COMMITTEE ON FINANCE

May 29, 2002 **6:30 PM**

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Forest.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Wihby (late), Gatsas (late), Aldermen Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, DeVries, Garrity, Smith, Thibault and Forest

Absent: Alderman Shea

Deputy Clerk Johnson stated I just want to let the Committee know that Alderman Wihby called and informed us that there is a meeting for some of the Senators at YDC and he and Alderman Gatsas were going to be attending that. Alderman Shea asked that we inform the Board that he did have that neighborhood meeting at Prouts Park this evening.

Chairman O'Neil advised that the purpose of the meeting is continuing discussions relative to the FY2003 Municipal Operating Budget with regard to resolutions:

> "Raising Monies and Making Appropriations for the Fiscal Year 2003."
>
> "A Resolution appropriating to the Manchester School District the sum of $121,148,267 for the Fiscal Year 2003."

A) Report of Committee on Administration/Information Systems recommending that the Election Worker's Compensation proposals be referred to the Committee on Finance for the FY2003 budget deliberations.

Deputy Clerk Johnson stated the Clerk would note that we did place the report of the Committee on Administration on this agenda because you had referred it to the

Finance Committee as a Board for discussion with budget deliberations. We just enclosed that so you don't forget that in the process of your deliberations.

Chairman O'Neil asked where do we begin. Does anybody have any specific questions for…it looks like a majority of the department heads are here. Is there anyone you would like to call up first?

Alderman Lopez stated I think the biggest issue is health, fire and police. Although there has been a 2%, 2.5% and 3% cut that have been talked about, I would like to hear from them as far as whether it is as devastating as it is written on paper and any comments they would like to make before we get into the discussions, especially in the health and safety area.

Chairman O'Neil asked so who would you like to hear from, the Risk Manager.

Alderman Lopez replied Fred first would be fine.

Mr. Rusczek stated thank you, I always enjoy the pleasure of going first in the budget hearings. You are correct in identifying that there are some pretty serious impacts in the Public Health Department, including in the Mayor's budget. If you look at the…I believe you probably all have a copy of the response that I sent to the Aldermen on the extent of our cuts. When you look at the figures on the front page I think it is important to point out that we are not comparing apples to apples when you look at FY02 and FY03. So, the reduction in between FY03 and FY02 between the Mayor's budget and the Health Department's FY02 budget is partly because of a transfer of funds from the City budget to projects and I will explain that in a minute. All that being said, if you look at the Health Department's budget for salaries and wages, the increase is actually only about 2.1% more than FY02. In other words, we have done everything that we can to try to keep our request as low as we could. There was additional funding cut out of our request to the extent of about $70,000 or $75,000 and that will require that we reduce staff and we have targeted the staff reductions to be that we will eliminate a half time administrative assistant position that just happens to be vacant now and we will reduce our parochial school nursing from two full-time equivalents to one-half full time equivalent. The reason we are not cutting the public schools is as you know in the public school program we are fully reimbursed for the cost of our school nurses. Beyond that, every other program in the Health Department is essentially tied up with outside revenue or with a unique function that only we can do. Tuberculosis control for example or communicable disease control. I don't have any room to cut in any other program except for the parochial school nursing program. That is where we are at now. If we are asked to make any cuts any deeper than that, I did detail in our response, the impact of such cuts. Any cuts beyond the Mayor's budget will mean more than using those two full-time

equivalent staff. Another change in the budget that concerns me greatly as well is that some money that used to come in to the City budget as grant revenue is now going to be going to CIP projects and staff, in some cases long time City staff, will be getting charged off to these outside projects. It is not an increase in expense, it is just merely a wash but it becomes a real concern when we try to do our budgeting early on. For example, I might have to have a little touch of clairvoyance in January to project that a particular nurse will essentially be paid 23 hours on the City budget and I might be able to project that in her district she will have more TB than other districts and I might be able to charge off 17 hours or so to an outside project. Our preference would be that as it has been for years and as is the practice in Nashua and other places that when we are fortunate enough to get revenue to offset City expenses, it is our preference to have that money come into the City budget and have it show as revenue. Again, it is just an accounting function. It is not a cost function. One washes the other but for ease of our work we would certainly like to see the revenue and expense put back into our budget.

Alderman Lopez stated understanding all of that and reading through the materials, I guess the proper question might be if the budget was cut 2.5% would the safety of the citizens or the school children be at risk or would it just take longer to get things done or would it be that nurses would have to go to this school half a day or two hours over here. Could you just enlighten me as to how that process works?

Mr. Rusczek replied any further cuts will definitely have an impact on services. We are not going to have the staff to be able to cover all the schools or run the programs we have in the past. You can see that even a 2% cut to the Mayor's budget will eliminate our West Nile Virus surveillance and control, which we are doing with summer help. There won't be…we will have to reduce an additional half-time school nurse and we will have to reduce our dental health program down to one and a half people. In Manchester, the service we provide to our Manchester kids, dental services, are very important to a lot of families so certainly we don't want to cut any deeper than we already have had to with the Mayor's budget. It only gets worse. Any scenario beyond that…again we are at a point where Manchester is growing, needs are growing and we don't want to cut back on communicable disease control activities like Tuberculosis control but if the cuts get deep enough all of our programs will be impacted.

Alderman Lopez stated again with the cuts we can live with it and some things will be cut out but there is no health safety for the citizens of Manchester.

Mr. Rusczek replied the Mayor's cut will not impact the public health of the community. Any cuts beyond the Mayor's cuts will.

Chairman O'Neil stated, Alderman Lopez, just for clarification we had asked for scenarios on 2%, 3%, 4% and 5%. You mentioned a couple of times 2.5%.

Alderman Lopez replied that is my figure.

Chairman O'Neil responded okay because we don't have those scenarios for 2.5%.

Alderman Thibault stated, Fred, I don't believe that anyone on this Board would question what you feel or what the Health Department feels has to get done or what needs to be done. The point is that hopefully all departments realize that we have a problem this year and there are many years when we have looked at the problems of whatever department and tried to help them. I think my question would be…we have to make some tough decisions here on this Board this year and I think that as long as I have been here this is probably one of the most crucial years that we have had looking at labor and looking at all of the things that have come up. Fred, what I am asking from you is this. Knowing the constraints that the City has upon itself right now, what is it that you could live with and be somewhat comfortable with to go for one year? Next year, undoubtedly we are going to be in a much better position than we are because I think we are going to try to take care of that to make sure that we don't ever again get into this position. I think my question, Fred, is and I say Fred but I am looking at every department of this City and asking them to look at the Board that is here right now and understand that we are under some major constraints right now and we are asking everyone to do their share, whatever it can be. Fred, we are not going to run your department. You know what you are doing. You know what has to be done. Give us the bottom line this year. We have to have that. If it is 2% or maybe 2.5% or 3% or whatever it is that you can survive with this year I believe that is what this Board is looking for. I think if you go around this Board you are going to find that most of the Aldermen want to help everyone that we can but by the same token we have to live within our own means to some extent and I think that is what I am going to try to tell you. I want you to tell this Board look I can live with a 1% or a 2% or a 3% or whatever. We are asking this and how many times do you people come to us when you have had a great problem and we try to help you? This time, it is our turn. We want your help.

Mr. Rusczek responded first I agree with you. I have been involved with budgets for the City for probably 20+ years and this is the most challenging year that we have ever faced. We saw at the Health Department some of the challenges that were coming up and about a year ago we reorganized to save a little bit of money. That is how the budget that we submitted is only increasing by about 2% except for the health insurance and dental insurance costs. Those projections were a lot higher. From that scenario we really did try to do our very best amongst growing needs and growing issues. From that scenario, the Mayor's budget does cut what

amounts to two full-time equivalent staff out of our budget. Now we won't need to lay anybody off because we will be able to move the parochial school nurses over to the public schools where we have continual turn over. To make any cuts beyond that I really…we are aggressively going to the outside to seek outside funding. Five or six years ago we received about $250,000 in outside funding. We now project for the coming fiscal year we will be receiving about $2.6 million in outside funding. Some of that money will pass through and go to community agencies that we are trying to support instead of building an empire. I do certainly understand the position that the City is in this year. I just really fear that there is little I could offer even though I am willing to accept your statement because you are absolutely right. The Aldermen have been wonderful to work with through the years and the Aldermanic support of the work of the Health Department has always been something that has been much appreciated. I just…there is no fat. There is nothing hidden. The one place there could be a savings is if the Health Department relocates then there will be five months of rent within the budget, which is about $30,000 or so that won't be needed here.

Alderman Thibault replied please don't get me wrong. I am not saying that there is any fat in your department. What I am trying to say is isn't there a way that we could hold off until next year on some of these programs that you feel are essential? I mean after January or February it may not make a big difference. Right now it does. I think that is what I am asking. I am not just saying this to you. I am saying that every department should look to the City right now and say look we have to work together here and figure out what we can afford to do. That is all I am asking. I know, Fred, believe me I really know that some of the programs that you have brought forth are certainly essential but if we haven't had them in the last three or four years or five years why do we have to have them this June. Maybe in February or March we might be able to put them in.

Mr. Rusczek responded there is nothing new in our budget. The only thing new that would be anywhere would be in our outside funded CIP programs that don't impact the City budget. We have nothing new. If you go back through the years we have actually…like our community health nurses. If you go back five or six years the numbers have actually dropped. Most of our stuff has been, we have transitioned staff to meet growing school health needs through the last decade or so. Alderman, there is nothing new added.

Alderman Thibault replied Fred believe me I have full faith in you. I am not questioning your integrity or your professionalism. One more thing I would like to say is I hope that every department in the City realizes the position that the Board of Mayor and Aldermen is in and that they can come to our rescue for once.

Alderman DeVries asked, Fred, could you comment briefly…when you presented the pending grants that you might be receiving dealing with some of the issues that have arisen after September 11 and some of the bio-terrorism will they in any way, shape or form be impacted by any of the reductions that you have noted at the 2% or higher level.

Mr. Rusczek answered no. We anticipate hearing within the next day or so that we will be the recipients of a grant to improve our public health preparedness. That money that is coming in can't supplant anything we are doing by Federal requirements but it will bring additional staff. We are being asked to ramp up public health to not only meet all of the newly emerging needs. In just the last 15 years or so there have been 20 newly emerged diseases and resurgence of diseases like Tuberculosis. We are also being asked to be prepared for bio-terrorism and Small Pox outbreaks as a result of bio-terrorism. That is a new and greatly expanded role for the Health Department. The outside funding that will come in that could be as much as $1 million this first year and close to that the following years will pay for additional staff to help meet some of that need.

Alderman DeVries asked as far as administrative support, the reduction that you noted within your department won't affect your ability to administer that grant.

Mr. Rusczek answered not having that half-time administrative assistant has already impacted some of our programs. In this grant is a full-time administrative assistant to help do some of the grant activities. We are trying to incorporate all of this new grant money and programs into the department without adding additional supervisory staff or anything else. We are trying to turn it all into services in other words.

Alderman DeVries asked and make the grant totally self-sufficient.

Mr. Rusczek answered right.

Alderman Garrity asked, Fred, for the school nurses in the parochial schools has there ever been a reimbursement for that.

Mr. Rusczek answered no we don't get any reimbursement for the parochial school nurses.

Alderman Lopez stated we have had conversations in years past in reference to the parochial school nurses not being reimbursed and it coming out of your budget. Why is that? You were talking about getting reimbursed for those going into the schools.

Mr. Rusczek replied we have never gotten reimbursed for parochial school nurses. For years the reason that we provided nurses to parochial schools like public schools was more of a public health reason to make sure that the screenings are being done and that we can provide support to Manchester children who happen to be in parochial schools. We never got the reimbursement. As we look at places to cut, though, that is one of the areas that isn't absolutely essential. Again, it isn't tied up with outside money or paid for or essential to the public health of the community.

Chairman O'Neil asked is there anyone else we would like to have come up.

Alderman Lopez answered yes I am interested in Fire and Police. I don't think they have to go through their memo or anything to stress upon because uniform individuals are very difficult because of safety and I want to get their last comments. I am interested in the total picture of the safety of the citizens of Manchester if there is a drastic cut.

Chief Kane stated the question is what is the impact to the community in regards to the cuts and I think we outlined those in the memo that was requested. The 2%, 3%, 4% and 5% cuts. In regards to that, where we would have to cut is we would have to put a ladder cut out of service on a 2% cut. What we would do is take our overtime budget and slash that whereby taking the people who would normally work on that ladder and redispursing them to cover things like vacations and sick leave and that type of thing. That way, we would be able to save on our overtime budget.

Alderman Lopez asked but the citizens would be safe, Chief.

Chief Kane answered well the citizens would have the impact of not having that ladder in that area that went out of service.

Alderman Lopez replied I understand that but there is no drastic…you could still service the City.

Chief Kane responded we would service the City the best we could without that ladder, yes.

Alderman Smith asked that ladder company if you do pull it out where would it be coming from. What station?

Chief Kane answered at this time we haven't made that decision. What we would normally do is wait until the budget is in and we have the budget in our hand and

we would take a look at what is happening in the City at that particular time and make that decision at that point in time.

Alderman Thibault asked, Chief, how would the response time to that type of cut be effected. Depending on where you cut this ladder from I guess would matter.

Chief Kane answered exactly. There are a lot of things that we juggle on a day to day basis depending on the activities in the City but the response time is…let's say if one of the ladder companies was out in one of the areas of the City that means a ladder company would have to come from another area of the City to get there. Typically, ladder response to an area in this City is about three minutes depending on where the situation is and what boundary it is. If it is on the further boundary it is going to take a lot longer. So, that is kind of hard to say. It would be a longer response time.

Alderman Thibault asked by how much. Give me some idea. Give me a ballpark figure – three minutes, four minutes?

Chief Kane answered I would probably have to say three or four minutes for a ladder to come in.

Alderman Thibault asked but again depending on where it was.

Chief Kane answered exactly.

Alderman Thibault asked and depending on which ladder situation you are keeping in.

Chief Kane answered that is correct.

Alderman Thibault asked so the impact of that, Chief, is what. Give me some idea of what the impact of that is. Are we jeopardizing anyone from what it was say five years ago?

Chief Kane answered what it was five years ago would be all of the ladder companies in service. Now you are knocking one out so that would be the impact there. I will say that we have been here before. We had an engine company out of service for a number of years as you may recall and we were able to get that back in.

Alderman Thibault asked what was the impact of that, Chief.

Chief Kane answered the impact of that was there was a longer response time in that area, especially if one of the other companies was out at another fire. The second engine company coming in would be there usually within a minute or so but now you are looking at three to four minutes.

Alderman Thibault asked but don't we automatically have that anyway. If, in fact, Engine 6 is out someplace and there is something else, Engine 2 has to respond right or someone else.

Chief Kane answered that is absolutely correct.

Alderman Thibault stated so the real impact of that is minimized by the locations that you are talking about and where you put your fire trucks, if you will.

Chief Kane replied well all of that is correct. If I knew exactly where the fire was going to be and what time it was going to be, we wouldn't have an issue. As you can see, as we start to reduce engines or ladders the work that is being done has to be…the response for the engines will be greater so they will be at incidents more often.

Alderman Thibault stated all I am looking for is and please I am not picking on the Fire Department because you guys have always been number one and I still believe that but in what I said prior to this I think we all have to look at what the problem is here. I appreciate the fact that you come up and give us exactly your scenario. I think the Board is going to take that independently in thinking about exactly what you said.

Chief Kane replied I will say that we have tried to work with the Board over the years as best as we possibly can and we worked even over the last few months with the Board to move different things around to try to minimize the budget. With our budget being almost 96% salaries and most of that is the people in the field, the Mayor has put out a pretty lean budget. I certainly appreciate the position that you are in.

Alderman Guinta asked can you tell me what happens to the personnel at an engine company if you permanently put that company out of service.

Chief Kane answered what happens with that personnel is we would use them in a floating status so if someone was on vacation instead of hiring someone else saying at time and a half to cover or if someone is out sick for a period of time we would take that personnel and put them in that spot instead of paying time and a half.

Alderman Guinta asked so between a 2% or a 5% budget reduction there would be no actual lay-offs.

Chief Kane answered that is correct.

Chairman O'Neil asked if an engine company or a ladder company is out of service does that affect fire protection in the City of Manchester.

Chief Kane answered yes it does.

Alderman Lopez stated, Chief Driscoll, to save some time here I have as does everybody else your documentation. If you were to take a 2% or 2.5% cut, I have the same question. Would the safety of the citizens of Manchester be in jeopardy?

Chief Driscoll replied I think I would answer that by telling you that each percent is about $185,000. We gave a scenario for 2%, which was $370,000 and indicated how we would try to make that up. I think you have that information. Would it have an impact on public safety? Absolutely.

Alderman Lopez asked in what area, Chief.

Chief Driscoll answered we would not be able to field the number of officers that we do now. It is my belief that we would have to lay-off at least two officers. We would reduce the civic center overtime that we presently…as you know we presently have $216,000 in the budget for civic center overtime to keep that area…

Alderman Lopez interjected could you explain that a little bit. You have mentioned that twice about reducing the civic center police. Are you talking about inside or outside?

Chief Driscoll replied outside, Sir. Outside the curb line. Perhaps you remember me being questioned by Alderman Shea about that number. We would certainly look at reducing that if the City deemed that that was necessary. That is the first place I would go to avoid lay-offs and avoid putting less police officers on the street.

Alderman Lopez asked how about the part-time police officers. How would that affect them?

Chief Driscoll answered basically the part-time police officers are going to work eight hours a month. That would be very, very insignificant in the whole scheme of things.

Alderman Lopez asked so would more part-time police officers be doing the traffic around the civic center then.

Chief Driscoll answered no, Sir.

Alderman Lopez asked why not.

Chief Driscoll answered we have an agreement with our unions that we won't use the civic center officers at a lesser rate of pay than the regular officers presently get. We would never supplant and put a part-time police officer on in order to save money. We would use them only if officers were not available to fill that job at the existing rate of pay.

Alderman Lopez asked how many police officers are around the civic center during an event.

Chief Driscoll answered it depends on the event.

Alderman Thibault stated I probably use the Police Department more often than most Aldermen. So 2% you are telling me would automatically lay-off people?

Chief Driscoll replied well 2% is $370,000. That is a big chunk of money. Similar to Chief Kane, my budget is 94%+ salary. If you remember the line items and the capital are basically funded at the same level of less than they were in the FY00 budget, the only place we have to reduce is in salary and that salary is going to have a significant impact. There is no question about that. The Mayor reduced our budget almost $500,000.

Alderman Thibault stated as Alderman Lopez was just saying, some of the overtime we couldn't dig into that area a little bit or somewhat.

Chief Driscoll replied we have given you a scenario where we would reduce that civic center overtime if that was the wish of this Board by half, $108,000. If you go much beyond that you are going to start getting into some of the revenue issues. You are going to get into parking control and the parking control generates significant revenue for the City. In the first scenario we didn't go there knowing that it would impact revenues and probably that would not be the wishes of the Board.

Chairman O'Neil asked if positions like dispatchers…if you let a dispatcher go that doesn't mean that you don't need a dispatcher. Does that mean that a police officer now has to come off the street and dispatch?

Chief Driscoll answered yes.

Chairman O'Neil asked so we are reducing the number of police officers on the street.

Chief Driscoll answered that is correct. There is also a concern if we were to…we have grants that cover our dispatchers and if we were to lay-off a dispatcher there are concerns that it might jeopardize some of the funding for the grants also.

Chairman O'Neil called Frank Thomas forward.

Alderman Smith stated I appreciate you coming, Frank. You had a very detailed report but one thing I noticed with Mr. Chapman of the School District about chargebacks and so forth…could you explain that situation?

Mr. Thomas asked regarding the Highway Department's budget or Building Maintenance.

Alderman Smith answered Building Maintenance.

Mr. Thomas stated the majority of the Building Maintenance budget is school related and is directly chargeable to the School District.

Alderman Smith asked are they paying what is owed.

Mr. Thomas answered this year what they have instituted is a freeze within the last month or so where we are only allowed to go in and address emergency or safety related issues. As a result, the amount of chargebacks that we will be charging and recovering funds this year will be off significantly.

Alderman Lopez stated on the same line, in Building Maintenance $5 million, has that all been planned and committed and nothing there can wait another year.

Mr. Thomas replied a majority of the Building Maintenance budget is the ServiceMaster contract, which are custodial services. Those are at a minimal level right now. Quite frankly, because of the additions at the schools and whatnot the level of the contract should be higher but that has not been approved by the School District so it is a minimal level and a majority of that budget is for custodial services.

Alderman Lopez asked and everything in the budget besides the custodial services has been approved by the School District to do.

Mr. Thomas answered yes. I can give you the exact amount that has been approved. Out of the $5,380,000 budget, $4,705,345 has been approved for chargebacks by the School District.

Alderman Thibault stated you just said something to Alderman Smith that maybe I didn't hear right. Did you say something about if you do something now in maintenance for the schools you must get approval before you do it? Is that what you said?

Mr. Thomas replied yes. What we have done is we have worked out an arrangement with the School District…first of all we can only address emergencies and life safety issues so if there is a pipe leaking we have the ability to go over and repair it. We have to notify them on a daily basis what we have done that day as far as emergencies. Any type of corrective maintenance, we are frozen and cannot address. Say a fan is out and that is not considered an emergency or life safety issue. That fan doesn't get repaired.

Alderman Thibault asked so what happens to that. Do they call someone else?

Mr. Thomas answered no the maintenance just gets deferred until the new budget in July and then we will be scrambling to try to get caught up on some of this maintenance that is being deferred.

Alderman Osborne asked, Frank, what happens to the resurfacing if you take a 2% or 2.5% cut.

Mr. Thomas answered in my explanation on the budget cuts the first areas that get cut are overtime in the downtown/civic center area. We strongly oppose those cuts but they were new additions to our budget so they are the areas we are looking to cut first. There is also trash collection, litter control, snow pick-up and those areas. Then we have to start looking at resurfacing. During my budget presentation I tried to emphasize that resurfacing has been underfunded over the years. Just to give you a scenario, we have 400 miles of streets in the City of Manchester. A good street should be resurfaced approximately every 25 years. In order to meet that cycle of maintenance, really our department should be funded at approximately $1.1 million a year. Up until the last couple of years, we received nowhere near that amount. This year as we are sitting tonight as you know there is $550,000 in the CIP and $300,000 in our operating budget. Even at that level we are looking at a 32-year cycle instead of a 25. If my operating budget is now cut, the $300,000 that I have for resurfacing in my operating budget, now we are going to a 49-year cycle. So, that is almost 50 years. It costs approximately $67,000 of materials to resurface a mile of roadway right now. If we go beyond resurfacing and we start getting into street reconstruction, now we are going from pennies a

foot to hundreds of dollars a foot when that road deteriorates to a condition where resurfacing doesn't make any sense any more. Another thing that I wanted to point out is again in my various budget cut scenarios where we noted various impacts, our operation…we provide many, many different types of diversified services and the services that we provide depend on manpower and equipment needs. Our manpower has not changed over the last five years but stop and think. Every year there are new sewers that are being built and new storm drains that are being build and new roads that are being built. In addition, over the last five years the amount of solid waste that we collect has increased 25% so here is our labor force staying fairly stable or it is staying stable but the demands on us are going up. The other part of that is equipment. We need men and we need equipment. The City of Manchester has over $30 million worth of equipment. Now that equipment should be replaced on a cycle of approximately every 10 years. In order to meet that cycle you are looking at funding the MER account in the range of $3 million a year. I haven't seen $3 million a year in the MER for years. This year in the Mayor's budget we are looking at $600,000. Here you keep asking us to do more with our stabilized workforce and with equipment that is rapidly going downhill. Sooner or later we are not going to be able to meet the demands for services that are out there.

Alderman Osborne asked so the $550,000 for resurfacing that is earmarked and can't be touched.

Mr. Thomas answered yes that is the special auto registration fee. Keep in mind that once that money comes out of my operating budget that is earmarked for resurfacing, that also is acting as an insurance policy as I mentioned during my budget presentation. My budget is very weather sensitive. This year we have had a very mild winter and as a result I am going to be turning in a sizable surplus but if we had an average to severe winter I would not have had enough money…there is typically not enough money in contingency for my operation if there is a bad winter. That $300,000, which I save until spring, is like an insurance policy that covers us if we get into a severe winter. Keep that in mind when we are looking at cuts.

Alderman Osborne stated I can remember a few years ago when I was Alderman we used to put in about $800,000 at that time back in the early 80's for resurfacing.

Mr. Thomas replied that is correct. We have gone through cycles where we have been up to what I consider a reasonable range and that would be up in the $800,000 range. I can also remember years when we had no money for resurfacing or $100,000 for resurfacing. As a result, all you have to do is drive

around the streets of Manchester. They could be a lot better if we equally funded resurfacing over that 20-year period that you were talking about.

Alderman Guinta asked could you please elaborate a little bit on the line item for contracts. I think the recommendation is $5.6 million. Can you talk to me a little bit about what that money represents?

Mr. Thomas answered certainly. The vast majority of that money goes to solid waste areas. It includes approximately $450,000 for the recycling contract, which we have with Waste Management. Approximately $490,000, which is the yard waste collection and disposal contract with Waste Management. Approximately $2.8 million goes towards the transfer and disposal of solid waste. We collect it and we drop it off in Auburn and then it gets transferred and disposed of in Rochester. The operation of our drop-off facility on Dunbarton Road is approximately $550,000 just on the disposal of the materials. We are collecting materials up there and those have to be hauled away and disposed of and those are through contracts with Waste Management. That is approximately $4.3 million. In addition, the balance of that is made up for recycling promotions, promotional work, for crack sealing the streets there is a small amount of money - $10,000, etc. Now if you want, we do have this information all broken down and we would be glad to furnish it to the Board.

Alderman Guinta asked are these annual contracts with Waste Management.

Mr. Thomas answered the contracts are annual that we have with Waste Management. We went through procurement about five years ago. I think we did excellent compared to a lot of other municipalities. Our disposal contract we, by rights, can renew up to a 30-year period. There is a yearly CPI adjustment, but it has a 4% cap on it. It does get adjusted every year and it can be renewed for quite some time.

Mr. Guinta asked does it go out to bid.

Mr. Thomas answered no because again we did go through the procurement process about five years ago and the procurement…the dollars that we received were excellent. I am very, very confident that if you tried to go through another procurement at this time and open the door up and unlock these locked contracts that we have, we would be paying a lot more.

Alderman Forest stated you were mentioning earlier about a cycle of repaving. Is this a national average, that 25 years?

Mr. Thomas replied it is an average. I mean again if you took a brand new road that was just built you are looking somewhere around 25 years where you want to put another overlay because at that time you are going to start seeing cracks developing. Asphalt is what is known as a flexible pavement. It is like a rubber band. It expands and contracts. As it continues to do that, cracking develops and as a result if you don't seal those cracks up by an overlay then the water is going to get under that pavement and that is when you are going to see serious deterioration.

Alderman Forest asked is that why my street has that bow in it. I started dating my wife 42 years ago and I know the street has never been done.

Mr. Thomas answered you are on that long time resurfacing cycle.

Alderman Guinta asked is the bag and tag included in the contract money.

Mr. Thomas answered yes it is. I forgot we were talking about the Mayor's budget. That is correct.

Alderman Guinta stated your request was $4.9 million, which did not include the bag and tag.

Mr. Thomas replied that is correct.

Alderman Guinta stated but the difference between your request and the Mayor's recommendation is not the total for bag and tag.

Mr. Thomas replied the bag and tag increases the operating expenses. It does show on the contracts as…bag and tag is $1,143,121 operating expenses.

Alderman Guinta asked and all of that is under the contract line item.

Mr. Thomas answered that is correct.

Alderman Lopez asked to speak to the Finance Director. Your response sort of intrigued me to a degree and I was wondering if you could put some information on the table. Your consolidation and centralization of financial management services Citywide to achieve significant savings. Along that line could you also explain that when HR took over payroll you kept the same amount of people and when the School took over you kept the same amount of people. How did we justify, when we were doing everything at one time and you still had the same amount of people?

Mr. Clougherty answered first of all, Alderman, with respect to School the School duplicated everything that we are doing. If you are going to have controls, we have a treasurer and they have a treasurer. We have accounts receivable and now they have to have accounts receivable. Once they went on their own separate system, they had to replicate everything that we were doing. It doesn't matter what the volume is. I still have to make sure that from a processing standpoint, whether we are doing 1,000 checks or 2,000 checks what you have to go through in terms of the computer to initiate that is the same. So, they virtually had to replicate everything that we did on that side. With respect to payroll, you will recall that we went down a position and we ended up arguing at that point and I think the Board will agree that the City did not have an internal auditor and we put on auditing positions and that is where the difference was. So, yes we did away with one function and took on another one, which is the statutory duty of the Finance Officer. You have seen that in the Committee on Accounts with all of the audits that are coming forward that you hadn't had before.

Alderman Lopez asked when you say consolidation and centralization in your report what is that.

Mr. Clougherty answered if I may I would like to kind of couch this because I think it is important…tonight we have heard a couple of times that the Board and departments say that next year will be a better year. If it is, it kind of defies the national economy and how it has operated over the last hundred years. What we have seen is from the period of like 1920 until about 1942 a real volatile time period where things were flat and the economy was going like this and moving sideways. That 15 or 16 year period was followed by a period that went from approximately 1942 to 1967 or 1968 where there was huge growth. From 1968 until about 1980, you went through a 15 or 16 year period of sideways volatility. From 1980 until 2000 you had 20 years of sharp growth. Guess what we are going to go through in the next few years? We are already seeing that in the first two years of this new millenium. I think that if people are feeling that there is going to be some type of a huge economic turnaround and that this is an interim problem, I beg to differ and looking at statistics I think they will bear me out. I think that next year is a hardy year for you and I think that is because of a couple of things. Last year when we talked about the budget we talked about revenues. We are not talking about revenues not but the expenses. Last year when we were doing revenues we came in and said revenues should be flat because we think we are going to go through a recession, an economic correction. At that point in time Wall Street didn't believe, because this was the March/April period that we were talking about in June. People were saying everything is fine with the economy. Well, the Board added $1 million to this year's budget and guess what? We heard three months later that we were in a recession. So, this year's budget is $1 million off in terms of revenues. If we had stuck to the bottom line we would be okay. I

think for next year the Mayor's budget is based on revenues that we had talked to him about. We said if you put in a 1% growth over what you actually get this year…not what you budgeted because remember you budgeted $1 million too much but if you put in 1% more than what the actual trend is going to be that is a pretty generous growth expectation for next year given the history of how things work and given the slowness in the economy. So, from a revenue side we don't , in Finance, think that you are going to see much capacity there. In terms of valuation, if you go back and take a look at the trends of valuation, I don't see a ton of valuation coming forward until you can work through all of the abatements that the Assessor's have to deal with. That is a natural progression that they go through. I think you have another year or maybe more of that to work out the revaluation. So consequently I don't see a lot of relief coming next year for that. What I am telling you tonight, by the way, is the same thing we told the Mayor when he was developing his budget and the same thing we told anybody who has asked us before that. I don't see relief on the two principal sides of revenue and valuation to go forward. The question becomes how are you going to deal with this dilemma over the next several years. To paraphrase The Music Man, if we have trouble right here in River City it starts with T and rhymes with P for payroll. We have got too many people at too high levels. That is the general fund dilemma. I am not talking about the Enterprises. I am not talking about your uniform services. I am talking about everything else. We have to do something to get a hold of those administrative costs or you are going to have problems and you are not going to grow out of them next year. You could deal with those in the 90's because you were on that slope. It would make up for a lot of problems. If we see the same recurrence of this 15-year flattening, you are not going to have anything to grow out of that and you are going to have the same problem. The solution, and I know that people are reluctant to talk about this, but the solution is you are going to have to look at consolidations and you are going to have to look at trimming back on positions. Now in that regard that is why I wrote my letter, Alderman. I feel that…you know you were on the Charter Commission and you heard me as I have told Mayor Wieczorek, as I have told Mayor Baines we have the most decentralized, inefficient operation that I know of and until you correct that fundamentally it is going to continue to be inefficient, which is expensive. So what you are going to have to consider at some point I believe if you don't want to see taxes going up higher is some type of a restructuring to achieve some change. The budget that I submitted to the Mayor provided for a reorganization. We said that currently there are 50 basic positions that deal with accounting across the Board in all the different departments. We said if you took those 50 positions and you centralized accounting you could do it with 30. If you did it with 30 you would save in one year $935,000. Now it is late in the cycle and you need six months to implement that so if you did that now it would be half of that but then next year it would be the full $1 million. That is just salaries and benefits. That doesn't include not having to buy computers for those people…you know all of

the overhead that is associated with that. If you were to include School as part of that consolidation, it is $1.3 million. You don't have to have duplicative services if you consolidate. Those are big numbers. If you were to go back and take a look at things like that, that gets at the fundamental problem and I don't think it hurts services. If you take a look at major corporations and central accounting, that is how they function. Is that going to be different for people? Yes. It is going to take a change? Yes. Is that going to affect your services out in the field? I don't think so. You are going to have to grow into it. We have provided that as one proposal. The other thing we talked about that I feel very strongly about and we talked to the Mayor about was that if you are going to reorganize you should talk about trying to cut your…again non-departmental, non-Enterprise general fund by 5%. Last year, from the period of January 1 until right now, we have had approximately 100 positions become vacant. Now 5% of your workforce is about 50 positions. If you just kept every other one vacant, you would have been able to realize that without laying people off just through attrition. That is about $2 million. If you start to take a look at doing things differently I think you have to take a look not only at consolidating administrative services but take a look at consolidating generally. If a department head position becomes vacant, I think you take a look at consolidating them. That is really the main issue that this Board is going to struggle with over the years and until you address that I think you are really looking for quick fixes. I know, Alderman, you had talked to me about using the rainy day fund. If you take the rainy day fund and throw it in, that is a one time fixed and you still have those same problems, those same factors going against you. It doesn't help you. The other thing that I would ask and again I am going to go through the list that I gave the Mayor for our department…early retirement issues. I think if you could come up with some ideas for early retirement for individuals and then not fill those positions, that again helps you to shrink the number of people you have. The other issues are payments in lieu of taxes. I know this is one that Alderman Pariseau used to bring up all the time, Mr. Chairman. We don't receive taxes from the hospitals and I know that since the Optima split they are probably not as financially strong as they once were but Lebanon took the Hitchcock Clinic up there to court and has won out of court a big settlement of payment in lieu of taxes. That is…again I am just relaying this to the Board. These are policy decisions, obviously, that you have to wrestle with but they are important and I think they need to be discussed. The other thing I would look at is privatization. I think you have to start looking at privatizing some of these services because it can be done cheaper. So, in my reorganization I felt that it was a better approach than coming in and saying let's cut everybody 5%. Let's go about consolidating the administrative functions. Let's do it with better reporting and I think we would in the long run be better of. If you ask departments to cut 5% or 3% or 2%, they are not going to cut payroll, which is the one area where we are growing and I think that is the problem. So, if you want to attack the problem that is what you have to focus on.

Alderman Lopez stated I can understand departments not cutting payroll. Nobody likes to lose their job. There is no question about it. Some of the comments that you did make…I haven't seen a complete plan regarding what you are referring to but I will remind you that the officers of this City work for the Board too and we should get this information so we can make an intelligent decision as to the process we are going through. In order to do some changes around here, we are not talking changes overnight. This has to be a long process. You are talking about maybe six months to go through and look at all of this stuff and who is going to go where and maybe the Business Service Officers for Police and Fire because they have millions that they have to deal with are exempt but we have to know the things in detail on paper as to what your recommendations are. It is like the other officers of the City. Sometimes we don't get the information totally and I think it is remiss on people's part, especially if there are officers of the City that think we ought to be going in a different direction. I would recommend as one Alderman that you present something that you are speaking of tonight to the Board and let us decide. Let us look at it and maybe tailor it and work it out. That is the only way this process can work.

Mr. Clougherty responded it is in my forms that I submitted for my budget in the binders that you have. That is what I submitted.

Chairman O'Neil replied we didn't get that stuff, Kevin.

Mr. Clougherty responded as I said when I submitted it, I will be happy to meet with the Board if this is a policy decision that the Board wants to move forward on.

Chairman O'Neil asked can you revamp it and send it out to the Board. We don't have that information.

Alderman Thibault stated thank you, Kevin, for the update because a lot of these things are probably not well known to a lot of us. We might have heard bits and pieces through the years. One thing that you said that really hit me is the fact that when the School District took over the accounting there had to be a major cost to that. Who bore that cost? The School District or the City of Manchester?

Mr. Clougherty replied well it is always the taxpayers of the City of Manchester. It is in the School District's budget. For example, I am the Treasurer for the City but now that they have their own bank account and their own tax i.d., they have their own Treasurer. We have people cutting checks on our side and they have people cutting checks on their side. When it all used to come through one system, you didn't need two of everything.

Alderman Thibault asked what was the cost. Give me an idea.

Mr. Clougherty answered we said if you brought them back together to the way it was, the savings would be over $300,000.

Alderman Thibault stated you mentioned another thing that is somewhat close to my heart because I was involved in privatizing school janitors a few years back, which at the time even I thought was a good idea but if we look back at that today, Kevin, are we still thinking that privatization of the janitors was a good idea. I don't think so from what I have heard. Maybe I am wrong. Maybe you can enlighten me here on whether we were right or we were wrong.

Mr. Clougherty replied to be honest, Alderman, if you take a look at all of the problems that we had with the janitors, the reason was because they were on the City side. If you take a look at every other school district in New Hampshire and probably in the United States, they are not city employees, they are school employees. That is the first difference that we have here in Manchester. That is kind of unique.

Chairman O'Neil stated that doesn't affect the service.

Alderman Thibault responded I don't follow that. When we privatize with whatever firm to do a certain amount of work in our schools and at the time we did it even I felt that it was a good move because prior to that our schools were…derelict would be a close word. So now that we have privatization, I understand that even some of the schools today don't feel that they are being taken care of the way they should.

Mr. Clougherty replied I guess my position and you may recall my position on this at the time of the privatization I sat on the Committee and I was the only one who voted against the contract because I don't think you gave enough money to do it right. I think privatization, if you give them the right amount of money, can work. If you try to do too much it doesn't work and that is, I think, part of the problem we had.

Alderman Thibault stated I think that is a good point because in looking back at all of this and looking at what we were looking for and we paid so much money that is what they produced. The City schools probably needed a little bit more than that. I understand.

Alderman Guinta asked maybe you can identify for me out of the five items that you listed what we could implement for this coming budget. What is realistic assuming that we could get…

Mr. Clougherty interjected I didn't keep a list of five. Take them one at a time for me.

Alderman Guinta stated well reorganization. I assume that is something that it is too late to do for FY03 but something we can implement for FY04?

Mr. Clougherty replied I think you can implement it during FY03 if you are interested in doing that. It takes ordinance changes and it takes a commitment to go forward with it. If you are going to try to budget it so there is less and then don't go forward with the plan, you are worse off. If you were to go ahead with it and set it as a goal for midway through the year, you probably could implement a portion of it and those savings would then fall to your fund balance, which would give you an additional benefit for next year when you are trying to do your budget and that would help you with next year's situation.

Alderman Guinta stated the second one was non-departmental I guess line items is it.

Mr. Clougherty replied no if you were going to take non-uniform positions and do something with hiring.

Alderman Guinta asked so one example would be any open or vacant position at this time would be frozen and theoretically not replaced unless it was an emergency position.

Mr. Clougherty answered yes but I think you can always make those arguments. You have to make a commitment to trim by 5%.

Alderman Guinta stated the third issue was early retirement. How during FY03…what are some of the steps we could take?

Mr. Clougherty answered I think you need to take a look at incentives to have people retire early and then not fill their positions. I think one of the easiest things to do is probably offer people some type of a health benefit if they are eligible for take a look at some others. You may have to pay initially in a year to implement some type of early retirement this year or next year but that will get you benefits long-term down the road and that is what you really need to deal with to cut your administrative expenses.

Alderman Guinta stated and the fourth one was payments in lieu of taxes. Do you have any examples of what the payments are versus a theoretical tax on some of the larger…

Mr. Clougherty interjected no. I know that we looked at that several months ago but I would like to go back. I am not sure we had the revaluation numbers at that time. I could get that for you.

Alderman Guinta stated I think you went over privatization. Are there any other areas?

Mr. Clougherty replied I think the biennial budget is something that is important. This is the first year that the Board could adopt a biennial budget and if you did it over two years you could stretch some things and realize some economies like we did when we did the 18-month budget for the fiscal year conversion. We know that is feasible. The Mayor does not feel that the current statute that sets up the biennial budget is something he is comfortable with. If legislatively you could get something introduced then that would be ready not for the next budget year but for the one following and that would be an important accomplishment because then you could do the planning necessary to get that up and running. I think if you could include that as part of a legislative item that would be a significant improvement.

Alderman Guinta asked what is he not comfortable with.

Mr. Clougherty answered the way the current statute operates is you are dealing with two separate fiscal years and there is a reliance…in order to implement it there has to be an element of trust that the Aldermen will continue to give what the savings are from one year to the departments the next year. Faced with a more difficult year next year and I think the Mayor does realize that next year is going to be difficult, he didn't feel that was something he could bind the Aldermanic Board with. He feels that the biennial budget should really be like it is at the State, a real 24-month, two year budget and would like to see the legislation changed to reflect that.

Alderman Guinta asked did the Board of Aldermen have a discussion with the Mayor regarding that.

Mr. Clougherty answered I don't know if you did or not.

Alderman Guinta asked, Wayne, is there a particular reason that the full Board did not receive some of the information that Kevin is talking about that you are aware of or is that a question of the Mayor.

Mr. Robinson answered it wasn't asked for. Normally the Board gets the…

Alderman Guinta interjected well I didn't ask for the budget either but it is in my hands. I guess if there are particular cost savings that we could realize that are significant they should be provided to the full Board.

Mr. Robinson replied the information that was provided to the Board was the information that, at least in my two years, has always been provided to the Board.

Alderman Guinta stated I don't know if we made a formal request to Kevin but I would like to make a formal request if we could. I want to make sure everyone is clear on that.

Chairman O'Neil asked, Kevin, do you know what he wants.

Mr. Clougherty answered yes I do, Mr. Chairman. In fairness to the Mayor if you go back and look at his budget message he gave his numbers but then he did list out a number of the things I am talking about tonight as things he thought the Board should pursue and take a look at. Wayne you can correct me if I am wrong but I think most of what I talked about tonight was in his budget message on those items. Is that right?

Mr. Robinson replied you are correct.

Alderman Guinta stated so theoretically after we receive this information from you, Kevin, the next step would be for this Board to sit down and try to determine some sort of long-term plan as to what would be reasonable to implement over the next two fiscal years.

Mr. Clougherty replied either with the Board or through the Committee structure. I would be happy to approach it however the Board is comfortable.

Chairman O'Neil stated we have been down some of these roads over the past years and it always comes down to the Board can never pull the trigger. I remember there was a program for early retirement for teachers. We couldn't pull the trigger on it. Privatization. We have had some successes but to be honest with you for the most part they have been failures in the City. We have frozen positions and allowed filling of uniformed police officers and uniformed firefighters. I think we need to include Highway in that because you still have to pick up garbage and you still have to plow the streets. We have talked about consolidation and reorganization but again every time it comes to pulling the trigger, nobody can do it. I think the only new item is the biennial budget.

Mr. Clougherty replied I didn't say these were new I just said that there were ideas that we continue to bring forward that I think have merit and if implemented would have results.

Alderman Lopez stated I agree with what you are saying and for the rest of the Board, you need nine Aldermen to agree to do anything, consolidation or anything. If we are not committed because I think it was stated that the budget is going to be worse next year and in looking at it, it is very true. If we don't change our ways of doing things and that is the hardest thing in the world is change…we can have the greatest ideas in the world but if there are nine of us here that don't want it and we only end up with eight who want it, it is not going to get done. The City Charter stipulates you can consolidate, eliminate, combine or whatever. I just want to point that out. A couple of things that I would like to…I wasn't going to bring up the revenue stabilization account, which is the rainy day fund, but I think I pursued this for a number of months in conversation with the Finance Officer and either due to miscommunication verbally and that is why I don't like to have too much verbal communication and I would rather have something in writing that I can sink my teeth into but the rainy day fund, which as over $9 million in it and I understand and appreciate the conversation and Kevin can talk about it too but to me it is not irresponsible to look at it. I have to look, as an Alderman, at every option that is open to us with all of the information that is provided to us and everything that is laid on the table. I have to also take the advice to a degree from the experts out there and make my decision as to whether that is right. Finance is very complicated, very complicated and I don't claim to be an expert at it. That is why we have experts in that field. We have to have the facts. We have to have all the information. You told me months ago and last year that there was an RSA out there that created this particular fund and after researching it, it was done by ordinance. I am putting all of this out on the table so it is very clear where I am coming from. The audit that was done also is not the right ordinance in the book and I brought that to your attention. The right ordinance is 35.032, not 35.084. Like I said it has been on my mind a long time. Let me say when all department heads come before us, all I want to do is get the right information and seek the right information so we can make a decision or I can make a decision and that is what I base my decisions on. I am only here for yes and no based on the information you provide me. First of all, this is taxpayers money and let's keep that in mind. As I said, it is pouring out there. I feel for every department head here who has to do a job and I am sure they appreciate everything that we have to do in making the tough decisions. Nobody wants anybody to lose their job down to the lowest garbage man but I will say that I do agree to an extent that we have to look at things differently. We have to see where we can consolidate and where we can do things without losing people's jobs and do things efficiently if it is going to save us money. When it comes to putting the City into more debt, we

don't hesitate one bit. We just vote on it and pay the bond and that is it. We don't hesitate to look at the things that we have done in the past and say what was a bad investment and what went wrong. There are some of us who feel that Aggregation was wrong and there are some that feel it was the greatest thing going. If we continue to keep that program and we continue to spend money, it is in the Enterprise fund or we have to pay the $2.4 million or whatever back. So, I understand the rainy day fund and I understand why it was put there. We can change that by an amendment of an ordinance. That is all we have to do by majority vote. If we want to change it, we can change it. Now the other situation is do we want to use it. That is a big question that the Aldermen have to wrestle with after we get the advice from the Finance Officer. We could do a 1% cut. We could take $3 million out of the rainy day fund and be down around 7% with the understanding that we have to look at some of these positions and what is going on in the City and how we can do it better for next year's budget. Maybe some of the implementation of things that Kevin has mentioned are good things financially for the City. Maybe not filling positions except for uniformed people is a good idea but until we start doing all of the things we are going to do, we have learned a brief lesson on $400,000 being added to the retirement fund because of the pay structure and too many people being paid too much so now it is costing us $400,000 more. People are paid good in the City of Manchester; very good. We could turn around and do a 2.5% cut and get down to 6.5%. There is a difference between 1% or 2% or 2.5%. Is it going to hurt the departments if you do 2.5%? Absolutely but we pay the department heads good money to make the decisions. There are tough decisions they are going to have to make and there are tough decisions we are going to have to make. If we do nothing and we can't come to eight votes to do something, then it is going to be a big tax increase and the taxpayers are going to have to pay for it. It is going to be about 11% without bag and tag because I think most of the Aldermen and the people in the City don't want bag and tag. So, we are talking about 11% and Kevin is absolutely right. Next year it is worse. That is the picture. I am not for a 4% cut or a 5% cut. I think we have to ask ourselves is it time that we take some money out of that rainy day fund. You will hear from Kevin and that is fine. There is a way to do this budget and you have three or four different options. I ask the Aldermen to take a good look and see what direction we want to go in. We can sit here for 12 hours and it is not going to make a difference. We can have the department heads sit here on Saturday all day looking at us and it is not going to make a difference. We give them their budget and they go home and they take their pencil out and start doing whatever they have to. That is the process. I don't know why we can't get it done and move on.

Mr. Clougherty stated tapping into the rainy day fund probably sounds easy and painless but I can assure you that the pain will come, Alderman. If you are going to go in and use the rainy day fund for other than its intended purpose…you are

right, we have a little rain this year, about $1 million worth of revenue shortfall that the rainy day fund will be used for but if you start to exhaust more than that for its intended purpose because you are not dealing with other management issues then your credit rating is going to go down pretty fast and when it goes down, your ability to do capital projects and to do some of the things that are necessary is going to get extended. What that means is you won't have the $20 million that we are talking about. You will have maybe $18 million. That is not an easy solution. It is an expedient solution this year but then tell me, Alderman, how do you fill that hole next year? You just took $6 million of what you might consider free money and say you put that in to deal with the problem this year. Where does that money come from next year?

Alderman Lopez replied I didn't use the figure of $6 million.

Mr. Clougherty responded $2 million or whatever.

Alderman Lopez stated let's use $3 million.

Mr. Clougherty asked well where is that $3 million going to come from next year. The problem you have is that you have to start looking at some of the fundamental underlying issues. If you were to go out and raid your rainy day fund, that is going to be a huge management red flag on Wall Street and there are going to be repercussions for that and those repercussions you are not going to outgrow in a year or two. Once your rating goes down it doesn't come back fast and it costs you more money to do projects. That is not the direction you want to go in. In fact, you are in a position where because of the way we have managed as a group that we are looking to go up. We are in a strong Double A category. You could actually go up. That heads in the other direction. I would vigorously and strongly object and say that if you are thinking about going into the rainy day fund for something other than its intended purpose there will be repercussions and they will be significant and they will be, I would think, rather soon. They are not going to grow you out of your problem. In fact, they are going to grow you into a deeper hole. Those aren't the type of solutions that we should be considering now. They are short-term and expedient.

Alderman Lopez responded I understand what you are saying but you know we have 26 department heads out here and with all of the other recommendations you have it is time maybe to use the rainy day fund to solve the problems and start working on consolidation and other things that you spoke about briefly. How do you get there? The taxpayers can't afford 11% and if the unions don't sign, we are talking more than that. There has to be some happy solution and I am not saying take all of the rainy day fund. You have $9 million in there. You are going to take about $600,000 for revenue this year, maybe $700,000 so there is another $2

million that could be used and we would still have $6 million in the rainy day fund. I just don't understand. Other cities and towns are doing the same thing. What makes us…I know what makes us unique. We have a Double AA bond rating and we can go up. We can get a bond at 5%. I understand that it is going to cost you more. It is just like a mortgage but God almighty you have the money there and we are in a tight ship right now.

Chairman O'Neil stated let's bring some closure to this.

Mr. Clougherty stated really what you are doing is you are mortgaging…you want to deal with your problem today at the expense of future generations because you are going to limit their ability to do things that are going to be equally important to them and I don't think that is appropriate. I think you should keep the reserve. I think you should follow what the guideline is of the industry. I think you should be trying to build on some good things and moving forward. It is not…when the markets look at it they are not looking at it from a tax rate impact. They are looking at it from the overall strength of the City. I would strongly urge the Board not to go forward and if the Board goes forward with that I think you are going to have some serious consequences that you are really not going to enjoy.

Alderman Lopez asked can we have Bond Council and others come here so that we can ask them these questions.

Chairman O'Neil asked when.

Alderman Lopez answered as soon as possible.

Mr. Clougherty asked if I can't get them here can we put them on a conference call and try to put them on a speaker. One is in Boston and one is in New York. I will try to get them here as soon as I can.

Chairman O'Neil asked do you want them here on Saturday or at the beginning of next week. We will be in Finance on Monday night. Kevin, can you try to get them here for Monday night, both of them?

Mr. Clougherty answered yes and I will get back to you.

Alderman Thibault asked why wouldn't a letter suffice.

Chairman O'Neil answered you might want some dialogue with the individuals.

Alderman Guinta asked, Kevin, do you know off the top of your head what the average value of a home is in Manchester. Is it around $150,000?

Mr. Clougherty answered $140,000.

Alderman Guinta asked so the current proposal from the Mayor is a…what is the exact percentage. Is it 11.4%? The whole thing with bag and tag as it stands now? I thought it was 9+%.

Mr. Sherman stated I have 9.87%.

Alderman Guinta asked with bag and tag.

Mr. Sherman answered correct.

Alderman Guinta asked so what does that represent. If it stands there, if this Board can't come to any agreement then the Mayor's budget will stand so the average property tax increase on the average home would be what?

Mr. Sherman answered $329.

Alderman Guinta asked so right now we are talking about a $329 increase average per household. I can appreciate what Alderman Lopez is saying that we do need to try to change some of the current ways that we come up with our tax rate and I can certainly appreciate some of the suggestions that the Finance Department has made. My comment is this. This is a new Board and while these issues have been dealt with in the past, they have never been dealt with by this Board and I think that this Board should have a chance to come together and try to find some ways to not only reduce this percentage but change the structure for the future. We are supposed to be here to not only administer the City for the time we are here but put the City in a better place in the future. I have full faith in this Board that we can do that as a Board. There are six new members on this Board who I have to tell you work very well together and respect one another. Given the other six members of this Board who certainly have the same goals of trying to keep expenses in line with revenue and trying to provide money for our schools and trying to provide money for other departments. I think the realization is that if we do nothing and we try to trim a little here and there without alternative planning, we are going to be in this same boat every year and so will every other Alderman that sits in these seats after us. I think we really do need to make a commitment to try to change the strategic vision of our City and I think what I am hearing, Mr. Chairman, is that several people on this Board at least agree with that. That being said, we should have all the information that is pertinent to try to sit down and come up with some changes that can make our department heads happy, make the schools happy and make our taxpayers happy. Thank you.

Chairman O'Neil stated if I can steal a line from our Human Resources Director in her discussions with us with regards to health insurance, she is starting June 1 for next year and that is what we need to do. We seem to fall into this crunch time in May and June and once the budget is approved we kind of forget about it but we have to start on it July 1 and look long-term. I agree with your comments, Alderman Guinta.

Alderman Thibault asked, Kevin, in line with what Alderman Lopez was alluding to a few minutes ago, could you let us know what kind of an impact this would have on our bond rating if, in fact, we take it from where it is now and what was that $2 million to be taken out of the rainy day fund. What was the number you were looking to take out, Alderman Lopez?

Alderman Lopez replied there is $9 million and you are going to take $600,000 or $700,000 for revenue this year in FY02 so that is going to leave you $2.3 million or $2.4 million.

Alderman Thibault asked that you want to take out.

Alderman Lopez answered yes and you will still have $6 million in the rainy day fund.

Alderman Thibault asked, Kevin, what would the impact of that be on our bond rating.

Mr. Clougherty answered in my opinion your bond rating would go down. What the credit rating agencies look at is how much you have in reserve for emergencies and the goal is you should have about 10% of your general fund. If you take the School and City operations it is about $200 million. 10% of that is $20 million. We are at about 9%. If you were to take the $3 million out of the rainy day fund, the tax impact that Alderman Guinta was just asking about is…you would go from instead of a $350 increase down to about $263. So for about an $80 savings you are going to do away with your credit rating. That doesn't seem to make sense.

Alderman Smith stated Kevin I know that we have had many a talk on the rainy day fund also. Last year what was in the rainy day fund?

Mr. Clougherty replied $8.3 million roughly.

Alderman Smith asked now we have $9 million.

Mr. Clougherty answered yes.

Alderman Smith asked so we picked up $1 million.

Mr. Clougherty answered about $700,000.

Alderman Smith asked how would $1 million affect our bond rating.

Mr. Clougherty answered I think it is not so much the dollars, Alderman, as the effort. What Wall Street looks at is how does the City manage? Are they willing to make hard decisions and are they willing to stick to the discipline of having the reserve there if there is a revenue shortfall especially as we are approaching this change in the economy. I think if you tap into it for the intended purpose that is one thing but once you start going in to change it, that is a huge change and I think it is not going to go unrecognized regardless of what the dollar amount is.

Alderman Smith stated we could discuss this all night long. We are in a bind and all of the suggestions that have been made are very adequate and pertinent to the situation at hand but we are in a crisis right now and we have to come up with some money because taxes are a necessary evil. We have to provide services. I appreciate all of these department heads who are here tonight, especially those in safety like police and fire, but we are in a crunch and we need some help and we have to find some revenue or else the poor taxpayers and those who own single-family homes or say our senior citizens are going to be really hurt. We need some help and we need it now. All of the suggestions that have been made are great but we can't enact them in a week. So, my contention is I think we have to use some of those funds.

Mr. Clougherty replied again you have my position. I don't think you are going to find additional revenue and I think if you go out and put in additional revenue and you have spent your rainy day fund and that revenue doesn't come in, you are in an even worse position. I don't think that makes sense. Second of all, I don't think that going ahead and violating your policy at this time is prudent. I think you need to make some structural changes rather than trying to tie down the good things that you have managerially you should be trying to build on some of the things where we are weak.

Alderman Smith stated, Kevin, we are in an awful bind. I am the new kid on the block. I have coached for many years. This is a hard decision. It is a hard decision for us and a hard decision for these department heads. We need help and you are worried about the bond rating right now. We are worried about the tax rate right now and I wouldn't want to see anybody paying 6%, 8% or 9% on their taxes. This is on the bag and tag, Alderman Guinta. You have to realize that it is probably another $1 per week for 52 weeks if you have a single family home. I think that we need the help. I have heard this all along and I am getting upset. I

think the Board has to come together and they have to come together now and give these department heads, whatever we do, give it to them now so they can make their preparations. Thank you.

Chairman O'Neil asked can we just get a clarification. What would the tax increase be in the proposed budget with removing bag and tag?

Mr. Sherman replied I believe Wayne calculated it this afternoon and it was 11.13%.

Mr. Robinson stated that is correct and that is adding in $400,000 for the retirement.

Chairman O'Neil called Joan Porter forward. I know in the past you have been able to…you have always come back and said you were willing to take a look at the revenue figures that you provided the Mayor. If I recall last year I don't think we made any change on it. You felt very strongly about it. Have you had a chance to review the numbers that you presented the Mayor way back and based on some things that may or may not have happened in the spring time do you suggest any changes with regards to those figures?

Ms. Porter replied I don't and I did print for all of you the spreadsheet that we give you each year that shows the tracking so that each of you can do your own tracking. Right now, I have numbers as of last Thursday for auto registration and with a lot of praying we probably will make the projection that we had but we are not going to exceed…usually we exceed revenues slightly on auto registration and I don't think we are going to. Kevin or Randy can correct me if that is wrong but…

Mr. Sherman interjected I would agree.

Ms. Porter stated we are not there yet. Normally by the end of May or beginning of June we are looking at…we have probably made the projection and everything else is excess and we are not there yet.

Chairman O'Neil asked so you are comfortable with the numbers you presented the Mayor and would not suggest increasing those.

Ms. Porter answered I did a 1% increase to $14 million I believe.

Chairman O'Neil asked to the Mayor.

Ms. Porter answered yes and I think that is safe because I don't see anything this year that is telling us that we are going to get more than that.

Chairman O'Neil called Steve Tellier forward. I would just like to review…the number you presented the Mayor was a $25 million…

Mr. Tellier interjected it was a range of a $20 to $25 million increase. We still have under appeal over $700 million in assessed valuation. We have 2,000 appeals. A lot of them have been dispensed with but we still have a great deal more to go through. There are not a lot of new malls being built out there. There is not a lot of new construction. A question was asked from our department…there was approximately an $80 or $85 million tax increase for the City of Nashua. That was primarily directly attributed to the Nashua Mall area begin broken up as a result of rezoning where the smaller pieces were almost as valuable as the initial hold. I don't think I am telling anybody on this Board anything new. Rezoning and economic growth is where the value comes from. I do want to caution this Board as I included in our 2%, 3%, 4% and 5% response that in FY04 under the guidelines that the Legislation adopted and new standards that are being put forward we have to have new certified values, which means we have to have new assessments on the books in FY04. That means either subcontracting it or adding some resources to the Board of Assessors Department to place those values. That is something that must be discussed in the following budget period. Time is short.

Chairman O'Neil stated that is probably number seven on the bullet points to talk about starting July 1. I just want to visit that number of $20 to $25 million. Public Service, the new corporate headquarters, and some home building activity out there…there is some commercial building activity out there but what you are saying is offset that with the potential abatements so that number actually is higher than $20 to $25 million?

Mr. Tellier replied certainly but again what we are looking at is the net. The net assessed valuation.

Alderman Lopez stated basically on that line the $25 million that you say was a potential increase, educate me on…is that based on the revenue that we are going to receive. How does that correlate to $25 million if we are down $15 million in collections because of the revaluation? Does it have a bearing?

Mr. Tellier replied no. The $20 to $25 million is a growth on the total assessed valuation of the City. The net assessed valuation is just…you have the entire value of the City and that includes your non-taxables, your government, federal and state municipal owned buildings and your tax exempts like your churches, art

galleries and non-profits. What happens is you have the value of the entire City, minus non-taxable properties minus tax-exempts minus all of your exemptions for blind, elderly and disabled. Your remaining balance is called your net assessment. That is what is taxable. So, what we are talking about is in new construction, yes it exceeds $20 to $25 million in new growth, however, that is mitigated or couched or reduced because of appeals that we have that existed in the last revaluation. They have demonstrated with additional information that a reduction is forthcoming either through an error, a data entry error or income and expense information that would mitigate a review of the assessment.

Alderman Lopez asked so you have about $700,000 in the account.

Mr. Tellier answered $700 million in total assessed value.

Alderman Lopez asked on abatements.

Mr. Tellier answered that is correct.

Alderman Lopez asked how many cases do you have.

Mr. Tellier answered I think we are down to about 1,400 at this time that haven't been reviewed.

Chairman O'Neil asked so there are 1,400 cases outstanding totaling up to $700 million.

Mr. Tellier answered that is correct. The vast majority of them are commercial in nature.

Alderman Lopez asked do you have a history of that 1,400 versus the $700 million as to the possibility of 80%, 60% or are you looking at 100% for that $700 million.

Mr. Tellier answered it won't be 100%. That is the total assessed value. It could range anywhere from a 0% adjustment on some that we can defend that value and there are some that can demonstrate clearly that an adjustment is forthcoming. It could be a 17% increase…every case is unique. Each case is unique so to give you an estimate at this time would be just that.

Alderman Lopez asked so you are still holding at a $20 million increase next year.

Mr. Tellier answered $20 to $25 million, that is correct.

Alderman Lopez stated one other area that we heard so much about and you mentioned it about four or five times about revaluation and new people and you have requested four people in your budget. Have you thought about reorganizing that department?

Mr. Tellier responded when you say reorganizing, my view of reorganizing would be reallocating some of the duties. We have spent some time looking at it. We submitted an initial plan to the Office of the Mayor. It included four additional people. There were several different scenarios. One is subcontracting in the form of $700,000. That is approximately $20 to $22 a parcel. It could be four additional employees, which is primarily technical appraisal staff. Three appraisal staff and a dedicated data entry person. It could be a blend of both or we could chose to do nothing and what happens at that point is the DRA will find the City in non-compliance in 2004 and they will submit the non-compliance to the Board of Tax and Land Appeals. They will order a revaluation and now there is legislation that authorizes the DRA to collect the money and place it all on that year's tax rate so you don't have the luxury of bonding it over time. It takes us out of the driver's seat.

Alderman Lopez stated I don't think this is the forum but I think maybe we could look at that in the Committee on Administration or Accounts because in reading the document they will be inspecting the Assessor's Department and finding whatever is wrong with the Assessor's Office and you are right about revaluation. You should have an ongoing revaluation. With three Assessors down there and the type of money we are giving them…I think those three Assessors are also the appraisers at the same time so maybe we need to get more out in the street and continue with an ongoing revaluation.

Mr. Tellier responded with all due respect, Alderman, there is nothing wrong with the Assessors. What we are talking about is a compliance issue on a level of assessment and statistical analysis that has to be complied with that places assessments close to what their fair market value is. With all due respect, since 1906 the Department of the Board of Assessors has only added one half person. I dare say we have added teachers, fire, police, people to pick up the garbage…I think the Board has run out of fingers and toes. The more I work in that department the more I think that they have done an excellent job and yes they are the appraisers.

Alderman Lopez stated one last thing. I would only recommend and I strongly recommend that in looking at a budget in Nashua that has 11 and a half people down there, their budget is lower than our budget. Your budget being higher with top salaries and I think one of the Alderman mentioned that or somebody mentioned top salaries maybe it is time we take a good look at reorganization.

Just take a look at it and present something. We might not agree with you and you might not agree with us but I think every department has to look at better ways of doing it. You can't continue from 1906 and say that is what we have. Today it is 2002 and we are coming up to 2003 and we have to look at better ways to do things. We have computers and we have more people than we had when we didn't have computers so something is wrong someplace. I would just recommend that you take a good look at what you have today, what you think you could get…you want those four appraisers out there? I surely would work with you and show you how to do it.

Alderman Thibault stated just so I understand this new thing that is coming from the State that we are going to have to revaluation every four years or five years…what is it.

Mr. Tellier replied we have to place values or certify values every four years. Basically values must fall within 90% to 110% of value. A COD, which is a statistical measure that measures the relationship between sale prices and assessments falls within a certain category and there are other statistical measures that are going to be submitted to the joint legislative Administrative Rules Committee.

Alderman Thibault asked so the revaluation that we had last year, what did that cost the City.

Mr. Tellier answered it was $1.3 million. It breaks down into $45 a parcel.

Alderman Thibault asked so if, in fact, we hire X amount of people to work in the Assessor's Office we no longer would have to hire outside help like this to revaluate our properties correct.

Mr. Tellier answered that is correct. It would be a cycle of continuous review. What happens is as you realize additional value in the neighborhoods, that helps to keep the rate down.

Alderman Thibault asked what was the cost again.

Mr. Tellier answered the last revaluation was $1.3 million, which was approximately $45/parcel. Manchester's size helped us to gain through the economy of scale a very reasonable purchase price for that.

Alderman Thibault asked give me some idea as to what four people in your department coming in as new people, if you will, and I don't know what bracket they would be in but what would that cost.

Mr. Tellier answered approximately $250,000.

Alderman Thibault asked so in other words $250,000 per year.

Mr. Tellier answered approximately.

Alderman Thibault stated which still leaves $1.3 million that we paid after five years for revaluation if you will.

Mr. Tellier replied that is correct. In the future I would certainly open up and invite any of you individually or as a group to discuss it more in length. There is much more information to come.

Alderman Thibault asked do you feel at that time that the City would have a better handle as to what our property values are meaning because you guys are going to be out there so often, more often than you are now if you will…

Mr. Tellier interjected I believe that is correct. What would occur is you will be in a constant state of review. The appraisal staff that is out in the field is in touch with what is happening in the neighborhoods. Economic issues like traffic or construction, growth in commercial areas, accelerated growth…we have all heard about how the multi-unit rents are soaring. In 1993 and 1994 if I found a two or three family going for $65,000 I was jumping for joy. At this time, it is over double that. Property values are very dynamic. They never stop changing. One of the classes of property, for example, is condominiums that are the quickest to decline and the quickest to accelerate as well. Single family homes are the most stable.

Alderman Thibault stated the only thing that I would like to be informed of and maybe the rest of the Board might want is the difference in cost of the two. Looking at what this cost us - $1.3 million to revaluate and we used to do this every 10 years…you know what kind of a projection could the City feel if we did it the way you are proposing and what would that cost the City.

Mr. Tellier replied I look forward to presenting that.

Alderman Thibault stated I think it is something that you should try to…as Alderman Lopez said I think you ought to put that on paper so that everybody can understand exactly what is happening here and maybe that is the way to go. Maybe it isn't, but maybe it is.

Mr. Tellier replied we have done a great deal of that already, Alderman.

Alderman Guinta stated a revaluation and a certification of a property value are two different costs, correct.

Mr. Tellier replied in this case yes because we have already gone through a full what is commonly called a scratch revaluation where staff go out into the streets and actually put a tape measure to every piece of property within a jurisdiction. We just completed that so the accuracy of our data is quite good. For certification what we would have to do is analyze the income and expense statements of approximately 4,000+ non-residential properties. We would have to look at all the sales in the City of Manchester of which there are over 3,600 sales that have to be analyzed. A third of those right off the top are what is called non-arms length. In other words they are sales from father to son, divorce, irrevocable trusts and those type of things. So taking 1/3 of those right off the top you are still talking about analyzing over 2,000 sales, which means that staff have to go out in the field, review the sale to see if the sale price and what the data is are the same or did they enclose a large porch, did they add an addition without benefit of permit, has it substantially changed? Did they remodel the whole house without permit? Any number of issues. Needless to say it is field review that has to be done to corroborate the sale price with the value. There is a lot of analysis that goes with it.

Alderman Guinta stated but the cost would be significantly less than the $1.3 million.

Mr. Tellier replied yes. At this point I have two requests. I sent out requests for information. I have two proposals. One for $700,000 and the other one for $815,000. There are only two firms in New England that have the resources to do a City the size of Manchester.

Alderman Guinta asked and then every 10 years it is going to cost us…

Mr. Tellier interjected no. That 10-year thing was a misconception. That is what communities used to apply. However, the Constitution always said you must revalue anew every five years. The State was remiss in its obligations and responsibilities and it was chastised in the Sirell decision that was just laid out in May 2001. So there was a lot of legislation and there are additional rules and regulations that are being proposed at this time. We are going into a four-year cycle of valuation. Massachusetts is three years. Connecticut and Rhode Island are four.

Alderman Guinta asked so are you saying from now on we have to certify rather than do a scratch revaluation.

Mr. Tellier answered if you maintain the quality of data. If you get into a cycle of review then it is more of an update versus a scratch, which is a lot less expensive. That is correct.

Chairman O'Neil stated I have a few questions for the Human Resources Director. Ginny, do we know if all positions were frozen for the year that are currently vacant do we know what that savings is?

Ms. Lamberton replied I don't know that.

Chairman O'Neil asked is it possible to calculate that.

Ms. Lamberton answered yes.

Chairman O'Neil asked and those potential savings are not in the Mayor's budget.

Ms. Lamberton answered no.

Chairman O'Neil stated so the Mayor's budget has every position being filled. Kevin, that is something that could be calculated…current positions that are vacant? What about trying to work with Human Resources and taking a look at trend of…a conservative estimate of how many additional vacancies might happen during the next fiscal year?

Mr. Clougherty replied we could take a look at what the normal turnover is. Are we turning over about 100 positions a year? If you are turning over during the course of a year 100 positions and you dealt with keeping a percentage of those and taking the average salary you could come up with a number.

Chairman O'Neil asked is it possible to break it out…I think you used the reference non-uniform positions but Police up to a certain level or rank and the same thing with Fire. Again, I think we need to treat Highway the same because we need to plow streets and pick up garbage.

Mr. Clougherty answered I think we can try to do a couple of different scenarios, Alderman.

Chairman O'Neil asked, Ginny, in the Mayor's budget he proposed what percentage for health insurance.

Ms. Lamberton answered 18%.

Chairman O'Neil asked can you say today where you think we are at.

Ms. Lamberton answered today we are at 22.6% unless, through the collective bargaining negotiations process, the unions agree to increase their co-pays for office visits and prescriptions. If the unions agree to that, our increase in health insurance will actually be less than what the Mayor had proposed.

Chairman O'Neil stated the Mayor proposed 18% and our estimate is what.

Ms. Lamberton replied with the increase in co-pays, 16.9%.

Chairman O'Neil stated you mentioned a number of 22% or something.

Ms. Lamberton replied 22.6%.

Chairman O'Neil asked and that is without any changes.

Ms. Lamberton replied that is correct.

Chairman O'Neil asked and with the changes it would be about 16.9%.

Ms. Lamberton answered actually it would be about 16.6%.

Alderman Guinta asked, Ginny, when a position is frozen there is still a process by which that position can be filled, correct.

Ms. Lamberton answered there is a process, yes.

Alderman Guinta asked do you know or could you get numbers reflecting the number of frozen positions versus the number of those positions that we actually filled for FY02.

Ms. Lamberton answered yes I can.

Alderman Garrity asked, Ginny, the 16.6% versus the 22.6%, what is the dollar figure on that difference.

Ms. Lamberton answered I don't know. I have been using percentages all along.

Alderman Garrity asked could we have that for tomorrow night possibly.

Ms. Lamberton answered yes.

Chairman O'Neil stated for the record Alderman Wihby and Alderman Gatsas have joined us.

Alderman Gatsas stated Alderman Wihby and myself were up at YDC talking to the constituents of Ward 1 about the future expansion and I apologize for being late.

Alderman Thibault asked, Ginny, a week or so ago you said something about if we would cut 1.5% or you came up with some kind of a scenario that I thought was quite adequate about lowering the increase. Do you remember that? You sat right here and you brought up something about 1.5%. Alderman Lopez do you remember that?

Alderman Lopez replied I know where you are going but that was in negotiations when she was talking about that.

Chairman O'Neil asked does anyone have any other questions.

Alderman Lopez stated I have one that falls in line with freezing positions. I am wondering if in freezing some of these positions and not filling some of the positions where the workers are needed and I am not saying that management doesn't work but I am wondering if we can't take a look at some of the management people who are assigned to each department in the City and how can they better function without having two or three people in a high position or maybe giving somebody more responsibility. I think that area has to be looked at because we can get rid of all the workers. Nobody on the trucks. Management is not going on the trucks to throw garbage. They might have to but I think we need to find some type of system if you are following my train of thought here of looking at the management structure of the City because that is where the big bucks are. That is where all of the money went for Yarger Decker. If we don't continue to look at this, you are talking about a lot of employees and when I say a lot I can count about 10 of them within the next few years who are going to be making over $100,000.

Chairman O'Neil replied I think that is part of looking at consolidations and reorganization of government and centralized services. We have a tendency to look bottom up and I think we need to take a look top down and that is where our focus should be on that.

Alderman Guinta asked, Alderman Lopez, are you saying that Yarger Decker is part of the reason for the dramatic increase in salaries.

Alderman Lopez replied I am saying that is one of the major reasons for the increase in salaries. I will let Kevin answer the question on the $400,000 and how we got that increase. I was told and correct me if I am wrong but it was because they miscalculated the higher salaries that were going to be given. If that is wrong, then let's correct the record.

Ms. Lamberton stated in part the increase is based on salaries, but the major problem is the stock market because they take our retirement funds and invest them so the Retirement System's luck with the stock market hasn't been much better than anybody else's basically.

Alderman Lopez asked would it be fair to say that if we didn't have the higher salaries that we wouldn't be looking at a $400,000 increase. Maybe we would only be looking at a $100,000 increase?

Ms. Lamberton replied I really couldn't answer that question. I think that probably the actuarial from the Retirement System would be better suited to do that frankly.

Chairman O'Neil asked are there any other departments that Aldermen want to hear from.

Ms. Lamberton stated I have the number, Alderman Guinta, on the increase of the health insurance. It is about $2 million. Somebody…oh it was Alderman Garrity. He asked me what the increase in dollars was versus percentage and it is about $2 million.

Chairman O'Neil asked between which numbers though.

Ms. Lamberton answered between this fiscal year and next year.

Chairman O'Neil asked and that number again is.

Ms. Lamberton answered about $2 million.

Alderman Garrity asked that is the 16.6% up to the 22.6%.

Ms. Lamberton answered no I am talking a total increase. A total increase when you go from what we are paying today up 22.6% it is about $2 million and change.

Alderman Wihby asked what does that mean over the Mayor's number. How much did the Mayor put in?

Ms. Lamberton replied remember it wasn't the Mayor. Anthem told us to anticipate an 18% increase and consequently the Mayor and all of the departments put in an anticipated 18% increase in costs for health insurance.

Alderman Wihby asked so what is the number in the Mayor's budget over last year.

Ms. Lamberton answered I am not a finance person.

Alderman Wihby asked is it more than $2 million or under $2 million.

Mr. Robinson answered $1.4 million.

Alderman Wihby asked so the budget that we have from the Mayor is $600,000 short from the number that we need.

Ms. Lamberton answered well it is almost $1 million short.

Alderman Wihby asked so the number we have in front of us that equaled the 10% or 12% increase is still another $1 million short for benefits.

Ms. Lamberton answered it is all dependent upon what happens in negotiations as to what we actually end up with in increased costs.

Alderman Wihby asked if the unions don't go ahead and do anything differently and we have to absorb the cost of insurance, we would have to add another $1 million to the budget.

Ms. Lamberton answered yes approximately $1 million.

Alderman Wihby asked and that is why we are hoping they work with us to get that number down.

Ms. Lamberton answered that is correct.

Alderman Gatsas asked, Wayne, the $1.4 million that you just stated is an increase from the 18% that was allocated in the budget.

Mr. Robinson answered no it is an increase from last year's budgeted amount.

Alderman Gatsas stated let's try it again. Last year what was the total budget for insurance?

Mr. Robinson replied roughly $6.4 million.

Alderman Gatsas asked so the Mayor allocated $1.76 million based on an 18% increase.

Mr. Robinson answered no the increase is only $1.4 million. What you are failing to see is when HR goes out and I am not going to speak for HR but when they go out and ask each department what they project for health insurance for their employees, some employees change plans. Vacant positions they budget at the most expensive plan because they don't know until that position is filled what plan the employee is going to take. Just because it is an 18% increase in health insurance doesn't mean there is an 18% increase overall. For example, somebody may go from the HMO to Blue Choice or vice versa.

Alderman Gatsas stated and it would increase if they went vice versa.

Mr. Robinson replied right.

Alderman Gatsas stated well what I am trying to develop here or what I am trying to get a sense for is is the 18% based on a number from last year's health insurance.

Ms. Lamberton replied no from last year's experience.

Alderman Gatsas stated last year's cost was $6.4 million. Is that correct or incorrect?

Mr. Robinson replied that was the budget. What the actual is I can't tell you.

Alderman Gatsas stated well the 18% that you created in this year's budget, what did you create it off of.

Mr. Robinson replied the number that was given to us by Anthem. I am assuming they would have based it on actual.

Alderman Gatsas asked so what was that number that they gave you, the dollar amount.

Mr. Robinson answered I don't know.

Alderman Gatsas stated well somebody has to know something. You put it in the budget.

Alderman Wihby stated it must be $7.8 million.

Mr. Robinson stated it was given to me by HR. They ran it through the payroll projection module so I can't tell you…

Alderman Gatsas interjected how much was that number, Ginny, that you gave them for their budget.

Ms. Lamberton stated I can't find the piece of paper that I have that information on. I can give you all funds just on the projected cost for this year but I can't find my piece of paper where I break it out from general fund to other funds.

Chairman O'Neil asked is that something you could have for the Board for tomorrow night.

Ms. Lamberton answered absolutely. I should have it here somewhere.

Alderman Wihby asked the $1.4 million you told me then is for everybody.

Ms. Lamberton answered yes.

Alderman Wihby asked so that is not just the City side.

Ms. Lamberton answered I am talking City side, all funds.

Alderman Wihby stated I am talking general funds. On the City general fund portion of it, not the Enterprise funds, the difference from last year's total compared to or this year's total I guess it is compared to the budget that the Mayo gave, is that $1.4 million?

Ms. Lamberton replied I have it on a piece of paper and I am not doing very well in finding that piece of paper at the moment. I can have that for you tomorrow night. It has been calculated but I just can't find it right now. I may not have brought it tonight because I didn't expect to get into the health insurance discussion again tonight.

Alderman Wihby asked but you said $1.4 million. You just don't know if it is everybody?

Ms. Lamberton answered when you asked me that question I am talking about all funds.

Alderman Wihby asked and when you tell me that we are $1 million short, that is all funds also.

Ms. Lamberton answered that is correct.

Alderman Gatsas asked so the $1 million would really bring it to what number if we are just using a hypothetical number. Does anybody have that?

Ms. Lamberton answered the projected annual costs, all funds, for this year because we haven't finished the year yet is $9,474,537. Projected costs on the current benefit structure all funds is $11,612,429.

Alderman Gatsas asked $11.6 million is that what you said.

Ms. Lamberton answered correct and I also know the answer to the difference if you want that. It is $2,137,892.

Alderman Gatsas stated but that is more than…that is in excess of 22%.

Ms. Lamberton replied it is 22.6% under the current benefit structure.

Alderman Gatsas asked so that is an additional $432,000 that we have to find.

Ms. Lamberton asked all funds.

Alderman Gatsas answered yes.

Ms. Lamberton replied I don't have it that way.

Alderman Gatsas stated what I did was I took 18% of the $9,474,937, which would have given me $11,179,953.

Ms. Lamberton replied I have it broken out but I cannot find the piece of paper that I have it broken out on.

Chairman O'Neil asked will you have that information for the Board for tomorrow night.

Ms. Lamberton answered yes.

Chairman O'Neil asked are there any other departments you would like to bring up.

Alderman Thibault stated several times tonight the $400,000 for retirement was mentioned. Up until a year or so ago the Retirement Fund always took care of itself and I was wondering if Harry could come up and bring the Board up-to-date on that.

Chairman O'Neil responded I think the Finance Officers are more appropriate to answer that.

Mr. Clougherty stated there has always been a City contribution to the fund. In years when the markets are up and your stocks are doing well, the City's contribution has been less. In years like now when the stock market isn't performing, the City has to make up the difference.

Alderman Thibault asked so what has been the difference this year, Kevin, compared to previous years.

Mr. Clougherty answered last year the general fund contribution was about $600,000. This year it is going to be about $1 million.

Chairman O'Neil asked is there any information that we need departments to get back to us with. So we have all the information we need to make our decisions. Let's talk a little bit about scheduling. We are scheduled tomorrow night with the Enterprise funds at what time?

Deputy Clerk Johnson answered we have a Finance Committee meeting…actually we had scheduled it not only for Enterprise but also for continuation of this discussion as well and we also left available Saturday as a continuation of tomorrow night in the event that you needed to come back. We also reserved Monday night of next week as well.

Chairman O'Neil asked do you want the department heads here tomorrow night.

Alderman Thibault asked how solid are we on this thing for Saturday because I have a problem.

Chairman O'Neil answered I guess it would be determined regarding what is going to get accomplished tomorrow night. We can have a Finance Committee meeting on Monday night.

Alderman Thibault stated I don't care about being here Thursday night or Friday night, but Saturday is a problem for me.

Chairman O'Neil asked then let's make a decision tonight. Do you want everyone here tomorrow night? The consensus of the Aldermen was yes. Are we going to forget about Saturday? The consensus was no Saturday. You may have to be available Monday evening and Wednesday is the last night for us to lay a budget over. Again, is there any information that we need from the departments?

Alderman Thibault moved to adjourn. Alderman Osborne duly seconded the motion.

Alderman Gatsas stated I would like a roll call vote on Saturday.

Chairman O'Neil asked before we do a roll call, let's do a consensus. How many people are available on Saturday? Seven people raised their hands.

Alderman Wihby stated I guess when I called to say that we had a few things to do that a few of the members should have been at tonight and that we couldn't make tonight I was told well this Board voted that whoever could make it could come and whoever can't, can't. I went to the other meeting and I missed this meeting. Why is it any different for Saturday? I can make Saturday and now I am not going to go because some people can't make it? I don't think that it is fair that I couldn't change today's meeting so I think we should go forward with Saturday's meeting.

Alderman Thibault asked what is wrong with meeting Friday night.

Chairman O'Neil answered you are meeting tomorrow night to begin with.

Alderman Wihby stated okay we are going to get the budget done by tomorrow. I am sorry, you are right.

Alderman Lopez stated I think the option ought to be left open for Saturday because if we don't come to some kind of conclusion tomorrow we are pressed for laying the budget over on June 5. I would say leave the option open for Saturday if we have to meet. I know people don't want to come in on Saturday but it is very tough in this situation. Either that or we just close up shop, give the Mayor his budget, take out bag and tag and let everybody go home for the weekend.

Chairman O'Neil stated the Clerk has reminded me that we need to have a quorum on Saturday if any action is going to be taken. The Board could meet with three, four, five or six members if that is what it so chooses but no action can take place if there isn't a quorum.

Alderman Thibault asked what is wrong with meeting on Friday night. I don't care if we have to stay until 2 AM.

Chairman O'Neil asked what are your wishes.

Alderman Thibault stated well you had a consensus that eight can't attend on Saturday.

Alderman Lopez asked how many can attend on Friday night.

Alderman Osborne stated why don't we see what happens tomorrow night and go from there.

Chairman O'Neil stated we can have a meeting on Saturday but if there is not a quorum no action can take place. You can meet for informational purposes.

Alderman Osborne asked how many people replied to Saturday.

Chairman O'Neil asked how many people would be here on Saturday if there was a meeting. Seven people raised their hand. Let's set the time then. What time are we meeting tomorrow night?

Deputy Clerk Johnson answered 6:30 PM.

Chairman O'Neil asked what time are we meeting Friday night. Do you want to meet at 6:30 PM?

Alderman Lopez stated let's meet at 4:00 PM.

Chairman O'Neil stated we will meet at 5:30 PM on Friday. What time on Saturday?

Deputy Clerk Johnson replied we scheduled it tentatively for 10 AM.

Chairman O'Neil asked and we would like the department heads available for all of those meetings. The consensus was yes.

Alderman Gatsas stated I believe we requested every department to send a number from 2% to 5% reduction. Did every single department respond?

Deputy Clerk Johnson replied yes. On the operating budget side only is what was requested.

Alderman Gatsas asked so every department has responded.

Deputy Clerk Johnson answered yes they did.

Alderman Gatsas asked the Mayor's Office.

Deputy Clerk Johnson answered yes.

Alderman Gatsas asked MCTV.

Mr. Robinson answered they are not a department.

Alderman Gatsas stated they come in with a budget for us.

Deputy Clerk Johnson replied I don't believe they were on the list for the request. We can ask them to respond as well.

Chairman O'Neil called for a vote on the motion. There being none opposed, the motion carried.

A True Record. Attest.

Clerk of Committee