

COMMITTEE ON FINANCE

May 30, 2000

7:30 PM

Chairman Cashin called the meeting to order.

The Clerk called the roll.

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

Messrs: D. Prew, B. Barnett, K. Clougherty, M. Hobson, J. Porter, S. Tellier, S. Lafond

Deputy Clerk Johnson stated the Committee on Administration meeting this evening was cancelled due to lack of a quorum and they have asked that the HTE presentation be done at the Committee on Finance level. Diane Prew is here to make that presentation.

Ms. Prew stated good evening ladies and gentlemen. At the request of the Administrative Committee we have invited a gentleman from HTE to answer the Committee's questions. I have with me Mr. Bill Barnett who is Vice President of Integrated Systems for HTE. That means that all of the modules that we are using report to him. He has been with HTE for 12 years, but he has recently taken over this post. We spent the afternoon with him speaking with users of the system, particularly those users that were having some problems and he heard first hand from them what their problems were and had an opportunity to discuss those with them. At this time, I would like to introduce you to Bill Barnett and he is here to answer your questions.

Alderman O'Neil stated we have heard many times as months have passed when we are looking for information the departments seem to blame it on lack of ability to get that information from HTE and it is for a variety of reasons. My concern is that when your product was, for lack of a better term, sold to the City of Manchester you felt you were able to deliver it...let me rephrase this a little bit. I believe you over committed to communities and weren't able to back-up the service and that has been our biggest problem in my opinion. I know there are still some outstanding financial issues. I would just like you, in your opinion, to address the fact that you might have over committed yourself to other communities with regards to sales.

Mr. Barnett replied I am not sure that I am necessarily qualified to speak with regard to that. I wasn't in this position at that point in time. I know that we did have a large implementation schedule due to the number of factors. One of which was Y2K concerns. A lot of cities similarly situated had to have their software replaced and we did have a very demanding schedule. Beyond that, I don't know what commitments were made to the City of Manchester at the time the sale occurred.

Alderman O'Neil asked in your opinion based on your conversations with Diane, your own staff and maybe some of the departments you met with today, what do you believe are still outstanding issues with regards to HTE.

Mr. Barnett answered I think we still have some support issues to resolve. The splitting of your Water and EPD areas is probably the major concern right now.

Alderman O'Neil asked are those two separate modules.

Mr. Barnett replied basically we will move those into separate production units, if you will, so that they will be separate reporting entities. Those I think in addition to probably some training or retraining of your staff internally because of some turnover and some training situations that we probably had during the implementation phase in my conversations with Diane today.

Alderman O'Neil asked would you say that training is a big issue.

Mr. Barnett answered I think in any system when you try to implement it training is a big issue. It is a matter of concurrency when you are trying to run your old system and at the same time learn a new system so when you do the switch over if you have not had sufficient time to practice the skills to learn a new system and get adjusted to a system that is not tailored specifically to the City then it becomes a little bit more of an issue to get up and running on that in a fluid manner.

Alderman O'Neil asked who was responsible for that training.

Mr. Barnett answered there was a joint responsibility.

Alderman O'Neil asked both HTE and the City.

Mr. Barnett answered yes.

Alderman O'Neil asked can you go back to the need to address some support issues. What would be some examples of that?

Mr. Barnett answered what I heard today from some of your users was lack of call back. They would make a call and perhaps they would not get a timely update on the status of their support issue. Another thing that came up was the duration of how long it took to resolve an issue.

Alderman Thibault stated maybe I should address this to Diane. Diane, were you available and ready for training to some of the people in departments that needed it? Were you ready to give that training? Where does the fault lie here I guess is what we should find out. Were we lax in giving them the time that our departments needed to get trained or were they?

Ms. Prew replied I think that a lot of the training issues that we face today are those that we need to take care of internally. We have had a number of new people come into the City that weren't here for the original training. We have people who are becoming more...getting more deeply involved in the systems so we need to do in-house training of our users. Some of our departments may need some additional assistance from HTE and there may be some set-up issues that need to be addressed but for the most part the training that was identified on the survey is internal training that needs to be done. We have met with the various departments involved. The HR Department has quarterly meetings with their payroll clerks and are picking up the new people and addressing their issues. We met with the Finance Department and they plan on meeting individually with the people that voiced concerns in the survey. We plan to address all of those training issues that have been identified in the survey and then I think in the long term we need to make sure that any new employees that come in receive the training to get their jobs done in an appropriate fashion.

Alderman Thibault responded so if I hear you right there are two departments right now that still need training or is there a lot more than that.

Ms. Prew replied no. The two departments I mentioned are the departments that are doing the training. A lot of the issues had to do with the financial systems and becoming familiar with the capabilities of that system.

Alderman Thibault asked how many other departments then are probably off on some of this still and how long will it take for us to be completely on line.

Ms. Prew answered we are on line, Alderman. It is just a matter of getting out to those people who need the training.

Alderman Thibault asked how long.

Ms. Prew answered I would defer that question to the Finance Department as to how long it will take them to address those issues. HR is going to do it on a regular basis. I think that is going to be an ongoing thing if I am not speaking out of term, Howard, that on a quarterly basis you will have training. Actually it is an ongoing issue because as you have new employees they need to be trained and people change jobs. It is not something that is going to go away. It is something that we need to get into a regular cycle of doing.

Alderman Lopez asked, Sir, you have 12 years experience with HTE is that correct.

Mr. Barnett answered yes.

Alderman Lopez asked how would you rate, if you had to on a scale of 1-10, the system that is in Manchester versus some other places at this stage of the game. Are we at a 5, 6, 7?

Mr. Barnett answered your system is basically the same as installed in our other accounts. You had some custom modifications that make your situation a little different. If you are asking me how you are doing on a scale of 1-10, is that what you are asking? Based on what I heard today I would say in some areas you are doing reasonably well, 7-8, and probably in your utility area you are below 5, somewhere between 3-5 is what I would say.

Alderman Lopez asked what could we do to upgrade those that are in that area.

Mr. Barnett answered I think the first step we want is to make sure that we do the division of Water and EPD. We will start with that. That appears to be where some of the problem is at. Then, some of the reporting and inquiry issues we will see how those things work out once those are split. I think you will see that those will come along and move up into the 7-8 level.

Alderman Lopez asked do you anticipate staying here to solve some of these problems.

Mr. Barnett asked myself personally.

Alderman Lopez answered somebody.

Mr. Barnett stated when I return I will work with our most senior utility person, Brenda Licowicz, who has been talking with your utility department already with regard to splitting these two functions out for you. I will get an update from her on where we are at on that. As I indicated to Diane today, more than likely I will assign responsibility for your account to a project manager to make sure that we track all of the issues for you who will report directly to me.

Alderman Gatsas stated, Mr. Barnett, I had a quick opportunity to look at your 10Q. If you were looking at the same 10Q that I am looking at and you were sitting in my position and I was sitting in front of you would you be a little nervous.

Mr. Barnett replied I think all businesses, whether they are public or private, go through periods of ups and downs and I think that we have been through our down and I think we are coming back. We have done quite a bit of cost containment and we are continuing to do that. We are seeing a little bit of an uptake in our sales so all things considered I would feel better than I would have felt before.

Alderman Gatsas asked better than before, but if you were sitting in my position looking at this 10Q you would not be comfortable. I am looking at a cash flow statement that if tomorrow you came to this City looking to sell your product I don't think you would get as far as talking to 14 Aldermen.

Mr. Barnett answered that may be.

Alderman Gatsas stated my concerns are obviously we have two major functions, when you talk about Water and EPD, that need to be addressed and need to be answered very quickly because I don't know looking at this 10Q if there is a long existence for HTE. Long enough for us to wait and I think that most of the people on this Board have been waiting three and four years for something to work and have it work correctly so that there isn't this stress from employees and repeat performances and things that they aren't happy with. My concern is that obviously we have a bond on performance, but if we don't have somebody to stand behind their product we might as well throw what we have out the window, go after the bond performance and bring somebody else in. If there isn't an HTE, we have nobody around who is going to back-up the product. So, those are some of my concerns versus when we are going to get them fixed is certainly a big concern because if we don't have Water and EPD on the system then we have really been shortchanged. I think we have had a lot of time to talk about issues and get issues addressed. Now I have financial concerns and who is going to finish the product if something happens to HTE. Certainly you must have a Board of Directors. I think maybe this City needs to take a more aggressive stance for

the taxpayers in this City because we are not talking about a \$500,000 product. Correct me if I am wrong, but I think we spent around \$4 million on this product.

Ms. Prew replied no. About \$1.5 million or a little bit more than that if you count in the items that were not paid to HTE in terms of overtime and such.

Alderman Gatsas asked what about the hardware that we needed to get to have this product work and everything else.

Ms. Prew answered that is included.

Alderman Gatsas stated okay so we are at \$1.5 million and I think that is a significant number. Without playing with the budget here I think that is somewhere in the vicinity of 42 cents if we were talking about tax rates. That is an important number and we need to get something from a timeframe of when it is going to be fixed or when we need to tell Mr. Clark to aggressively go after a bond. I guess that is the answer I am looking for and I don't know about the rest of this Board but looking at the 10Q I am real nervous.

Mr. Barnett asked do you have a timeframe in mind.

Alderman Gatsas answered I think this Board would love to have me throw out a number because they know that we don't dance too long when we are dancing. You give me a timeframe because you are the expert.

Mr. Barnett replied at this point I would be unprepared to do that. I just became involved in Manchester. I would be happy to work with you or Diane to establish what I think the issues are and what a resolution schedule would be.

Alderman Gatsas responded since you asked me timeframe and I didn't ask you, give me a timeframe.

Mr. Barnett replied what I am saying to you is that it is difficult for me to give you a timeframe.

Alderman Gatsas asked a month, 60 days, 90 days. I don't know if you are going to be around for 120.

Mr. Barnett answered I hope we are going to be around in 120 days.

Alderman Gatsas stated I hope you are around for a long time because we have problems with a product and nobody to back it up.

Mr. Barnett replied well we have been backing it up. We have made every effort to work in partnership with the City. We have been there every step of the way. We are here tonight. I can't predict the future, nor can you, but my expectation is that we will be here and we will get these things resolved but I am hesitant to give you a 30 day, 60 day, 90 day without knowing all the facts.

Alderman Gatsas asked do you have legal proceedings going on right now with other communities that you have your product in.

Mr. Barnett answered I am sure that we have legal proceedings all the time. The nature of those I do not know.

Alderman Gatsas asked can you spell them out a little bit clearer than what you may be willing to come forward with in the 10Q. I guess as far as I am concerned we need to send or I am willing to make a motion if this Board wants to go along with it on some certain timeframe before we start questioning the bond solution. I don't know, and Mr. Clark maybe you can help me, what needs to happen for us to start questioning the bond.

Solicitor Clark answered this is a contract in terms of Info. Systems. If Diane tells us that there is a default under the agreement, we would then place the bond carrier on notice. Assuming it wasn't cleared up, we would then begin proceedings but it doesn't take a lot to get it started. We just have to make sure that it is in default first.

Alderman Gatsas asked have yourself or Mr. Clougherty had an opportunity to look at this 10Q.

Solicitor Clark answered I have not seen it, no.

Alderman Gatsas stated I would suggest that the two of you take a look at it with Diane because it is a major concern from what I see here. Diane, have you seen it?

Ms. Prew answered yes.

Alderman Gatsas asked what was your opinion.

Ms. Prew answered I agree with you. There are definitely some concerns and had the company been in that condition at the time of the contract we wouldn't have considered it.

Alderman Gatsas asked how about if within the next 15 days we get some answers and you meet with Mr. Clark in case we need to look into the bond.

Alderman Gatsas moved to get a response from HTE within 15 days as to when Water and EPD will be online and running and completed within 60 days before we look into default of the bond. Alderman Shea duly seconded the motion.

Alderman O'Neil asked, Alderman Gatsas, when I look at the report it says there are six issues that are believed to be HTE issues. It was part of the Administration report. I am just wondering if those six should be included of which one of them is separate Water and EPD.

Alderman Gatsas answered if you want to make that as an amendment, that is fine with me.

Alderman O'Neil moved to amend the motion to include all six HTE issues listed on the report that was sent to the Administration Committee. Alderman Gatsas duly seconded the motion.

Alderman Levasseur stated you see what is about to happen here. Obviously the group of people in this room have been very disappointed by the words HTE. They come up and they are not thought of very well. Can you tell us something to give this Board a little bit of confidence in your company as far as what 15 days is going to do? Are you able to do what we are going to request in this motion?

Mr. Barnett answered we will try to do that. Again, I feel and justifiably so or rightfully so that you are pressuring me to give you a decision that I am not prepared to give you at this point and if you want to impose a 15 day penalty to do that then I will do it under the 15 days. I indicated to you that I do not have all of the facts. I have been here for three hours this afternoon talking to your users and trying to find out where the problems are. I looked at the results of your survey of which 75 issues are designated as HTE issues. Of that 75, half are enhancement requests. It is not problems with the system and it is not training with the system. As much as HTE may be at fault, there is just as much responsibility on the other side. Our systems are designed for users across the United States and internationally. They are not designed specifically for the City of Manchester so there are going to be problems procedurally and functionally that our system does not fit necessarily with the way that you do business. Now that may have been a sales issue on the front end. I was not involved in that process. Again, what I am trying to do in coming here and asking Diane could I meet with some of the users to find out what the issues are, what their concerns are, where they are having problems, I have just begun that process and again if you want to do this in 15

days I would be happy to come and tell you in 15 days what the plan is and what we can do. Can I do it in 60 days? Again, I really don't have the answer for that. If that is the way you want to conduct this and that is the limitation you put forward, then that is what I will deal with. That is as much as I can tell you.

Alderman Hirschmann stated, Sir, I was here for the fancy slide presentation when HTE sold us this product. They gave a PowerPoint presentation in our old City Hall and we were told that you would custom tailor the product for us. You tell us that your product doesn't fit us and that is what incenses me. You might pull the wool over his eyes, but I was there. You may not have been there, but I will go back in the minutes and show you what you sold us. Now listen. The biggest department we had pulled out. The School District, they are out of the loop. They quit. The Police Department runs spreadsheets from some other computer because they can't do it with yours. For Water and EPD, you are getting complaints tonight. Now I was sitting here really quiet and you really snapped me by saying that last comment. You custom tailored this product for over \$1 million for us and if he is asking for delivery I am with him. You can say whatever you want. I don't care. I am not listening. I am going to go with him.

Chairman Cashin asked are there any further comments.

Alderman Gatsas stated I am not looking to shoot the messenger and I know you are the messenger but my concerns have been listening to HTE on all the garble and I haven't even gone there. My concern is the 10Q. That is more of a concern to me then whether you are going to fulfill a contract commitment to us because that contract you may fulfill in 15 days, but if HTE leaves and we have a problem with the system, we may as well throw it in the tank and start again because there is no HTE, there is no back-up to it so we aren't going to be able to get modules that work with anything else. So, we are at square one and that makes me very nervous. Again, I am not looking to shoot the messenger, but I think you need to go back to your Board or whoever is going to present it to your Board because your stockholders should know that there is an irritated client out here and one that has concerns about your financial stability.

Alderman Levasseur stated the 10Q...I have not been privy to the 10Q that Alderman Gatsas has in his hands but the question that I would have been bringing up without Alderman Gatsas who does his homework exceptionally well, I just want to ask you if I had time to read this 10Q could you tell me what you have done to improve this company. Can you give us some kind of a...May 5, wow are you guys going to be around for 15 days? Honestly. I know that sounds physicians but have you been doing the things that are necessary...maybe you should give us a little bit of an explanation on this.

Mr. Barnett replied I can tell you some of the things that we have done. We have restructured ourselves. We have reduced our expenditures and our run rate probably over 40% so we have moved that from let's say \$110 million in operating expense down to about \$60 million in operating expense so we have been working on the expense side of the business and we are continuing to work there. Part of the restructuring that took place basically was to put some of the groups together to get some consolidation to occur to save some costs as well. We are very...I think we have done a very good job of managing expenses. Unfortunately it has come later than it should have to affect that statement. The key piece is revenue generation. No different than your City. The money coming in the door. We can control our expenditures, which I think we are doing a good job of and those are the things we have done to this point. It is relatively cost containment.

Alderman Levasseur asked, Alderman Gatsas, when did you receive this report and is this report sent out to our department heads on a yearly or quarterly basis. In other words, should we have known about this in 1999 when this was a worse projection.

Alderman Gatsas answered I happened to look at the 10Q this afternoon before the meeting on Administration. That is what prompted my question. This was passed out to the Administration Committee this evening. Was I prepared beforehand, yes I was. They were gracious enough to bring it in this evening.

Alderman Levasseur asked Mr. Clougherty do you get this report on a regular basis. Were we privy to have this information in 1999?

Mr. Clougherty answered we have had copies provided to us by Info. Systems in the past.

Alderman Levasseur stated I think these questions should have been asked about this company last year when they were having a lot more trouble. I hope from now on that we are keeping an eye on some of the companies that we do business with and I hope that we request these things on a quarterly basis to make sure that they are at least keeping their heads above water from now on. I think this should have been given to us as the whole Finance Committee prior to this and probably since I have been an Alderman I just can't believe that we don't have this information and I don't think we should have to request something like this, especially with a company that we have such a large investment in.

Alderman Vaillancourt stated I am fascinated by this stock talk here. I didn't see any such concern when we saw Ogden going down the tubes so I am very amused or should I say bemused by this. What is your ticker symbol?

Mr. Barnett replied HTEI.

Alderman Vaillancourt asked and you trade on the NASDAQ.

Mr. Barnett answered yes we do.

Alderman Vaillancourt asked what is your 12-month high and low.

Mr. Barnett answered the low has probably been down to \$1.25 or \$1.35. High in the last 12 months was about \$6.75.

Alderman Vaillancourt stated so this might be a tremendous buying opportunity like Ogden. I would just like to comment that Cabletron Systems has gone through worse times than this and has come back beautifully.

Chairman Cashin called for a vote on the motion. There being none opposed, the motion carried.

Alderman O'Neil moved to have City staff get back to the Committee on Finance with a plan to resolve the seven City issues on the HTE report within 15 days. Alderman Pinard duly seconded the motion. Chairman Cashin called for a vote on the motion. There being none opposed, the motion carried.

Alderman Clancy asked, Diane, we have had the HTE system roughly two and a half years, right.

Ms. Prew answered that is correct.

Alderman Clancy asked how many hours did each department get of training. Was that held in an open class or was it individual training?

Ms. Prew answered it depends on the module. For the financial system because of the schedule we were on, HTE came in and put on classes for the users initially. There were probably between 10-12 people in each class. On other modules where the modules were only for one department, only that department received training. The training was over a period of time depending on the modules. There were multiple training sessions that go along with the modules. I think that what needs to be understood is that there is a great deal of information that is being

given to people during those sessions and you don't absorb all of that in a short period of time. It takes time to work your way through this.

Alderman Clancy asked how long did the people from HTE come up here and spend with people.

Ms. Prew answered many, many days. I don't have the exact number but we must be talking well over 100 days that they were here.

Alderman Clancy stated my contention is why are these other departments still not on line.

Ms. Prew replied I think to answer that question you need to look at the individual people that responded to the survey. A number of the comments regarding training came from people that are new to the City. They did not have the opportunity to receive formal training and that is an issue we need to address. We need to have a system whereby we pick up the new employees and give them training when they come in.

Alderman Clancy stated maybe we should have a refresher course.

Ms. Prew replied yes.

Alderman Clancy stated I am not picking on anybody, but it seems like two and a half years is a long time. Like you said, we have a lot of new people but it is mix n' match. We can have the old people train the new people.

Ms. Prew replied I think we need to get something in place for the financial module as we have for HR where people have an opportunity for training on a quarterly basis. As people move into the system and learn new things, new questions come up. It is an ongoing process that needs to become part of the way we maintain these systems.

Alderman O'Neil asked Diane with us heading into high vacation time are you going to have any problem meeting this 15-day deadline.

Ms. Prew answered I am going to be doing it remotely because I am going to be down at the HTE conference next week so I will have to address these issues with my staff via telephone. We will deal with it.

Alderman O'Neil asked you can deal with it and report back to us in 15 days with a plan to correct the seven issues that are the City's problems.

Ms. Prew answered I think to some degree we have addressed how we plan to proceed in the document that came along with that schedule. I tried to go through those items and explain what was going to be happening in terms of the City. The Finance Department is going to be working individually and putting a schedule together. We are researching the items that there was some question as to what category they were going to be in. The reporting is going on right now. There is a gentleman in the Finance Department who is doing a lot of work on reports and working with departments as to what their needs are. The procedural issues. Those are internal issues and to give you an example there was some question about security and passwords. That is something that we have set-up because the auditors require it. Those really aren't system problems, those are internally the way the City works.

Alderman O'Neil asked so you can meet that 15-day deadline.

Ms. Prew answered yes.

Alderman Vaillancourt stated I just called my stockbroker and their stock went down to \$1 even today so they are off 50% from what they told us their low was. It is even a better buying opportunity today.

Mayor Baines advised that the purpose of the meeting is continuing discussions relative to the FY2001 Operating Budget.

Alderman Wihby asked can I have the Clerk pass something out. As you know we talked about at the last meeting that basically when you do your budget at the very beginning numbers change and we sat through two or three months here of meetings and talking about the budget since you presented it. Numbers changed and we have listened to departments where they have come up to us and increased revenues and decreased expenses, etc. What I have done, your Honor, is I have talked to some of the other Aldermen and asking what they heard from department heads and tried to put it all together to make it a little easier if we go forward with this idea. There are four sheets of paper that were passed out. The first one, the one that doesn't have the tax rate on the bottom. What these are is one sheet explains what the cuts were to get to the number. The first sheet we should probably talk about is the one that doesn't have the little box on the bottom. It is a big square with no box on the bottom. It says "C" on it. Basically what that does is it gives you, if you look at the Mayor's recommended number of \$187,678,817 and then it comes up with a few columns and a recommended number. It makes a proposal like we talked about. We talked about having a vacancy rate of \$581,000 and we talked about having a hiring freeze and we had department heads in front of us talking about 1% cuts and if they had their way whether they would prefer a

regular cut or a vacancy rate cut. So, what this does is it assumes .5% cut from departments. That is what the first column is adding up to \$381,000. The second one is an additional \$500,000 that the Mayor had said last time he passed out something cut the reserves to \$500,000. It decreases HR \$40,000 in special provisions which is what he had given to us at a meeting himself. Now it cuts Welfare \$25,000 under rent provisions and as you see it doesn't cut them for the .5%, it just cuts them at the bigger amount and it cuts the School by \$1,175,000 and I will explain what the \$1,175,000 is.

Alderman O'Neil asked can you go back and explain the \$500,000 and the \$40,000 again.

Alderman Wihby answered the \$500,000 is taking \$250,000 out of CGL insurance and \$250,000 from Worker's Compensation. The number was \$500,000 each and that is taking half of it. HR had told us that they could live with a \$40,000 cut under special provision and Welfare is a little different than most departments. If they overspend, they get to keep their money anyway, but the rent provision we know that she is going to be doing something different with MHA so instead of taking a .5% cut I calculated the \$25,000 there. The School Department cut is \$1,175,000. We can talk about these numbers once we get to the second page where we explain where we are. The next column assumes a sheet of paper that we got from Harry that says if we were to add an extra person in the Solicitor's person we could count on a \$42,000 decrease in worker's compensation to departments and we could also count on \$32,000 or \$33,000 of revenue from the Enterprise funds, but yet we have to pay the expense of \$42,000 so that first proposed cut is the \$42,000 that we would save with a full-time safety person. The next column is saying that we are going to pay for that extra person, the \$42,000 and there is also a line item there for MCTV. We don't know what we are doing with that yet so it is down there. It could be a transition and we could pay the School that amount of money. We can discuss that. That is basically the entire amount that she asked for. She asked for \$342,000, but when you anticipate three vacancies and the time that it takes to fill those, that is the \$325,000. On top of that, there is \$200,000 that is going to be coming for equipment so that number is still in there to. It is not really a cut when you look at the amount. In the final column, the adjustment column, if you look at and I think everybody was given a new 71-page report. The 71-page report is the document that we have all been using right from the start. Basically there are two columns that are important. The Mayor's number and the proposed changes. If you look at the sheet, this is the updated one because of all of the different health numbers and everything else – all of the different changes that went on. That is what is in the last column. Those are basically restricted items. If you look at the first page where it says Aldermen, basically what you will see there is the Mayor's number, for instance, is \$122,542. Now that is different than the one sheet that he had given us because the restricted

items are all above now and they are being accounted for in the department. Basically, you look at that \$122,542 number and you can follow it right on the sheet and it says under Mayor's Recommended it shows up and the \$12,603 negative is on that last adjustment column on that sheet that we passed out. These are just numbers that were inputted from HTE that we have been getting right along that just basically changes restricted items. If you take all of those totals and the last column is the total that the department would actually get. It amounts to \$185,243,582. Now, I only showed you that because if you turn to Page B and you look at the Mayor's proposed number or Mayor's recommended I mean and the proposed changes, that total is what we just went through. That first sheet that we went through is what is in that proposed change column. That is the expense side. Does everybody understand where we are so far? On the revenue side, we all heard that there are a lot of changes and all of these changes are outlined on that one sheet that is written, but basically on the proposed changes on that last column under Revenue on Page B if you notice it is for instance \$12,001 higher that is because the Assessor sat in front of us and told us that we could have \$12,001. It is \$40,000 higher in Building and that was a number that we all...well actually it was higher and some people wanted it higher but we threw in \$40,000. The number in the City Clerk's Office is \$600,000+ and if you look at the sheet basically the revenue from the cable will now, as it was in the Mayor's budget, will now come to the general fund. That is assuming 5% so that is \$200,000. If you go along on the one page sheet where the writing is, not the graph, that is where it is coming from. There is also, I understand, a proposal to add \$500,000 up front to the general fund. That is going to be for MediaOne. There is also going to be \$70,000 less we heard from Leo that we couldn't count on that. If you take all three of those changes it amounts to that increase of \$1,197,990 to \$1,827,990. Also, the \$238,404 into the Solicitor's revenue is two items. \$205,650 was the Enterprise worker's compensation pay back and that was from Harry who said that he hadn't charged the Enterprises enough and also the Safety Person would be that \$32,754 to charge to the Enterprise fund. The Finance number is made up of when they came in front of us and reported when Joanne was here on the sheet that the Mayor had that he passed out last week that \$352,458 and on top of that was the \$200,000 for additional interest income that Joanne said we could count on. The \$25,000 to the \$35,000 is \$10,000 that Human Resources said he could add to his revenue to keep it the same as this year. The \$400,000 in Tax was the extra money and again that ranged from \$300,000 to \$500,000 and the Mayor used \$400,000 in his last sheet so that is what I used. The number for Traffic – both Committees passed an increase of \$625,340. It is coming to the Board later tonight. If we do that along with the additional \$168,272, which was on the budget revenue report of 5/23, which was the additional money that we picked up from the Center of New Hampshire and all of the ones we never got before, that is what that change is. Then there is the school revenue number, which is a big number. That is made up of the three numbers

that are there. First of all, the School Department never had on their sheet for next year interest revenue and interest income. That was picked up when Joanne said that if the City side had \$500,000 or \$550,000 and the School side didn't have anything at all. I verified that number with Norm today that it is going to be roughly that amount. Also if you look at what happened with the Mayor's number and it was kind of confusing because we were taking about \$71 million versus \$52 million and there was a lot of money that was lost, but basically if you look at the sheet that they had given us for next year's revenue and subtract the State portion of it, there is \$1,429,611 there in additional revenue that they have. That was interesting because when we set the tax rate last year we figured there was going to be \$51 million in revenue from School. Actually when they reported in October they used \$1 million plus higher. We should have seen a decrease less than what we were expecting a decrease and it should have been greater than what we thought we were going to get. I don't know where it went, but they don't use the same numbers when we do our budget. They use a different number. That is basically that \$1.429 million because they are using a MS number and that is the sheet they were going to use on the MS form and also we have impact fees of \$1 million plus sitting in an account. Basically, you could use it for additions and that is \$300,000 that I am saying we should be taking out and using for the debt service for schools and that would actually be a revenue for the school. Valuation. We had talked and I don't know if they are here and if they want to argue the number or not, but when we had them here there was a lot of talk about what was happening and what was going on. Again, when they used the number it was early on. There was talk of going up to the \$25 million to \$30 million. I used \$16 million. Fund balance is basically a number...did the sheet go around with the fund balance number?

Alderman Cashin answered the fund balance sheet hasn't gone around I don't think.

Alderman Wihby stated the fund balance and the Mayor's number used \$500,000 at the time. What has happened because of the fact that he has had a hiring freeze and he has watched the expenses of the departments and all of the other things that he has been controlling is that the calculation in the fund balance should go up. This first sheet that you have shows that if we use the \$1 million number we are still having an undesignated balance of \$259,000. Basically that equals 3.48% and if you look at what we have done in the past, that is the same number that we have always used to fund it. That would leave our rainy day fund at \$6.8 million and also would give us an undesignated balance there to use. Actually, if you look at that number that is assuming that School is going to use the whole \$1.4 million this year. If they don't need all of that, that drops down to the fund balance and would increase the fund balance but we wouldn't be picking it up because we would be anticipating \$1.4 million and that would come the following year. That

is the worst case scenario on School. I don't know exactly where they are at. The reduced all departments, that number there that is on that sheet, that correlates to the first report that I read off. The savings because of the safety person and then the .5% cut that was also on that first sheet. A couple of numbers. School number, even though it is taking \$1,175,000 off of that it is really not their net. \$100,000 of that they already pay for MCTV out of their money. They wouldn't have to pay MCTV anymore because we have it funded fully on our side. The portables versus additions we have all agreed that we want to do. That would save them \$235,000. The Blue Cross/Blue Shield cut to them after they had done their budget when the Mayor did his budget was \$175,000 less. Debt service from what they projected to what we are projecting now is a savings of \$400,000. Really, it is a net cut to schools of \$265,000. It is not a big number. We are almost right at what the Mayor had given them with that number. All of these four or five items have come in since then and reduced their budget. If you look at that Page B and you take in that proposed change column, which is the proposal on Page C and you add in the proposed changes on the revenue side and then you go to that little thing, basically what that column says is there are a couple of changes there only. It assumes contingency, cutting it to from \$200,000 to \$150,000. Last year I think we only had \$90,000+ or we only used \$90,000 this year but it also funds an additional \$40,000 in that amount for the Animal Shelter if that goes through. If the Animal Shelter doesn't go through, it will be used for contingency. If it does go through, there is \$40,000 in contingency. There is one other item and that is a health audit, which is basically a wash. It is a \$2 million expense, but a \$2 million revenue and that is so we can do a health audit. What happens with that is that somebody will come in and do an audit and take a percentage of the money that they find so it won't cost us to have an audit done. If you look at the bottom line there, what that does and again since the Mayor did his budget sitting here through all of these months worth of meetings, it takes the tax rate from last year's \$30.49 and brings it to \$30.33 this year or a cut of 16 cents per thousand or half a percent decrease to the tax rate. I guess that is it. Actually, the School number is in that sheet that they passed out with the fund balance total on the front page. That has the School number of \$79 million. Basically what it does is pretty much funds School's net to the same and cuts the departments .5% and allows them to put the money in themselves. They don't have to have a vacancy rate or stop filling positions. It uses the revenue figures that we have all heard and listened to and gives the expenses that we have all heard and listened to and comes up to a minus .5% or 16 cents on the tax rate.

Alderman Vaillancourt stated your budget is basically the result of leaving the School budget pretty much intact from the Mayor's budget but we should all remember that is about an 8% increase from last year, which was a 10% increase from the previous year. If you wanted to just take a percent off the School increase, that would be another \$1 million and that would cut the tax rate another 28 cents. Is that correct?

Alderman Wihby replied true. Any additional cuts would decrease the tax rate and any additional increases would increase it.

Alderman Vaillancourt stated I am very pleased to see that we are heading in the right direction. As far as the other side of the coin is concerned, revenues, I was convinced that the Tax Collector was going to generate about \$800,000 additional not just \$400,000. Did we decide that was an outrageous assertion to say that she could follow the car registrations in this booming economy for another 12 months?

Alderman Wihby replied I agree. You had thrown that out when she was here speaking to us and I agreed with you but the Mayor used \$400,000 so that is all I used in the calculation.

Alderman Vaillancourt asked but if we used the other figure that would cut the tax rate about another 13 cents.

Alderman Wihby answered right. What I tried to do is...this is no different than any other year when we put these budgets together. We want to make sure that our revenues are going to make what we say they are going to make otherwise three months from now we are going to be looking at the Mayor saying put on another freeze, don't let anybody hire and let's get this back down again. We tried to use the revenues that we heard people tell us. We had to ask people for their number a few times, but we got one and used what we heard them say instead of just trying to make up a number and at the same time trying to be fair. We really don't...I will be the first to say we don't know where the Schools are. We are still waiting for numbers from them. There have been people on this Board who want to cut them an additional \$2 million. I don't know if that is right, but if we don't have the numbers in front of us, how can you tell? Basically what this does do is it funds pretty much what the Mayor had decided was right for them and the net doesn't cut them that much.

Alderman Shea stated I am not sure who to address this question to, but has MediaOne come to a certain point of settlement. I am not sure if I should ask Alderman Gatsas.

Alderman Gatsas stated I believe we are still in negotiations. I think the Mayor was at the last meeting with us. I don't think any of the assertions that have been put in this budget are beyond the conversations that we have had with MediaOne. Do you agree with that, Mayor?

Mayor Baines replied I would agree with that, except that we haven't reached a settlement. That is the caveat that we have to put forward. Right up until the end there might be some changes and give and take either way depending on what you want to gain and what you want to lose.

Alderman Lopez stated I was wondering if department heads have this information.

Alderman Wihby replied I think they do now. We had some printed.

Alderman Lopez asked is there any department head out there who would like to address the .5% cut.

Ms. Lafond stated it is not just .5%.

Alderman Wihby she is not at .5%. She was just taken off the top. She can spend whatever she wants to spend. We can't tell her.

Ms. Lafond stated I think you meant to take it out of rent first of all and provisions is food.

Alderman Wihby replied it is a bottom line number that you are going to come back and take it out of...as everybody else.

Ms. Lafond responded that is the only caveat. I wanted to be sure that everybody understood that I wasn't just saying take it because we don't need it. I don't have a crystal ball. We hope we won't need it, but that is really all I have to say.

Alderman Lopez stated this assumes that tax bills are mailed out on time with a 98% collection rate. Joan, how do we stand? Are we pretty good on 98% return?

Ms. Porter replied that has been pretty consistent and the bills are going out today so they will be in the mail Friday. Money should start coming in shortly.

Alderman Hirschmann stated Alderman Wihby and all of the other Aldermen have put a lot of effort into this and cumulatively it is looking very well. What I would like to ask is two things. While we are sitting here and deliberating, could Finance please run close of business revenues today so I can see right now after 11 months how much Public Building, how much Building, how much all of these departments in front of me raised after 11 months because this is about 99% there and I think that you were very generous to the Building Department who instead of \$1.240 million could have \$1.350 million in revenue and I honestly believe that our tax base could be a little conservative. The number that is in my head right now is \$3,855,000,00, which is only a \$6 million tweak. I think that Alderman Wihby deserves a motion on this and once we get a few of these other answers we are going to be right there. If we could get those revenues, I would like to see them.

Mr. Clougherty replied I would be happy to run a report tomorrow and we will have it for you...

Alderman Hirschmann interjected you can't get it right there. You can't get in that PC and tell us at the close of business what the Building Department raised in revenue.

Mr. Clougherty replied it is going to take awhile to go through department by department. You just want the Building Department?

Alderman Hirschmann responded sure. Start with him and anybody is over you might as well give us the revenue so that we can make some adjustments.

Alderman Vaillancourt stated I agree completely with Alderman Hirschmann regarding the Building Department revenues. That is another one that I was going to mention. The Welfare Department, I mean the economy is booming, unemployment is almost non-existent, 2% or 2.5% yet we are spending more on Welfare. I can't imagine how things could be any better yet it seems to be worse in the prognosis. Could you just tell us how the Welfare Department is continuing to project such dire circumstances?

Ms. Lafond replied absolutely and I thought I covered that a little bit in the presentation. We have the lowest caseload in the history of the department now and for the last two years. Unfortunately, we have triple the amount of costs for rent. In 1991, we were seeing 2,000 households a month and we were paying half to 1/3 of what we are currently paying now for the same rooms and apartments. The housing stock has decreased dramatically and the rents have escalated. I am with you, Alderman. This is the time when we have money and we put money

away. If you look in terms of the overall budget, this is much less expensive. However, the rent has been the difference in 1991 from us having to double and triple our budgets as did many of the other cities and towns in the State of New Hampshire. We had the luck of having a dramatic vacancy rate. That is not the case any longer. We have the worst vacancy rate that I remember and again we have eight to ten households in motels on any given day now in addition to the family shelter being full with six families or so on any given day. New Horizons, our single person shelter is housing 141 people a night. All of this in this economy. Many of the people that we are seeing are working full-time and cannot find an apartment on what they are making.

Alderman Vaillancourt asked how much are you paying a night to put them up in a hotel.

Ms. Lafond answered we start out with the best price we can get and then when it is down to whatever room we can get, we were quoted \$319/night last year for the same motels that were charging us \$60 a night for the speedway weekend. Of course we didn't pay it. We went out and about and around trying to find motels much further away, but it is a dramatic situation.

Alderman Vaillancourt stated I have an upstairs room vacant.

Ms. Lafond replied I will take it as long as it is not a conflict of interest. We paid \$120 or \$130 a night maybe.

Alderman Gatsas stated at this time I would like to publicly thank all of the department heads for answering all of those questions that I threw out to them. They were very gracious and humble to give me the answers and I think that is some of the reason of why we were able to put this budget together because they were so great in doing their work and great in looking for cuts. I think the Mayor did a great job in trying to adjust his numbers in the time that he had and I think that Alderman Wihby, with the rest of this Board, put together a budget here that I think the City certainly can be happy with and a tax cut in a time when we were talking about increases.

Alderman Gatsas moved to approve the budget. Alderman Levasseur duly seconded the motion.

Alderman O'Neil asked if we vote on the changes tonight, what is the process.

Mayor Baines answered at this point it is a Finance Committee report to the full Board. The Deputy Clerk might want to outline the procedure that follows.

Deputy Clerk Johnson stated if I understand what the Aldermen are trying to do it is to substitute the Alderman's budget for the Mayor's numbers on the various resolutions. We did distribute to the members of the Board earlier a copy of all your resolutions that are physically on the table now. I guess what I would like to do is have that motion that was just made withdrawn and then ask for it in a different verbiage in a minute or two after we get the resolutions up on the table for consideration because you are actually amending your resolutions.

Alderman O'Neil asked so if we amend them tonight they will go to the full Board next week.

Deputy Clerk Johnson answered the motion would be first to amend the resolution to the numbers presented and actually you have three separate resolutions that you are going to consider at this point. Once the motions to amend are made, then the motion on that resolution will be ought to pass and layover. That report would go to the Board next Tuesday. The Board could accept or reject that report at that point in time. If they accept it, then it will layover for five days and the Board will have to come back for one final action on the resolutions. You would no longer be required to come back on Thursday evening, which is when we had anticipated this to occur.

Alderman Cashin asked so it lies on the table for five days and anything can be done with it in the five days.

Deputy Clerk Johnson answered yes. You are not closing off the opportunity to make any...I mean you can change it one more time before you adopt it. When it comes back after the five days you can still change it.

Alderman Thibault moved to amend the resolutions.

Alderman Gatsas withdrew his motion.

Alderman Pariseau asked, Deputy Clerk Johnson, why couldn't it be referred to the Special Board Meeting after this Finance Committee meeting.

Deputy Clerk Johnson answered if you read the agenda it was in reference to the parking rates. We weren't sure if you were going to order a public hearing on that so we wanted to provide you the ability to do so.

Mayor Baines stated can I have the Finance Officer comment on the revenues before we proceed.

Mr. Clougherty asked on the ones tonight proposed by the Alderman.

Mayor Baines answered correct.

Mr. Clougherty stated most of the numbers that he has included are items that have been discussed with the Board and we tried to verify with the departments this afternoon and have been part of the record. Our concern in the past as the Board knows is we don't think it is a good practice for you to raise revenues in order to raise expenditures. I understand the proposal tonight is that you are increasing the revenues, but you are not increasing the expenditures. In fact, you are reducing some of the expenditures, which is different than what we have seen so I am encouraged by that. As you all know, I am always looking to try and make sure that our reserves and our fund balance is what it should be. You were handed out two options. Really, the use of the \$1 million in fund balance versus the \$500,000. We always want to get up to that 5% or get closer to that 5% recommendation by the credit rating agency and the use of the \$1 million would not get you there as fast as if you were to use the \$500,000. I make those points to you understanding that when we go to set the tax rate in October whatever the fund balance is, it is going to be and whatever the revenues are it is going to be reported at that time and that will have an effect on the rate that is being calculated here tonight. I would like to have a chance to look at it and get back to you on Thursday.

Mayor Baines replied I think that is important. Can I ask Mr. Tellier to come forward please? Would you comment on the assessed value because we spent a lot of time discussing this during the time that I was preparing the budget and had you go through all of the figures and the Assessors went through the figures one more time before we came in finally and I think at that point in time I agreed to go a little bit beyond what your projections were. You told me that we had a moderate to reasonable chance to achieve what I put in my budget. Would you please comment on the number that you see here?

Mr. Tellier responded I didn't see the assessed value that Alderman Wihby had. I think it was whited out on that sheet. What is the assessed?

Alderman Wihby replied it is up \$16 million.

Mr. Tellier asked over the Mayor's number.

Alderman Wihby answered \$3,849,000,000.

Mr. Tellier replied I think that is optimistic. Somewhat optimistic but recognizing that Alderman Wihby added \$16 million, for every \$10 million we are talking 8 cents on the tax rate. It is vastly different than \$1 million in revenue or expenditures or anything else.

Mayor Baines stated I understand. I am just saying...

Mr. Tellier interjected I think it is somewhat optimistic, but the economy as everyone recognizes is doing quite well and we are going to be doing everything we can. When we put in our numbers, they are conservative in nature and if we have much better numbers as we did last year for example then everyone is happy. At this point, we may very well meet that, but we also may fall somewhat short but again at \$10 million we are only talking 8 cents on the rate so I don't think it is a substantial impact.

Alderman Levasseur stated I like the conservative approach and I think you have been fair in your assessment, but seeing what is out there for buildings and seeing what the prices for buildings are going for at this moment and seeing that properties are selling within one or two days after they are put on the market and seeing the fact that the Millyard has gone to almost 90% leased, I think your number is actually conservative to the point where you could have actually gone higher. I think Alderman Wihby's approach is not outlandish by any means. I think the way things are going down in the Millyard and the fact that you are going to be assessing some of these properties by lease and I didn't know that before I came on Board and how many places are actually leased so it is not just on how much a person's building is selling for because we know a lot of these buildings down in the Millyard don't just change hands overnight. They don't sell like a house would in an average of four or five years. So, the fact that these things are being assessed by the amount of leased space I think you are being very conservative. I would actually like to see it go to \$20 million myself or another 33 cents.

Alderman Gatsas asked would you say that in a \$3 billion number that if somebody was asking you about a percentage change of less than a half of one percent that that amounts to a lot of money in the spectrum of what we are taking about.

Mr. Tellier answered no. I don't believe so.

Alderman Gatsas asked so basically the \$16 million that we included is less than half of one percent.

Mr. Tellier answered yes.

Alderman Wihby stated back to Alderman Pariseau's question, we have a special meeting and if it was unanimous consent we could lay it over tonight and then not have to come back for an extra meeting in between.

Alderman Pariseau asked with the full support of the Board.

Alderman Wihby answered yes and we would still be able to do changes up until next Tuesday when we are here anyway.

Alderman Shea stated Monday.

Alderman Vaillancourt stated so as I understand it tonight I should vote in favor of this motion if I believe this is a step in the right direction, yet fully realizing that we could still take another step before next week. For example, by next week if I wanted to have another \$1 million cut and another \$1 million added to revenues I should still vote for this tonight because it gets rid of the original budget and we could never go back to that.

Alderman Wihby replied right.

Alderman Shea asked have we settled everything that has to do with health benefits now or is that still a juggling act that is going on between the City and Blue Cross.

Alderman Wihby answered what was used was on that 71-page report that was dated 5/30 that we all got. That is the updated number that Mark has been working with Blue Cross/Blue Shield on and that is the final number that he put into the computer. That is the number that was used.

Alderman Shea asked is that the final number or is there another lifeline here.

Mr. Hobson answered I think Alderman Wihby's assessment is very accurate.

Alderman Hirschmann asked what happened to all those RFP's, etc.

Mr. Hobson answered that is still in process.

Alderman Shea asked has the School Department also settled with the...

Mr. Hobson interjected, your Honor, we have not heard yet from the School District on their final health benefit numbers.

Alderman Shea asked will that affect our final numbers.

Mr. Hobson answered no. It will not affect the municipal side.

Mayor Baines stated the Clerk will please advise the Board on the process.

Deputy Clerk Johnson stated I guess the first thing I would like to do is see the Board amend the resolutions if they so desire to do that. Once the Finance Committee has taken its actions what Alderman Wihby was explaining was that the report could be presented to the Special Board Meeting this evening and you could start your five day countdown as of tonight provided there was a unanimous consent to bring the Committee on Finance reports in. The first thing I would need is a motion to read...

Mayor Baines interjected could you explain that one more time so that everybody understands.

Deputy Clerk Johnson stated the first thing we are going to be required to do is to read the resolutions by title only and make whatever changes you want to make. At that point, the resolutions would be in ought to pass and layover position, which needs to be reported out to the full Board. You are in Finance Committee right now. There is a Special Board Meeting immediately following this meeting this evening. If there is a unanimous consent of the Board at that Board meeting, the Committee on Finance reports can be presented into the Board and at that point the Board could lay the resolution over for five days and bring it back next Monday evening at your regular meeting. At that point, more changes could be made if you wanted or you could pass the budget as it then exists. Your other option is if you don't want to take up the Finance Committee reports tonight, we will present those to the Board next week and that means that you would still have to come back for another meeting approximately a week later and you would be right against the deadline for budget adoption by Charter.

Alderman Shea stated the word unanimous disturbs me. Is it a majority vote?

Deputy Clerk Johnson replied no. It is a unanimous consent to bring new business in to a special meeting. That is a rule of the Board.

Alderman O'Neil asked if we vote tonight to lay this over until Monday evening we could pass the budget Monday evening and that would be it. We wouldn't have to come back?

Deputy Clerk Johnson answered correct.

Alderman O'Neil stated I want to commend Alderman for all of the work he has done on this. I want to commend Alderman Cashin for chairing all of the many, many nights here. I think if we cut anymore than what Alderman Wihby is proposing we are talking about reducing services. I think this is a tight budget, but I think it is workable and I believe in Alderman Wihby's approach to take conservative revenue numbers because we don't know when the bottom is going to fall out and it is going to fall out at some point so I support Alderman Wihby's proposal tonight.

Mayor Baines asked are there any comments from any department heads here tonight before we proceed this evening. Does anyone want to talk about revenues, budgets or anything? This is the time if anybody would like to step forward and make any comments. I am assuming that everyone is comfortable with the numbers that have been presented.

Alderman Vaillancourt answered the silence is deafening and makes me even more cautious but I don't quite understand. Alderman O'Neil is saying one thing. Alderman Wihby was this meant to be your final proposal or did you mean to do better than this? I am getting mixed signals here because I still believe we can do better yet I hear Alderman O'Neil saying that this is your final effort.

Alderman Wihby stated I think there is still money in here that we can go after. I would have been happy with a vacancy rate of \$581,000 or going with a 1% cut. I think the money is there but as you know Alderman gave their input and they talked and they decided that .5% was enough for departments to cut. I think there are extra revenues in here, but this was a compromised number to get enough support to do the right thing and get the number lower and make the cut and I think everybody can live with it. It is obvious since no one here spoke up and I guess Alderman Vaillancourt you mentioned cutting another \$1 million from School and I guess they don't care because they aren't even here so I guess they don't care what the number is.

Mayor Baines replied what happened is we had the resolution for School on for Thursday night and the agendas went out.

Alderman Wihby stated, your Honor, they knew that we were going to talk about the revenue today.

Mayor Baines replied I am just verifying that when the agendas went out...am I correct.

Deputy Clerk Johnson responded the agendas that went out stated that we were discussing the full City budget, which would include School.

Mayor Baines asked didn't we put the School resolution on Thursday night.

Deputy Clerk Johnson answered the School resolution and the Operating Budget resolution and the Civic Center resolution were all on for Thursday night. What we stated on the agenda for this evening was that it was going to be budget discussions and we sent it out to all department heads, including the School Department.

Alderman Cashin stated let's just refer to the agenda that we got. It says and I quote, "All department heads are requested to be in attendance." That means all departments except School.

Alderman Wihby stated well we have to do a Charter change in order to call them a department.

Alderman Shea asked Regis Lemaire if the new person he requested is in his budget.

Mr. Lemaire answered yes.

Alderman Levasseur stated I agree with Alderman Vaillancourt on one point. I will vote for this budget tonight but only because I think that in the meantime from now until Monday we can still make a couple of more cuts here and there and maybe get some more revenue increases since the numbers will be coming in very shortly so I will vote for this because I think we can still tweak it a little bit more.

Mr. Clougherty stated two things. One, on the fund balance as I said earlier a lot of that increase is predicated on the School delivering us some numbers so I want to make sure we are still communicating with them over the next week to make sure that those numbers are going to be realized and if they aren't we will come back to the Board and also on some of these revenue lines we want to make sure that we are continuing to look at those. I would ask for some direction from the Board here on the .5% cut for the departments. Mechanically, what you would be

looking to have happen in the next week. Are we to go back to the departments and ask them to rearrange their bottom line line item based on that .5% cut? In that regard, under the Aldermanic proposal included in the departmental budgets are the restricted line items and we want to make sure that the departments understand that.

Alderman Wihby stated what was envisioned, Kevin, was that we took the 5/30 report and they can't cut those restricted items. Those are set by Mark and he says he needs those. Now they could cut them if they are going to lay off somebody or they are going to have a vacancy or whatever. They can take the appropriate number for restricted items out of there. I think we were leaving it up to them to decide where the cut is.

Mr. Clougherty replied it is bottom line and if they decide to use salaries or associated restricted items that is up to them. We need to have that back from them relatively soon and hopefully by the end of the week or for Thursday if there is going to be a meeting.

Alderman Wihby responded the meeting isn't going to be Thursday, it is going to be Monday. They can give it to you tomorrow.

Alderman Gatsas stated they can't cut out of restricted items. That is a set number.

Mr. Clougherty stated I just want to make sure that the direction we give to the departments in adjusting their line items is clear so that everybody has the same thing. If you are going to let departments take .5% off of their bottom line and a department decides that they want to take that out of a salary line then they should be able to adjust their associated restricted lines also I would think. I just want to be clear on what direction we give to the departments and the timetable that we need to have this back from the departments because we can work with the Mayor's Office tomorrow to get something out on this.

Alderman Wihby stated, your Honor, the intent was when we had the department heads here they said they wanted to manage their own budget. Again, they can't just go and cut the health line item just to cut the health line item, but if they are going to have a vacancy and that vacancy correlates to restricted items too, they can count those restricted items because they are not going to fill something.

Mr. Hobson stated the 71-page report that was produced, we are very comfortable with that and the caveat that Alderman Wihby just answered is where I am going. I don't want to see and I know that all of the department heads are here, I would not want to see a department head trying to adjust and I am not saying this in a negative way but adjust that entire amount of their cut out of FICA. FICA has to be paid. It is a Federal tax, yet if there was going to be a position that they were purposefully not going to fill for six months then obviously they would need to discuss that with us to make sure that we are in sync on that salary item.

Alderman Wihby moved to have the department heads get back with their .5% cut by Thursday and get together with Finance and Human Resources to verify the numbers and make sure that everybody is in agreement to where that number is coming from. Alderman Shea duly seconded the motion.

Mr. Clougherty stated if it is alright with the Board, we will hand out the sheets that you gave out tonight, Alderman, that are the totals and we will hand out their pages of the 71-page document and that is going to be the basis for them making changes. Is that right?

Alderman Wihby replied right.

Alderman Lopez stated I just want to know on the procedure now. We are going to be able to make an amendment tonight if we want, is that correct?

Deputy Clerk Johnson replied right.

Alderman Lopez asked at what point.

Deputy Clerk Johnson answered my understanding is that we are going to place the resolutions on the table to be read by title only. Then I believe there is going to be a motion that was earlier withdrawn, but it is going to be put back on to change the numbers to the Aldermanic budget that has been presented tonight. We will substitute the numbers in the format that they have been presented in. At that point, once that motion carries if somebody else wants to make another change if the Chairman so desires he could accept those motions as well.

Alderman Lopez stated my question for the Mayor then would be on the proposed cuts of .5% for the \$381,806, I do have a motion in reference to the 3% merit pay. I am very much interested that effective July 1 the department heads and deputy department heads not be included in the merit pay. I wondered if that would be part of the \$381,806 so that department heads could work around that.

Deputy Clerk Johnson replied if I am understanding him correctly, the compensation system has a merit process of the 3% annual increases and Alderman Lopez is looking at a later point to make a motion that if a department head so desires he could not take that 3% for the department head and the deputy out of the cut.

Alderman Lopez responded that is correct.

Mayor Baines asked are you posing an optional situation.

Alderman Lopez answered not an optional situation. I am just saying that effective July 1 they will no longer be in the merit system.

Mayor Baines stated that is different from optional.

Alderman Lopez stated they will no longer be in the merit system come July 1. They get a cost of living.

Alderman Cashin stated that does not belong in the budget as far as I am concerned. That can be handled in the Personnel Committee at a later date. Whether it will be approved or not, I don't know, but that is where it belongs.

Mayor Baines replied I agree with Alderman Cashin. That would not be a budget item, that would be a separate resolution at some point in time.

Alderman Lopez stated the point that I want to make is if it was part here and you look at the \$381,000, this money could be used in the salary account that was going to be there for the merit pay and instead of laying somebody off you would have some money there for the department head to play with.

Deputy Clerk Johnson stated in speaking with the City Solicitor, the suggestion that Alderman Lopez is making would require changes to several City ordinances and I guess the suggestion would be to look at that at a later date under the process of the Board. You have to change ordinances in order to provide an allowance for a department head to do what he is asking at this point.

Mayor Baines asked that would mean a change in the ordinance.

Deputy Clerk answered it would require a change in an ordinance.

Alderman Lopez stated a change of an ordinance can be made also with a vote of the Board.

Deputy Clerk Johnson replied we just couldn't do it right this minute. That is the point.

Mayor Baines stated we are just suggesting that it not be done during the budget process. If that were to come forward, as I understand it, to accomplish what you want it needs to be done in a different way.

Mr. Clougherty stated I was going to say the same thing because you couldn't do it by July 1 to meet that deadline and go through the ordinance requirement.

Mayor Baines called for a vote on the motion to notify the department heads to get back with their .5% cuts by Thursday. There being none opposed, the motion carried.

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

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

Deputy Clerk Johnson stated, your Honor, the next motion if the Committee so desires would be to amend the resolution to a new total of \$106,668,234 in a format and in numbers as outlined on the handout reflecting the total recommended. It excludes the School. We have taken the School out of the number because that is a separate resolution.

Alderman Vaillancourt asked what is it again.

Deputy Clerk Johnson answered the new total would be \$106,668,234.

Alderman Gatsas moved to amend the resolution to a new total of \$106,668,234 in a format and in numbers as outlined on the handout. Alderman Lopez duly seconded the motion.

Alderman Vaillancourt stated that is a motion for expenditures.

Deputy Clerk Johnson replied that is correct.

Alderman Vaillancourt responded now there will be a separate motion for revenues.

Deputy Clerk Johnson stated revenues are not part of your resolution. The revenues tie back into the numbers presented on your handout, however. Those are your anticipated revenues. Those that are reflected on the handout that was given through Alderman Wihby on behalf of the Board.

Alderman Vaillancourt asked so if I wanted an additional \$500,000 in revenues included in this I would have to vote against this resolution.

Deputy Clerk Johnson answered no. You could make that as a motion following this amendment. This is an amendment to the resolution being presented on the expense side. It has nothing to do with the revenue side.

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

Alderman Vaillancourt asked would now be the proper time to make that motion.

Deputy Clerk Johnson answered if you so desire it might be appropriate for the Board to consider that.

Alderman Vaillancourt moved that we add an additional \$500,000 into the proposed revenues. \$400,000 to be added into the Tax Collector line and \$100,000 to be added to the Building Department line. Alderman Levasseur duly seconded the motion.

Alderman Cashin stated, your Honor, the budget that has been proposed by the Board here tonight is a very, very tight budget. We have taken your budget and we have tightened it up. It is pretty close to...every department head in this City is going to have to work like hell to live within this budget and there is no question about it. To cut anymore out of it, I think, is irresponsible.

Alderman Levasseur replied we are not cutting it.

Alderman Cashin responded you would be.

Mayor Baines stated for clarification if we don't meet our revenue expectations, which is a warning that has been given by our Finance Officer, we are going to be monitoring revenues as Alderman Wihby said earlier on very, very closely and three or four months from now if our revenues are off we are going to have to take some drastic steps and that could result in a loss of services.

Alderman Cashin stated let's assume that the revenues are up. So what? It is a positive.

Mayor Baines replied as I said earlier, if we were talking a two year budget that is exactly the way we would be talking because if revenues are better and let's hope the economy keeps going through the roof and the Finance Officer keeps telling me to be cautious about that and I tell him to be quiet every time he says that, then we would be in a better position in Year 2.

Alderman Hirschmann stated I agree with half of what you said. The half that I agree with is the Finance Department did the work that I asked and we can definitely get the extra \$100,000 out of the Building Department, which isn't a big amount but we can do it and while we are still here discussing can we go through the Tax revenues so that these two gentleman's motion and second can be discussed. It is another \$400,000 that you proposed?

Alderman Vaillancourt answered yes. I believe that was based on the discussion that we had with the Tax Collector and the amount we are actually running ahead with the auto registrations. I understand there are even supposed to be more coming in from the Airport.

Mr. Clougherty stated I would ask the Board to give us the time to go back and take a look at the revenues and do the exercise that Alderman Hirschmann has asked us to do and come back to you. We are in a good economy right now and things are going good, but there have also been some statements that the Board has heard, some cautions from the Planning Director and from the Building Commissioner regarding what is happening with permits out there and a little bit of a slow down. You have to look going forward. You can't just say we did great this year and expect that that is going to continue without talking to the respective departments. I would like to have the opportunity to update the revenues, go back to the departments and get back to the Board so that you can temper some of this. If you just take a look at where you are in the passion of the great economy right now, it may not be where we are five, six or seven months from now.

Mayor Baines stated like I said revenues will be what they are. You do look at projections and we have spent a lot of time looking at trends and things of that nature and we will keep our fingers crossed I guess is what it comes down to.

Alderman Shea asked could we hear from the Tax Collector. Do you feel comfortable adding \$400,000?

Ms. Porter answered once again I will say the same thing I said before. I am very conservative in estimates and always have been. I cannot unequivocally say to you that we will never raise that amount of money but I do have a fear that auto registration is going to be the first place where you are going to see the economy changing. What happens is, or at least what has happened in the past is as soon as things start to go bad people lose their job and they lose their car. They register an older car. We see it and just recently I was telling the Mayor that I read that used car sales are increasing drastically, which is another indicator. I don't want to be doom and gloom. I just think there are little hints out there and I think we should be cautious.

Alderman Levasseur asked how much are you over on your projections from last year.

Ms. Porter answered I don't know exactly. I would say probably about \$400,000.

Alderman Levasseur stated so even if we said conservatively...last year you said you were sitting here saying no I don't think we are going to be able to get that extra \$400,000. I don't know if you did and I don't want to put words in your mouth, but even if we just said the economy slowed down half, we would still say \$200,000 instead of \$400,000 and we would split the difference with you. Wouldn't that be a reasonable increase in revenues of \$250,000 or \$200,000?

Ms. Porter replied I am not saying it is not reasonable, however, if I had projected exactly what we were taking in, you would probably have a much more serious problem with the fund balance.

Alderman Shea asked because you are getting more money have you added more money to your revenues intake this year or have you stayed the same.

Ms. Porter answered we increased our revenue estimate.

Alderman Shea asked by how much.

Ms. Porter answered I think it was about \$400,000.

Alderman Shea asked so in other words you took in an extra \$400,000 and you added that to your projection for this year.

Ms. Porter answered we looked at trending to see where it was going and we kind of estimated that we would make about the same or slightly more than this year. Tomorrow we will have the close of May.

Alderman Shea asked but you anticipate the \$400,000 in this year's revenues, is that correct. You increased it \$400,000 from last year.

Ms. Porter answered yes it has been taken in and it is there.

Mayor Baines stated not to add any confusion to our deliberations, but we are watching what is going to happen with Claremont and the concern about Claremont next year. It is level funded this year and we are always cautious about whether Manchester will at least receive level funding or perhaps an increase or decrease the following year so anything we have to our advantage going into Year 2 shall be extremely important but I am sure that Alderman Vaillancourt is going to make sure that there is an increasing amount of money coming in. Right, Alderman?

Alderman Vaillancourt answered I always like to say that if we had the right vote in Concord and they hadn't changed the distribution formula, Manchester would have received \$6.5 million in addition last year and this coming year \$13 million, which would have meant about \$300 to the average taxpayer in Manchester. That is when they changed the formula with the high school free and reduced lunches thing. My question was, regarding the Airport I had a message on my answering machine when I got home Memorial Day. Are the car rentals from the Airport being registered through you now as promised?

Ms. Porter replied the arrangement that the Airport has is that all rentals at the Airport...half are registered here and half are registered in Londonderry. That is tracked by the Airport. I had called Sean Thomas a little while ago and he didn't expect any drastic increase in the number of registrations that they were going to have.

Alderman Vaillancourt asked didn't we hear the other night at the Airport meeting that we have a tremendous increase in the number of cars out there that are up for rental.

Ms. Porter answered I was not at that meeting.

Mr. Dillon stated I think what you heard the other night when I gave you a review of the Airport finances is that next year we are anticipating about a 30% growth in revenues from rental cars. How that actually translates into cars is difficult to say, but there is no doubt that there should be extra cars being registered.

Mr. Clougherty stated the amount of increase in auto registration this year, Alderman, is \$291,000 so far. That, like some of our other building related revenues is very interest rate sensitive. As the interest rate goes up, people are less inclined to borrow to buy cars, to buy houses, to put on additions so that I think is some of the concern that these people are expressing to you. We are seeing that rate go up by the Feds and if it continues to go up there is a point where people will make decisions and that will affect our revenues and that is why they are being cautious.

Alderman Wihby asked, your Honor, wouldn't a right way to approach this be to accept this, pass it to the Special Board meeting tonight, send it to the Monday meeting and all of the numbers before the Monday meeting could be reviewed for revenues from Finance. They can come in with some suggestions and departments can go back and look at the revenues one more time and before we vote on Monday to accept this or not we can do the changes then. Wouldn't that be the right way to go? If I had this amount of money extra, we would have thrown that in this budget. If I am not going to talk to a department and they are not comfortable with the numbers, we shouldn't have it in here. It is easy to say well it is \$400,000 here and \$100,000 here but at the same time you are looking at the bottom line net revenue, which as I explained last time we have always come real close to meeting without going over. We would hate to add another \$500,000 or try to force them into saying let's take \$500,000 more if we are not going to get that number because it is the bottom line. Some are going to be up and some are going to be down. If we give Finance and the department heads until next Monday, we can do everything today and then Monday come in with any changes that we want to make. It seems like that would be a lot easier. In front of us would be the numbers and we would know where all the departments were and we would have the resolutions in front of us and be voting up or down on certain amendments.

Alderman Levasseur withdrew his second to the motion.

Alderman Vaillancourt asked so what is the status.

Mayor Baines answered you would need another second. Hearing none, there is no motion on the floor.

Deputy Clerk Johnson stated at this point the operating budget resolution has been amended to \$106,668,234. We now need a motion that the resolution ought to pass and layover.

On motion of Alderman Shea, duly seconded by Alderman Clancy, it was voted that the resolution ought to pass and layover.

“A Resolution appropriating to the Manchester School District the sum of \$108,007,425 for the Fiscal Year 2001.”

On motion of Alderman Pariseau, duly seconded by Alderman Wihby, it was voted to read the resolution by title only, and it was so done.

On motion of Alderman Pariseau, duly seconded by Alderman Pinard, it was voted to amend the resolution to the amount of \$106,832,425 as outlined on the handout from Alderman Wihby.

On motion of Alderman Thibault, duly seconded by Alderman Sysyn, it was voted that the resolution ought to pass and layover.

“Appropriating all Incremental Meals and Rooms Tax Revenue Received by the City in Fiscal Year 2000 and held in the Civic Center Fund, for the payment of the City’s Obligations in Said Fiscal Year Under the Financing Agreement.”

On motion of Alderman Lopez, duly seconded by Alderman Levasseur, it was voted to read the resolution by title only, and it was so done.

Alderman Wihby moved that the resolution ought to pass and layover. Alderman Pariseau duly seconded the motion. Alderman Vaillancourt requested a roll call vote. Alderman Vaillancourt, Cashin, Clancy, and Shea voted nay. Aldermen Pariseau, Thibault, Hirschmann, Wihby, Gatsas, Levasseur, Sysyn, Pinard, O'Neil, and Lopez voted yea. The motion carried.

Deputy Clerk Johnson stated, your Honor, the next resolution has to do with the Central Business Service District and the reason we are placing this on by title only is so that it can be laid over as it stands now so that the Board can amend it next week if it wants or table it at that point, but we want to keep it in process with the rest of them.

“A Resolution Appropriating to the Central Business Service District the Sum of \$230,000 from Central Business Service District Funds for Fiscal Year 2001.”

On motion of Alderman Pariseau, duly seconded by Alderman Sysyn, it was voted to read the resolution by title only, and it was so done.

Alderman Pariseau moved to remove the resolution from the table and that it ought to pass and layover. Alderman Clancy duly seconded the motion.

Alderman Hirschmann stated the handout that was given out tonight in the FY01 actual-to-date column it has a number of \$372,294. Is that the amount that they have actually raised by taxing? Explain that \$372,294. It is on Page B. If you look down below it says Central Business District. The actual says \$372,294. In other words we authorized them to raise \$225,000 but they raised \$372,294 the way I see it. Is that right?

Mr. Clougherty stated they are authorized to spend that.

Alderman Hirschmann asked the \$225,000, but they raised \$372,294 is that right.

Mr. Clougherty answered no.

Alderman Hirschmann asked what is the \$372,294.

Mr. Clougherty answered that would be expenditures to date.

Alderman Hirschmann asked how could they spend more than they asked us to spend.

Mr. Clougherty answered I would have to go back and look at that number.

Alderman Levasseur stated I am wondering if that includes the \$100,000 that you give them for the façade program, although I don't see that in any of the lines.

Mr. Clougherty replied I don't believe so. We are just getting this sheet for the first time tonight. Let us go back and look at this for the next meeting and clarify it.

Deputy Clerk Johnson stated before the vote is taken, I just want to go back to the motion to read by title only. My recollection is that this Finance Committee also tabled that so I want to clarify that it was to take it off the table and read by title only before we proceed with laying it over.

Alderman Levasseur asked when we vote on this tonight it does not mean that we are going to appropriate the full amount, it just means that we are going to lay it over for discussion on Monday night right.

Mayor Baines answered correct.

Mayor Baines called for a vote on the resolution. The motion carried with Alderman Vaillancourt being duly recorded in opposition.

Deputy Clerk Johnson stated at this point if the Committee on Finance wishes to adjourn, we believe that all of the resolutions have been acted upon that need to be.

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

A True Record. Attest.

Clerk of Committee