

COMMITTEE ON JOINT SCHOOL BUILDINGS

May 5, 2008

School Committee Members:

Beaudry, Craig, Gelinis

Aldermen: M. Roy, J. Roy, Sullivan

4:15 PM

Aldermanic Chambers

City Hall 3rd Floor

Chairman Beaudry called the meeting to order.

The Clerk called the roll.

Present: School Committee Members Beaudry, Craig, Gelinis
Aldermen M. Roy, Sullivan

Absent: Alderman J. Roy

Chairman Beaudry addressed item 3 of the agenda:

3. Update on the School Facilities Improvement Project (Monthly Report – April 2008).

Mr. Tim Clougherty, Facilities Division, stated in your package you will find several different reports. There are three reports that we put together. The first is a summary report of the \$105 million, sometimes referred to as a \$109 million school renovation project. The second report is a summary of the \$1.8 million worth of defective or corrective work that's necessary under our settlement agreement and I have broken that out by discipline as requested previously. The third report which is the most substance in nature, I think it's four or five pages in length is the comprehensive financial analysis of all dollars spent on the program to date. The numbers that you see, concentrating on the first page which is really the most telling, have been verified with our Finance Department. They include such things as excess interest earned as well as monies that are tied up in our letter of credit. Mr. Bill Sanders is here tonight to answer any potential questions that may come up that are outside of my capabilities or more along his realm in the finance field. Mr. Sanders, if you want to step up, I just want you to run through this block of numbers because we on the School side always say \$105 million but we have \$109 million here and encumbered is \$107 million. I would like to know exactly what we have for a balance out of that \$109 million including the OCIP.

We have referred to it as \$105 million project or \$105.5 million because that is the actual amount of money that the City borrowed. There was \$101.41 million in revenue bonds that were issued. There was also \$3.59 million in general obligation bonds. If I am correct those should equal \$105.5 million or \$105 million even.

Chairman Beaudry asked is that on this front first sheet?

Mr. Clougherty responded it's in the top right corner under project number 310303. The sources of funding are identified. Now, from the beginning we knew that our project costs were going to be roughly \$109 million. The Director of Finance at the time structured the bonding in such a way that we would earn interest on the project fund throughout the course of the project. We knew it would be three or four years in length. We knew we were going to be taking in over \$100 million and obviously we are not paying that out in month number one. We would pay that out over a course of time as the project was executed. So there was an anticipated amount of interest that should have been generated by the project account. It was invested with a certain fund. I think it was called the trinity fund. There was a certain rate of return that was anticipated and our anticipated interest at the time of inception was roughly \$3.995 million, bringing out total project cost to \$108.995 million. That is a number that you might remember me throwing about in 2002 and 2003 when the project was being born and in its infancy stages. The project took a little bit longer than we anticipated and also due to the fact that we can't determine exactly what our payout schedule is going to be on a construction project definitively when you are talking about a three year project. It's not an equal sum disbursement like your mortgage would be or anything like that. As the contractor took delivery or more substantive cost materials, steel and whatnot, they may ask us for more money in their application for payment which is anticipated and we would pay that out. What I am getting at is it's an inexact science but thankfully we are conservative enough in our predictions of what our payout schedule would be that we have earned interest in an excess amount above and beyond \$1.995 million that we had initially anticipated. That excess interest is shown at the bottom under other project assets, that number is \$487,541.

Chairman Beaudry asked so if that's over and above the \$3,995,000, we get in an additional \$487,000?

Mr. Clougherty responded that's correct.

Chairman Beaudry asked now where is that money right now? I know after the suit we had \$1.8 million put aside for all the deficiencies and where is...I kind of lost track when we got rid of the term contingency fund because we had about

\$700,000 left in the contingency fund. Then we had the OCIP money which was about a million dollars that was sitting in the OCIP, but now that's all gone so could you try to at least for my edification explain that?

Mr. Clougherty responded that money itself is sitting in a separate account and is actually accounted for in the Finance Department, and Bill you can step in here anytime if I start to stumble. It's identified as a liability on our balance sheet because we are not exactly positive that we will realize all of that excess interest at the end of the day on any bond. I believe we are required by law to do a calculation relative to the amount of interest we have earned because of our tax free status and our municipality. It's an arbitrage calculation, it's known as, and we will be doing that upon completion of the project and I believe we are going to be able to do that probably right after the end of the fiscal year because we are close enough to the end of the project. We had a professional accountant do a calculation that tells us we earned more interest than we really should have otherwise and conservatively we are saying that any excess interest that we earned above and beyond what was initially anticipated we are going to hold in advance as a liability just as conservative fiscal practice.

Mr. Bill Sanders, Finance Officer, stated I need to repeat a couple things Mr. Clougherty already explained. We are required by law to do a calculation at the end of the project to provide to the Internal Revenue Service because these bonds are tax free. That is, the interest earnings of the bond holders are tax free. We are demonstrating that we haven't taken the cash and just invested it in the bank and earned extra interest and used it for purposes other than what was stipulated in the bond documents when the bonds were issued. I think it has been a traditional practice of the City and is a prudent practice of the City to defer any excess interest that we collect until after the arbitrage calculations are done at the completion of the project when we are sure that we don't owe penalties or interest to the Internal Revenue Service for any excess interest above and beyond the safe harbor. The money is in the bank accounts of the project but it has been deducted in arriving at what is available until these arbitrage calculations would be completed, probably in the late fall or early winter of next year.

Chairman Beaudry stated again I just want to get it clear: the \$1.8 million was a part of the lawsuit settlement. Is the \$3.995 million over and above the \$1.8 million, along with the \$487,000 of excess interest? Or could you add all those three figures together and that's what we would have to date?

Mr. Clougherty responded no. The top square, if you will, funding source, those four figures represent project funding. Those are revenues. The figures under the authorized vendor description and approval dates that basically the lines share, the body of the report in front of you, those constitute expenditures. So you have our

revenues which total \$109,247,719 and our expenditures which are currently at \$107,184,603. So the difference between those items is \$2,063,115. Of those \$2 million we have committed \$1,513,724. So out of everything that is uncommitted, unencumbered and not expended it is \$549,391.06. Now, we also have a letter of credit obligation that remains outstanding. That letter of credit is \$739,930. So we have an obligation out there of \$739,000 right now. We are only saying we have \$549,000. We are a little bit short as far as cash on hand, if we were to expend all of our committed and encumbered monies as of today. Obviously if you look at the next sheet, maybe it's not obvious, but when you look at the next sheet, we have only expended \$283,000 of the \$1.8 million in encumbered funds and you will see that on this sheet as well. Corrective work through Facilities, Joint School Building Committee, September 4, 2007, \$1.8 million, you will see that we have committed that entire \$1.8 million. As I explained, I think probably at that time in September as well it's really a balancing act that I have to play with expending these monies going toward the end of the project. We are most hopeful that our letter of credit obligations will be released in September of 2008 and if that was the case we would be sitting with \$549,000 in balance. But because that money is kind of tied up, the \$549,000 is tied up plus any difference between \$739,000 and \$549,000, which I think is about \$190,000. We couldn't spend \$190,000 in additional monies today. We have got place holders all around but if we were to execute purchase orders for the entire amount of Committee expended and encumbered monies we would be about \$190,000 short today.

Chairman Beaudry asked but as we go along through the project are we going to still keep accruing interest which is going to make up that deficit?

Mr. Clougherty replied hopefully. One way or the other we are confident, we got a report from our broker just this week that shows that our workers compensation claims have totally been relinquished. In other words we have no outstanding claims. We do have what's referred to as an extended operations coverage with the policy that I am quite certain the underwriter will not allow us to reduce a letter of credit for at this point and time. Even though we really have nobody working for the project they have no obligation to release it that I am aware of. We have tried to have them release it in the past and reduce it in the past and it's really been to no avail. It is \$739,000. It was seven and a quarter and we have generated \$14,000 worth of interest. That's why it's at \$739,000. So that's really where we stand. We are not flush right now. We are not cash strapped. We are going to be moving forward with some of the work items that you will see under the \$1.8 million and watching that balance as the September time line approaches and keeping in touch with the underwriter to make sure that they are prepared to release that letter of credit at that time.

Alderman M. Roy asked Bill, we have gotten this answer in the past but should there be a fund balance when this project is over, what happens to those funds?

Mr. Sanders stated they are moved into the debt services reserve account and they would be applied to reducing the debt service going forward on the original design build bonds.

Alderman M. Roy asked and that is the only use of any fund balance, correct?

Mr. Sanders replied yes.

Chairman Beaudry stated just for clarification that's if we don't move to spend it. This Committee has the jurisdiction to spend some of that fund balance but once the project is complete, correct me if I am wrong, then whatever is remaining would go into lowering the debt service.

Mr. Sanders stated yes. The Committee has the ability to allocate the monies to projects or areas that were originally contemplated by the design build bond issue itself. You're aware the Committee can't create new projects so to speak.

Chairman Beaudry stated I haven't had a chance to look at this. Probably next month I will have some more questions once I get to absorb these numbers. We just got this tonight and I know that wasn't your fault. We will look at this and maybe I will have some other questions next month. One thing that passed Building and Sites Committee last week was we did move at this Committee to take care of intercoms and clocks at Henry Wilson and Beech Street. There was one other school that has an intercom system that they have problems with and that was another school that had a substantial amount of work done and that's Bakersville. The cost that was given to us was about \$14,000 to have the intercom system fixed over there. It's a safety issue when the intercom systems are not working. They cannot get to their teachers and let them know what's going on with the day to day routines and that's something that I would like to see come through this Committee along with the Henry Wilson and Beech Street School to have that repaired through the contingency funds.

Mr. Clougherty stated Mr. Chairman, I believe that you have the entire financial outlook in front of you in this report. We have identified the projects that were contemplated under the settlement agreement be it the \$1.8 million and you will see that the balance right now is not sufficient to cover our obligations relative to the letter of credit. My question for you or maybe Finance is where would that funding come from if we were to contemplate further projects under this program?

Chairman Beaudry responded what I would do if we could move it...the other one should already be in the works with that money, Henry Wilson and Beech Street because that was something that was moved on several months ago. We do those two schools but Bakersville, the \$14,000 would be after everything is settled. We should see in the next couple of months if that OCIP money is going to come if it's going to be sufficient enough to have a surplus, and then with interest earned between now and the end of the project, we still have that \$1.8 million sitting in an account somewhere picking up interest so that is going to be additional funds. The motion, if there would be a motion here tonight for Bakersville, would be to, once we find out that we have the original project monies taken care of, that that project would be done. I think \$14,500 was the number we were given.

Mr. Clougherty stated I can appreciate that and I am aware that the Committee voted to move forward with clock systems at Wilson and Beech. I have that motion. It's our understanding that's to move forward but we don't have a funding source identified currently. As I stated at that time we were hesitant to identify any balances because there was at one point \$1.8 million worth of work. We have the quotations for both of those schools for the products and the installation and we are prepared to move forward. We just need to identify where exactly those projects would be funded from.

Chairman Beaudry stated if my memory serves me right, I would have to look back in the minutes. I believe the motion was to take it out of the \$750,000 that was from the OCIP when that money was relinquished because we had one block of that money relinquished to us and now there is another \$739,000 sitting there waiting to get back to us. When that money comes back to us, that is what was going to pay for those projects.

Mr. Clougherty stated the original, I'll say original, we have had two reductions to the OCIP: one of them was a mere pittance, somewhere around \$70,000. It went from \$1.5 million to \$1.425 million or something like that. The second one happened in October of 2007 and it was about a \$750,000 or \$775,000 reduction after some interest was factored in. That was contemplated within the presentation of the settlement agreement and we had anticipated that release. I am fairly confident that the clock systems that you are talking about came after that October reduction in the letter of credit.

Chairman Beaudry stated the clocks came around the first of this year.

Mr. Clougherty stated so what I am saying is the amount of money that was, was already in the City's hands.

Chairman Beaudry stated right, but you still have the remaining money and that is what I am talking about. The remaining money that sits in the OCIP agreement right now is still about \$700,000.

Mr. Clougherty stated there \$739,000 in the letter of credit.

Chairman Beaudry stated right, so when that gets reimbursed to the District that's the money that's going to be tapped to the projects done.

Mr. Clougherty asked for the Wilson and Beech clocks?

Chairman Beaudry stated yes, and their intercoms. They both had clock and intercom problems at both of their schools.

Mr. Clougherty stated I would ask for some dollar value or something to identify those deficiencies for the record so that we can, so I can account for those going forward.

Chairman Beaudry stated at the meeting I believe Karen DeFrancis said Kevin Smith did do some numbers and sent them to you or sent them to somebody but somebody should have the numbers from Kevin Smith.

Mr. Clougherty stated I don't believe we have been given those numbers formally or informally, Mr. Chairman.

Chairman Beaudry stated we have a Finance meeting tonight I will raise it with the Superintendent or Karen DeFrancis will be there and get the quotes to you then because I know Kevin has the quotes.

Mr. Clougherty stated that's fine. One way or another we are not looking for these monies becoming available until optimistically September anyway. I think it's required that this Committee take action on the specific dollar amounts that we are talking about and have a piece of paper in front of you. It's this Committee by state statute that actually controls that money. I would rather not just have an email...

Chairman Beaudry interjected do you have the numbers for the clocks?

Mr. Clougherty responded I can give you those numbers.

Chairman Beaudry asked so all you need is the numbers for the intercoms?

Mr. Clougherty replied yes.

Chairman Beaudry stated okay, so next month we will have that information for you, and we will vote on a complete dollar amount next month then.

Mr. Clougherty stated I am less concerned about the cost of the clocks because I am going to be in charge of either doing the work or issuing purchase orders so it is within my control, if you will. If someone is just going to be passing me a bill for intercoms, I need to know what that is so that we can account for it and that's fine and we will deal with the Bakersville clocks at the same time.

School Committee Member Gelinas stated just for a paper trail for Joint Buildings and Sites, we accept the Committee Report from Building and Sites on the school side and at the same time request the dollar amount from the School District so that we have it on record here in the future when we do meet with Mr. Clougherty.

School Committee Member Gelinas moved to accept the report from Building and Sites. School Committee Member Craig duly seconded the motion. There being none opposed, the motion passed.

Alderman M. Roy stated first off I was going to wait until the funding source was identified in next month's report, but my first question as it is with every project we add, is this a project that should be paid for out of the design build project?

Mr. Clougherty responded as I have stated before, I am not going to sit in a position of judgment on what the intention of the entire issuance is. I can tell you from my own knowledge we are talking about renovations to schools, whether clock systems and intercoms can fall under that definition, I think is a question for either the Finance Officer or someone from our Solicitor's office.

Alderman M. Roy stated I have asked this question for the last seven or eight projects that have been added.

Chairman Beaudry stated you have. If I can interject though, I think the three schools that we are talking about had extensive work done in all three schools. I think in at least my opinion clocks and intercoms could be or should be part of it. We had some intercom systems that we worked on at Central High School because the contractors cut the wires and we had to go in and replace it so they have had some intercoms repaired. Smyth Road was another one that was repaired through this Committee because there was a problem up there.

Alderman M. Roy stated I don't take any offense. It's just we have gotten our hands slapped in the past and so having City Staff as the people that occasionally do the hand slapping, tell us that it's the right way to spend the dollars is

something that I will keep asking on every dollar we add to this since we got our hands slapped last time. Bill, any comment?

Mr. Sanders responded only to add that intercoms and clocks have been part of the design build project that other schools have been charged to this project and I think I would definitely get the City Solicitor's advice on this. The only project that I am aware that was significant that was clearly ruled outside the bounds was the closing of walls at schools, projects that were clearly outside the original. Deferred maintenance and upgrades ended up in the design build.

Alderman M. Roy stated those darn things that are great for education. Tim, are you comfortable in this Committee voting for having this done pending the financing or the amount of money you need come September of this year?

Mr. Clougherty responded yes. My understanding is I am not going to issue and purchase orders of spend any money for intercoms or clocks until the letter of credit is released and this \$549,000 balance that we see at the bottom is actually realized.

Alderman M. Roy asked so right now in your opinion, you have overspent by roughly \$200,000?

Mr. Clougherty responded no.

Alderman M. Roy stated okay, then I am misunderstanding you. You have got the letter of credit, which is \$739,000...

Mr. Clougherty interjected if we back up a little bit, Alderman, if you go into the middle of the bottom of the page where it says account 310303 balance, that's cash on hand, less liabilities.

Alderman M. Roy stated when I say spent I should be broader. You have encumbered, committed?

Mr. Clougherty responded we put place holders in for anticipated work.

Alderman M. Roy stated right, so even though you have the \$2,063,000 on hand...

Mr. Clougherty interjected I know we have roughly \$1.5 million in projects that are identified to be spent with that \$2 million but I also know that there is a \$739,000 obligation out there with our letter of credit that is tying up parts of those monies.

Alderman M. Roy stated so just to make sure I am accounting the same way you are, in order for you to feel very comfortable now, the committed fund line item should be \$1.25 million?

Mr. Clougherty responded yes, or somewhere around there.

Alderman M. Roy stated and that basically accounts you out to a zero. So if your project fund balance was \$739,000, the same as your line of credit, you would be happy at this point.

Mr. Clougherty stated we would be good, yes. I am not displeased right now because if you look at the next page or two pages, page 3-3, the bottom of that spreadsheet shows \$1.8 million worth of identified total projects. The second from the right is the amount expended. That's \$283,000 so there is over \$1.5 million actually committed. There is \$39,000 encumbered. It is just shy of \$1.5 million dollars in monies that we are saying is committed. We are basically earmarking it. I have not written any purchase orders or anything. It's the Department of Public Works that controls that \$1.477 million. So I know with 100% certainty that we will not spend beyond \$1.1 million or something like that to make sure we have plenty of cash on hand.

Alderman M. Roy stated Tim, I am kind of glad you went down that road because seeing that roughly \$300,000 of that \$1.8 million has been spent so far, are there any life safety items that you are not writing purchase orders for, in that \$1.4 million that is remaining? I haven't gone line by line but is there anything we should be spending...

Mr. Clougherty interjected the most egregious ones have been addressed with the emergency battery units and the door hold opens and things like that. There is some duct work in existing equipment. We currently have operational units. They are old. We are going to replace them. They should have been replaced under this program. It's not something that is sacrificing life safety at this point but the item in itself would fall under the life safety realm. The other thing would be fire dampers, whether they are in ceilings or walls. We have had a little bit of difficulty in procuring as-built documentation. As-built documentation would allow us to engage a consultant to fix some of the noise issues that we have had, as well as some of the duct issues that we have had. It's also going to be the same consultant that is going to tell us about wall fire damper locations and ceiling fire damper locations. As soon as we get those as built we will be in a better position to get things rocking and rolling. It has been represented to us that we are all set. We don't have any issues with wall fire dampers or ceiling fire dampers. I want to make sure for certain that that is the case and that's why I have identified \$50,000 in each of those line items. Hopefully we are all set and we don't need any

additional funds. We have some suspicions we are going to hire a consultant, have them look at our damper locations, our fire separation barriers and make sure that we are 100%.

Alderman M. Roy stated you keep bringing me to my next question, Tim. Should we be all set using the ceiling fire dampers and the wall fire dampers as an example, if we do not need those dollars? I assume some will be spent on the consultant, but other is for actual construction so should there be \$80,000 left in that line item or those two line items? When you are done what happens to those funds that are part of the \$1.8 million? Should there be a balance?

Mr. Clougherty responded they would come back to this Committee, and don't get me wrong, I will be the first guy to stand up here and say I think we should do more deferred maintenance type of projects, renovation projects as long as the Chief Financial Officer and the City Solicitor are on board with it. I will champion those efforts because I think everybody sitting here knows the money isn't coming from anywhere else so the more that we can put into these schools, you are paying the debt service on it already, the better. With that being said, I have given you \$1.8 million worth of a budget of \$1.8 million and I have line itemed that budget. I am not going to sit here and tell you that we may not have to transfer monies within those line items at the end of the day. We may have a \$50,000 balance on wall fire dampers but if my HVAC sound issues prove to be more substantial than the \$425,000 we have identified, we have to put that money toward the \$425,000 and toward those sound issues.

Alderman M. Roy stated correct but the point I am getting at is just at the end of the day, that \$1.8 million still could come back to the fund balance of this project which would go to debt service of the larger project.

Mr. Clougherty stated right. It comes back to the Committee and if there are no more renovation projects or you can find nothing else to spend toward the initial project intent then it would go back to reducing debt service or toward the principle.

Alderman Sullivan stated I guess I would ask School Committee Member Gelinias to restate his motion just for clarification.

Committeemen Gelinias stated the motion is to accept the report from the Buildings and Sites Committee so that we have a paper trail and at the same time ask the administration of the School District the dollar amount that was associated with that so that in the future if we are actually going to vote on it, we now have something that is actually before the Committee rather than something that was

sent to us but not accepted by us from the Buildings and Sites of the School District.

Alderman Sullivan asked why would we accept it before we have a dollar amount before us?

School Committee Member Gelinas replied that's what the motion is asking for. It's also asking for the dollar amount because there was some question as to exactly what that cost was. We would be accepting the report of Building and Sites of the School Board and at the same time requesting the dollar amount so that we now have it in this Committee officially when we do decide to discuss it at a future date.

Chairman Beaudry stated what Mr. Gelinas is doing, and we have done this in the past is, this Committee usually looks at what the Building and Sites Committee on the School side requests so it is basically a directive to have the Clerk talk with the School Department and get the data that we are looking for, the numbers for the intercom systems and also the vote that stated the Building and Sites Committee on the School side supports having this work done.

Alderman Sullivan stated I guess I am just getting the sense that we are trying to combine two separate issues here. One is accepting the stated goal here and the other is going forward without an actual dollar amount and that doesn't seem to make a whole lot of sense. It looks like there should be two steps here but we are trying to put them into one.

Chairman Beaudry stated we are not going forward, Alderman. We would have to take a subsequent vote once we get the information to go ahead. We already moved on the clocks and the intercom systems for Beech and Wilson. The only one that is in question right now is Bakersville. When we get the information on the cost on that then we can make a subsequent motion at the next month's meeting to go ahead and agree with it or disagree with it but this motion will get that information to this Committee.

Alderman Sullivan stated my only concern is that we are not binding ourselves to something by doing this when we don't have a dollar amount in front of us.

Chairman Beaudry stated that is not my intent and I don't believe that's the intent of School Committee Member Gelinas.

School Committee Member Gelinas stated that's not my intent, Mr. Chairman.

Alderman Sullivan stated the Solicitor is not here, but okay.

School Committee Member Gelinas stated still on page 3-3 it's never safe to assume...but can I assume that the committed dollars that have not been encumbered or expended are gathering interest? That would be the \$1.477 million.

Mr. Clougherty stated yes they are.

Alderman M. Roy stated if Finance could just elaborate...the interest, where are those funds? Roughly what rate are they at? And what is the debt service payment that we are making?

Mr. Sanders responded all the bank funds are invested with the Bank of New York who was the original funding agent for the original design build so all the monies are in different accounts. They are segregated between a construction account and a debt service account. They earn interest which is probably under 3% maybe 2.8%. I will have to get back to you on that. As to what the debt service is on an annual basis, I don't actually know the answer to that.

Alderman M. Roy stated I am going to take you off the hook because that's a fairly complex question. If you could get something out to the Committee about where the funds are invested...What your projections are through maybe September or maybe October of 2008 when the letter of credit expires or Tim feels it will expire or be released. Just give us an idea...as much information and where we will be at that time, in relation to that \$549,000 number. That would be appreciated.

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

Chairman Beaudry addressed item 4 of the agenda:

4. Update on Hillside Lockers

Mr. Clougherty stated we have received a quote for the lockers. I believe it is right about \$7,000 and we are prepared to move forward but we need a funding source for that as well.

Chairman Beaudry stated that funding source...I know the Hillside lockers were a long time ago. That is when we still had contingency money. That's where that was supposed to come out of because that was the same pocket of money as Southside basically. Southside and Hillside were supposed to be done. I don't know, now that we don't have any contingency money.

Mr. Clougherty stated what I can do is circle back with the Clerk's office to see if we can't research where that action was made, and if it was made I will work with Finance to try to figure out what the most prudent place to encumber would be at this point and time.

Chairman Beaudry addressed item 5 of the agenda:

5. Communication from the Building & Sites Committee recommending the approval of the Site Sync GPS Clock System to be installed at Beech Street School and at Wilson School.

School Committee Member Craig moved to approve this item. School Committee Member Gelinas duly seconded the motion.

Chairman Beaudry stated these numbers Tim already has. Are you going to be the one who is dealing with the clocks?

Mr. Clougherty responded yes.

Alderman M. Roy asked Mr. Chairman, what is the funding source for this?

Chairman Beaudry responded this funding source will be coming out of that additional \$750,000 that's going to be coming to us. So when the project is coming to completion, that's where we are going to use that money.

Alderman M. Roy stated okay, so these will not be ordered until...

Chairman Beaudry interjected as long as we can get them installed by hopefully next year, the start of next year. Tim, I don't know what your thoughts were on that.

Mr. Clougherty stated our best case scenario is that we are going to receive that money in September or October of 2008 right now.

Alderman M. Roy asked, Tim, is there a criteria for the release of the letter of credit?

Mr. Clougherty responded prescribed criteria by the underwriter.

Chairman Beaudry stated if I may interject here, I just got a note from the Clerk. The motion was made by Alderman Long and seconded by Alderman Thibeault to

check the clocks at Beech and Wilson, the cost to be paid out of the contingency money. That was done on December 4, 2007.

Alderman M. Roy asked how come the money wasn't taken out of contingency when we had a contingency then?

Chairman Beaudry responded it's the same at Hillside. I don't know. I think we were playing with a couple of pots back then, and then when the suit got settled the contingency kind of went away.

Alderman M. Roy stated this is something that I definitely agree with doing except I feel like we are spending money that we don't have, and that's why I am more concerned of when we are going to get the money and how are we going to allocate it once we have it or project out the interest to see if the potential interest payments could pay for the clock system. That is why I am somewhat more interested in the letter of credit and what criteria we have to meet to get that released. If there is something that we could do...Tim, if you could just possibly have that criteria forwarded to us so we know what you're dealing with...because you are saying the best case scenario is September or October of 2008. If there are things we can do to help you, if we are aware of those, we can help you with them. Or, is this just a judgment on the accountant side?

Mr. Clougherty responded it's a judgment on the underwriter side. They can call the letter of credit at any time for no reason whatsoever. I don't think that the City is in the best position with the letter of credit as it stands. I will do my best to get you the criteria that is required for us to meet in order for the letter of credit to be released, but again, I am not sure that that's going to be the easiest information to get and to nail down.

Chairman Beadry stated this is a concern that I had once this lawsuit is finalized. We had roughly a half a million dollars in contingency. Plus, we had the OCIP money that was still going to come back to this Committee. It was going to be over a million dollars. Now we are looking at basically having nothing left other than the \$1.8 million to fix the defects that these contractors left us with, and the projects that we had made motions on now are left in the lurch because we don't have the funds to do them. I don't know. This motion was made back in December. I don't know why it wasn't done immediately at that time to get the work done. He it is now May. Six months later the work hasn't been done.

Mr. Clougherty stated I believe at the time, Mr. Chairman, that I cautioned that the only money that was available was that \$1.8million, and that any work that the Committee took action on was going to be reducing that \$1.8 million. We can go back and we can reduce any of the line items that are showing on that second

spreadsheet, but those were the only monies that were available at the time of the settlement, and those were identified at the time when we presented the settlement.

Chairman Beaudry called for a vote on the motion to approval of the Site sync GPS Clock System to be installed at Beech Street and at Wilson School. The motion carried, with Alderman Sullivan voting in opposition.

Chairman Beaudry stated the concern I have, Tim, and that's why I was trying to narrow it down to what do we have for funding, and it's still somewhat ambiguous, depending on the OCIP money. When are we going to get that and what is the timeframe? I don't know if by next month you can give us a little bit of an update.

Mr. Clougherty stated I won't be able to give you a better update by next month because it is a law-sensitive policy, and we have entered into a relationship with our underwriter. They have certain obligations under the policy that they have underwritten. And until all of our obligations are satisfied, which I don't think is going to be until September, I don't see them seeing their way to reducing the letter of credit because there are still outstanding obligations.

Chairman Beaudry stated I have another note from the Clerk. At the meeting on September 4, 2007, Aldermen Roy and Long who moved to move the lockers at Southside and Hillside, and the money was going to come out of the \$1.8 million settlement.

Mr. Clougherty stated I will realign the \$1.8 million to take out the lockers at Hillside and the clocks at Wilson and Beech. Again, anything that's...

Chairman Beaudry interjected the intercoms also at Wilson and Beech...It's the clocks and the intercom systems. The only one that is at question right now is Bakersville.

Mr. Clougherty stated we will look at the motions and make the reductions but again I caution you that any actions taken that diminish that \$1.8 million...you see the line items identified there...those are the items that were identified as requiring corrective work at the time the settlement was made. That's less money to put toward those things.

Chairman Beaudry stated if you could just touch base for the Aldermen's awareness as far as what is going on with some of that project...I now we talked about it at Buildings and Sites, the roof at Memorial High School. I have gotten a couple of calls since then from coaches saying that the floor is getting worse at Memorial. And the principal at Southside talked about some of the door closures.

Is money going to be coming out of that \$1.8 million to fix the door closures and the emergency doors and stuff that has been broken?

Mr. Clougherty stated that's correct. On page two you see an item that is labeled door hardware. It's identified for \$350,000. That's where that money would come out of.

Chairman Beaudry asked and is that sufficient for all the schools that have deficiencies in the hardware?

Mr. Clougherty responded we are hopeful.

Chairman Beaudry asked what about the roof? Any further input on the roof at Memorial?

Mr. Clougherty responded not at this point in time. As I said, we are aware of the problem. I don't have an update from last Wednesday right now.

Chairman Beaudry stated at next month's meeting maybe we can have somewhat of an update on some of the major concerns similar to the roof leaking and what actions are being taken to correct the problems.

Mr. Clougherty stated most definitely.

Alderman Lopez stated just a clarification...just so I understand...I know it's a joint committee and all that. Did you just say the \$1.8million was the settlement of the things that had to be done and if you do something else with it, you don't pay for it or what?

Mr. Clougherty responded we identified roughly \$1.8 million worth of deficiencies at the time the settlement was executed. How that \$1.8 million is spend it really up to this Committee.

Alderman Lopez stated I just wanted to clarify that in my own mind because you have a list that comes up to \$1.8 million that needs to be done.

Mr. Clougherty stated that's correct.

Alderman Lopez asked has that been approved by the joint committee?

Mr. Clougherty responded I don't know if that has been approved by the committee per se. It was certainly identified at the time the settlement was put together, but I don't know if there was any formal action taken.

Alderman Lopez stated I would recommend you get with the Chairman and do that because every time you have a meeting, people are going to look for money to do something else, and if the \$1.8 million settlement is for stuff that had to be done with the \$105 million, then I think it's up to this Committee to make that priority checklist just like anything else. Otherwise, every time you come here people are going to say I need a clock over here or I need this over here. Let's take this money. That would be my recommendation.

Chairman Beaudry stated I respect that Alderman Lopez...and that's something at least for me...this is the first time I have actually seen a list of priorities, and if there are any changes to that I would like to know about it. I want to look at this list and we can do that at next month's meeting. We have never had a list of the \$1.8 million referenced. We knew there was \$1.8 million of deficiencies or additional work that had to be done.

Mr. Clougherty stated we have never had it broken down financially like you see it here today.

Chairman Beaudry stated exactly. If they could look at that and we can bring that up at the next meeting.

Alderman M. Roy moved to refer the report to the Board of Mayor and Aldermen for informational purposes. Alderman Sullivan duly seconded the motion. There being none opposed, the motion carried.

There being no further business, on motion of School Committee Member Gelinas, duly seconded by Alderman Sullivan, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee