

COMMITTEE ON FINANCE

December 7, 2010

Upon Recess of BMA

Mayor Gatsas called the meeting to order.

The Clerk called the roll.

Present: Aldermen Craig, Ludwig, Long, Roy, Osborne, Corriveau, O'Neil, Lopez, Shea, DeVries, Shaw, Greazzo, Ouellette, Arnold

3. CIP Budget Authorization:

810211 Section 108 Loan Repayment

On motion of Alderman O'Neil, duly seconded by Alderman Craig, it was voted that the budget authorization be approved, subject to the final adoption of related resolutions.

Alderman Lopez asked do we want to take up the budget projections separately or during Finance?

Mayor Gatsas responded we can certainly do them right now.

Alderman Lopez stated and also the procedure on revenue reserves.

Mayor Gatsas stated we can certainly do that also.

Mr. Bill Sanders, Finance Officer, stated the projections, based on the forecasts received from department heads in the last couple of day, we are at this point projecting a surplus for FY2011 of \$317,000. The surplus is comprised of a revenue surplus of \$35,000 and an expenditure surplus of \$282,000. I would point out that the forecasted expenditure surplus of \$282,000 is \$3,000 lower than the forecast for last month, and that is entirely due to the fact of our higher than expected severance costs. They've increased by about \$125,000 in the last month and have more than offset the improvements in the departmental forecasts. If you look at the second page, I have added an extra column to the schedule. I hope that it is self-explanatory, but if it's not, the last column at the far right is merely saying whether a department forecast is better or worse than the forecast they

submitted in the prior month. You can see that about six departments have submitted forecasts for December that are better than last month, and on the departmental level, we are up \$117,000 over last month's forecast. Unfortunately, when you look at the non-departmental accounts, specifically the severance line, we started the year, to give you a frame of reference, with \$700,000 in our severance line, and at the time this report was printed, we had about \$25,000 left. And I should point out that I've been made aware in the course of the last day of at least one additional retirement, so I would be pretty confident at this point that our severance line will not be available to departments after this month and that we will either have to save it in departmental budgets, as was the practice in prior years, or we will have to draw on contingency or other sources. Overall, the budget is fairly similar to the one from last month, just slightly lower, \$3,000 lower.

Alderman O'Neil asked Bill, am I reading this right that there has been a shift at Youth Services?

Mr. Sanders responded yes. We were dealing with a rougher forecast last month, but we worked with the director this month in more detailed individual by individual forecast and we believe a \$23,000 surplus is a more accurate forecast for the Office of Youth Services.

Alderman O'Neil stated I was talking to the Fire Chief yesterday or last week, and they actually had a week that turned a little more positive for them. Is that correct and is that reflected in here?

Mr. Sanders responded it is. Their forecast last month was a deficit of \$646,000 and this month's forecast is for a deficit of \$617,000, so they are \$29,000 better than they were a month ago.

Alderman Lopez stated I missed that point about the severance. Could you go over that again?

Mr. Sanders responded yes. We had a number of retirements announced this month. The value of those retirements was about \$120,000 in payouts, and that has brought our severance amount available for additional retirements down to \$25,000 for this year. We started the year with \$700,000 so that means we've used or expect to use \$675,000 of it as of December 7th.

Alderman Lopez asked once we use that \$25,000, then what?

Mayor Gatsas responded I would suggest that we start looking at the contingency line, rather than going back and asking departments to take it from their own operating budget, because you can see that a lot of them don't have it. We should start looking at the contingency line, rather than asking departments.

Alderman Lopez stated that's what I was getting at, and I was hoping the Board would go along with that.

Alderman Roy stated not that I ever liked this method of doing it, but remember how it used to be? If somebody retired you didn't replace them right away, and that's how they saved money. That's another option that's available, not that I like it. You know I don't because I always wanted to see the severance line, but that is another option.

Alderman Osborne asked where do we stand this year as compared to last year? What's the figure?

Mr. Sanders responded for this year we are currently forecasting a surplus of \$317,000. We closed last year with a surplus of close to \$2.8 million.

On motion of Alderman Lopez, duly seconded by Alderman Shea, it was voted to accept the Finance Officer's FY 2011 Budget Projections report.

Alderman Lopez stated the Board asked for procedures on revenue reserves. They received a letter. I'm satisfied on it, but I'm sure some other Aldermen might have some questions on it.

Mayor Gatsas asked Mr. Sanders, would you go through a quick explanation of that letter?

