,000. That is all I am saying.

Chairman Cashin answered I think the Fire Department is the worst department to talk about this with because there is no fluctuation. It is not anybody's fault. It is just the nature of the beast.

Mr. Tawney stated traditionally the small departments have never had any severance at all. What has been required is that they go along and somebody has retired and they have \$10,000 worth of benefits, they have been required to leave that position vacant until there has been enough money to pay off those benefits. Instead of budgeting for an annual severance for the City, it allows an average amount, whatever that is, and drawing on it to keep it staffed.

Alderman Hirschmann stated I want to address Alderman Gatsas's question. If you look at the FY01 budget that the Mayor proposed, you will see that there is a fund balance line item. I think it was \$500,000 coming over from the year 2000. Typically I don't know what the audit team wants us to have for a fund balance every year, but they do budget that way so that...I don't know if you want to give us a percentage Kevin.

Mr. Clougherty replied you are looking at 4% or 4.5%. We are usually under that. We are around 3.75%.

Alderman Hirschmann stated so they are actually looking for that. The rating agencies are looking for us to have that as a reserve going into each year. That is why when we talk about the school deficit that is why it is such a serious issue because it eats up our fund balance.

Alderman Gatsas replied I hear what he is saying. How many open positions do we have in the City? If eight of them were filled just now according to the Chief, how many were empty?

Alderman Shea stated they will be filled in July, right.

Alderman Gatsas asked 30, 40, 50, 100.

Mr. Tawney answered my guess would probably be around 25 – 30.

Alderman Gatsas stated I am not saying we shouldn't fill Fire.

Alderman Vaillancourt stated let's try to come at this from another angle then. You have \$1.5 million in the salary adjustment account for Yarger Decker and it looks like the Fire budget in column G is going to come out \$79,000 over, but you are going to dip into the \$1.5 million to come up with that. Of the \$1.5 million in Yarger Decker, what percentage of that do you think should go to the Fire Department? I am asking Kevin. What percentage of the overall employees of the City eligible for Yarger Decker would be in the Fire Department? 1/3 perhaps?

Mr. Clougherty answered I didn't calculate that.

Alderman Vaillancourt asked for a rough figure.

Mr. Clougherty answered it is not just for Yarger Decker. It would be for the contracts that would be settled during that time and the severance packages. I know when Mark did the calculation for \$1.5 million last year he had some supporting calculations for that and we can provide that to you.

Alderman Vaillancourt asked would it be fair to say that \$300,000 or \$400,000 of that would have been for the Fire and \$300,000 or \$400,000 for the Police. So, let's say \$400,000 then. If you take the \$80,000 away from the \$400,000, they are actually \$320,000 over in line G and I am getting to this because I am trying to figure out what we can carry over for next year as to cutting the salary line. If they are \$80,000 under but you have budgeted \$400,000 from another account, \$400,000 take away \$80,000 is \$320,000 so they are actually about \$320,000 over in line G. Potentially.

Mr. Clougherty answered your logic is right.

Alderman Vaillancourt stated so say \$300,000 out of that \$1.5 million which is only 20%. That would be \$300,000 take away \$80,000 and you might have to fudge a little more in because of the balancing for the next 10 weeks, but they are still \$200,000 to \$300,000 over for that account.

Mr. Clougherty replied right.

Alderman Vaillancourt stated well I think we know now that we can take about \$300,000 out of their salary account without hurting anybody and without hurting any Fire services in the City.

Chairman Cashin replied I don't necessarily agree with that.

Alderman Lopez stated I noticed that your expenditures on your line items are very good compared to some that we have seen. When you go over line items do you automatically before you go over line items coordinate that with the Mayor's Office?

Chief Kane replied let me explain how we do that and our understanding regarding over-expenditure of a particular line item. As you noticed, there are one or two and electricity is our big one, we look at the budget in groups of...

Alderman Lopez asked do you do it. Do you think you can change the line items any time you want?

Chief Kane answered in certain groups. In groups of utilities, yes. Can we jump from salaries to line items or salaries to capital? My impression is no. My impression is that in order to do that I would need to go to the full Board and request to go from salaries to line items or from capital to line items. I think there are groups of line items that are packaged together where there is some flow between.

Alderman Lopez asked let's take line item 446 for example. That is budgeted for \$15,000. Before you go over, did you have to tell the Mayor you were going over?

Asst. Chief Monnelly answered no because we basically work with the bottom line.

Alderman Lopez stated then we have to talk to him because there is a problem in that area.

Mr. Clougherty asked can I clarify that. The Charter says transfers of appropriations...it doesn't say line items, it says programs. The way that the Board and the previous administration structured the budget was that the department can manage salary lines within that broad category of salary. Expense areas they can manage within those areas and capital but if you want to move from capital to expenses and you want to move from salary to expenses, you really have to come back to the Mayor and the Board. Those are the program areas that they have been working under. The requirement isn't that there will be a transfer. As it says, any time during the fiscal year the Board may, by resolution, transfer from unencumbered departments so that the Board can do that. They may or may not authorize a department head to transfer part or all of any encumbered appropriation balances from other programs. The programs are those categories of the budget. They don't come back and get approval for each line item.

Chairman Cashin asked, Wayne, do you agree with that.

Mr. Robinson answered that is my understanding. They can move within line items but they can't go from salary to capital or salary to expense, etc.

Alderman Lopez asked in moving from line item to line do they have to notify the Mayor.

Mr. Robinson answered yes.

Chairman Cashin stated I know where you are coming from.

Alderman Lopez stated it doesn't matter where I am coming from, which one is right. We have departments who are moving...I mean the Fire Department has done an excellent job here but we have other departments that Alderman Hirschmann brought up last night that are ridiculous. If Wayne is correct, I don't know who is going to referee this or who is right.

Chairman Cashin stated well there was the old Administration and now you have a new Administration.

Alderman Lopez replied forget the previous Administration, let's do now.

Chairman Cashin responded you are talking about the previous Administration. In the previous Administration my understanding was it was set-up in programs. Within programs you could move the items around any way you wanted as long as you didn't go over the bottom line. Now, if this new Administration wants to change that, that is their prerogative. They can come in with an ordinance or

whatever. You are talking about the previous Administration when you are talking about the budget. You are not talking about the new budget; you are talking about the old one.

Alderman Lopez stated I am talking about the Charter he is reading from. Wayne is saying no and he is saying yes. There is no ordinance I don't think.

Chairman Cashin replied it is a policy by the Board.

Alderman Lopez stated so you are telling me, Alderman, that the Board gave the authority for the department head to do that.

Chairman Cashin replied yes. I am telling you that within programs they can move items around. They couldn't jump from salaries to operation or operation to salaries. They had to get permission for that.

Mr. Clougherty stated, Mr. Chairman, you may remember that once upon a time departments had to come for every line item change and it was an hourglass. Everything stopped.

Chairman Cashin replied we stopped that because it was counterproductive.

Mr. Clougherty responded that is right. You wanted to give them the flexibility of managing the money within the program areas.

Chairman Cashin stated we stopped doing it, Alderman Lopez, because it was counterproductive. Every time a department head wanted to move any money he had to come to the Board of Aldermen. In the summer we only meet once a month and you could really tie the City up so a policy decision was made. Now if they want to change that policy, the new Administration can come to the Board and you can vote it up or vote it down.

Alderman Lopez replied I completely understand that. I just wanted to clear that up because why does one department comply with it and others don't.

Chairman Cashin stated I think they all comply with it. I think there might be some misunderstanding.

Mr. Clougherty stated in defense of the Mayor, he was saying Parks & Recreation, but Parks & Recreation was to move equipment and that is why they were coming. It was the application of the rules that are currently in place. It is hard in the middle of a budget this current year to change the rules under which a department can operate.

Mr. Robinson asked, Alderman Gatsas, in your example of the \$100,000 would you move that to a salary adjustment line.

Alderman Gatsas answered no. I would take it out.

Mr. Robinson stated I thought I heard someone say move it down to the salary adjustment line so I just wanted clarification on that.

Alderman Gatsas stated if we are not going to fund the tenth position, I said that we would take it out of there and put it into another thing and the complement would be nine and if he was going to fund something...

Mr. Robinson asked when you say put it into another account what do you mean.

Alderman Gatsas answered a salary adjustment account but if we did that collectively we would have an awful lot of money there and if we are only running at \$1.5 million...

Mr. Robinson interjected right but the net result is zero because the tax rate did not change.

Alderman Gatsas answered that is correct. No, the tax rate would change. We would reduce that non-departmental line item by quite a bit. There is only \$500,000 in there right now. That is what the Mayor put in the salary adjustment. \$500,000.

Mr. Robinson stated there is no salary adjustment.

Alderman Gatsas stated fund balance. There is \$500,000. Now that \$500,000 if a department goes over that is where the money comes from. Is that correct? There is no salary adjustment. Next year they can't. There is none there so where do they get the money from if they are over?

Chief Kane replied out of the budget or come back to the Board for contingency.

Chairman Cashin stated along that same vein, you can't take that \$100,00 because if the Mayor frees up filling these vacancies now you don't have any money to hire these people.

Alderman Gatsas stated we can put it into another account with a different name on it.

Chairman Cashin replied okay but now we are back into salary adjustment.

Alderman Gatsas responded no because we can reduce it because if he is sitting there saying he is not going to fund all positions and if there is \$1 million floating around we can leave five and he can obviously float on less.

Mr. Robinson replied I agree but if you take the \$100,000 and put it down to another line item, dollar for dollar, the net effect to the tax rate is zero.

Alderman Gatsas responded correct, but I would take it out of there and reduce the entire thing and leave an amount that you would use.

Alderman Shea asked do you actually know what your budget is going to be. Do you know that or are you going to get it on June 6 or 7?

Chief Kane answered you are going to tell me what it is.

Alderman Shea asked so you don't know. You have an approximate idea but you really don't know. Is that correct?

Chief Kane answered I am going to assume that we are going to be moving ahead, but I really don't know what my budget will be until it is passed by the Board.

Alderman Shea asked so let's assume just for a hypothetical discussion that your budget is cut to bare bones. In other words, it is cut \$1 million. What would you do? In other words, do you say to the Board of Mayor and Aldermen look we are going to have to close two stations, we are going to have to do this? Do you have any options in mind or anything like that? Do you assume that because the Fire Department is a responsible department the Aldermen will be responsive to that?

Chief Kane answered I would hate to make those types of predictions. In the past I have said we are going to do this and I come out and say this statement and all that does is really get everyone worked up thinking that it is going to occur. Maybe it will and maybe it won't. I would really rather see what unfolds and then take the prudent road.

Alderman Shea stated my colleague here said that you can take \$300,000 out of the salary account. Now your business manager is saying you can't do that. What I am saying is if that were done there would have to be some type of options available to you. I am not saying to us, but to you. I don't know how the Board is going to go. He is talking one way and saying there is a lot of money floating up there.

Chief Kane stated obviously you are not going to fill the positions and you aren't going to give me the overtime to hire people to staff at, which is going to leave me with vacant positions on trucks. Now, that is going to have an impact on the City.

Alderman Shea replied at one time you had to close a station didn't you.

Chief Kane stated I personally have not closed a station but we have put apparatus out of service.

Alderman Lopez asked, Chief, you took at 2.5% cut in your budget. Is that correct?

Chief Kane answered yes.

Alderman Lopez asked \$12,583,924 you can live with that and operate without any problems. You indicated last time when I think Alderman O'Neil brought up a concern about equipment that you are satisfied you can live within that budget.

Chief Kane answered the budget that is presented here...obviously if the Board wants to give us that budget we will live within that. I do want to say that it will present some issues to the department in regards to equipment and those line items that are zeroed out and we will have to figure out how to deal with those. Obviously, if we don't have the money to spend we don't have the money to spend.

Alderman Lopez asked are we going to suffer citywide.

Chief Kane answered the major impact to the City in my opinion is employees. Putting the people on the trucks and keeping the trucks rolling.

Alderman Clancy stated I am sure that nobody here tonight wants to see any fire station shut down. I am sure of that because now that we know we probably are going to have 100 new houses out by Bodwell Road. Over on Harvey Road it takes about 15 minutes to go from Harvey Road out to Bodwell Road on a good driving day. Now this truck coming from Somerville Street has to go out to Bodwell Road and that is on the first block. That is quite a ways. Now if you are going to cut these stations down, Engine 7 only has five men working and down on Engine 3 there are only three men. You have eight men going to fight house fires. Do you want that? I don't. If you people do, fine.

Chairman Cashin replied I don't think anybody is suggesting that.

Alderman Lopez stated I understand from Howard that he might be able to shed some light on this. I think you mentioned one time that this is the first time you can remember that they are actually going out and trying to find firefighters. There used to be a list. Is that correct?

Mr. Tawney replied yes, we had to advertise.

Alderman Lopez asked was this the first time.

Chief Kane answered no. We advertised for firefighters this month because our current eligibility list is going to be ending and we are using that up. Every two years by law we have to advertise for firefighters.

Alderman Gatsas asked the eight people that you hired or that you are going to hire, how much overtime does that reduce.

Chief Kane answered in hours it is 8 x 42 hours a week.

Alderman Gatsas asked that it is reducing. 336 a week. Give me a ballpark wage for that number. I want to know how much overtime that is going to reduce. I am trying to give you...you give me the number and I am going to give it to you as a Christmas present.

Chief Kane answered \$34,618. That is the cost per employee.

Alderman Gatsas stated obviously you are looking at an overtime number here of \$685,000 a year. With the eight people that you have, what is this number going to be reduced by?

Chief Kane replied that number is based on full staffing.

Alderman Gatsas asked this number here in FY99, which is an actual, was \$648,000 in overtime. That was with full staffing.

Chief Kane asked do you see what was appropriated.

Alderman Gatsas answered I have to look at what actuals were. I don't care what was appropriated. This is what was spent. That was for full complement.

Asst. Chief Monnelly replied the problem is that we spent \$9,816,000 for salaries. We spent under on salaries, but over on overtime. One way or another, the total between the salary and the overtime...if we have vacancies and we don't have the

full-time person there we have to hire to replace them one way or another. That is why it has come now to one account or the other but we need the total amount just to man the department for 52 weeks. In other words, if we don't have that person full-time on the truck, then we have to hire someone on duty to fill that position to put in that person's place. In other words, that is why it is kind of oversimplifying but the regular salaries plus the overtime amount is what is needed to staff that department for 52 weeks a year.

Alderman Gatsas stated I will give you the number because you are not being easy with me here. What is the average hourly wage of a fireman? Average?

Asst. Chief Monnelly replied here is the problem. When we do overtime, the overtime could be for a firefighter, a fire lieutenant, a fire captain or a fire district chief. They could be at the base step or they could be at their top step. How to figure that mid-range step is difficult.

Alderman Gatsas asked will you give me the lowest number.

Asst. Chief Monnelly answered the time and a half rate figure \$25/hour. How is that?

Alderman Gatsas responded that is now what I asked you. I asked you what is the hourly rate. I can do the calculation. Tell me what the hourly rate is of a fireman. Not overtime, straight time.

Asst. Chief Monnelly replied I am not exactly sure.

Alderman Gatsas stated so that is \$139,000 by putting these people on that we have to reduce overtime by. It has to be done.

Asst. Chief Monnelly replied that is not the way it works.

Alderman Gatsas responded these people are occupying overtime hours aren't they. If you have eight people. I took the \$8 and multiplied that times their staff.

Chief Kane stated our staffing is based and our budget is based on full staffing. What you are saying is that we are putting people in and taking the time and a half away.

Alderman Gatsas responded those hours that they are taking over have to be half time hours. They have to be. I am going to give you the money. I am going to give you the money because I think last week you said you needed money for jackets and all of the other things. I think it was \$177,000. I am giving you

\$139,000. So, you should be fully funded and not looking for jackets to be replaced or anything else.

Chairman Cashin asked, Chief, can you live with the budget that the Mayor has given you.

Chief Kane answered yes.

Alderman Vaillancourt stated the next logical question is can you live with anything less than that. Not a penny less, right?

Chief Kane replied not a penny less.

HIGHWAY

Mr. Thomas asked can I start by following up on responding to Alderman Gatsas. If you remember from my presentation, what I was trying to do was take the Mayor's budget and reallocate it to minimize the impact of the Mayor's budget by utilizing a vacancy rate. With the union contracts and the posting process, we do have so many positions that are vacant. In the salary number that the Mayor proposed, overtime was cut by \$69,000. Obviously a cut in overtime when we have an average winter could potentially impact picking up snow in the downtown area, plowing and so forth. In addition, the severance amount that was put in our budget was \$80,000. We had requested \$120,000. The history of this year for eight months is \$158,000. So we are looking at a potential shortfall in severance. We are looking at a potential shortfall in salary and the way the Mayor's budget has been submitted, street resurfacing was cut. By maintaining an average vacancy of about six people in my department because it is in the range – it is higher sometimes and lower sometimes – through the posting process I was going to try to re-establish my overtime figure to the area that I feel it should be which is about \$650,000 and I was going to try to build up a reserve over and above the \$80,000 for severance because if I have some senior people retiring next year I don't think \$80,000 is going to be enough and we don't have that salary adjustment account. In addition, I propose to take some money out of the salary area and actually shift it down to resurfacing to re-establish resurfacing back to the \$200,000 level. I, in a way, was doing what Alderman Gatsas was proposing and trying to utilize a vacancy but not build a slush fund basically to lessen the impact of the Mayor's budget. That is why I was saying to the Board that even though the Mayor's budget really cut us, I think, drastically compared to past years I felt that I would be able to maintain a reasonable resurfacing level and protect myself in the overtime areas and in the severance areas by utilizing that vacancy rate. Now I would be somewhat opposed if Alderman Gatsas now took that money out of my budget and put it somewhere else because what that would do now...

Alderman Gatsas interjected Frank I would not do that because you are the first department head who has come here and spoken like a businessperson. So, I would never touch a cent out of your budget because you came back and said there is a slush fund in my salary account.

Mr. Thomas stated if I was in the private sector and there were variables in my operating budget, I don't know the correct accounting term, but I would have a cash reserve somewhere along the line stuck somewhere to cover the unexpected. You can call it contingency. You can call it a slush fund. I don't care what you call it, but if severance gets out of whack with \$160,000 instead of the \$80,000, somewhere I have to come up with \$80,000. The cut in the overtime account was based on usage. In the Highway Department you don't calculate overtime based on usage of the previous year. You base it on the number of snowstorms and the average cost per snowstorm so I am trying to cover that area. I don't like the word slush. I would say it is prudent business savvy.

Alderman Vaillancourt stated if I was diplomatic like Alderman Gatsas is, I would phrase things in the way he did. Instead of saying you are the only honest man to come before us, you are the most honest man to come before us. I am going to have to ask about the \$1.5 million salary adjustment account. Kevin, how much of that would you say is dedicated to the Highway Department? I do see on this sheet that you are over by about \$145,000 and obviously we can take away some of that.

Mr. Thomas stated this year I am not touching salary adjustment at all. Because of the mild winter I have a sizable surplus that I have identified to the Mayor's Office and the Board.

Alderman Vaillancourt replied that is not the question. The question is what amount would be available to you or when they develop this fund what percentage of that would have been available to you so that we can add that to line G. A couple of hundred thousand dollars? Maybe 1/6 of the amount? If we could get that \$1.5 million broken down into how it was devoted to every department it might be useful. I am just guessing that the Highway Department might be about 1/6 of the City.

Mr. Clougherty stated it may not be just in percentages because it is when the contracts get enacted and there are a number of other factors that they would have taken into consideration so I think you really have to have that calculation provided.

Alderman Vaillancourt replied I do notice on your overtime account it has been an extraordinarily mild winter and you still spent most of your overtime money allotted, right.

Mr. Thomas responded it was a mild winter weather wise, but we still had a lot of salting operations, which use up overtime now. Not to the extent of a major snowstorm where you have to be out there two days, but for salting we still have the crews out and we had a lot of those sloppy little things. Quite frankly, the overtime budget...our budget for snow is fairly minimal. We are talking 10 one day plowing storms and most of the storms that we typically have up here we are out a minimum of two nights on overtime so it is above the average. Quite frankly, if we get an average to a bad winter, we are in trouble. As I mentioned at the last budget presentation, that is why there are items in my budget that I typically hold off on until spring and use it as in-house contingency. This year I quite frankly got shafted. I typically...I had \$100,000 for my budget in equipment and I didn't spend any of it until after the winter and then the freeze came down the line.

Alderman Vaillancourt asked what percent of your overtime allotment is geared toward storms. 1/3 of it?

Mr. Thomas answered it is over 1/3. At least half. My budget for overtime is about \$310,000. I take that back, about \$350,000 is snow related and then we have a combination of planned and emergency overtime.

Alderman Vaillancourt asked the sidewalks have nothing to do with this budget. That is all CIP, correct?

Mr. Thomas answered correct.

Alderman Vaillancourt asked and if you saved money in this budget you wouldn't put it towards sidewalks.

Mr. Thomas answered quite frankly if there wasn't a freeze in place and I have a surplus like I have this year, I would have requested the Mayor's Office and the Board to reallocate some of that surplus into potentially resurfacing or into sidewalks and maybe a little into buying equipment for myself but with the freeze on we didn't make that request. Last year we requested \$200,000 in surplus be reallocated for resurfacing and that was granted so we increased our resurfacing level last year.

Alderman Vaillancourt stated I am sure if I were to ask the question prematurely that you could live with the Mayor's budget and wouldn't even think of taking one penny less you would understand which sidewalk in particular I might be referring to. Get more money for sidewalks.

Mr. Thomas asked can I just raise one other issue. It relates to the Building Maintenance Division. This is a subject that I brought up at the budget presentation. When the budget was prepared for Building Maintenance, we weren't aware that seven new portable classrooms were going to be added and we put together a budget of \$21,500 for that. As you remember Alderman Gatsas questioned the hourly rate for cleaning services at \$19 and we did check it. The overall is about \$15. If there is any way to increase the Building Maintenance budget by \$21,500 I think it would be appreciated keeping in mind that this would be a chargeback and \$21,500 when you look at the total chargebacks to the School I think there is probably enough fluff in there.

Chairman Cashin stated I will have the Clerk make a note that we want to change the Building Maintenance budget.

Alderman Clancy stated I have been getting a lot of calls about picking up yard waste.

Mr. Thomas replied I have been meeting with the regional manager for Waste Management over the last three weeks. I have had three sit down meetings with them and numerous telephone conversations. The main problem they are having is the good economy and turnover in help. We were going around in circles and finally I hammered into him that his labor problems are not our problems. As a result, I think that we have seen some major improvements within the last few days to the point where they have had trucks working until 10 PM. I have gotten some complaints on that.

Alderman Clancy stated I got a call on my answering machine from someone in East Manchester who said that Waste Management was at their house last night at 9 PM and they missed some of the stuff because it was so dark.

Mr. Thomas replied my recycling coordinator and the regional manager went out this morning and drove the entire City spot checking because as of this weekend yard waste is going to be going to every other week and before I am going to allow them to go that every other week program I want to make sure that what is out there has been addressed. I got their assurance that there is a lot out there that has been missed and hasn't been picked up and they are going to be working over the weekend and will have extra trucks in at the beginning of the week to get everything caught up. It is not only the yard waste; it is the recycling collection

that we have been having problems with. We have had problems in the schools. We have had problems at the Auburn transfer facility. At the Auburn transfer facility, Waste Management now is allowing our trucks when they come in to come right to the front of the line instead of having to wait because we were waiting down there about an hour and a half and I was going to start charging them for the extra time. I have been beating them up pretty badly in the last three weeks and I think they are starting to hear that we are not going to back off. The problem is there isn't any other game in town. If we try to recontract for those services, we would be paying three to four times a year as much and I quite frankly don't want to get into the yard waste business or the recycling.

Alderman Clancy stated the people in Manchester have to know that we are trying to get people to pick up this stuff. It is not the City who is not picking it up. It is a private agency. That is what the people don't know. Some of them think the City is liable for Waste Management.

Alderman Shea stated I must say that Dick Hyman has done a very good job as far as I am concerned. I must have called him about 10 times and he was very responsive. I know he was out for a week.

Mr. Thomas stated we have also instituted a system where complaints are processed through one person at our department and they relay it to Waste Management and we now follow-up to make sure that the problem is addressed because a lot of times we passed it on and assumed it was getting addressed and it wasn't.

Alderman Shea stated one of the things that people don't realize, maybe a small minority, is the fact that obviously there have been news items that recycling really does not pay. In other words, there are certain communities that have indicated that they are not going to recycling. The problem is that a lot of people don't realize that if they recycle it helps us because we have less tonnage that goes into waste.

Mr. Thomas replied in Manchester's case, the more we recycle the more Waste Management has to take away and we have a set price for recyclables. If the amount of recyclables doubles it doesn't cost us any more. It costs Waste Management. Every ton of material that we can take out of the trash stream and that don't need to transfer and haul up to Rochester, that saves us \$54 a ton.

Alderman Shea stated I realize that but a lot of people who don't recycle or even those that do recycle say why do we recycle and unless someone like me is there to explain it they don't do it. They are just not informed and I am not sure how

they can be better informed. I know that Dick is working with the schools and so forth, but it is a problem.

Mr. Thomas replied it is education and PR and unfortunately I had to cut part of that budget, but we are working on that.

Alderman Lopez asked is there any way feasible that we could through a chargeback have you supplement them with our City employees.

Mr. Thomas answered Waste Management wanted to try to hire our people to supplement their operation. I am kind of opposed to that because I don't want to take them off the hook. I think if we start getting involved with their operation, even though they are paying for it, it really kind of takes some of the burden off of them.

Alderman Lopez stated I can understand that. I have six barrels right now waiting to be picked up. It has been three weeks. The other point I wanted to make is that I am satisfied with your budget. I would vote on it tonight if the Chairman would let me.

Alderman Pinard asked is there going to be an advertising campaign regarding the new schedule.

Mr. Thomas replied they will be putting an ad in the paper for the weekend notifying the public that we are going to be going to the every other week collection. Typically, there is a lot of confusion. Even though everybody in the City gets a notice at least a couple of times a year, there is confusion and that just adds to the problem. The biggest headache that we have is because of the turnovers, Waste Management has different drivers all of the time. In looking at the City Clerk's Office, Leo Bernier's recyclables get missed all of the time even though I keep telling them you don't want to miss Leo because he brings them in and dumps them on my floor. They are still forgetting because there are different drivers, but we are working on it.

Alderman Gatsas stated just to see if my calculations have been right through most of this budget cycle, I assume you moved approximately \$95,000 out of wages to do your resurfacing.

Mr. Thomas replied \$71,000 out of wages down into resurfacing and covering approximately \$75,000 in the salary areas that I think need a little beefing up like overtime and severance.

Alderman Gatsas asked so the number I have is pretty close.

Mr. Thomas answered when I calculated the vacancy rate, I think I used \$24,000.

FINANCE

Mr. Clougherty stated with me I have Michelle Tontadanato who is our Administrative Manager in the office who does the processing of the budgets and has been working here over the past couple days to help format some of these reports that you are seeing that have been helpful and I have Joanne Shaffer who is the Deputy in charge of Treasury and Randy Sherman, the Deputy who does the comptroller functions. If you have any questions, we will be happy to answer them. The Finance Department budget is comprised 75% of salaries, 24% of expenses and 1% of capital. The amount that is in our budget for this year is a complement of 15 positions calculated by HR that is taken out to the full year with longevity and merits and all of that and that is the number that has been calculated for our department. Our department, in the current year, was budgeted at...although we have a complement of 15 we have always been budgeted in the 14 range and in 1999 when you compare us to that chart what happens is we were budgeted...although we have a complement of 15 we are budgeted for 14 and you had vacancies then so during that 1999 year you would have had as few as 12 people and as many as 13 or 14. So, when you compare to FY99 not all of the...and the other factor here is that during this current fiscal year we had some problems trying to fill our internal auditor position and that occurred in FY99 and spilled over into this year. The problem we have is that what we were advertising in terms of salary ranges for certain positions in the department were so low that when we had done national advertisements for those positions we got one person. We did a national advertisement once and we got one person who came in to take the job and they said we will take it if you give us \$10,000 more so we went to HR earlier this year and the HR Committee and the Board helped us and we were able to get that position classified and moved up in terms of salary. Even with those numbers that we are at now for those positions, we are still \$10,000 less than what they are paying at the State for a comparable position. When you compare our numbers for this year at a full complement from day one with everybody in versus FY00 it would be for...although at certain points during the year we may have had 15, we currently have 14 and for the first half of the year we had three vacancies so we will live within our budget this year that was appropriated. It is because of those factors. We didn't have Yarger Decker hitting us a whole year because those things didn't happen and we had some vacancies in the beginning of the year and when you compare us to the previous year and you take into consideration the vacancies, there is also that factor. The Mayor's budget providing us with a full complement helps us. There is an environment that we are working in that has changed a lot in the last couple of years and it is going to change dramatically. It will have some impact on the Board. Wayne and the Mayor and I have talked about the Government Accounting Standards Board which promulgates the

Generally Accepted Accounting Principles for the City and for all government entities is making some drastic changes in the way we are going to have to do our financial reporting. That can have ramifications on fund balances that are going to be drastic for this City and for cities across the country. What is happening is they are moving away from what they call a modified accrual basis and moving more toward the Enterprises where we are going to have to account for inventory like a business. In doing that, we are going to have to make a concentrated effort to get those items classified, which we haven't had to do.

Alderman Lopez stated we can't do it now. How can we do it?

Mr. Clougherty replied we have to go back and do some inventory and we may need some extra time and having that full complement that is recommended by the Mayor will help us along those lines. We had requested an additional position but as you know no additional positions are approved in the Mayor's budget, but the full funding helps us because we have never been at a full complement for a full year. Our operating expenses make up 25% of our budget, about \$220,000 this year. Our expenses have been relatively stable over the last couple of years. Most of what happens in our lines are under a term called Incidentals. If you look at your report, on the second page there is a line item called Incidentals, 0905. That term is kind of...what is in Incidentals really is management contracts. Those are contracts out of which we pay our Bond Council and Financial Advisory services. The Trustees of Trust Funds have some financial advisory assistance and that is in there. Things we have to do for legal notices for the bonds is included in there.

Alderman Gatsas asked have you been authorized to fill your vacant position.

Mr. Clougherty answered no.

Alderman Gatsas asked how much money is that with benefits.

Mr. Clougherty answered \$43,000 plus benefits.

Alderman Gatsas asked \$56,000. You didn't do anything creative like Frank did, did you.

Mr. Clougherty asked in terms of living within the Mayor's budget.

Alderman Gatsas asked in moving that number around to other cuts that you might have had.

Mr. Clougherty answered no. The Incidentals line has been pretty much stable over the last several years. The amount that we pay for those services are all a result of our fees. They are all contracted items and haven't really fluctuated over the past few years. We have a line item for Actuarials. The Actuarial expense that we use is for the old pension system. Again, as part of the GAAP changes we will have to use that next year and we expect the cost of that...

Mr. Robinson interjected you said in your Incidentals you have your management fees and what have you. Why wouldn't that be under Professional Services?

Mr. Sherman replied it actually is, Wayne. On the Mayor's budget it is actually under Management Services. Incidentals on here is actually zero this year.

Mr. Clougherty stated the other area that is included in our budget is for auditing services and that is where we divide it into two areas. It is the external audit that we have done under contracting and through RFP for the City's financial statements and the comprehensive annual financial report and there has always been another amount of \$40,000 for use for the Board beyond that if we needed to get into services for reviews. We have used that over time for reviews of the Airport and the Health Department. In the equipment line, if you look at FY99, we usually spend about \$5,000 a year in equipment and what we do is we burn out our CPU's and our terminals so Diane tells us to put money in this line item for equipment to replace some of that stuff because of the pressure that is on them. In 1999 our copy machine was going under. We put money in our current year's budget to purchase that but we were able to get a good deal in 1999 and we had some dollars that were available and we approached the Mayor and bought it in our 1999 budget so the current year's budget will have a balance there and we will still be at that \$5,000 to \$7,000 spending for equipment. Those are the major items that constitute the expenses and salaries. I will open it up to questions now.

Alderman Vaillancourt stated it seems that many times when I called your office over the past year you and several members of your staff were in hearings regarding proposals for the civic center. I wonder if you have any chargebacks to the civic center. The second question is if you total up all of the man hours your staff has spent during the past year on the civic center project, would it be one staff, one and a half staff and I am wondering since we are going forward with that and you won't be needing to spend all that time next year on the civic center if we can reduce your office by the number of hours you spent on the civic center the past year.

Mr. Clougherty replied I don't believe there were that many hours spent on the civic center. We will go back and calculate that.

Alderman Vaillancourt responded it seemed that whenever I called you were always in a meeting.

Mr. Clougherty stated in our office we keep our time like they do in a law office and I can tell you what that is. We can go back and calculate it.

Alderman Vaillancourt asked but there would be no chargeback to the civic center project.

Mr. Clougherty answered no because that was a direction from the Board.

Alderman Vaillancourt asked and your office doesn't work overtime or you don't get paid for overtime, correct.

Mr. Clougherty answered no. Now that the civic center is done, there are other issues that we are involved in.

Alderman Vaillancourt asked what would that be.

Mr. Clougherty answered the GAAP requirement is going to be something that is going to take a lot of our time. There has been a lot of interest expressed by the Board regarding the concept of revenue bonds for the parking facilities in the Millyard. There have been some ideas about e-business. A lot of what we...the area that we work in is changing dramatically because of the Internet, because of e-business. There is also, as positive as that is, there is a lot of things that the City is exposed to in terms of fraud. While there is a rush to go out and engage in those areas, we have to be careful that we are taking and bringing people on in that area. There are some things that we are shifting to in that regard.

Alderman Vaillancourt stated last night when HR was in I brought up the question of the advances in technology, computer systems and things like that and it seemed like the department that would most benefit from technology and lead to a decrease in manpower would be your department and Human Resources. It seems that as we have advanced technologically, you have advanced with more and more staff required. It seems like that is counter-intuitive. Where am I wrong?

Mr. Clougherty replied two things. First of all, we haven't increased. We have for the last 20 years had the same statutory requirement to do auditing, to do financial reporting and to do the treasury function. That hasn't changed and we have done that being a complement of 15, but we have done that with people ranging in some years as low as 12 to 14 on average. We haven't grown, we have kept the same functions in that area. Part of the way that you achieve savings in a

technological environment is you take advantage of the technology to centralize. There are probably 70 people that provide accounting functions in the City of Manchester in different departments, but in our office there are only 12 of us who are responsible for pulling all of that information together and trying to do the financial reporting. So, if there was some way to centralize, you would have to encompass that whole function and that is something that we will take a look at and that we have talked to people about and I think that is something that is possible.

Alderman Vaillancourt stated I think this is where Alderman Shea follows up on my line of questioning as was the case last night. I was going to continue myself, but I think he was the logical follow-up to this. Something about although you have the same number you had before you had some of them carved out into Human Resources. Is that correct or not?

Alderman Clancy asked it says YTD \$50,000 for auditing. Now when we had the problem with the School Department who paid for that audit?

Mr. Clougherty answered we are going to split that with them and it will come out of that line item. The proposal we got back is between \$10,000 and \$15,000 for the total so we expect our share will be somewhere around \$7,500. Whatever it is, it will be charged to that line.

Alderman Hirschmann stated I have two things. One, the vacancy that you gave Alderman Gatsas, is that Todd, the internal auditor.

Mr. Clougherty replied yes.

Alderman Hirschmann asked, Alderman Gatsas, did you know that Todd left. The vacancy he gave you was the internal auditor who left.

Alderman Gatsas answered this is the one they haven't filled.

Mr. Clougherty replied not that is Todd. Todd has taken another job.

Alderman Gatsas asked so you are at full complement 14 or 15. Where are you? Where were you a month ago?

Mr. Clougherty answered 15.

Alderman Hirschmann stated the point I was trying to make was that I need that auditor back. The other thing I wanted to ask Finance is I have the actuals from this year ending April 30 and you have 24.9% left in your budget so you are

probably going to have a fund balance for your department and I don't know if there are any cuts that you want to offer to Alderman Gatsas. The other thing that doesn't look good is on your revenue side actuals, with 60 days left you owe us \$2.4 million. Tell us about revenues and what is going on with that.

Ms. Shaffer replied in that regard, the biggest piece of revenue is the revenue sharing money that is received from the State and you will see that that one is short now.

Alderman Hirschmann asked are you hiding revenues.

Ms. Shaffer answered those are traditionally approved in June for year ending because that money will be received in September.

Alderman Hirschmann asked so we really don't have a worry with the Finance revenues.

Ms. Shaffer answered no.

Mr. Sherman stated we will actually be over budget.

Alderman Shea asked, Kevin, when the people left your department to go into Payroll, they obviously took the burden off of your department but what has changed in your department that has caused...

Mr. Clougherty interjected let me explain that because it wasn't clear last night. Years ago, the City had two positions. City Treasurer and City Auditor and under State legislation is combined them. That was a statutory requirement that is in the Charter to do auditing and to do treasurer functions. In order to do those, we do the financials because you have to pull information together from 27 departments and that is where you get your financial reporting, etc. Under the previous system, in fulfilling our audit responsibility you would have 27 departments keying into the payroll. It would then go into Personnel and they would negotiate the contract, establish the classification system, do the entries of the individuals and take care of that whole side. We would never get into that as we don't now. What we would do is we would take a look at the Payroll before the checks were being run to take a look and see are there any dead people on the list? Are the people properly classified? Those types of things. We had three people in our office that were better at that because of the auditing experience that they were doing then people in Personnel were so when they created the new Human Resources Department it made sense to have those people who had the expertise to go over there. That didn't relieve me of my audit responsibility, but it gave that start-up department a good, basic nucleus of people who understood the contracts and

everything that was going on. When those people went over, we gave them three positions but then we got the ability to hire a second auditor because we only had one internal auditor. We got the second auditor and we got Michelle's position to allow us to generate the reports and allow us to do some of the things that we are able to do now. That was the difference. That is what happened. We are never relieved of our responsibility to go in and keep doing that. In fact, about 60% of the time that our internal auditors spend is going and taking and reviewing every single invoice that is over \$1,000 to make sure that it is properly appropriated, charged the right amount, etc., as well as taking a look at some of those payroll areas.

Alderman Shea stated another concern is the HTE system. That was supposed to, I guess, help our all of the departments. Now I am not speaking for anyone else, but my understanding is that there are several problems that have existed. Some have been straightened out and some haven't. How would you classify the HTE system in terms of rating I?

Mr. Clougherty replied I think the system itself, the software, is pretty good. It has tremendous potential. The problems that we have had that we have experienced aren't with the software. The problems that we have had are with the size of the equipment that it runs on. It is too slow. One of the things that the departments wanted to get and one of the reasons why people signed on to HTE was because they would be able to do their own individual customized reports, but because the DAIS 400 was too small, you couldn't let people go on to do those individual reports because it slowed the systems down and we couldn't get the basic processing that we needed to get the bills done. It is our understanding that the box will get bigger and you will now have the ability to take the system and use it to its full potential. Now, there are different aspects of HTE. There are different pieces coming on and different modules and as those are brought on with each one you are going to have some transition. Overall, the system that we have seen even in the days that we were first on line when we were giving information about schools and so on, the numbers based on what the audit report came back and looked at was right on. So, the system works. The key is to get all of the various departmental users more familiar with it, more comfortable with it and to be using that as their primary system rather than keeping some of the spreadsheets that they are. We are working on that, but it is difficult to say to somebody come off your spreadsheet until they have that capacity to get in and enjoy the system. That is what I think it is. So, the software we have is good. It is the hardware that needs to be juiced up a little bit so that the software can work to its full potential.

Alderman Shea what has been the cost of that for the HTE system.

Mr. Sherman stated the initial cost was \$2.5 million.

Alderman Shea asked how much have we spent in addition to that.

Mr. Sherman answered I would have to go back to Diane and check that. The new mainframe is in. It is up and running and I am not sure what they paid for that.

Mr. Clougherty stated she can break that down for you, Alderman, because that \$2.5 million includes software costs, hardware costs, etc. She can lay out for you what all of those expenses have been because I know she is keeping track of that.

Alderman Shea asked would you say the additional cost of \$2.5 million is another \$500,000.

Mr. Sherman answered I would say at least that.

Alderman Shea stated so we have probably spent at least \$3 million so far.

Mr. Sherman replied I would think so.

Alderman Shea stated this has nothing to do with our discussion, but I am not sure how I understand the Finance Department. In other words, is a Finance Department's sole purpose to do things that are reacting to different things or is it the purpose of a Finance Department to be creative in the sense that they can come up with thoughts and ideas so as to be helpful in terms of financial matters. In other words, so often your department, perhaps because of different concerns, has always responded to different financial matters. Is that the sole purpose of a Finance Department or is it to be a little bit more in terms of creating different types of situations where the City can be the beneficiary of your department? I am just throwing this out as a discussion point.

Mr. Clougherty responded the structure of Finance and Administration and we have offered different models along the years to the Charter Commission and different Committees, but they are structured different ways. In ours, the statutory responsibility is to do the auditing, the reporting and the treasury side but in other places you have a Finance Office that has a more administrative function and takes on a broader role and has the ability to implement.

Alderman Shea stated we created the Human Resource Department and what I see is two departments almost simultaneously going this way rather than that department going this way and your department going that way. In essence, it seems to me that we have created a department that has absorbed some of the duties that your department has done in order to relieve you to absorb more responsibilities over here.

Mr. Clougherty replied ours have always stayed the same. HR, and the reason we created the HR Department is before under the old payroll system with all of the departments keying in and with our auditing function often times as part of the auditing function we would find at the last minute mistakes so to fix those mistakes as far as to say well Finance fix that and don't pay somebody the wrong amount, etc. That is something that was troubling to some of the members of the Board and to me it wasn't a good internal control feature to have your auditors doing that. So, although we never did the negotiations and processing, there were some issues there. Now with this new system, that module where all that is handled is handled by HR. We don't go in and change that. We have access to it and can go in and look at it, but we don't make changes. That is a better internal control for the City. There were other things on the HR side that the City had problems with. The City had ADA issues that we weren't addressing and that fell into HR. We weren't dealing with some of the things that we needed to do with the Fair Labor Standards and we had some exposure there so there were a lot of things that we needed to do that we just haven't done.

Alderman Vaillancourt asked about the postage line item. Is there a reason you spent less for postage this year than you budgeted? You went from \$5,701 to \$8,800 and you are only spending \$3,800.

Mr. Sherman answered my guess would be that is because of School. We no longer send out School's checks.

Alderman Vaillancourt stated so you don't need the \$8,800 next year then.

Mr. Sherman replied I would say that is probably out of line.

Alderman Vaillancourt asked can we make a note of that. Line 580, Travel, Conference and Meetings, you budgeted \$2,000 and you have already spent \$5,150. Did you, in fact, go to the Mayor to get permission for that extra spending?

Mr. Clougherty answered no because it is within the program category.

Alderman Vaillancourt asked what category program would that be.

Mr. Clougherty answered it is under expenses and all of those line items under general expenses we can move around. Some of that, Alderman, was my travel relating to the Airport bond issue and I will be reimbursed for that.

Alderman Vaillancourt asked Line 110, Human Services, I noticed that from \$637,00 to \$717,000 is an increase of 13%. Is that your Yarger Decker number? 13% for this department? What is your Yarger Decker number for this department?

Mr. Tawney stated for the Finance Department this year it would be a 3% increase plus longevity.

Alderman Vaillancourt stated well it comes out to be 13% and you are saying that Yarger Decker only accounts for 3% of that so I am wondering how we get to the other 10%. It does say in my notes here that because of three sporadically vacant positions during FY00.

Mr. Sherman replied I was hoping Alderman Gatsas was going to ask this because this is why this doesn't work. I have back of the agenda calculations here. During FY00, we had two appeals of the Yarger Decker that were accepted that weren't budgeted for. We had three people that we were told by HR we had to give probationary steps that weren't budgeted for. As Kevin talked about, we upgraded both of the internal auditor positions and when we hired them, both of them came in at the B step and not the A-STEP. We just could not hire at what we had. Those weren't budgeted for. We had one bonus that was not budgeted for. We had two people who were given two additional steps over what we were budgeted for because other departments were hiring people fresh of the street and paying them more even though our employees had more time in. We had two people that got two steps and one person who got a promotion within the department through a vacancy. That right there is a 10% increase. If you annualize all of those items that were not budgeted for, it comes to about \$30,000. Our FY00 budget of \$637,000 really is \$670,000. If you take all of those things that weren't budgeted for that are all controlled by Yarger Decker and not by the departments, we actually started off at \$670,000. As Kevin said, we are going to be under budget because we had vacancies during the year and we just couldn't hire, but we absorbed every one of these things in our budget this year. Now you take that \$670,000 and you add on the COLA and you add on the 3% steps and you add on the longevity and that is how you get up to the \$717,000.

Mr. Clougherty stated if you annualize for one year, like Randy is saying, FY00 and compare that to the Mayor's budget the difference is \$35,000 and that is a 5.1% increase.

Alderman Vaillancourt asked so you are saying that the explanation of three sporadically vacant positions is not adequate.

Mr. Sherman answered right. Again, what is on that spreadsheet is a test of why the Mayor's numbers are higher than what the actuals are up by the 6%. The reason they are higher is if we had been at full complement all year, our actuals would have been higher and then when you did the math we would have been much closer to the Mayor's numbers. The Mayor's numbers have all of these calculations in there, but because we had those vacancies, our actuals were lower.

Mr. Clougherty stated and because the Yarger Decker stuff only hit us halfway through the year.

Mr. Sherman stated I think that is really why the Board had a hard time reconciling from one year's budget to the next because you had these Yarger Decker appeals...we had one employee who came onto Yarger Decker making more than they said she should be making so they redlined her and then the Board came back later and said that wasn't fair because she didn't get a raise and they gave her a step. Nobody budgets for that. We didn't budget for it and none of the other departments budgeted for it. That is 3% right there for one more employee. That is how these departments...I pitied those other departments as they were sitting here because you have 242 people in the Fire Department, they can't go through and do that on every one of their people and figure out why they are off. They are grasping for it, but with 15 people you can go back through and I can see every one of those things that weren't budgeted for.

Alderman Gatsas stated that was a great synopsis. Can you give me a line item by employee for wages? That is what I would like you to give me.

Mr. Sherman asked tied to which number.

Alderman Gatsas answered tied to the numbers that you have given me. When did you get off payroll? What year?

Mr. Sherman replied it was July 1, 1998.

Alderman Gatsas asked so your full complement in 1998 when you were doing payroll was 15 employees.

Mr. Sherman answered correct.

Alderman Gatsas asked you gave up how many employees.

Mr. Sherman answered three.

Alderman Gatsas asked to do payroll.

Mr. Sherman answered yes.

Alderman Gatsas stated so you filled them with other positions and you stayed at 15.

Mr. Sherman replied we originally went to 14 and then we brought the 15th one in later.

Alderman Gatsas responded that is not what I am looking at here. It says City of Manchester Human Resource Department assigned employees.

Mr. Sherman replied we had 15 during 1998, but originally we started with 14.

Alderman Gatsas asked in 1997 you had 17.

Mr. Clougherty answered 1997 is when we made the transition into HR and those were in our budget.

Alderman Gatsas stated well you gave up the payroll function with three people.

Mr. Clougherty replied right but it was part of the budget for that year.

Alderman Gatsas stated I am talking about employees. If you gave up three, you should have dropped to 12.

Mr. Sherman replied right.

Alderman Gatsas asked you never went to 12 ever.

Mr. Sherman answered no. As they took three out, they gave us two right away.

Mr. Clougherty stated part of the plan was to raise it up in that budget to 17 and take away three.

Alderman Gatsas asked you still had a vacancy but you gave up one of the biggest functions that you had per say in man-hours. You had three people dedicated to doing payroll out of a staff fifteen. So you gave those people up and you recovered people.

Mr. Clougherty answered right. We have never had a full complement for a full year. We have always been at 14 or less.

Alderman Gatsas stated the biggest expense item that we have in the restricted account is medical insurance. We have an audited statement and I would assume with that size line item that our auditor because he signs off did some sort of audit on Blue Cross/Blue Shield. Yes or no?

Mr. Sherman asked on the payments that are made and reimbursements that are received, but not on what Blue Cross/Blue Shield is actually paying per claim. Only the payments going between the City and Blue Cross.

Alderman Gatsas stated if they are giving us an audited statement and that line item is the biggest one we have in restricted they should be looking at claims that we pay. Why aren't they?

Mr. Clougherty asked in terms of transactions.

Alderman Gatsas answered absolutely.

Mr. Clougherty asked in terms of whether or not they are reasonable.

Alderman Gatsas answered no. They can't do an actuary on them, but they have to look to make sure that a claim that was paid to Ted Gatsas made him an employee of the City because they could have paid \$350,000 on a claim that might not have been a City employee. I have a problem that for some reason we are doing this protection of an auditing company that we pay for audited statements. I think we have talked about the garage situation. Now I am talking about finance and maybe I am little bit out of the budget scheme, but I think those are issues that if we have a Finance Officer in place he is supposed to be looking over somebody's shoulder to be protecting the City. I said the deal that the Mayor worked out with the garages is fine, but that is an item that we should have gone after E&O insurance against the auditor and let them work out the deal. We should have our money now. We shouldn't be waiting. That is what they carry insurance for and that is what we hire them for. Not for us to sit back and wait 20 years to get paid. That is unreasonable. They should be looking at whether claims are being adjudicated correctly so that we are getting claims paid to the employees that work for us and not somebody else. That is part of the audited statement. Now, maybe at \$40,000 that is an absurd number for an audited number. I will be the first one to admit that so somebody has to live behind what an audited statement means. I didn't set-up those parameters. GAAP set it up. I didn't put it in there. They should be living by what we have done and I think that the letters that we sent out for the garages haven't been strong enough and we should put them to pass for it just like we should be putting them to pass for not looking at Blue Cross/Blue Shield, worker's compensation claims or any of those because

those are numbers that mean something to the City and we have no idea, none whatsoever, whether claims that are being paid at \$15 million are being paid to the right people. That to me is what I think or in the normal realm of business if you had a Finance Officer or a CFO of a company that is what he would be doing, making sure that the audits are being done to protect our funds and that gives us, as Mr. Sherman said, retained earnings.

Alderman Hirschmann stated in our auditing Committee the other night we did hire a new firm to replace Melanson Heath that will start on July 1 of this year. Anything that you want done, just give us a list.

Alderman Gatsas asked how did we hire them. Is it low bid? What is the process?

Mr. Sherman answered it is through a competitive procurement qualification. We sent out requests to at least 12 firms throughout New England. We received four bids. We determined that two of them really weren't qualified in the fact that they don't do the caffers and they aren't used to doing communities our size. It really came down to two firms – Melanson Heath again and McGladrey out of New Haven, CT. The recommendation from Todd Provencher to the audit committee was to go with McGladrey and one of the main reasons or a couple of the reasons were that they were very familiar with HTE...

Alderman Gatsas interjected let's leave HTE alone because I have only been here three months and I will tell you that those three letters are the worst three letters in the alphabet. I haven't surveyed 1,250 employees, but I would...somebody is going to press me to that and I am going to walk around this City and I am going to talk to every employee about HTE. I am sick of hearing about it. It is terrible. It doesn't work. Do you know what their financial position is right now?

Mr. Sherman replied it is about as junk as it can get. You can buy about 100 shares with the change that is in your pocket.

Alderman Gatsas stated I bet I can buy the company with what I have in my pocket.

Mr. Sherman stated one of the main reasons that McGladrey has been recommended is their approach to the audit.

Alderman Gatsas asked how much are we paying them.

Mr. Sherman answered the general fund is about \$60,000. The total audit is up about \$40,000 counting all of the Enterprises.

Alderman Gatsas asked we are paying \$40,000...

Mr. Sherman interjected more than the Melanson bid. Melanson is about \$40,000 and McGladrey is general fund at about \$60,000. They are a national firm. The approach that they are going to take to the audit should provide a better test on the internal control features that the City has and should be able to more easily recognize areas like the parking garage. The approach that Melanson took didn't come up with those items and that is one of the main reasons that Todd recommended them over Melanson Heath.

Alderman Gatsas stated for anybody, I mean an audited statement is a pretty simple statement. Anything that is material and I have to believe that we have leases and they are material...true or not? I am not telling you gentlemen anything you don't know. Now I have to believe that they would ask the question where is this revenue coming. There is \$360,000 that we are getting paid. Where is that coming from?

Mr. Sherman replied the issue that Melanson had...

Alderman Gatsas interjected at some point they have to ask you for a piece of paper to justify what this number is or they are not going to sign-off on it. Now, when they look at \$15 million in claims paid and they say oh a lightbulb goes off or maybe a lightbulb didn't go off and they saw Blue Cross/Blue Shield bills and had no clue that we were self-insured. I have to believe that any professional company coming in here to do an audit and we say we are self-insured from dollar one they are going to say can I see a claim run. Those are questions that...

Mr. Sherman interjected I don't disagree with you.

Alderman Gatsas stated so if they are not asking those questions and they gave us an audited statement then we as a Board, we have asked for strong letters, I have asked...I mean I don't know maybe we don't want to pursue it and if we don't that is fine and I will just sit here and be quiet but I think there should be a pursuit. People give us a service and they sign-off then we should get what we pay for. Now I am not saying that we paid too much for it. We probably didn't pay enough for an audited statement and we got what we paid for. But, they have E&O insurance so we should sue them for what we should be getting because they signed off.

Mr. Sherman replied we are working with the Solicitor on that.

Chairman Cashin stated to answer your question, Alderman Gatsas, we do want to pursue it.

Alderman Gatsas stated we got a copy of the letter. Did you see it?

Chairman Cashin replied we are going to pursue it.

Alderman Gatsas responded I understand, but that was two months ago. I have no idea what could be in that claims run. I don't think anybody here does. I mean you say to me what is Finance's job and Finance's job should be looking at those claims on a weekly basis before we send out a check. You should be controlling the checkbook. Those funds should be deposited into a separate account that is a fiduciary account to these employees and those checks should be written off to that account by Blue Cross/Blue Shield and you should be looking at the loss run before a check leaves to make sure that Ted Gatsas is on that list. If he is not, then you have to pull it. If it is a \$30,000 check, it comes out. I would like to know how much breakage and what I mean by breakage is when an employee pays the \$15 fee to the doctor and he gets reimbursed from the insurance company and his check gets washed in the laundry and never gets cashed. I don't even want to go there to think how much that might exist at.

Alderman Lopez stated Randy the other night we were in Committee and Todd was there and we talked about different things. We never knew he was leaving the next morning. He indicated that he was going to be around to do this and that. Now who is going to do this? I don't understand why in the world we were in a Committee meeting and Todd was sitting there and he was leaving the next morning and you knew it and you didn't say anything to the Committee.

Mr. Sherman replied that was at Todd's request. Todd's last day was actually Monday. Todd came back to go to that Committee so that he could work with the Aldermen. He asked to do that.

Alderman Lopez responded we were entitled to the information.

Mr. Sherman stated his issue was dealing with McGladrey.

Alderman Lopez stated Kevin the process we went through working on a scale of 1-10 with HR numbers and Finance's numbers would you keep it separate or should it all be under Finance.

Mr. Clougherty replied I think the more you decentralize the harder it is. I think there should be central administration and we have offered ideas for that over the years. You can't get there quickly.

Alderman Lopez stated there is some confusion with Joanne. She sat at the Joint BMA/School Board meeting and made a statement and I think she answered their question but I don't think it was fully explained – bonding. The question was she said that it costs six times more to bond \$2 million because the CIP budget went through with \$13 million and so forth. Will you explain bonding? If we added \$2 million is that correct? Has the \$13 million bond been issued yet?

Mr. Clougherty answered no.

Alderman Lopez asked so if we added \$2 million to that bond, would it cost six times more.

Mr. Clougherty answered no.

Alderman Levasseur stated it would cost six times more if we only did the \$2 million.

Alderman Lopez asked Joanne would you state that. You said it to the Board.

Ms. Shaffer answered I was understanding that he was looking at a \$13 million instead of a \$2 million bond at that point. That would escalate the cost.

Alderman Lopez asked explain for the record bonding and the situation with the CIP.

Mr. Clougherty answered the CIP is a plan and in that plan you approve bonding, you approve a lot of other items as well but you are not, as a Board, prohibited from bonding by that plan. If you think about it, the logic is if you adopted a CIP budget that said you could only bond \$10 million this year and that was absolute and you couldn't do anything else and then two weeks later we have a natural calamity, you would not be able to do anything about that so the way that the bond statutes at the Federal and State level has been written is to allow for flexibility to issue debt. You go through the CIP process because if you go and issue bonds every day without having some type of a plan it is going to get expensive. That is what happened to the City in the late 60's and early 70's. The debt service for the City was getting up around close to 25%. You adopt a plan to help you manage your debt service so that you are living within the guidelines that are going to help you with your credit rating. The \$13 million is that affordability estimate of what

you should be issuing. If you want to just add on to that \$13 million, you certainly can at any time during the year but there are financial costs for that debt service that you are going to pay the next year and that is what Mr. MacKenzie is trying to do is level the amounts that we are looking to pay for debt service for bonds and timing the bond issue.

Alderman Gatsas stated I asked Joanne the question if the CIP bond went out at \$13 million what would it cost us to bond \$2 million by itself. She said approximately six times as much.

Ms. Shaffer asked you meant \$2 million over the \$13 million and I thought that you meant \$13 million versus \$2 million so I apologize for the misunderstanding.

Alderman Gatsas stated the \$13 million in the CIP budget that is currently there that we voted on and closed, can we add \$2 million to that CIP budget for bonding.

Mr. Clougherty replied you can always amend the CIP plan and we can always put in a resolution for bonds. The Board is not restricted in the terms of the debt that it can issue.

Alderman Gatsas asked if you are telling me that we can amend to add, that must mean that we can amend to reduce.

Mr. Clougherty answered yes. The way to reduce would be to not introduce the resolution to authorize the debt.

Mr. Sherman stated you have to have a resolution for every one of those projects to authorize bonds to actually be sold. If you wanted to eliminate something, you just wouldn't introduce that bond.

Mr. Clougherty stated just taking the CIP action doesn't give me the authority to go out and issue the debt. You still have to introduce resolutions for each one of those projects.

Chairman Cashin stated every individual bond has to be approved by the Board of Aldermen.

Mr. Clougherty replied correct and it goes through two series of readings over a period of time.

Alderman Gatsas asked can we amend the CIP upward and downward at any time.

Mr. Clougherty answered you can't do it for the Cash but on the bond side if you were to authorize fewer projects and not approve those resolutions, that is the mechanism that you would use to reduce it.

Alderman Gatsas asked we can't open it and amend Cash.

Mr. Clougherty answered no. You can amend it.

Alderman Gatsas asked yes or no.

Mr. Clougherty answered you can amend the use of the Cash but you can't appropriate more Cash.

Alderman Gatsas asked can we open it and reduce cash.

Mr. Clougherty answered you can reduce, but you can't add.

Alderman Gatsas asked on the Cash side. So if we have \$2.5 million in Cash...

Alderman Vaillancourt interjected wouldn't that be a question for the City Solicitor.

Alderman Gatsas stated I am looking for an answer and I am getting three different ones.

Deputy Clerk Johnson replied the Cash portion can be reduced at any time as long as the budget authorizations have not already been processed and the money spent.

Alderman Gatsas asked can that be changed from now until June whatever.

Deputy Clerk Johnson answered the Cash portion is tied to the operating budget side as you know so if you wanted to increase, let's say, the CIP you would also have to increase your Cash in your operating budget. If you wanted to reduce the Cash appropriation, then you could go back and amend the CIP downward.

Alderman Gatsas asked so the CIP budget that we passed last week or brought up for reconsideration can be brought up at any time to be amended again.

Deputy Clerk Johnson answered if you are talking about between now and July 1, none of those projects will be started so in reality you could.

Mr. Clougherty stated if you have the bonds authorized for projects, those are committed and you can't go back and change them.

Chairman Cashin stated as I understand the CIP, it is a fluid program and can be changed at any given time as long as you don't expend the money. Once the money is expended you can't take it back.

Mr. Clougherty replied exactly.

Alderman Gatsas stated but the money will be spent in July.

Chairman Cashin replied it is fluid.

Alderman Gatsas asked so at any time we could pull cash out.

Alderman Shea answered if you have enough votes to pull it out.

Chairman Cashin stated we have a couple of things worked out there. We still have several departments to go through. Deputy Clerk Johnson will go over the list. We have a problem with timing and with meetings. We are going to have to decide how we want to handle this. The meetings that we had scheduled, the Mayor's Office would prefer that we didn't keep because he would like to be here and he has previous commitments. He has asked that we postpone these meetings. Now, whatever this Board wants to do we can do. We can have a meeting if you want to have one. If we don't have them then I don't know how we are going to make this schedule. We still have several departments to talk to. I want you people to tell me what you want to do.

Alderman Gatsas asked what days are open next week.

Deputy Clerk Johnson answered originally in the discussions that we had on May 4, we had reserved May 15, which is Monday night. It was the intent to see all of the departments you wanted to see and to finish off some operating budget issues. Then we had also reserved the following Monday for a Finance Committee meeting and tentatively we were thinking that CBSD and Intown if you wanted to see them we were thinking of doing it that night and maybe finishing up some other stuff with the operating budget.

Alderman Gatsas asked there is nothing on Thursday of next week.

Deputy Clerk Johnson answered the Chambers has been reserved by the Mayor's Office. I believe it is for a public hearing for Mary Mongan's committee.

Alderman Gatsas asked can't they meet here.

Mr. Robinson stated it is not Mary Mongan's Committee that is meeting it is a private group of scholarship fund recipients. I believe it is about 70 kids.

Deputy Clerk Johnson stated the Chambers have been reserved on May 18 and May 25 by the Mayor's Office. Next week Monday night you have the Finance Committee meeting and Tuesday night you have a regular Board meeting. Wednesday night there is a Zoning Workshop being held here.

Alderman Gatsas asked what is that for.

Deputy Clerk Johnson answered it is scheduled for 5 PM.

Alderman Gatsas asked what is it for.

Deputy Clerk Johnson answered it is a special meeting of the Board that the Mayor has called to review the zoning issues.

Alderman Gatsas asked can we change that to after this budget session.

Chairman Cashin answered yes you can. The Board can do whatever it wants to do.

Alderman Shea stated if we want to meet because we have to get this work done, even though we respect the Mayor's role and position, we should vote and say whether we want to have it at our convenience because we have other things to do as well.

Alderman Shea moved to meet next Monday night. Alderman Levasseur duly seconded the motion.

Alderman Hirschmann stated I understand that the Mayor is not available, but Wayne are you available.

Mr. Robinson replied yes.

Alderman Gatsas asked can we change the other meeting because this is certainly more important.

Chairman Cashin asked can you (Mr. Robinson) talk to the Mayor and ask him if we could cancel the zoning workshop. It is the feeling of the Board that they would like to have a budget meeting.

Mr. Robinson answered yes.

Chairman Cashin stated so Monday and Wednesday we are going to have meetings.

Alderman Gatsas asked when do we sit down and talk about revenues. Do we ever talk about revenues?

Chairman Cashin answered yes. Once we get through this process we have to sit down and talk about revenues and find out where the money is.

Deputy Clerk Johnson stated if we can reschedule the zoning meeting next Wednesday and that is an evening that I presume the Mayor was going to be here so you would have a Monday night meeting with Finance and a Wednesday night meeting with Finance and we can talk about what to put on those to make sure that perhaps things that are more critical to the Mayor are discussed when he can be there. Then, the following Monday we had open as well as Tuesday. Now my understanding is that the Mayor is available on May 23. On May 22 he has a previous commitment and can't be here.

Chairman Cashin stated by May 22 we have to be pretty well wrapped up with department heads so that we can sit down and talk about revenues and everything else. That is going to take some time.

Alderman Gatsas asked do we want to meet with every department head that has a \$300,00 budget.

Mr. Robinson answered I can do our budget presentation right now. The Mayor's Office salaries account for 99.96% of the budget. How much can you cut? I will volunteer right now.

Chairman Cashin asked can we go over the list of departments that we haven't seen and decide whether we want to see them or not.

Alderman Gatsas answered the next biggest department I want to see is Assessor's. I think the most important issue we talk about next is revenues. Before we talk to other departments that should be the next meeting we have. When I hear the statement that our tax base or our tax revenues are low and then we hear about 400 new kids going to a school and houses being built, something is wrong. I need somebody to come in and explain to me when I hear one thing and I hear another thing on the other hand and they don't go together.

Deputy Clerk Johnson asked for revenues, who do you want to talk to. Finance and who else?

Alderman Hirschmann stated Joanne is right there. She is the Revenue Administrator.

Alderman Gatsas replied but you have to have Assessor's in here. What have you done in the past is my question? Have you ever talked about revenues in the past?

Deputy Clerk Johnson stated usually as the departments come in there are revenue questions asked and revenue questions as a whole are discussed with Finance.

Alderman Gatsas stated I don't know what the process is. I don't know whether you just do revenues. Obviously you folks have just talked to the departments who generate the biggest revenues and you ask them questions.

Deputy Clerk Johnson replied if, for instance, the Building Department comes in and that is one of the departments that you decide to see, they bring in revenues for building permits or whatever and people will generally ask if the revenues projected for the department are adequate, are they correct, do you think they are right, could you give us more, are they too high, etc. so that you get a sense from the department as to whether the amount is appropriate.

Alderman Gatsas asked who are the biggest revenue generators.

Alderman Hirschmann answered Tax is one.

Mr. Clougherty stated once the budget is adopted we meet with the Committee on Accounts and we give them a revenue forecast for the current year so you could use that report that he is talking about that we gave to him the other night and that is the basis for a presentation on revenues.

Alderman Gatsas asked what about Assessors.

Mr. Clougherty answered they do the tax base but the actual revenues and all of those other line items we give you that report and we can do that if you give us until Wednesday.

Mr. Robinson stated the only variance from FY00 to FY01 is the poker machines.

Alderman Gatsas asked what is that number.

Chairman Cashin answered \$600,000 less.

Alderman Hirschmann stated a lot of the departments have already reached their revenue goals. It is looking good.

Ms. Picuch stated for poker machines we had \$580,000 budgeted and right now we have taken in about \$180,000.

Deputy Clerk Johnson stated we brought our projection down.

Mr. Clougherty stated we could come in Monday night, Mr. Chairman, and give a list of all of the revenues for the current year, where we are and a little historic perspective and you can compare that to what the Mayor's projected is.

Chairman Cashin asked by department.

Mr. Clougherty answered yes or by source and by party and you can look at that and if there is something on that list that triggers you then you could go from there. You might be able to get all of them done in that one night. For the tax base, you probably want to talk to the Assessor's Office.

Chairman Cashin stated we will have revenues, Assessor's and Tax on Monday.

Deputy Clerk Johnson asked can we just go through the whole list now.

It was decided to see Building, City Clerk, MEDO, Solicitor, Youth Services, EPD, and Intown Manchester.

Deputy Clerk Johnson stated all of these resolutions have to be put on so one of the nights for the Finance Committee meeting we are going to put all of the resolutions on.

Alderman Hirschmann stated we should meet with Rich Davis before those tax bills go out. When do the tax bills go out?

Deputy Clerk Johnson replied those bills that went out are based on what you already passed last year.

Alderman Gatsas asked what do we have scheduled for Monday.

Deputy Clerk Johnson answered revenues, Tax, Assessor's and Building if we have time.

Alderman Gatsas asked what are you scheduling for Wednesday.

Deputy Clerk Johnson answered the rest of the departments. The following week you can pick up CBSD and then I can put all of the resolutions on for departments you don't want to see so you can get something done. We will get a schedule out to everyone.

There being no further business to come before the Committee, on motion of Alderman Pinard, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee