

A special meeting of the Board of Aldermen was held Tuesday, April 5, 2005 at 8:05 p.m. in the Aldermanic Chamber.

President Brian S. McCarthy presided; City Clerk Paul R. Bergeron recorded.

Prayer was offered by City Clerk Paul R. Bergeron; Alderman Bolton leading in the Pledge to the Flag.

President McCarthy

I would like to remind members of the Board and of the public to turn off pagers and cell phones, and if they must use them to please leave the room quietly before doing so.

The roll call was taken with 14 members of the Board of Aldermen present; Alderman LaRose was not in attendance.

President McCarthy

Alderman LaRose had a medical reason why he could not attend this evening.

Alderman Deane

Is there any reason why public comment has been omitted from the agenda?

President McCarthy

We typically do not put it on the agenda of Special Board meetings.

**MOTION BY ALDERMAN DEANE THAT THE RULES BE SO FAR SUSPENDED AS TO ALLOW FOR A PUBLIC COMMENT PERIOD IMMEDIATELY FOLLOWING THE COMMUNICATIONS
MOTION CARRIED**

His Honor Mayor Bernard A. Streeter and Corporation Counsel David R. Connell were also in attendance.

Mayor Streeter

I want to thank you for attending this special meeting that I have called. I have asked you to join me here this evening to discuss the changes in the financial condition of our city since I presented my FY '06 proposed budget to you back on February 22nd. I am happy to report that we actually have somewhat better news tonight. We have had many challenges put before us, and we are here this evening to provide solutions to you and an adjustment to the plan that I put before you

more than 6 weeks ago.

Difficult times require difficult decisions. Not all will be popular, but necessary. I am here to discuss my plan, and I want you as well as the citizens of Nashua to know directly from me, that things again are not as bad as they appeared last week. I am also here to assure you that as long as I am Mayor I will never sign into law a plan that results in a 13% tax rate increase or anywhere near that amount. In fact, Alderman Deane mentioned just last week that perhaps there was a mistake on the Board of Aldermen's part for asking for the budget too early. I agree. Accuracy suffers when we try to forecast 18 months out with less than 1/2 of a fiscal year behind us, and with so many variables from year to year.

As you all know each year Education Funding is not only unknown, but it is in jeopardy right up until the end of – in many times right up until the end of the month of June. In fact, just yesterday although I was unable to attend the public hearing on HB616, I did request that Mark Conrad, the Business Administrator for the Nashua School District, as well as Mark Sousa, my Legislative Liaison, address the Finance Committee on behalf of the City. I also might note that members of my staff were joined by the President of the Board, Alderman-at-Large Bolton, and Mrs. Kim Shaw, the President of the Board of Education and a member of the House of Representatives, and I certainly thank all of you for your support of the city in this long and tedious process.

I would like to report that our delegation continues to be united. Our delegation continues to communication with other delegations throughout our State. We are in constant communication with the Governor's Office – the Governor's position hasn't changed. He continues to support Education Funding to help our City.

The Education Funding process is far from over. In fact the Senate hasn't even begun to discuss Education Funding. I will continue to work very closely with our delegation as well as the Governor and his staff as this process moves forward.

In addition, as all of you know, the City of Nashua is self insured in both the property and casualty as well as the health insurance businesses. Total costs in this area were expected to exceed \$25 million this year alone with all of that based on actual expenses. As you will hear this evening this is a very difficult account to forecast. Just imagine if I were to ask you to forecast the total cost of all of your medical bills for the next 18 months. Add to that fact the fact that we insure 2,000 active employees and their dependents and more than 400 retirees and their dependents. We have approximately 7,000 people that we insure. When you are self-insured you must predict the total cost of all medical care for all of the insured. Obviously this is a very volatile account and very difficult to predict. Based on what we should have known a year ago, we should have included an additional \$1 million in our FY '05 budget. Based on utilization rates and increased costs, we are now currently forecasting at least a \$2 million and perhaps as much as a \$3 million shortfall.

You will see that we are now also requesting an additional million dollars be appropriated to replenish our reserve account. You will also see that we are now forecasting the need for an additional \$4 million in the FY '06 budget to cover rising costs.

With your permission Mr. President, I would like to ask Maureen Lemieux assisted by Carol Anderson and myself, to proceed with a presentation to explain the reasons why we have to take drastic action, why we are doing it today, April 5th, and one of the reasons why we couldn't do it back in February. With that Mr. President I would like Maureen to start her presentation.

Maureen Lemieux

Thank you all. As the Mayor said there are several different challenges that we have faced as a city in the last few weeks; the first of which is the Education Funding.

Alderman Johnson

Excuse me Mr. President. Do we have any handouts that we can review?

Maureen Lemieux

No. We can certainly have handouts made and put them in your boxes tomorrow if you would like.

Alderman Johnson

Mr. President – I just find that it is not even – we don't even have anything to look at as they are showing us this. I just want it on the record.

Mayor Streeter

The presentation you will hear tonight you will have a copy of tomorrow. Nothing will be different. We just felt it would be easier for you to read that than a bunch of little small charts.

Maureen Lemieux

Mr. Mayor did you want to do this part?

Mayor Streeter

The significant changes in the assumption particularly when it comes to education. Current law provides us \$30.2 million. The Governor's plan as he announced on the steps of City Hall not so long ago will give us \$28.3 million. The FY '05 Education Grant that we actually received last year was \$26 million, and the current proposal, which hasn't even – well it is still in the House, the Senate hasn't even considered it, gives us about \$23.4 million – roughly \$24 million. That figure will change. The potential change in Education Funding if all the dire predictions come true will be a shortfall of \$4.9 million. However, I don't think any of us would agree that is the figure that ultimately Concord will enact.

The education solution anticipated in June of 2005 was as we said initially we took the Governor's

plan, we took current law, and we came up with \$28 million, and it now has been, as you will see in the presentation, that we reduced that by \$2 million.

Maureen Lemieux

Health Insurance – as you know we have certainly met with the Budget Committee on at least a couple of occasions now to discuss the issues that we have with our health insurance account. What we are going to try to do is walk you through what we budgeted in '04, what our actuals were, what we did in '05, and what we believe at this point that we need to forecast for '06.

The FY '04 budget – there has been a lot of talk about level funding the account. The reason that we level funded the account – the FY '04 budget was \$17.7 million. This is for the entire 508 account, so this is not only health this is also the property and casualty piece. The '04 actuals came in at \$16.1 million so we had a \$1.6 million surplus at the end of '04. That surplus is automatically transferred to the insurance reserve account. When we got the projections, which many of you on the Budget Committee saw last week, when we received the projections from the consultant in the Executive Summary, it was recommended that we add \$1.2 million to health. If we did that and that is exactly what we did, we ended up feeling confident that we could level fund that account because we had to add \$1.2 million to health, we had a \$1.6 million surplus the prior year. Given what we know now, and we had a lengthy conversation on the phone with the consultant today, we should have forecasted an extra \$1 million in that account. That was my decision based on what I understood from the Executive Summary so I will certainly be very clear on that, but based on what we understood today from our conversation with the consultant, we should have had an extra \$1 million in that account.

Alderman Deane

Can you go back to that one slide for a minute? You are kind of really winging through these. So the property and casualty was \$2.3 million?

Maureen Lemieux

Yes, and then the other portions of the health account, which is dental, long-term disability – there are a number of pieces in that, and that we are forecasting at \$1.2 million. Now the budget numbers did not end up exactly this way, but the bottom line is what we were concerned about. The bottom line was \$17.7 million level funding.

In January of '05, we actually started as you know preparing this budget in November of '04. In January of '05, we took a look at a linear regression model, and this actually goes to a lot of the questions that Alderman Shaw had last week. We tracked the actuals, the total policy costs – the actuals for a 24-month period, and then had it calculated mathematically what the trend would be. This was our trend in January of '05 as we saw it. What that trend showed was that our costs were clearly running higher than we had anticipated that they would be, but that we would be able to cover the overage in the account. We have about \$600,000 that is actually in our unallocated reserve. That money would have combined to allow us to end up having no real shortfall in this

account. We would have still had to have replenished the reserves in the property and casualty account, but other than that we would have been able to cover the shortfalls that we were seeing.

When we projected out that model the forecast for '06 appeared to be about \$20 million, which was a 12% increase. At that point in time, once we had seen that the trends were increasing, we asked our consultants from HRH to look at some of the trends in the account. They sent us a couple of different communications. Some of this we have shared with you already that our total plan costs had increased by 24%, the number of people with claims greater than \$25,000 had increased by 68%, our outpatient claims had increased by 33%, our surgeries had increased by 31%. What we really have is a combination of things happening here where we probably should have put more money in this account to begin with in '05, but we also had claims experience that was very different from what we had had in the prior couple of years. We also had when we looked at the analysis, an aging membership, which we didn't necessarily expect to find this – we have had many, many retirements in the city over the last few years particularly in the School Department, and would not have necessarily thought that our 50-64 age category was increasing, which it has been, and our younger employees, which may be a sign of the times and a sign of the generation, they have come here and worked for a few years and then apparently left, which is something that the older people naturally do not do. It may be a generational thing. We will clearly be watching this as we move forward because we may see more of this – of a change in age category even though we have had several retirements in the last few years.

Now we have fast-forwarded to March of '05. We have a couple of more months of actuals. We needed to understand where our projections would be. When we looked at this we were not anticipating this spike right here. This is actually December's bill, but when we came to you last week we paid \$400,000 of this bill in March and so what we thought when we came to you last week was a huge increase in January, February, and March we have now found out was not quite what it appeared to be last week, and actually the initial spike was in December. That has somewhat given us a sense of confidence that at least January, February, and March have not skyrocketed like we thought they had, which caused us to come here last week not quite having a handle on this account at all.

When we looked at this we compared it to this is the forecast that we had in December or January and this is what our forecast looks like now. As a result of having these couple of extra months of actuals that are way up here, we are currently forecasting March being here – the new linear regression shows that this would be the trend.

That trend now says that we would be projecting as much as a \$2.3 million shortfall in this account. The \$2.3 million is what we believe it will come in at, however, we are still having difficulty reconciling this to our 508 account, and so we are really not certain today sitting here exactly what this number is. We have analyzed this every way that we possibly can, and what we believe is that it will be probably at least \$2.3 million and potentially as high as \$3 million. Our unallocated cannot cover this.

The other problem that we are now dealing with is our P&C reserve cannot be tapped into this.

As many of you know we had an extremely large settlement just a few weeks ago from the property and casualty side and so where we thought that we had several hundred thousand dollars on that side we no longer have that.

How are we going to begin to solve this? What we do have is \$518,000 in unallocated reserve in the health line. That amount of money is certainly available to us to help solve this problem. As I said when we were initially forecasting a few weeks ago that we would have money on the P&C side that is no longer available to us. We know that welfare costs are running substantially under budget. We have \$100,000 here. We are going to take a closer look at that account. We think this number may be as high as \$200,000, but we are not ready to give you that number yet. Then we would really have to go to our fund balance. We did have the Pennichuck settlement this year. That becomes somewhat irrelevant because it ultimately is fund balance one way or the other, and that is where we would have to go for the remaining money that we would need to cover the shortfall in this account.

We will also be coming to you looking to increase the unallocated reserves. We have utilized as I said far more of our property and casualty reserve than we anticipated, and now we would be utilizing our unallocated health funding.

If we went by our linear regression model we would be projecting the FY '06 policy costs to total \$22.2 million. The linear regression is showing just over a 15% increase. However, when we have talked with our consultant he believes that we need to project an 18% increase in this account. If they we are basing this on a \$24.4 million total policy cost for '05 it means that in the end we would need to budget \$23.1 million in the 508 account. We take in a number of revenue. There are a lot of different things that happen in between this \$24.4 million and the \$23.1 million. We take in \$7.6 million of revenue between our employees and our retirees with what they pay into the plan. We also have to then add in all of our property and casualty costs. Our net result is we would need a budgeted figure of \$23.1 million. That is about \$4 million more than we have currently forecasted for the '06 budget.

We then have taken a look at Solid Waste once again.

Mayor Streeter

I am continuing to recommend that we take outside trash for no longer than a five-year period. This would reduce the useful life of our landfill by less than 2 years. It would bring us revenue of \$1.7 million. I realize that the Board of Aldermen has indefinitely postponed this. I think it is something that we should resurrect along with some other measures that we will talk about relative to trash. That will bring us another \$1.7 million. I understand that some people have some serious concerns about this, but when you consider that the fact that our landfill has a life now of well over 30 years 1.8 years is not an extraordinary amount of time. As I say tough times require tough decisions.

Also the other factor was that BFI did notify us that they were going to redirect their trash disposal, which would result in a decrease revenue of up to \$900,000. That hasn't changed to the best of

my knowledge since they first alerted us to that fact several weeks ago.

Maureen Lemieux

When we add all of this together, when we met with the Budget Committee last week, at least what we knew as of March 30th, what appeared to be the worst case in all of these different scenarios, totaled \$12.1 million. Obviously some of these were loses in revenues, others were increases in costs. We are now, after spending a considerable amount of time analyzing each of these different areas, we are now currently projecting that Education Funding may drop by as much as \$3.3 million from what we had. As the Mayor stated earlier, the House Education Committee at least passed the Bill that would have Nashua receiving \$23.4 million. It is now sitting in the House Finance Committee. It still needs to go to the Senate. Our delegation is working very closely with us and diligently trying to have Nashua's Education Funding increased. If we receive \$25 million this would be \$3.3 million less than the Governor's plan was recommending. Level funding would be \$26 million. We certainly are hoping for at least level funding, but currently we would not want to project anything more than \$25 million.

The insurance costs we certainly talked about – it appears to be as much as \$4 million that we need in next year's budget. Hopefully we will be refining that number a little bit more, but certainly at this point we would be talking about \$4 million. The contract trash as of the moment, as we all know the Board of Aldermen has indefinitely postponed that and so we would need to add \$1.7 million to the deficit at the landfill.

Alderman Bolton

Before you said that we would need a million to replenish the reserves in the insurance fund. That is not on there correct?

Maureen Lemieux

That is not on there.

Alderman Bolton

That is another million?

Maureen Lemieux

It would be a million if we put it in as a budgeted figure for next year or we could look at taking it from fund balance this year.

Alderman Bolton

The result would be though that if we had it in fund balance and we do, but if we were willing to let

fund balance reduce to that level we could otherwise use that to reduce the amount that had to be raised in taxes.

Maureen Lemieux

Yes.

Alderman Bolton

So one way or the other it adds to the amount necessary to be raised by taxes.

Maureen Lemieux

Yes. Then BFI – the conversations that we have had with Rich Reine we have not yet seen any substantial reduction in revenue at the landfill, and in fact we have seen increases from our other major hauler to the landfill. We don't know quite at this time if it is only that BFI has needed time to put their new plans in place or if we would really see as much as a \$900,000 reduction in revenue. The Department of Public Works seems to think that \$500,000 might be what the real reduction in revenue is. That is our projected number, but again we are not positive on that one at this point in time.

President McCarthy

Is the \$900,000 their entire business with us during the year or...

Maureen Lemieux

No. I believe their entire business with us approximates \$1.2 million with \$300,000 of that receiving residential credits. The revenue impact is \$900,000 or somewhere less than that.

Now we are here tonight expecting potential significant changes of \$9.5 million, which would translate into an additional 6.6% on the tax rate. What are our proposals to you? First we would propose three different revenue changes; we are certainly putting in front of you once again the concept of taking contract trash at the landfill understanding that the Board indefinitely postponed it, but because we have had all of these different changes we certainly would ask you to at least consider that once again. We could establish a road improvement fund. The State has allowed now that the city could collect an additional \$5 per vehicle that is registered in the city. We register about 90,000 in the City of Nashua each year and so the road improvement fund could generate \$450,000. We would ask you to take a look at the residential credit program at the landfill particularly for the commercial apartment buildings, the Royal Crest and places like that. The residential credits that we give to large commercial apartment buildings total about \$350,000. We would look at potentially increasing our revenues by \$2.5 million.

We then took a look at the capital projections that we had in the budget. The School Department

as you know for years now we have been budgeting \$600,000 for deferred maintenance. Certainly as we start walking through all of these, there are many difficult decisions here. We worked very closely through our budget process with all of the Division Directors and Department Heads, and they put a tremendous amount of effort into what they budgeted this year. I am happy to say that they have also been working with us in this process. We have met with all of them. Some divisions would like to come up with their own reductions, others want the administration to recommend reductions, but I certainly want to thank all of them for all of the help that they have given us.

The Fire Department – as we realized when the Fire Department was at the Budget Committee the deferred maintenance for the Fire Department was inadvertently omitted from the budget. What we would propose to do would be to add back \$100,000 instead of the \$225,000 that we would have put in the budget, which was inadvertently omitted. We would recommend postponing the Allds Street/Salmon Brook guardrail, which is \$145,000 in the budget. We have a significant amount of money in the sidewalk budget right now. Now certainly we understand that we are just putting the contracts out as this is certainly the time of year when we would begin to utilize that money, but we would recommend taking \$150,000 out of next year's allocation for sidewalks. Rotary Park we would recommend taking the \$50,000 out of the budget. We apparently from speaking with Director Hersh, we do not need to have the local match in the budget. There is other money that has been generated so we do not need the \$50,000 in the budget. Our capital recommendations would be a reduction of \$450,000.

We would propose to reduce a number of different appropriations. We have a list that we will certainly get to you tomorrow that has about \$493,000 worth of specific reductions to the proposed budget. Some of those would be the couple of different new positions that are in the budget. There are other items that are on that list. We have gone through the budget basically page by page and looked for different areas where we thought we would be able to reduce next year's budget. We looked at the capital reserve fund. We have been fully funding that account now for the last few years. Not catching up on what we hadn't done prior to that, but at least we have been fully funding it for the last few years. Our proposed budget included \$717,000 worth of funding for that account. We would propose that we reduce that to \$500,000 taking \$217,000 out of that account.

We also took a look at our contingency retirements. Now the School Department has been budgeting very tightly on that line over the last couple of years. They have had a significant amount of retirements, so their line they really do not have much money in reserve at all. The city side, however, has almost a million in reserve in our contingency retirements. We had \$400,000 in the budget. We would propose changing that to \$200,000 for this year. There is a potential savings there of \$910,000.

We then looked at our departmental appropriations. As I say we met with all of the Division Directors Friday morning I believe it was. Some people requested that we make the recommendations and that we look at the programs and recommend which ones we think the city could do without. Others said that they would much rather be in control of their own destiny and would prefer that we just put a 1% reduction out as a proposal.

Those numbers when we went through and did 1% in each department – as we did all of this it ended up totaling \$1,426,000. The School Department in particular was one of the departments that wanted the Mayor and the administration to recommend what our cut would be.

Mayor Streeter

A couple of possibilities would be to recommend postponement of curriculum development or the closure of the alternative school. The closure of the alternative school will create a disruption for the moment; however, it will only affect approximately 60 students as opposed to the 13,000 students that will be affected with further reductions in the curriculum development project. Those are the two recommendations that we would hope that the Board of Education would center on.

Alderman Gage

When you send us everything tomorrow are the recommendations from the administration to those departments that asked for specific recommendations –are they going to be in there?

Maureen Lemieux

They will be part of it. There are very few that wanted us to recommend. Most of them would much prefer a bottom line. There are very few, but we will recommend that.

Alderman Gage

Are we also going to see from departments that wanted to do their own – do you have what they were putting together?

Maureen Lemieux

I know we have some of them. I am not positive that we have received all of them yet.

Alderman Gage

You will get them to us?

Maureen Lemieux

If we don't have those yet we will certainly be forwarding them to you as soon as we get them.

Alderman Gage

Thank you.

Maureen Lemieux

The other point that I would like to make on the School Department – when we are talking about these reductions we are not necessarily talking about replenishing these accounts next year. If the city were to cut the curriculum development program there is no guarantee that money would be replenished next year. That is why if that is what the city is looking at doing that is something that we would certainly need to contemplate very seriously because you would presume that some other program along the way would have to be cut so that the curriculum development could be re-established. These are not one-year reductions these are probably reductions that the departments will have to live with for a very long time.

Mayor Streeter

I might add as a further suggestion, but it is kind of late in the game to do that, and that is you could close an elementary school and save a million dollars, but in talking with members of the Board of Education and School Administration, this is not the appropriate time during this fiscal year to discuss that. We would have to look at that in the future.

President McCarthy

Can you back up some? Where were the reductions in the Board of Aldermen's budget derived from? I don't remember whether I told you I wanted reductions...

Maureen Lemieux

And you did not Alderman McCarthy I apologize. We can take that one off the list or we can leave it there.

Mayor Streeter

It would be my recommendation that everybody suffer the same fate, and I would hope that since the Mayor's office would be doing that we would hope that the Board of Aldermen would see fit to reduce their budget by 1% too.

President McCarthy

I guess my point is that we were not in fact contacted at all prior to this point to be asked where that would come from.

Maureen Lemieux

I apologize for that. All of our revenue recommendations and all of our increases to revenue and decreases to appropriations up to this point total \$5.3 million. As you recall we were looking at probably \$9.5 million of potential variances so that would leave us still \$4.2 million above or \$2.9% as it relates to the tax rate.

Alderman Rootovich

That is 2.9% on top of the 5.4% we had.

Maureen Lemieux

Yes.

Alderman Rootovich

So we are still looking at

Maureen Lemieux

Just about 8%. If, in your deliberations, that becomes unacceptable to people, the next place that we would look, and this becomes very difficult, is we would look at the merit salary increases and we would look at the money that is set aside for contingency negotiations for FY '06. Now both of these, which is why we didn't go here quickly when we were looking for money to find, the merit employees – the reason that we could potentially do this is because they are not unionized. We have about 130 merit employees in the city. We would anticipate that probably as many as 75 or even more would manage to find their way into a union. The merit employees for anyone who was hired after I believe it was 1995, it is either '95 or '96, for anyone who was hired after that date, when they retire, we only pay back 20% of whatever they have for sick days on the books. The union employees, particularly for UAW I can certainly talk about UAW – they receive as long as they have accumulated it, 90 days pay which most of the unions do -- if they have 90 sick days accrued they get paid for up to 90 days.

Having employees join unions becomes extremely expensive for the city so it is something that we would really have to think long and hard about. It certainly is an easy place to go when we are looking for money, but we are very concerned that it will have extreme consequences for us.

Clearly looking at the contingency negotiations account could also have severe consequences for us, but we felt that it was important to put these on the list as decisions that we could certainly make.

Mayor Streeter

In addition, I have asked the representatives of all 16 city unions to meet with me this month to begin discussions on asking them to eliminate raises in the first year of their contracts.

Maureen Lemieux

If those recommendations were added to what we have so far, now we would have total proposed

changes of \$6.5 million, which would still be a \$3 million variance, and would be an additional 2.1% on top of the 5% that was initially part of our recommendation. This is where we have stopped with the recommendations. We clearly as a city probably need to look at all of the things that we do. Perhaps we need to look at whether or not we want to put a hold on some of the capital projects that are currently before you. We certainly have all of the open positions on hold at the moment while we determine whether or not it is critical that they are filled. We looked at all of the summer help that we hire as a city and we spend a significant amount of money on summer help. If we were to choose not to hire summer help though that would mean that we would have to make the decision whether or not we were going to keep our pools closed for the summer, whether or not we were going to maintain our parks in the way that we have always maintained them, and we certainly hire several people in the area of solid waste because as you know with all the soft yard waste we have more people collecting trash in the summer than we do in the winter months. We have certainly taken a look at those things as well as other things, but this is where we felt that we needed to stop with what we were recommending.

Alderman Rootovich

Maureen is there any talk at all about reducing headcount?

Maureen Lemieux

We did not approach it from reducing headcount. We tried in our analysis to maintain the headcount. We have spoken with all of the Division Directors when they were presenting their budgets to the Mayor. We felt comfortable that what we sent to you was a headcount that was required in the city. We did not look at reducing it. We tried to do all of this without reducing headcount.

Alderman Rootovich

How many employees do we have citywide approximately?

Maureen Lemieux

I believe we have about 2,400 or 2,500.

Alderman Rootovich

If we reduced the headcount by 3% we could save \$4.5 million, which is 75 people. That is 3%. That is a major impact - \$4.5 million. I would again urge you and the Mayor to take a hard look at that.

Alderman Johnson

We are at the point now we still have to come up with 2.1% on top of this. Everything you have brought here tonight you have now kind of said to us figure this out. I sent a memo last Friday to

all of the members of the Board saying that this budget really needs to go back to the Mayor and that he really needed to put everything into the budget. To come back and say this is where you are stopping. I think everything really needs to be put on the table, and also what Alderman Rootovich just said.

I have been on this Board 4 years and every year I was told there was a hiring freeze except for critical, crucial positions. Every year we keep hiring more and more people. We are in this mess because we couldn't say no to certain departments because every year there was a directive from the Mayor that every department would be at either 2.5% or 3% whatever he had that year and yet three departments were allowed to go over this. I didn't create this mess. I think the fire station should be put on hold right now. I think a lot of other programs have to be put on hold because I don't think it is fair for all the taxpayers of the city to come up with – that we are going to have to give them an 8% increase and yes we still have Step 2 of the assessments on the homes. If we think we are in trouble now – if people can't afford their taxes and they walk away from their homes the shift is going to come to everybody who is left in this city to pick up the balance that the people cannot afford. I am not happy with this, and I think the Mayor and his administrative staff need to come back again and give us a complete breakdown of where he thinks he should reduce because I didn't make this mess and we are still in the hole at this point in time. This is outrageous. Thank you.

Mayor Streeter

May I respond Mr. President?

President McCarthy

Mayor Streeter.

Mayor Streeter

We presented you a plan tonight that will result in a far different budget than what we presented to you in February. I did not recommend eliminating positions. We did recommend not filling positions and so forth and we did recommend a 1% cut across the board. I feel and many of the division heads feel that we are offering the services that the people of our city expect, particularly police, fire, and education. I am not going to advocate Alderman Johnson lopping off jobs just for the sake of lopping off jobs.

Alderman Johnson

Mr. President I need to respond. Thank you. I was in New York this weekend for my Mother's funeral and I was talking to my cousin from Buffalo. Because the county in Buffalo was short money they closed down parks. They have been eliminating positions and why because they have no money to fund it anymore. We can get to that position or we can start doing what we really need to take a look at – where we are going to make reductions. This is only part of what is

being done, and now the rest of it is being told to us figure it out. I am not going to nickel and dime this budget like I have had to all the years go line by line. There is a reduction that has to be made and it has to be done and it is hard choices and we have to make this because the other hard choices are going to come in that these people cannot afford – our elderly, our disabled, and the average working person in this city can no longer afford the luxuries of this city.

We were the number one best place to live two years in this city, but now all I hear from people is it is so expensive to live in Nashua. Rents have had to be dropped. Apartment owners can't push the cost out to anybody anymore because they are not going to have tenants. If you don't have tenants nobody can afford to pay their taxes. It is really a shame what has gone on in this city. It is a real shame. Thank you.

Alderman Deane

Thank you. I wanted to get back to the crux of the problem. I had requested that somebody from Hilb, Rogal, & Hobbs be here. Are they here?

Maureen Lemieux

Yes.

Alderman Deane

May I continue? We have a problem here with our medical and dental programs as you can very well see. My first question is when you are contracted by the City what services do you provide to the City of Nashua – to our Risk Management Department?

Kevin Connolly, Hilb, Rogal, & Hobbs, Boston, MA

Primarily I will call it very globally actuarial and underwriting type services. Certainly consultations with respect to what is going on from a statutory perspective in terms of legislation and plan design, etc. Primarily financial actuarial/underwriting type services.

Alderman Deane

Can you explain your renewal projections and your work rate calculations? We have a summary that we got – you must have a copy of it.

Kevin Connolly

I have our original report if that is what you are referring to for FY '05.

Alderman Deane

Yeah it says prepared for July 1st '04 to June 30, 2005. When you go to the second page of the Executive Summary, your costs when you go down to the very bottom bullet it says "The City implements the same contribution methodology as is currently utilized in each plan cost an increase based on individual plan experience, the city's costs are projected to increase 7.6% or \$1,212,181." That is not incurred costs right that is plan costs?

Kevin Connolly

A bit of a jargon issue – I will describe it as total plan cost. Incurred is a different kind of terminology that is usually used in the context of – well it is just different terminology. I will describe that as \$1.2 million on top of total plan costs.

Alderman Deane

So your 7.6% was \$1.2 million on what?

Kevin Connolly

If you will jump to Exhibit 1 you will see in the second set of white boxes there that were for the period 7/04 – 7/05 we were projecting total medical plan costs of \$23,467,000.

Alderman Deane

Now if we didn't use the appropriate funding amount last year for that account and new added 7.6% obviously we would be shy in that area. Is that correct to assume?

Kevin Connolly

I am not sure I understand your question Mr. Alderman.

Alderman Deane

If we are adding \$1.2 million or 7.6% to a number that wasn't funded enough to begin with in prior year...

Kevin Connolly

Oh certainly yes, absolutely.

Alderman Deane

So that is how I am assuming what happened. The advice of the report that you gave us wasn't followed through with or it was misunderstood. In the area that we needed \$17,257,000 as the city's cost we only ended up with like \$13.2 million by the time the dust settled.

Kevin Connolly

Understand.

Alderman Deane

I take it that is what happened. That is the way I understand it. We had a meeting discussing this and it kept getting into – the word incurred kept being used on this plan. I was under the impression that – you are not involved in our budgetary process, and you just basically give us the plan's cost – the medical and the dental plans cost and the percentage of increase that you are projecting.

Kevin Connolly

That is correct. We are certainly happy and able to help you with the budgeting process, but historically have not. Our role has been tell us what you believe total costs will be.

Alderman Deane

I had requested some run rates and we were told this evening that these were reviewed. Maureen brought a chart up. It was my understanding the other night that this document was still being worked on that we got. They just put this together. I believe Mrs. Anderson put this together.

Kevin Connolly

I don't know the source of it, but I do have the document.

Alderman Deane

When you look at this this document is within thousands of dollars of your projections, and these are actuals.

Kevin Connolly

For FY '04 that is correct. Obviously FY '05 is not complete on this exhibit.

Alderman Deane

Right, but the number that you projected of increase wasn't budgeted either so. We already know the underlying problem there. We are dealing with it tonight. I would like to thank you for coming and helping me understand this and actually hearing it from you. We do have quite a problem on our hands that really has nothing to do with your services. Thank you very much.

Kevin Connolly

Thank you.

Alderman Bolton

I believe I heard earlier that we should have put in another \$1 million. Listening to this discussion it sounds to me like we were \$4 million short. Am I missing something?

Carol Anderson

One of the things that we were trying to qualify and with Mr. Connolly this afternoon is when we were looking at that \$17 million that amount of money did not make any allowance for the grants that we have whether it is for the 9801, the Solid Waste, the Enterprise Funds, the school grants, and also for some of our retiree money so that was a gross number that we were working with. What we had started with was \$13.2 million plus \$1.2 million that we had been told we should be adding from the Executive Summary brought it to \$14.4 million, but if you take this \$17.7 million and you subtract out those grants then we are down to like \$15.8 million so that is the million dollar discrepancy in budgeting. Would you agree Kevin that is the discussion we had today?

Kevin Connolly

I agree with the discussion we had today regarding the numbers. Regarding the budgeted figures and those other sources Carol that is not part of the discussion I had, but I hear what you are saying in terms of understanding the \$17 million and not taking into account the grants. I hear you yes. Agree.

Carol Anderson

As long as we agree that the \$17 million excluded grants and that is how we got back to our numbers.

Kevin Connelly

Agree.

Carol Anderson

Okay.

Kevin Connolly

You threw me with other waste stuff and everything else.

Alderman Bolton

If I can follow up on that, do we in fact – money that comes in from grants do we transfer that money into what is available to pay the expenses incurred in this health insurance account?

Carol Anderson

What we generally do is the bill will come in, and I have spoken with Sue Jeffery, and you have money that you deducted from your employees, you have money that is coming in from the State for the New Hampshire retirees, you have COBRA, and you have employee deductions. All of these monies are available to pay those total claims. Those monies are offset against what we have as the city share and then we have all of these others so it is a net amount that the city is paying. The net difference between the total plan cost less those other revenue sources if you want to call them that.

Alderman Bolton

So when you add up all of that we're coming out how many dollars short this year?

Carol Anderson

Between \$2 million and \$3 million.

Alderman Bolton

That is what we heard Maureen say earlier. Thank you.

Alderman Dion

I appreciate the Mayor cutting his vacation short to be with us this evening and give us this presentation. I don't believe the plan submitted this evening is going to solve our problem. Our problem is much deeper than 1%. It would take a bigger cut than 1% to bring the tax rate down to a respectable level. For the last five years this administration has brought their budget to the tune of \$10 million pretty near every year. We have gone up in 5 years over \$50 million in our city budget. I feel sorry for our seniors and I also feel sorry for the young people that are just starting out. The rents are out of control. I was talking with a builder the other day. He put up some condos and he is bragging that he is renting them out at \$1,500 a month, which he thinks is a great rent. To me I think it is an exorbitant rent - \$1,500 a month equates to you should be making about \$75,000 a year to afford that rent. How many people in the City of Nashua make \$75,000 – not many. Anyway to make a long story short we are going to have to tighten our belts a lot more than 1%. Gas has gone over \$2 a gallon, fuel oil has gone up to \$2.14 a gallon, telephone bills have gone up, cable bills have gone up, electricity has gone up, water has gone up – now we are proposing another \$5 to tax our people when they register their cars. If that isn't a tax increase what is it?

To make a long story short Mr. Chairman government is too big. We have to cut it down. We have to cut this budget. I have been saying this for 7 years. Nobody is listened we just keep on spending, spending, spending. It has to come to a stop. The administration has got to take the bull by the horns and say we're going to cut this budget down to a respectable level. I am not going to vote for a budget that will increase taxes to this degree or any degree. Thank you Mr. Chairman.

President McCarthy

Are there any other questions regarding the insurance?

Alderman Tollner

First of all I just want to state for the record I do conduct business with Mr. Connolly on a regular basis so I want to make sure I clarify that for everybody. Kevin I just need some clarification. I try and stay away from this particular account the best I can. I don't get involved in the renewal because I work for one of the carriers that provide health insurance to the city. I just have some pretty basic questions. When we saw the spike in claims what would be your recommendation or your role in working with the city and working with the carriers to address the substantial increase in the utilization as far as initiating some programs to try and bend that curve a little bit?

Kevin Connolly

Alderman Tollner I've got a fairly extensive set of reports into Risk Management with a variety of ideas that span not only short term, but 3-5 year horizon. You know as well as I do it is some combination of reducing the number of services that employees receive in terms of healthcare, increasing what they pay for the cost of healthcare or increasing what they pay in terms of employee contributions. It is a matter of making the healthcare bill actually smaller or paying more for it in one way shape or form. I've got a series of recommendations in a 30-40-page report into Risk Management.

Alderman Tollner

In your professional opinion – first of all the City made a decision a few years ago to move from a fully insured arrangement where for the public's information we pay a premium and the risk is born by the insurance carrier – we made a decision a few years ago to self-fund where the city would pay an administrative fee and then we would be responsible for our own claims. There have been some questions and some dialogue over the last few weeks whether the city should move to a fully insured arrangement right now and move away from a self funded arrangement. What would be your recommendation with regard to that?

Kevin Connolly

An employer of 2,000+ employees you should be self-insured. I see very little opportunity for exception to I will call it that general rule. In addition to which if you in fact believe that this year

represents a spike in cost next year would be precisely the inopportune time to go back to an insured program. I think the self-insured arrangement works and I think it works reasonable well.

Alderman Tollner

I would agree with you. There were also some questions brought up about the ... **tape flipped** ... is a reasonable target or a number and also if the city were to look into lowering that figure maybe you could explain for everybody – re-insurance has become pretty expensive so if you lower it from \$250,000 to say \$100,000 of course the city would pay an increased premium in the re-insurance.

Kevin Connolly

A substantial increase – a substantial increase in re-insurance premiums. Two hundred is about the right range. There isn't a hard fast as you know technical rule for the employer this large how much in risk can they or should they assume. If you are going to drop down to something in the vicinity of \$100,000 your fixed costs are going to increase significantly. I don't think that is advisable. I really don't.

President McCarthy

Do you say that because you have examined our claims that are in the \$100,000 to \$200,000 range and understand that our experience doesn't make it beneficial or is that based on general knowledge?

Kevin Connolly

I say that in both respects in addition to which you from an actuarial perspective drive yourself crazy looking at what by definition is a random catastrophic occurrence. I appreciate the environment that we are in here, but you can't look at it in a tight 12 month period you need to look at random catastrophic occurrences over a 36-60 month period to get a better sense of what the pattern of loss is.

Alderman Tollner

I kind of know the answer to this, but when we look at total plan costs, and I think that was the definition that when Alderman Deane was asking you some questions earlier you defined as total plan costs I would think your recommendation to Sue and Maureen and the City as a whole would be given the position we are in now with the increased costs would be to take another look moving forward at the working rate that we would be using to fund the budget for the 'health insurance plans right?

Kevin Connolly

Okay. Is your question what is the recommendation for next year?

Alderman Tollner

Of course I think our recommendation would be to increase considerably the working rates given the experience that we are looking at right now.

Kevin Connolly

Yes.

Alderman Tollner

Then I guess my last question is – I think you would strongly recommend to the city that they engage the services and activities of the two health plans that are providing services – health insurance services to the city – basically administrative services to the city to educate the city employees on better ways to live healthier lives and how they are using their health insurance plan correct?

Kevin Connolly

Totally agree, and to the extent there are in fact services out there that each of the vendors provide that were not taken advantage of – in all honestly I can't list them off the top of my head – we very definitely should. That is part and parcel certainly not the cornerstone, but part and parcel of some of the recommendations that are included in our report. Very definitely.

President McCarthy

I would like to ask one question regarding your comment about the length of time the data has to be analyzed. When we were looking at the linear regression analysis I couldn't help but notice that while the trend is actually visible there, the deviation on a month-by-month basis is absolutely tremendous. It seems to me that when we arbitrarily divide that line up into fiscal years whether it starts and ends in a good month or starts and ends in a bad month is going to greatly affect the outcome for that particular year.

Kevin Connolly

I completely agree. I believe the technical term is the correlation co-efficient. Basically I will attempt it in English – how good a fit to the straight line are the data points. The more variation you have in the data points the worse the fit, therefore, the more difficult the predictability. Did I do that in English?

President McCarthy

Yes. The bottom line lesson to be learned however is that because one had a \$1.3 million savings in last year is no reason to suspect that you will break even in the next year. It may well

be that is the year where you get the \$2.6 million overage and in fact what we fund on a yearly basis should match that linear progression and not the difference between what we had last year and what the linear progression shows.

Kevin Connolly

I agree.

President McCarthy

-
When we have overages we should be banking that in the trust fund because sooner or later we will have to pay it out.

Kevin Connolly

-
Agreed.

Alderman Shaw

Are you going to be providing the city the same projections and working rate calculations for the upcoming fiscal year?

Kevin Connolly

Yes sir just about complete – within days if not hours.

Alderman Shaw

Have you actually – that work that you have done thus far along with the projections that the city's administration is using, are we consistent at this point in terms of what we are looking at or I guess can you comment on that?

Kevin Connolly

The problem that I have with that is that again let's go back to our role, and again we are happy to expand our role, but our role has been what is total plan cost. I can tell you what I believe total plan cost will be within a fairly tight range for your next fiscal year. What goes in underneath that in terms of setting the budgets is not a process that we have had a lot of involvement in the past, but I can certainly tell you the top line.

Alderman Shaw

I would be very happy to know if your top line agrees with our top line.

Kevin Connolly

The top line – I don't even know if I recall one in the numbers I saw tonight. The top line we see for healthcare not dental, just health insurance – neighborhood \$28.3 million to \$28.8 million. Obviously that is a half a million dollar range on \$28 million. We will be tightening that up and give you a lot more precise figure.

Alderman Shaw

Thank you.

Alderman MacLaughlin

Thank you Mr. President. My question is – first of all thank you for making the trip up from Boston.

Kevin Connolly

You are welcome.

Alderman MacLaughlin

My question simply is this – has there been any projection performed by your firm or anyone as to what the linear regression would be if city employees had a greater percentage of co-payment in their health insurance. The question here really is we are looking at currently negotiated rates at the 95% contribution by the city in these plans. This is something my employer, which is no small retailer either here in the state or in New England has access to. Our co-pay rates are much higher and much more realistic as are those of the 6,000 Nashuans who are engaged in the retail sector that I am part of. My question is have we even suggested that we offer you that sort of data?

Kevin Connolly

We have looked many times over the years – I have been associated with the city for many years – at a variety of ideas and possibilities to reduce plan costs, which include both benefit changes and as you suggest changes in I will call it the payroll deduction cost on the part of the employee. That is very straightforward simple math. If the payroll deduction goes up city cost goes down – looked at a variety of scenarios. Obviously the issue you have here is I don't know the precise number, but something in the order of 85-90% if not more of all of your employees are collectively bargained. We can run the numbers forever, but it is all still subject to collective bargaining, but I hear what you are saying.

Alderman Tollner

It is safe to say and I think you will agree and this has come up at other meetings as well – if the city was to increase say the office visit co-payments benefit level of a plan to say \$5 to \$10 or \$5 to \$15, change emergency room co-payments and do something with hospitalization let's say and

also changes in co-pays for pharmaceutical services. That also would have an affect on the overall utilization of a particular group. Studies have shown when you increase the co-pays and the contributions on the benefits side of an offering employees tend to use those benefits more diligently not as liberally as they would when the benefits were richer correct?

Kevin Connolly

Agreed. What you are saying Alderman Tollner is that the savings are greater than the past number of prescription drugs multiplied by the increase in co-pay and that because of the increase in co-pay you will have fewer prescription drugs going forward. Agreed. The savings is two fold – less prescription drugs as well as increase co payment on those just to use the drug example.

Alderman Tollner

The businesses that you deal with both commercial and municipalities employees that contribute roughly 5% of their health plans are in the minority wouldn't you say so?

Kevin Connolly

Yes.

Alderman Tollner

Thank you.

Alderman Rootovich

Can I get clarification on a number? If I stand corrected somebody tell me. I heard Mrs. Lemieux say the health insurance costs next year would be around \$23 million and I just heard the gentleman say he is going to propose \$28 million.

Alderman Bolton

The differenced is that is total cost, which includes the 5% that the employees pay and also as Mrs. Anderson talked about before some other money comes in on the grants so that we don't have to fund that out of that \$23 million.

Alderman Deane

You had made mention about the strategy document that you had given the administration. Could you go into that a little bit?

Kevin Connolly

Basically what was requested of us is put together some ideas that we could look at to address the issue of increases, future increases in program costs. We basically approached it from two perspectives – again given that so much of your plan costs and so many of your employees are collectively bargained you have to look at it from two perspectives; it is very easy to come up with ideas. There are a ton of them out there new and old in terms of like I said it is very easy to increase contributions or reduce benefits – those ideas are out there, but also I think you need to probably engage your bargaining units in the discussion of the issues at hand, the increases in cost, and basically what we laid out was for lack of a better term I will call it a short and long term strategy process also including the technical end of things in terms of contribution and benefit changes. The entire process or recommendations regarding how to go about that process is what we laid out.

Alderman Deane

Mrs. Lemieux are you listening?

Maureen Lemieux

No unfortunately I am not.

Alderman Deane

We have been having discussion about a strategy document. My question to you is – we just spent two hours talking about most of this – have you seen this document that pertains to health insurance? Maybe you want to give her a little overview of what you just described.

Maureen Lemieux

Thank you Alderman Deane. I don't need an overview. We met with Kevin about 6 or 8 weeks ago and requested this document. This is to help the city as we are moving forward develop different strategies with what we think we can do. As we stated because most of our employees are bargained we cannot just arbitrarily go in and increase the contribution levels so what we did was we asked him to go back and take a look at some of the different strategies that we could potentially use as we move forward that are not part of the bargaining process so we could at least begin to have some control on these costs with areas that we have control over.

Alderman Deane

So we have only had this document for 6 weeks?

Maureen Lemieux

Approximately yes. I forget what the date is on it, but ... two months maybe – not very long.

Alderman Deane

Thank you.

Alderman Cardin

I had a question about pre-authorizing out patient services and if there is any cost saving benefits for that.

Kevin Connolly

Out patient services is probably the single biggest area of health care costs right now. In particular there are areas such as I will call it high end or high cost general area of lab and x-ray procedures, cat scans, MRIs and the like – yeah there is a fair amount of benefit – nothing that is going to save the world in terms of significant dents in plan costs, but you have to chip away at all of the pieces. That is a pretty good one. That is a good place to start.

Alderman Bolton

It has occurred to me that there is something – among the many things I don't understand one of those things just occurred to me. We speak in terms of the city's contribution toward the cost of the plan being 95% and the employees being 5% and that makes sense to me when we are talking about premium costs when we are in a fully insured plan. How do we decide – what are we talking about 95% of and 5% of when we are self insured given that we are not paying a premium that takes into account the risk that we are transferring to a carrier?

Kevin Connolly

You heard Alderman Tollner earlier reference the term working rates, and when you are self insured what you actuarial consultant does for you is develop the equivalent of premium rates for budget purposes although that is perhaps an inappropriate term in this context, but basically taking total plan costs and converting it to the equivalent of premium rates. You pay 95% of that particular premium equivalent rate. The jargon we use is the term working rates.

Alderman Bolton

That is one of the things that you are engaged to determine.

Kevin Connolly

Correct.

Alderman Bolton

Presumably and I guess this is one of the things that Alderman Tollner asked, when a self insured plan of this nature has a bad experience that will then cause an increase in the rate?

Kevin Connolly

Correct.

Alderman Bolton

Thank you.

Alderman Johnson

I guess this is just a general question for Mrs. Lemieux or Mrs. Anderson. These reports that have been out 6 weeks ago is the Board of Aldermen going to be able to be privy to this and any new recommendations can we get so we get a clear, concise understanding of what is going on – what has and what will be recommended?

Maureen Lemieux

Actually Alderman Johnson as you can imagine we have been heavily involved in budget for the last month or 6 weeks so we have not spent a tremendous amount of time going through the report, but we can certainly get a copy to all of you. As I said our intent was to look to see what it is that we could do as a city to change some of the things that are within our control. We can certainly put a copy of the report into all of your boxes. If there are things that jump out at you as a group that you would prefer to see us move toward we would be more than happy to take your input.

Alderman Johnson

I understand you have been so involved with the budget, but this is actually a big hunk that is dragging this whole budget down. We should have had this information in front of us somewhere. This is just mind boggling that this is such a big hunk of the budget – this is where the problems are and nobody is saying anything to us and the focus has been on the budget, but this is part of the budget. Thank you.

Mayor Streeter

May I respond Mr. President? As was clearly indicated throughout this evening Alderman Johnson the healthcare – what employees pay for healthcare is part of the bargaining process. We are going to be meeting with representatives from each of the unions, but this is the process that has gone on for years and years. The Board of Aldermen has approved all of the contracts that have come before them. It is a joint responsibility. I don't know whether you were at these meetings or not, but we discussed what we should be doing or what we should be recommending

our negotiator to discuss with the different unions as the contracts come up. These discussions clearly have been held.

Alderman Johnson

I wasn't at any meetings last week because of the passing of my Mother, but I have the video from last week's budget to review. I understand what the problem is with the cost of the health insurance. That is not what I am disputing. I am disputing what has gone on and nobody has been able to see the spikes of the cost that is incurring with the claims. I truly believe that people have to pay more for healthcare coverage. Most of us have agreed with that right now. Besides the point we have a hole in the budget that we have to put our finger back in the dike and try to seal. Thank you.

President McCarthy

Mr. Connolly what is your experience with changes to either co-payments or shared costs in collective bargaining agreements?

Kevin Connolly

Achievable – generally marginal year over year.

President McCarthy

What does it take to buy those benefits back in your experience?

Kevin Connolly

You need to help me with what you mean by buy those benefits back.

President McCarthy

For example, if we – I assume you have dealt with communities that have lowered the contribution that the community makes.

Kevin Connolly

Sure.

President McCarthy

If we were going to try to change from a 95% to an 80% contribution what is that likely to do to us in the collective bargaining process?

Kevin Connolly

You have a give and take process associated with collective bargaining. I think it would be not responsible to speculate on what the gives and takes might be in the bargaining process if healthcare were in fact the focal point of the city's negotiations.

President McCarthy

Let me ask a more direct question – have you ever seen anybody get an agreement on a contribution that wasn't exceeded by what they gave in direct compensation in the same round of bargaining?

Kevin Connolly

I understand exactly what you are saying – direct one to ones again difficult to measure – yes I have seen it – I have seen it not occur that way. Is there usually a give and a take – the answer to the question is yes.

President McCarthy

Thank you.

Alderman Tollner

I have been involved in some of those discussions with about 30 or 40 municipalities. I think Mr. Connolly's answer is right. A lot also depends on the economic times. If it is tough economic times you will see considerably more movement and flexibility on both sides, and when the economic times are fairly good or prosperous it is a little more difficult because there isn't a serious impedes to push that forward. I was at a municipality today where they just signed a contract and their payroll contribution right now is 90%. This next year it is going to move to 83% and the following year it is going to move to 80%. There was some give and take, but they looked at it and saw that health insurance was incredibly high priced item that was on their agenda and they came to an agreement. You are seeing that a lot in a lot of municipalities right now.

President McCarthy

I guess I will ask one follow up, which is when our stated position is that we are going to ask the collective bargaining units to accept a zero percent raise in the first year of their next contract what is the likelihood of our succeeding in getting an increased contribution to healthcare? Have you ever seen that happen?

Kevin Connolly

The only place in all honesty I have seen it happen in the recent past is in the airline industry

where there were lots of takes and no gives and really had to do with organizational survival. I can't think of any others in all honesty.

Alderman MacLaughlin

I would remind the administration that there are two union contracts that were not passed by this Board this past term at least so far and with several coming up in June, this is a major negotiating issue. The gentleman from Boston is right there is give and take involved in negotiation and from my perspective in Ward 8, the city has given and the unions have sure taken. Thank you.

President McCarthy

Are there any other questions for Mr. Connolly? Thank you very much.

Alderman Bolton

I have a question either for the Mayor or Mrs. Lemieux of whomever can answer and then sort of a second category after that. The first is can the Budget Committee expect to have before its meeting tomorrow a comprehensive list of what specifically the administration would like to see us do?

Mayor Streeter

I can take a look at -- what appeared on the screen Alderman Bolton is what we would like you to consider. That is a 1% reduction with all of the other factors melded into our recommendations.

Alderman Bolton

In some of that presentation you have said things like well if you want to stop there you can stop there, but if you want to go on further you can do this, if you want to do that you have to choose between this and that. Will we have your discrete recommendation this is what I want you to do no more no less and it will result in an expected tax increase of X?

Mayor Streeter

You will have what you saw at your Budget Committee meeting tomorrow night.

Alderman Bolton

So I take it then we will not have one concrete recommendation from your administration. We will have you can do A, B, or C.

Maureen Lemieux

Thank you. Certainly for the items Alderman Bolton that there were a few different items that I said there is a list behind this particular number we will have all of that information for you tomorrow evening.

Alderman Bolton

The question is and I guess it is – I don't know if I am not making myself clear or what – when the presentation was made, I heard you say in at least two occasions the Board of Aldermen might choose to do this, if you don't want to do this you can do that. If you want to go further than this, this would be the next set of things you might consider doing. Well frankly I think all of us know that we can take all of the Mayor's recommendations, some of them, or none of them. What I am wondering is are we going to get one discrete plan that says this is what the Streeter administration wants the Board of Aldermen to do, and if you do that our best estimate of its affect on the tax rate is this number?

Maureen Lemieux

The answer is yes.

Alderman Bolton

Good. Thank you. Next question – there has been much discussion informally about holding an additional public hearing on the budget. I expect that would be a topic of conversation at the Budget Committee meeting tomorrow evening. Given that I think the Mayor should be present, if we do schedule another public hearing, can we get your availability for that purpose?

Mayor Streeter

I intend to go back on vacation at the end of this week. I have more responsibility to my family than anybody else. I will be back to work on the I think it is the Thursday, last Thursday of the month something like that – no the third Thursday of the month. If you scheduled a public hearing on the 21st I will be back for that and any subsequent date.

Alderman Bolton

So on the 21st or any time thereafter.

Mayor Streeter

Correct.

Alderman Bolton

Thank you.

Alderman Lozeau

I have a question that I believe is to Maureen. We have heard that the insurance costs to the city have been varying considerably with a steady incline – the standard deviation between month to month is pretty large. Does the employee contribution change with respect to their 5% contribution on a month to month or even a yearly basis?

Maureen Lemieux

They do not change throughout the fiscal year. The consultant will be preparing those working rates for us based on the forecast for next year, which will be a total plan cost of as he said between \$28.3 million and \$28.8 million. The working rates will be developed on that, and then they are typically kept the same throughout the year. There was one year a few years ago where our costs I believe decreased significantly – our actuals came in much less than we had forecasted and so that was passed along to the employees along the way. I do not believe we have ever increased the rates during a given year, but we do change them every year.

Alderman Lozeau

If I could ask – why not?

Maureen Lemieux

If I may we have only been self insured for a couple of years. Any of the other years the rates would not have changed along the way. We were commercially insured. This is really a new phenomenon for us. The other couple of years when we were self-insured we actually were doing quite well. Seeing that we are so deep into the year we did look at that – it really does not amount to much. It is actually our retirees who pay the bulk of the contribution that we get as a city. It would have been very little of an increase that we would have received and so we made the decision not to – it would have been minimal. We would still be having the exact same conversations.

President McCarthy

If I could follow up on your comment about the year that we had lower experience than we expected – so we lowered the working rate for the following year based on that experience?

Maureen Lemieux

No I believe it was actually in August or September when we got the actuals for the prior year and realized how well we had done, we still had almost a full year ahead of us, and that is why we lowered the rates for the employees. I believe it was August or September.

President McCarthy

I guess when I asked Mr. Connolly about the long term trend and what we were likely to see he assured me that in the long term we would pay out what that linear regression shows so the net affect of sharing that savings is basically that we defer some cost and we defer it in the name of only the city, we don't have the contribution to offset it when it happens the following year.

Maureen Lemieux

That is true. I believe when we made that reduction it was the first year that we were self-insured. I would not anticipate that we would do that again.

Alderman Tollner

When you self fund yourself you come up with a working rate as the consultant mentioned earlier and that is pretty much a working rate that is based upon what the premiums would have been if you were fully insured. That rate 99 times out of 100 is locked in for a period of about 12 months. I am not familiar and I again handle 500,000 members of a municipality ever changing the working rate and then in turn changing the payroll contribution based upon that working rate during a give year or fiscal year. Once the rate is locked in that is a projection. What would happen then if you did that say the first 6 months of the plan year were great and you say well I might lower it and then the second six months of the year maybe the claims are going like we are dealing with right now going through the roof – you would go from a rate that was lower than your original rate and now that the claims have increased a rate that is much higher than the original rate. The variance is considerable and would wreak havoc on everything. I have never seen that done.

Alderman Lozeau

Thank you.

Alderman Gage

Question for Maureen or the Mayor – did I hear correctly that we are budgeting for the Claremont money now at \$25 million? Is that the figure that we have budgeted for now?

Mayor Streeter

That is our best guesstimate at this point Alderman Gage. We are hoping for more.

Alderman Gage

Is there a backup plan if what came out of the House Committee at \$23.4 million actually comes in...

Mayor Streeter

Let me interrupt you Alderman Gage – we don't expect that. We expect it will be in the \$25 million

range – from all indications we have from Concord it will be higher than what the House Education Committee has recommended.

Alderman Gage

My problem is that we had – under the current formula we get \$30 million, under the Governor's plan we are going to get \$28 million, what the compromise bill coming out of the House is \$23 million, and we are around \$25 million. If God forbid \$23 million or \$24 million comes out of it then we are – is there a backup plan as to say okay we will have to go down this route if this occurs along with the trash issue – contractually taking trash – if that by some unknown reason doesn't pass – this Board does not take that up that is \$1.7 million and if we were at \$23.4 million for Claremont that is \$3.4 million that we are down even worse.

Mayor Streeter

I don't think that anyone feels that it would be at that low figure. All indications we have from both the Governor's Office, from House – both the majority and minority parties is that it will be somewhere in the \$25 million range. Again it is just estimate. There are other factors in there too. There is free and reduced lunches, there are other formulas that need to play in there. The \$23 million was a bare bones recommendation out of one committee. We have every reason to believe that it will be much higher.

Alderman Gage

Thank you.

MOTION BY ALDERMAN MACLAUGHLIN THAT THE BOARD OF ALDERMEN HEREBY RETURN THE ORIGINAL PROPOSED BUDGET TO THE ADMINISTRATION SO THAT IT MAY BE PROPERLY REVISED AND AMENDED AND THEN RE-PRESENTED AT THE PUBLIC FORUM AT A DATE THAT IS AGREEABLY REACHED BY BOTH THE ADMINISTRATION AND THE BOARD OF ALDERMEN

President McCarthy

I think actually it is necessary to at this point take it from the Budget Committee if you wish to do that so the first motion would be a motion to withdraw that resolution from the Budget Committee.

MOTION BY ALDERMAN MACLAUGHLIN TO WITHDRAW R-05-184 FROM THE BUDGET COMMITTEE

A Viva Voce Roll Call was requested, which resulted as follows:

Yea: Alderman Tollner, Alderman Vitale, Alderman Gage, Alderman Cardin, Alderman MacLaughlin, Alderman Deane, Alderman Plamondon, Alderman Shaw,

Alderman Lozeau, Alderman Dion, Alderman Rootovich, Alderman Johnson

12

Nay: Alderman Bolton, Alderman McCarthy

2

MOTION CARRIED

R-05-184

Endorser: Mayor Bernard A. Streeter

RELATIVE TO THE ADOPTION OF FISCAL YEAR 2006 PROPOSED BUDGET FOR THE CITY OF NASHUA GENERAL AND ENTERPRISE FUNDS

MOTION BY ALDERMAN MACLAUGHLIN THAT THE BOARD OF ALDERMEN TAKE THE ORIGINAL PROPOSED BUDGET AND RESUBMIT IT TO THE ADMINISTRATION SO THAT IT MAY BE PROPERLY AMENDED AND REVISED AND REPRESENTED AT A PUBLIC HEARING AT A DATE THAT IS MUTUALLY AGREEABLE TO BOTH THE BOARD OF ALDERMEN AND THE ADMINISTRATION

ON THE QUESTION

Alderman Bolton

I actually think that the upshot is that the motion provides for the resolution to be indefinitely postponed is what it does. We do not refer a resolution of this Board back to the Mayor. I think the gist is we want a new budget resolution to go through from abanichio if I understand correctly. I believe indefinite postponement is the shorthand way of achieving what the intent is.

AMENDED MOTION BY ALDERMAN MACLAUGHLIN FOR INDEFINITE POSTPONEMENT OF R-05-184

ON THE QUESTION

Alderman Tollner

I have a question through the Chair to Alderman Bolton. To your knowledge no changes or actions have been taken on the Mayor's budget to date by the Budget Committee as far as formally adding or reducing anything is that correct?

Alderman Bolton

That is my recollection.

Alderman Tollner

Thank you.

Alderman Rootovich

Can I ask that the recommendations whether they be from the Division Directors themselves or from the administration those changes be made in the budget before it is re-submitted to the Budget Committee?

President McCarthy

I think that is the request. I would ask Attorney Connell to perhaps comment for what it takes for a new budget resolution to be sufficiently different that it can be introduced in this term.

Alderman Bolton

What is contemplated is sufficiently different. What is contemplated is hugely different.

David Connell

... tape inaudible ...

Alderman Tollner

Just wondering if we should have some dialogue and put a date that we would like to receive this budget back. I guess what I would like to do is ask Carol what would be a reasonable date or expectation for us to get this budget back? I would hate to have us indefinitely postpone this and not to receive a budget until the end of April. I know it won't happen, but what would be a reasonable estimation on your part as far as when we can see a new submission of the budget?

Carol Anderson

I am thinking that the best guess would be three weeks – I would say between three and four weeks.

Alderman Deane

Would the cover be a different color?

Carol Anderson

If you would like it Alderman Deane I will make it a different color.

President McCarthy

I would suggest red.

Alderman Deane

I am kind of struggling with this one because I do realize that we had some significant issues and we played Russian roulette with our self insurance money and we learned a valuable lesson that when we pay consultants to come in and give us information that we cannot produce in house there is a reason for that, and to not follow the recommendations of the consultants was an absolutely brutal mistake, and it cost us millions of dollars. I really think – I am just looking at the amount of information that I have received to date that has been presented by this administration. I know the administration has suggested a lot of changes, but indefinitely postponing the budget resolution really isn't going to solve the problems. I think we really have to sit in this room and start hammering some of this stuff out and figuring out what we are doing and where we are going. As what was presented tonight by the administration is preliminary at best, I think we should be having some discussion about it before we go and kill the budget. I am not going to support doing that. Thank you.

Alderman Dion

Mr. Chairman I cannot support doing that, and I will give you a reason why. We have until the 15th of April to make any necessary cuts in the school budget. If we do not make any cuts in the school budget by the 15th of April the regular amount of teachers that are scheduled to work for the following year are going to be hired. That is the state law. Therefore, we won't make any significant changes in the budget – 2/3 of your budget is schools – if you are not going to make any changes in the schools you are not going to realistically reduce that budget. Therefore we have minimum of two weeks to make any changes to the school budget. If we do this you will not get the budget back for three weeks. That goes beyond the 15th of April. I cannot support it.

Alderman Johnson

I was just going to say that I would like to see in the budget – I won't be in the rest of this week, but for next week and any information I would appreciate it if everybody would put it in my mailbox – I would like to see an amended budget where each department would take the reductions and see how that fits in the budget. I know where I would like to make my reductions, but I think people need to see some type of reductions on paper. I know I am visual. I agree with Alderman Dion about the school district. We only have until April 15th and if anybody needs to be pinked slipped it needs to be done within the next two weeks. That is a safety net because after that we are done with the school district. Thank you.

Alderman Tollner

I would concur with what Alderman Deane said. I won't support indefinitely postponing this after thinking about it. What I would like to see in short order is an amendment to the budget by department based upon the recommendations that have been reached between the administration and the departments. I think earlier today there was in the presentation some departments are going to make their own recommendations and some of them wanted the

administration to make the recommendations. Quite frankly I am just looking for a recommendation I really don't; care whether they come from the administration or the department heads. If consensus can be reached and broken out by department – I think a lot of time has been spent already and I think we should move forward in that direction. I think we need to be sensitive not the calendar and the time constraints that we have with regard to different budgets. I would like to see a little more aggressive stance on recommendations that what we saw this evening. Thank you.

President McCarthy

My understanding of Alderman Bolton's request was that he had requested a list of the line item changes to the budget that would serve the purpose of just requesting and we were told that we would have that for tomorrow night's Budget meeting.

Alderman Vitale

That is what I just wanted to clarify – if that request is met for tomorrow night's Budget meeting we would not need to vote tonight to indefinitely postpone – is that what I am hearing?

President McCarthy

Yes.

Alderman Vitale

May I ask if there needs to be any changes to the narratives can that also be given to us?

Mayor Streeter

I am not sure whether that can be accomplished in 12 hours. That is an exhausted document. We can certainly try. If we can't meet tomorrow night's deadline we can meet for the next time they meet. The narrative as you know was a very lengthy document.

Alderman Bolton

The next time is Thursday.

Mayor Streeter

We will do our very best.

President McCarthy

I guess I would certainly want to hear if we are going to get recommendations on where to make cuts to the departments – I would like to understand through the changes to the narrative what exactly those cuts turn into in terms of the lack of services.

Alderman Tollner

I would like to step back and maybe ask Carol and Maureen – I know the request was made to have it for tomorrow night, but if we are looking for a substantial legitimate amendment to the budget I would like to provide everybody with a reasonable amount of time to put that together with what you just mentioned Mr. President was a cut here and what the affect or a summation of what the affect or the reasoning behind that budget is. I am not sure whether the Budget Committee is going to get exactly what they are looking for if the request is that it is by tomorrow night. Maybe Carol or Maureen can provide us – would you have it available by the weekend or whatever. I want to make sure we get what we are looking for without rushing it and not getting what we are looking for.

Carol Anderson

We certainly can get all the changes done. Rather than amend the narrative what we were thinking is just have each division director submit what the consequences of those changes would be on just a separate paper that you could then put in your document. I would imagine unless people are away that we could have that for Thursday night. I don't see why that couldn't be done. The part that we have to do could be done immediately tomorrow and then I think the Division Directors have already thought about what those consequences are so I would think by Thursday as long as you are satisfied with just a brief explanation that should suffice.

Maureen Lemieux

I have actually had two members of the audience mention to me that the Board of Education is going to be meeting tomorrow night as well as the Board of Fire Commissioners. It may make sense for each of those Boards to be able to look at what a 1% reduction does to them and look at their line items and we may be able to give you a much more complete document by Thursday. We can certainly give you the Mayor's recommendation, but if those boards have an opportunity to meet it might be more valuable to you.

President McCarthy

Mayor Streeter you had indicated to me that you would be in attendance at tomorrow evening's Budget Review Committee? Will you still be available for Thursday evening's Budget meeting?

Mayor Streeter

No I will not.

Alderman Vitale

There have been a number of suggestions tonight of where we could make cuts. I heard the

alternate program, which I think they are meeting on tonight to go over how the results of that program – the numbers and what the forecasting is that type of thing. We have heard that possibly putting the fire department building on hold. If the department heads could say if those things were cut what they would see the cost of starting them up later would be also. If they could put that in. They might be projects that we want that the cost of postponing them might be greater than the cost savings that we would see at this time. I would like to see that.

Alderman Plamondon

I might recommend that what we get from the division heads goes beyond the 1% proposed cut and the ramifications. I think I would like to see 3% ramifications, 2%, and 1% and the ramifications associated. This would give us a bigger picture from which we can make our decisions. We have seen historically when we just look at one level of cut and everybody running around from various divisions saying it is the end of the world. I think we need to look a little deeper so we can make some intelligent decisions. I hope that they would entertain that idea. Thank you.

Alderman Deane

Could you repeat the motion that is on the floor please?

President McCarthy

The motion is for indefinite postponement of R-05-184.

Alderman Deane

Thank you.

President McCarthy

Is there any further discussion of that motion?

Alderman MacLaughlin

In light of the fact that I agree with Alderman Dion and Alderman Johnson over the fact that the deadline for making a possible significant reduction in all budgets, therefore, one of them being affected by April 15th, I will withdraw that motion.

MOTION WITHDRAWN

MOTION BY ALDERMAN MACLAUGHLIN THAT THE BOARD OF ALDERMEN SEND THIS DOCUMENT, WHICH IS NOW AT THIS POINT PROVEN TO BE INACCURATE AND UN-UPDATED, BACK TO THE ADMINISTRATION SO THAT IT MAY BE PROPERLY REVISED AND AMENDED AND RE-PRESENTED TO US AS EARLY AS TOMORROW NIGHT AT THE BUDGET REVIEW COMMITTEE

President McCarthy

I think Alderman Bolton's point was that we don't actually have any authority to do that other than by making a request that the Mayor's office provide us with the information. In order to facilitate that I think the appropriate motion is actually to re-refer R-05-184 to the Budget Committee.

MOTION BY ALDERMAN MACLAUGHLIN TO RE-REFER R-05-184 TO THE BUDGET COMMITTEE
MOTION CARRIED

President McCarthy

Is there any other discussion on the topics before the Board?

COMMUNICATIONS

MOTION BY ALDERMAN TOLLNER THAT ALL COMMUNICATIONS BE READ BY TITLE ONLY
MOTION CARRIED

From: Mayor Bernard A. Streeter
Re: Special Board of Aldermen Meeting

MOTION BY ALDERMAN TOLLNER TO ACCEPT AND PLACE ON FILE
MOTION CARRIED
PUBLIC COMMENT PERIOD

Scott Cote, 39 Tenby Drive

I am the Chair of the Budget Committee for the Board of Education. I have a couple of quick comments for you. I know it is getting late. With regard to your point Alderman McCarthy about the linear regression analysis, I think it would be critically important to go back and look at the start and end dates of those claims in terms of looking at analysis of the percentage of increases because if you don't have a better historical perspective of when that started and stopped those numbers of percentage increases are very difficult to get your arm around. You should have at least two years of solid data to look at. That would help you understand that.

With regard to the meeting last week that occurred in the Mayor's Office with Maureen Lemieux and Carol Anderson and the budget heads, I was there for that meeting. I don't want there to be any confusion in terms of the recommendation that I made and Mr. Conrad made, which was a suggestion to the Mayor's Office to provide the Board of Education a list of recommendations of those items that they felt that the community should go without. We felt that was important to come from the administration before we begin our process of deliberating. As was mentioned earlier we are meeting tomorrow night to have that discussion.

I am sure most of you know from your experience with me sitting on this Board that I don't care for a flat percentage reduction across the bottom line of the budget. I think it is contrary to proper prioritization of what your budget should be, but we understand the situation certainly that you are up against and we recognize what that dollar figure is when we look at it, but again I don't think it is the proper way to do budget planning.

I also wanted to speak to the issue of headcount because I know that was raised tonight and Alderman Rootovich has a concern with that. The School Department to the best of my knowledge is the only department I think with the exception of a mediator in the Health Department if I am correct, the School Department is the only budget that has come forward to this group that has a reduction of 36 positions. I think it is important to recognize that as you go forward.

The last thing I wanted to tell you was that as you move forward in your deliberations, which I am not sure at this point when that is going to continue, I would caution you that at some point you are going to reach an issue of diminishing return where you begin to cut services so drastically and so deeply that you begin to turn the city in the wrong direction, where the property values begin to decline, therefore you have to raise the tax rate again to be able to maintain some level of revenue and may drive the city in the wrong direction. A heck of a time to be recruiting for a Superintendent as well. Keep that in mind that there is a balance that you have to achieve, that you have to find. I am hoping that was the point that was made today in the Telegraph not the fact that you should just simply get together and cut this budget so deeply that services are truly impacted. People want, need, and deserve good services and I think most people are willing to pay for that to a certain level. I appreciate your time. Thank you.

Fred Teeboom, 24 Cheyenne Drive

This would be a good time to give a nice speech, but I won't do it. Two points – there was a \$20 million school capital reserve fund and I believe there were motions made to make \$10 million available to offset the cost and that is part of the budget already. I recommend you take the other \$10 million and equally spend it on this \$9.5 million overage. That money was basically Claremont money that was set up to help education. It certainly did it built two fantastic schools, which is one reason you are in trouble. Use that other \$10 million. Go up to \$20 million and offset the money in the capital reserve fund against the tax rate.

As far as a 1%, 2% or 3% across the board, you heard the figures – 1% is \$1.5 million, 2% is \$3 million. I am totally opposed to the kind of things Scott Cote just said. I think this Board tends to micro-manage. It is not this Board's job to micro-manage. It is your job to hold the bottom line. It is your job to make sure this tax rate is affordable and that the city is affordable. One percent cut is \$1.5 million, 2% cut is \$3 million – let the departments handle it. Let the Mayor handle it. That is his job. He is in charge of the departments. It is his job to manage the line items. It is your job to make sure that the bottom line is met so that the city remains affordable.

As far as the business about the unions and Maureen saying if we make it too tough anybody could go in the unions, well that is anybody who can join the unions. I would like to see everybody join the union. It is not the fact that you joined a union that makes it expensive in the city it is the fact that you approve every damn contract that comes your way that makes it expensive to the city.

Alderman Bolton

May I ask that the abusive language stop.

President McCarthy

You may and I would appreciate it if you would stop it Mr. Teeboom.

Fred Teeboom

What was that Mr. Chairman.

President McCarthy

I believe the objection is to the use of the word damn.

Fred Teeboom

Oh it is? It is a perfectly fine word in my language sir. The point of it is it is not the fact that people join unions, it is the fact that ... **tape ended** ... the more money you contribute towards insurance the more careful you are about how you spend your money. One of the things that went way up on these insurance claims is people go to the emergency rooms. It is a lot easier to go to the emergency room than it is to go to the doctor's office. The deductibles are first that counts.

Another thing that needs a look is what are the allowable costs. If you look at Medicare, Medicare disallows all kinds of costs. You need to get insurance companies like an HMO instead of a PPO. I think Alderman Tollner can tell you a lot about the difference in costs between a PPO and an HMO. We can't do in this city allow the unions to join Blue Cross/Blue Shield. That is the Cadillac of insurance companies. That is a long-term strategic thing that this gentleman was talking about earlier. The short term to take care and fix this problem because in my opinion 4.9% tax increase is too much on top of Step 2. You heard at the public hearing last time the step 2 really means a further assessment and an increase in assessments to bring the properties, mostly residential properties, to market level. That is another 15% increase in the assessed values. I don't know what that means in terms of a tax increase, but it will probably mean an additional tax increase on top of whatever tax increase due to this budget. But 4.9% is unacceptable.

What you can do immediately is cut across the board. Look at the Spending Cap – cut across the board. No question about it. I asked Carol Anderson are you in deficit this year because if you

are in deficit this year you would have to cut across the board. That is part of the Spending Cap. That language cannot be twisted and turned. That part of the spending cap says if you spend more than you are taking in revenues this year you have to cut to meet the revenues. That is the point. Cut across the board 1% or 2% and take a hard look at another \$10 million of school capital reserve fund. Thank you.

Claire McHugh, 61 Dublin Avenue

I may sound impetuous with some of my comments, and I mean no disrespect. I am sure you know a lot more about the budget than I do, but listening to this and reading accounts in the paper, and even speaking to some of you – I would like to express my concerns and probably tell you what I would do, that is the part that is impetuous. I hope that you will not contract trash. I oppose it because I feel that it is only going to make a problem for us in the future. I wouldn't; want to do that kind of harm. I think we can reach the budget that you want without doing that, and I hope that you will oppose that. I am mystified by the negotiators for this city. If we have 95/5% of healthcare costs then I urge you – I like what representative Tollner said about another community 95, 90, 83, 80% if those were the numbers. I understand what it is going to do to ask them to take no increase. Maybe you do give them an increase, a small one. The consultant said something about the airlines. They did it because they had organizational survival.

I think we are at that level. I would recommend that you delay the fire station until we're able to afford it. I am very concerned about the continuation of bonding. If I look at a project in my home and say gee I would like to do A and I can afford it, and I look at another project and say gee I would like to do B and I can afford it, and I look at C – I would like to do that too, and I can afford it. The problem is I can't do all of them. I can't do A, B, and C.

I also am very concerned as the former State Representative that you rely so greatly on fixed amounts on State Aid for Education. It wasn't so long ago – I think it was '99 or '98 that you didn't even have any of it, and now you are relying on it. When I was a State Rep. I could see this body saying it is their fault – it is all the State Reps. Most of those State Reps. have very little to do with that budget. I personally followed it because I cared about what was happening to this community. However, I just think you are like junkies depending on something that you may not see next year at the level that you might see this year. It could be that it will be a steady decline because the State has the same problem as we have in Nashua. They are in a deficit. What happens next year if you only get \$20 million instead of \$26 million or \$25 million? What happens then? I think you are relying on it too greatly.

This comment is for the Mayor. I had a business and I had about 25 people that worked for me at one time. If I were making my budget and I said to someone this is what I want for a percentage increase no more and they came back to me – if I say it is 3% and they come back to me with 19% I am going to say take it back it is unreasonable. Unless you are incapable of doing it but yet someone else could – I have to figure out where the problem lays. I wouldn't accept 19%. I think that is outrageous if I have asked for 3% and everyone else can do 3%. I would say why would those that came in within that 3% be suffering another 1% cut at this point. I would say maybe it

is not a 1% across the board or 2% across the board or even 3% across the board, maybe it is looking at those that came in within that margin and say they don't get a cut because they already were within the acceptable margin. I would say we want to look at a budget where they are not evenly cut. I don't know if that is possible, but I am just saying that is how it affects me as I hear that some came in so much higher than others.

I personally want to say that I appreciated the comments made by Alderman Johnson regarding doing the fire station, Alderman Rootovich regarding possibly even cutting 75 from the headcount, and overall the comments made by Alderman Dion who seems to have a very wise level head. I thank you for listening.

President McCarthy

Is there anyone else who wishes to address the Board?

-

Alderman Deane

If you are done with public comment I have a request of the administration.

President McCarthy

Certainly.

Alderman Deane

Fro Mrs. Lemieux for tomorrow evening your City of Nashua tax rate projection schedule to FY '10 – can we have another one of these with the plan on it that you presented this evening – those numbers plugged into it? You will be at Budget tomorrow evening?

Maureen Lemieux

Yes.

Alderman Deane

You should bring the Treasurer he can help us. Thank you for offering David. We will see you tomorrow night. Thank you Mr. President.

President McCarthy

Are there any other comments from the Board?

Alderman Tollner

Thank you. The Mayor ended his presentation of the budget 6 or so weeks ago saying I wish you luck with your budget. This is our budget. What I mean by that is we all own the budget. It is the Mayor's budget, it is the Board of Aldermen's budget, and it is the citizens/taxpayers' budget. They will bare the result of our efforts during this process be it good or bad. We have to provide a respectable balance between the services that we provide our citizens as well as what the taxpayer can bare. I urge the Mayor step up and work diligently with the Board of Aldermen, for the board of Aldermen to work diligently with the Mayor and the Department Heads. We spoke tonight a little bit about insurance and what we would like to see in future negotiations with the unions with respect to insurance. I have stated this before. I think the dialogue that we have moving forward with the unions needs to be respectful and flexible and the lines of communication stay open.

One last comment – I was away for a couple of days last week. I think everybody in the City knows that the Mayor was on vacation. After reading some of the minutes of the meetings last week, I think after it is stated once or twice and it is in the newspaper I think we have expressed our whether it be disappointment or frustration with that situation. I think it is time to move on and really put our hands around this budget and get together and get to work on the budget. I think the people watching on TV and some of the comments that I got were how many times are you as a Board of Aldermen going to mention that the Mayor is gone on vacation. I think we all know that. Let's attack the budget and move forward with it. Let's work together to find a budget that is acceptable to this Board, the Mayor and the citizens. Thank you.

President McCarthy

I would like to make a couple of comments about this process. First one is that this is the first budget that we have had that was the result of a comprehensive strategy and I think I would like to revert to doing it by the seat of our pants. I am not at all happy with where we are at. I think we had data that told us we were going to have a problem that we ignored and then followed and then ignored and then followed and now we think it may not be a problem again. It just seems to me that for an organization this size and of this complexity, we ought to have a better handle on how things are going to work out at the end of the year than we seem to have.

The position that puts us in is one where I think this Board needs to be extremely diligent in what it does with the budget over the next few weeks. If I look at what has happened to this community in the time that Alderman Tollner and Alderman Rootovich, and I have served on this Board – when we were first on the Board the City of Nashua had an assessed valuation of about \$4.5 billion at a 90% equalization rate. This year we find ourselves at about \$7.5 billion and an 80% equalization rate. The result of that is about \$4 billion has been added to the value of the real estate in this city. I believe that is in no small manner related to the things that we have done both to maintain the fiscal prudence of the City and to enhance the services, the school system, the park system, etc. that residents and potential residents get from this community. The one thing I would hate to do is to jeopardize that. It is clear to me that is not just related to our position relative to the Boston area because communities that are between here and Boston have not

enjoyed that same appreciation in that same timeframe.

We have a problem with the budget. To put it in perspective it is on an order of magnitude of \$10 million. We're going to need to deal with that problem. However, if we deal with it in a way that causes the average assessment in the City of Nashua to drop by \$50,000 due to the unattractiveness of the community, instead of taking \$10 million away from our citizens we have taken \$1 billion in the total assessed valuation of the community, and that is in fact real value and real wealth in the pockets of our citizens. We need to be very careful not to destroy the place we have built in the process of saving it for one year. I think we need to be extremely diligent about the ways we find to decide this problem both in the short and long term to ensure that we keep the value of the community while we are addressing this year's tax arte.

Alderman Deane

I just wanted to correct you on one thing. I believe the equalization rate is 85% not 80%. Correct Treasurer Fredette?

David Fredette

I believe so.

Alderman Deane

We were told 80%. It is 85% although we were told it was 80%.

President McCarthy

The point is even at that rate the increase in value is about \$4 billion over 10 years.

Alderman Deane

Thank you.

Alderman Shaw

I guess the one thing I would like to also do, and I would like to re-enforce Alderman Deane's request of Maureen Lemieux, and that is having the projection sheet that we have some insight into what will happen in FY '07, '08, '09, and '10 because I still think despite – at least I know my interest and others to really think about where we were going to be at as we came out of the FY '05 budget -- I still don't think we did a very good job of that and it is very easy to not pay much attention there. We are going to be looking at some very hard choices coming up that might severely impact what happens in those years out. I would really like to have as much understanding as we can what we are going to be faced with as we take action in different ways for those out years. It is fine if we can struggle through this year and come up with something, but

if all it does is put us that much more in the hole for the next 2 or 3 years we haven't done anybody any good. I encourage Maureen Lemieux to provide those numbers. If the only good numbers on that sheet right now are the ones for the projected FY '06 I would like to request that we get a revision shortly thereafter that does really further recognize what the out years are. Thank you.

Alderman Deane

I have a question for the Mayor or whomever. Last evening at Finance there were a couple of documents or contracts approved for the fire station. Have those been signed? Who has the authorization to sign those when ...

Mayor Streeter

They haven't been signed.

Alderman Deane

Now my question to Corporation Counsel is, and I had asked Dory about this – she gave me an opinion. I asked her about the oversight on the fire department in lands and buildings (Infrastructure) and we had some discussion about this at Finance last evening. Alderman Rootovich explained to me that when they built the Lake Street Fire Station they ran the same process similar to what Joint Special does. My question to you Attorney Connell is those contracts did not go to the Infrastructure Committee for review and approval, but they were approved last night by Finance. Is that proper protocol? Wouldn't it have to go through Infrastructure first and then to Finance for approval?

David Connell

It doesn't matter the order in which they go. It is certainly preferable if people know what other approvals have to be obtained. I guess they went to the Fire Commissioners first and they went to Finance second and they will go to Infrastructure third in this case.

Alderman Deane

So if the Infrastructure Committee votes against those contracts what happens? Finance approved them, which is a separate entity of the Board, the Fire Commissioners approved them, and say Infrastructure ...

David Connell

The way the Charter works the Infrastructure Committee is on the same footing as the Fire Commissioners on this project. Without approval by both boards it is not a contract.

Alderman Deane

Currently the status of those P.O.s is they have not been cut and my question is are those contracts being sent to the Infrastructure Committee? Has that been done? I don't believe it has. That part of the process hasn't been completed yet. My next question is on although a motion to reconsider a piece of legislation I think the window of opportunity is the following Board meeting is that true?

David Connell

Or at the same meeting yes.

Alderman Deane

If we were to reconsider the bond issue for the – that opportunity has come and gone?

David Connell

To reconsider that resolution. You might be able to approach the issue in some other direction.

Alderman Deane

Okay. Thank you.
President McCarthy

Is there anything else?

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ADJOURNMENT

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MOTION BY ALDERMAN PLAMONDON THAT THE APRIL 5, 2005 MEETING OF THE BOARD OF ALDERMEN BE ADJOURNED
MOTION CARRIED

The meeting was declared adjourned at 10:25 p.m.

Attest:

Paul R. Bergeron, City Clerk