Mr. Sanders responded certainly. It's a letter on the revenue reserve accounts of the City. At the last meeting of the Board of Mayor and Aldermen, the City Solicitor and I were asked to go through the rules for the Rainy Day fund, which is one of the funds, and the other is the Special Revenue account, or as it's sometimes referred to, the One Time account. In this letter we've tried to provide what the rules are for the Board of Mayor and Aldermen to use these two accounts. The basic rule for both of them is that under the ordinances, which have been attached for your information, they have discrete purposes in terms of their usage. The Rainy Day fund is to cover revenue deficits that we may incur, but as we mentioned on the first page, these monies can be used by the Board of Mayor and Aldermen for any other purpose upon the approval of two thirds of the Aldermen elect. This would be accomplished by an appropriation during the

annual budget process. That condition also exists for the One Time account. It can be used by the Aldermen for any purpose with a two thirds approval of the Aldermen elect, and this would be accomplished by an appropriation during the annual budget. The only wrinkle, so to speak, is in the One Time account, as we note in the letter, there is an opinion by the City's former bond counsel, Ropes and Gray, that the One Time account could be used for capital expenditure outside of the annual budget process. Hopefully you find the explanation clear and if you don't, certainly the Solicitor's office or the Finance office is available to answer questions.

On motion of Alderman Lopez, duly seconded by Alderman Shea, it was voted to accept this report of procedures regarding revenue reserve accounts.

Mayor Gatsas stated I have one other thing. CIP hearings will start this Thursday. Everybody is welcome to come. We will try to get you an agenda indicating who is coming in and all Aldermen will get a book. I don't know, Alderman O'Neil, if you've had a chance to talk with Sam Maranto, but we have had some of the discussions on changing the format and the forms for the CIP Committee so that we can see whether they are serving just Manchester people or also out of town people, if there were conflicts with receiving funds from other agencies for administration and how that is going to work. All of that has been spelled out well. Sam has done a great job putting the book together. It starts Thursday at 9:30 AM and Friday at 9:30 AM. We will try to get everybody their book by tomorrow. I hope they will be done. You already have them? He's a day ahead of me then.

Alderman Roy stated I'd ask again this year if we could get the information from the different organizations requesting money from us to tell us what percentage of those monies goes to administration and what actually goes to the program and the clients.

Mayor Gatsas stated I don't know if you've had a chance to take a look at the book.

Alderman Roy stated I didn't see it.

Alderman Lopez stated only the Committee has it.

Mayor Gatsas stated those questions are in there, because I think that those are the questions that we had from last year, to make sure that we can find out where these dollars are going and how we are going to possibly move forward. I would think the Board would take the same position as we did last year with the CDBG

funding, and no General Fund dollars to fund anything that we move forward in the CIP budget.

Alderman Lopez stated this comes up every year. I know the Committee has received the book of the people requesting. The rest of the Aldermen have not received a book.

Mayor Gatsas stated I think everybody did.

Alderman Shea stated no, it was just the CIP Committee.

Alderman Lopez stated I think the other Aldermen should know so that we don't rehash everything the Committee does.

Alderman O'Neil stated I did receive one, but I thought it was going to all of the Aldermen.

Mayor Gatsas stated okay. I thought so too. Everybody will get the book. I apologize. Anybody who comes on Thursday at 9:30 I ask you to come in so that you can hear the presentations. I think last year we were joined by a few Aldermen. Even though this process is supposed to be the Mayor's process, I invite everybody in so they can have those questions and they can get them answered early. So certainly come on in and participate, and we will get everybody a book.

Alderman O'Neil asked Your Honor, did the CIP staff generate that book?

Mayor Gatsas responded yes, they did.

Alderman O'Neil stated maybe the Clerk can reach out to them and ask them to provide for all of the Aldermen.

Mayor Gatsas stated we'll do that tomorrow. I thought they did, and maybe they are going out tomorrow.

Alderman O'Neil stated and they may have. Did anyone who is not on the CIP get a book?

Alderman Greazzo stated it might be downstairs because it might be too big to deliver to my mailbox.

Mayor Gatsas stated it's very large.

Alderman Greazzo stated I got a call about it, so I'm guessing that's what it was.

Mr. Leon LaFreniere, Planning and Community Development Director, stated they are going out tomorrow.

Mayor Gatsas asked to everybody else? See, staff is right on top of it. Everybody will have a book so when you come on Thursday you will be able to go right through it because it's pretty condensed and we'll get through it very quickly.

TABLED ITEM

4. CIP Budget Authorization:

711209 Annual ROW Reconstruction Program

(Note: Re-tabled 10/5/10. Originally tabled 9/21/10)

There being no further business, on motion of Alderman Roy, duly seconded by Alderman Long, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee