

BUDGET REVIEW COMMITTEE

MAY 3, 2005

A meeting of the Budget Review Committee was held Tuesday, May 3, 2005, at 7:10 p.m. in the Aldermanic Chamber.

Alderman-at-Large Steven A. Bolton, Chair, presided.

Members of Committee present: Alderman-at-Large David W. Deane, Vice-Chair
 Alderman David MacLaughlin
 Alderman David D. Lozeau
 Alderman Lori Cardin
 Alderman Robert G. Shaw, Jr.
 Alderman-at-Large Paula I. Johnson

Members not in Attendance:

Also in attendance: Alderman-at-Large Brian S. McCarthy
 Alderman-at-Large James R. Tollner (@7:45 p.m.)
 Alderman-at-Large David Rootovich
 Alderman Kathryn D. Vitale
 Alderman Richard LaRose
 Alderman Robert A. Dion
 Maureen Lemieux, Div. Dir., Administrative Services Div.
 Joseph Dionne, Director, Nashua Public Library
 Christine Hagan, Director, H.R., Nashua School District

COMMUNICATIONS

From: Scott Cote, Board of Education Budget Committee
 Mark Conrad, Business Administrator
Re: Outline of FY 2006 Reductions

**MOTION BY ALDERMAN DEANE TO ACCEPT AND PLACE ON FILE
MOTION CARRIED**

Chairman Bolton

We have the wrap-up of the FY '06 budget. I was going to at this point suggest that we skip that for now and go on to the pieces of legislation we have, but Alderman Lozeau said that he wants to deal with one thing before we go onto that. I think it would be good maybe to do that and then proceed to the legislation before we spend the rest of the evening on the budget and then most of the people in the audience can be here for what they have come for.

Alderman Lozeau

The reason why I asked for this to go out of order and in order and out of order again is that the area I would like to go into is public libraries, 575. I believe there is plenty of representation out there from the public libraries if we have any questions.

WRAP-UP SESSION

Department 575 – Public Libraries

-
Alderman Lozeau

Line Item 11994 – these are the budget cuts recommended by the Mayor's office. I would like to go through those budget cuts if I may. Line item 11994 – merit reductions for a decrease in that line of \$7,623.

Chairman Bolton

Is anyone interested in hearing the motions individually or all at once?

Alderman Deane

My question is is this the latest proposed cuts that we got last week?

Alderman Lozeau

Yes. They are dated April 29th sir.

Alderman Deane

My next question is has – I didn't know whether we were going to get some sort of a briefing on these items from the Mayor's Office because we have not. Maybe you have and can share something with us.

Alderman Lozeau

No, but I have taken the time today to sit down and talk with Joe Dionne about it, and he is available

for questions if you would like.

Chairman Bolton

Why don't you just continue and make them all and if anyone has particular questions we will go with that.

MOTION BY ALDERMAN DEANE TO REDUCE IN DEPARTMENT 5785 LINE ITEM 11994 BY \$7,623, LINE ITEM 11387 BY \$11,968, LINE ITEM 45220 BY \$1,000, LINE ITEM 45315 BY \$1,000, LINE ITEM 45215 BY \$7,000, AND LINE ITEM 64015 BY \$1,000

ON THE QUESTION

Alderman Johnson

Thank you. These reductions is about 2% or 1% of their budget?

Joe Dionne

Good evening. These cuts other than the reduction in the merit increases equal 1% of the library's budget. With the cut in merit increases it is in excess of 1%. I am not sure exactly what the percentage would be.

Chairman Bolton

About 1.3% if I have the math right.

Alderman Johnson

Now if the contract is approved what is the difference of the percentage in your department again goes up?

Joe Dionne

In FY '06 if the contract is approved it would be with a reduction of about 1.3% it would be an increase of about 1.5%.

Alderman Johnson

So you will take away the 1 point there and increase by 1.5%.

Joe Dionne

If the contract is approved that is correct.

Alderman Johnson

Thank you.

Chairman Bolton

Is there any further discussion on the motion?

MOTION CARRIED

Chairman Bolton

If there is no objection from the committee I will suggest that we proceed down to New Business. Does anyone object to that?

UNFINISHED BUSINESS - None

Chairman Bolton stepped down and Alderman-at-Large David W. Deane, Vice-Chair, presided.

NEW BUSINESS – RESOLUTIONS

R-05-208

Endorsers: Mayor Bernard A. Streeter
Alderman Robert Shaw
Alderman-at-Large James R. Tollner
Alderman-at-Large Brian S. McCarthy
Alderman Lori Cardin
Alderman Richard LaRose
Alderman Kathryn D. Vitale

APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE BOARD OF TRUSTEES OF THE NASHUA PUBLIC LIBRARY AND THE NASHUA PUBLIC LIBRARY EMPLOYEES, LOCAL #4831, AFT, FPE, AFL-CIO, THROUGH JUNE 30, 2006

MOTION BY ALDERMAN CARDIN TO RECOMMEND FINAL PASSAGE_____

ON THE QUESTION

Alderman Lozeau

If you can deal with me I would just like to tell a story. I have a relative that all he wanted to ever be in life was a librarian. He went to school, got his degree in English Literature with a Liberal Arts degree; he applied for a job at the Nashua Public Library, and was hired. Shortly thereafter he got married and realized the salary he got at the Nashua Public Library couldn't support his family. He soon had a child and decided that the best thing for his family was to look for a job that paid enough to support his family. He is now a truck driver. He drives a recycling truck for the City of Nashua and makes way more than he ever did in what he went to school for. Just to add to that story he has since been published twice because he still loves literature and he still loves what he does, but he is a truck

driver. With that said, I am going to support this motion. Thank you.

Vice-Chairman Deane

Is there any other discussion?

Alderman MacLaughlin

Thank you Mr. Acting Chairman. The one thing I noticed in the fact finder's report at this time was the fact that the library has really made an effort to address the concerns that I have had on the healthcare issues. Specifically in bargaining in good faith under pre-determined negotiations they came up with an agreement. Of course I had issued with the healthcare component. I find commendable now is the policy going forward with new hires will basically have a new option that previously did not exist, and it will in fact in the long term begin to turn this expensive healthcare problem around. They are one of the few unions that seems to have negotiated this. For that reason I feel that it is more reasonable than some of the other arrangements that we have learned about as we have gone through this process. At this time, I am leaning in favor of supporting this particular resolution. Thank you.

Alderman Dion

I hope I am not taking the place of anybody on the committee – not being on the committee.

Vice-Chairman Deane

Feel free to speak.

Alderman Dion

Thank you. The health insurance issue is something that the Board of Aldermen has been speaking about along with Attorney McNamee for quite a while now and the ongoing negotiations with different unions, and this is one of the big issues. I cannot support the contract the way it is because of the fact it doesn't address what we are looking for as far as health insurance. I think it would send a mixed signal to the negotiations going on that we are willing to keep the status quo so to speak and I feel as though it would hurt the negotiations that are going on now. It doesn't address what we have been discussing and discussing and discussing. Furthermore, we are in a budget crisis. To add to the budget at this time I think is irresponsible. Due to the fact that non-merit employees have been asked to take no raise, here we are approving more spending in the contract. Therefore Mr. Chairman I cannot in good conscience support this at this time.

Vice-Chairman Deane

Are there any other comments?

Alderman McCarthy

I think what actually does us damage in negotiations is when we don't – I don't want to say when we act in haste, but when we don't plan our negotiating strategy and go forward with it on a timetable that -- we all know these things take time. This contract dates back to the last set of instructions that we gave to our negotiators and unfortunately for the people who are subject to it is one of the last to come in with a solution. The smaller contracts often are. I think it would be – it would not be a good demonstration of our desire to work with labor to solve the healthcare problem to hold this one up on some point of principal that was not in place when we negotiated it. This is a very small, very hard working department whose results are outstanding. You heard one of the major critics of our budget get up and say that this ought to be one of the top priorities of the city is our libraries at our last Board meeting. I really – we had a healthcare problem that we have to deal with by negotiation with the unions there is absolutely no doubt about that, but that has to be done in a way that is cooperative. It has to be approached first before the negotiations for the existing set of contracts that will come up in the

next year start. There is no short-term solution to this. What we are likely to do is simply put ourselves at impasse with every union that comes in very quickly if we take a parochial stand on the last two contracts that are outstanding.

Particularly in light of Alderman Lozeau's comments about where this union stands on the pay scale, I would urge us to go forward with this contract and then let's try to sit down in a reasonable way with our labor leaders and discuss how we can solve the healthcare issue. If we entrench and it becomes a battle we are not going to win it. If we negotiate in good faith with labor on that point I believe that there are solutions that are of benefit to both sides that we will find.

Vice-Chairman Deane

Thank you. Are there any other comments?

Alderman MacLaughlin

I want to – because I really hit hard on this point, and I will continue to on all the other contracts, this particular one has addressed the issue of trying to reach some common ground in that they are hearing us I think as a hope that going forward some of these unacceptable co-payments will end of decrease. I like the fact that this contract, if approved, ends the new blue cross/blue shield plan called JWM, the enrollment – that will not be available to the new hires or the new employees and going forward the HMO option is now played up whereas before I think it was less of an attractive piece. To me it represents a compromise. It is not that I want to retreat from the fact that I oppose 95% co payment plans, but in this particular case this contract appears to be the only one that addresses a change in policy going forward. That to me represents a compromise and to me in the spirit of trying to move this contract forward I feel that it is an acceptable alternative whereas a few months ago it was not. Thank you.

Vice-Chairman Deane

Are there any other comments? The motion is to recommend final passage of R-05-208

MOTION CARRIED

1 Abstention

Vice-Chairman Deane stepped down and Chairman Bolton presided

R-05-209

Endorsers: Mayor Bernard A. Streeter
Alderman-at-Large Steven A. Bolton

APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE NASHUA BOARD OF EDUCATION AND THE NASHUA ASSOCIATION OF SCHOOL PRINCIPALS THROUGH JUNE 30, 2006

MOTION BY ALDERMAN SHAW TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Lozeau

Is there a representative from the city negotiating team here?

Chairman Bolton

Christine come forward please.

Alderman Lozeau

Chris is there any changes from the contract from the first one that we received a few months ago?

Christine Hagan

Yes. There is no annuities, there is no increase in the MA+30 stipend.

Alderman Lozeau

Could you explain that?

Christine Hagan

At one point we had recommended an increase – right now if you have an MA plus 30 masters plus 30 degree there is a stipend for that. At one point we had recommended that there would be an increase to that. That is no longer there.

Alderman Lozeau

Is the sabbatical leave still there? That is a cost item right?

Christine Hagan

There is no change to that.

Alderman Lozeau

Thank you.

Alderman Deane

Chris is there any change in the longevity?

Christine Hagan

No.

Alderman Deane

So it is still sitting there.

Christine Hagan

Correct.

Alderman Deane

Thank you.

Alderman Dion

Chris at one time the annuity issue was \$500 a year for three years then it changed to the 3rd year?

Christine Hagan

At that point, once it was clear to us that the annuity – we negotiated that money into the salary schedule and then that particular didn't pass either so we took it out totally. There is no...

Alderman Dion

It was in for the 3rd year of the contract the second time.

Christine Hagan

Correct. I believe after the first TA did not pass we took it out at that point. We took out that whole clause on annuity and we did take the \$500 and add it into the actual wage scale. Since then that has been taken out.

Alderman Dion

What is the total increase in the contract now percentage wise?

Christine Hagan

I have the exact figure from Carol Anderson's office. I believe it is 3.14%. For FY '05 it would be 3.15% and for FY '06 it would be 3.13%.

Alderman Dion

And the Mayor's guideline was 3% I believe.

Christine Hagan

I believe that is correct.

Alderman Dion

So you are over the guideline.

Christine Hagan

By .15 and yes .13.

Alderman Dion

Thank you Mr. Chairman.

Alderman Shaw

Was there also a change in the duration of the contract? Had it originally been a three year and is now a two year?

Christine Hagan

Correct. It had originally been a three-year and then the last two TAs we brought it down to two years.

Chairman Bolton

Is there any further discussion? The motion is to recommend final passage of R-05-209.

MOTION FAILED

Chairman Bolton

We still have before us R-05-209. Does anyone have a motion?

**MOTION BY ALDERMAN SHAW TO RECOMMEND INDEFINITE POSTPONEMENT OF R-05-209
MOTION CARRIED**

WRAP-UP SESSION

Chairman Bolton

Going back up to our wrap-up of the budget, which at this point is widely recognized as a misnomer. No one expects to wrap it up this evening.

Chairman Rootovich

I must say I am a little disappointed. That is what I am here for is to wrap it up.

Alderman Johnson

I see that I guess the Mayor hasn't joined us again tonight. I wanted to ask some questions.

Chairman Bolton

My disappointment is just overwhelming.

Alderman Johnson

We are all overwhelmed with this. I guess what my concerns are the Mayor presented the Board of Aldermen with the budget. The budget is basically I guess technically the Board of Aldermen's, but the Mayor keeps coming back in with more recommendations so I guess who does this budget really belong now? Is it us or the Mayor because we have another list of recommendations of reductions in the budget per him? I guess the committee needs to know is this the final set of recommendations from him or are we going to get some more recommendations from him so we know how to proceed as a Board? Maybe Mr. Lemieux can help us.

Chairman Bolton

Far be it for me to try and state the Mayor's position on anything because it is certainly indecipherable to me, but we have the legislation in front of us to adopt a FY '06 budget, and we have a document that this committee has recommended a few amendments to, but that original document with those few recommended amendments is what we have before us. At this point the Mayor has sent us a variety of suggestions for further amendments by us. It is actually completely wrong when he sends us a memo to say that he has now submitted us his additional or he has now presented his amended proposed budget to us. He doesn't have the right to make any amended proposed budget, what he has done is sent us his suggestions for further amendments. He now finds that his original proposal was somehow not currently his liking. What is before us is that original legislation, and what we have done so far is to recommend a number of amendments although at this point a fairly modest amount.

It is within our authority. We can go through department by department, we can ask for people from the administration; department heads, division directors, to come before us, we can take whatever action as within the authority of this committee to recommend that the full Board take. I despair of actually seeing the Mayor come to one of our meetings however, but I have been wrong in the past.

Alderman Deane

Maureen why don't you come up if you would please. Maureen we had some discussion on the stipends and the Human Resources Director tended to defer quite a bit of the questions to you so I had sent her a mail and copied you with it about ironing out some of these items. I believe I copied the whole Board of Aldermen. I never heard back from the Human Resources Director. I don't know if she is on vacation or what, but I really – I am a little – I don't know how up to date you are with this whole process or whatnot, I really wanted to figure it out because I think we should be looking to this – there are some areas that aren't contractual that are being paid out. If perhaps some of these duties are associated with the positions that are in place as it states they are – I don't think this is the appropriate way to be paying people. I think they should be paid for these duties, but it shouldn't be a separate check it should either be part of their pay or removed altogether. I was anxious to get back so we could deal with that because some of it I think we could cut and we could see some cost savings here.

Have you talked to the Human Resource Director about this?

Maureen Lemieux

I do know that she is in receipt of your memo. I do know that I have received it too. I haven't technically opened it, but I know that I have received it. I am guessing that she is working on the response to you. Was that sent over the weekend?

Alderman Deane

It was sent on the 29th or the 30th.

Maureen Lemieux

I believe she opened it yesterday morning when she arrived at work. I do know that we are certainly aware of your request.

Alderman Deane

I think that will be helpful to all of us. I am glad that she – I just never heard back. I didn't expect her to have it done in an hour, but there seemed to be a lot of confusion about a lot of that. I just wanted to get that straightened out.

The other area that I want to go to is Step 2 of the assessment process. We have had a lot of dialog about this and we were told that the data that would be rolling in on or around the 1st of April would start to be compiled. Where do we stand currently across the board with our assessing equalizations for a single, two

family – I have heard 85%. Is that where we are across the board?

Maureen Lemieux

Our overall equalized assessed value is at 84.9%. What I would certainly believe in saying that to you is that the commercials are on the higher end and the residential homes are still at a lower ratio than some of the commercial properties in the city. I do believe further as we discussed that night when we were in room 208, that we still have some disparity between the multi-family homes versus the single-family homes. We definitely still have some issues with all of the ratios. We did meet with the State. The State was down here a week ago Friday I believe it was discussing the assessing review process that we will be going through. As I believe you all know at this point in time 2005 is the City of Nashua's review year, and we must have all of our assessments up to at least 90% of market value. Obviously the thing that the State is looking at is to make sure that we have everyone proportionally assessed. It doesn't mean that everyone has to be at 100%, but whatever ratio it is we are all supposed to be at the same percentage. We are not there yet. Overall though our percentage is 84.9%. That does not mean that every category is at 84.9%.

Chairman Bolton

In this review process do the State officials look at the different market segments – what is the equalization ratio for duplex, what is the equalization ratio for apartment complexes, what is the equalization ratio for industrial buildings – they look at each of these small segments of the market?

Maureen Lemieux

They look at that and much much more. They look at all of our Veteran's credits, our elderly exemptions everything that we do in assessing that factors into the amount of property taxes that people pay in the city. Because we are a large city and we have many properties that fall into every one of these categories, what they will do is take a random sample. They have a computer model that they use so we will send them a list of properties, they will take their model and randomly select probably anywhere between 30-35 properties in every category that they are looking at, and then they will go out and do physical inspections. They will make sure that we have the right data on the properties to begin with and then they will do their own analysis as to what the assessed values should be. They will be down here actually doing fieldwork to make sure that what we have on the cards is correct and then what we have the properties assessed at is proportional.

Chairman Bolton

I understand they take a sample and if you have the wrong information on too high a percentage of the sample they assume that one spoonful is bad the whole bowl of soup is bad, but trying to get – it seems to me you would need many more samples if you were trying to segment your various parts of the market into a lot of pieces. They are going to take 35 properties overall 10 of them are going to be industrial properties and another 10 are going to be commercial properties, 5 are going to be apartment complexes, 3 are going to be condominium units, 5 are going to be single family homes – you don't have enough right? You do a single family home and it comes out that gee we think this one is only at 88% instead of 90% so they would throw out the whole thing. It would seem like they would recognize that not every property is going to hit the average that they are looking for. Do we know any more about it than that?

Maureen Lemieux

I believe that they take 35 certainly of the homes and 35 commercial. I don't recall from the meeting that we had with them whether or not they do 35 two families and 35 single family homes. I do know we had discussion with them though that what they at least feel is when they got to a number larger than 35 that statistically they don't get much more value. Because they pick them randomly they seem to think that if they pick 35 and if all of those are correct that we are probably doing a good job. I don't know and I can't certainly check for you, if they will be picking larger numbers from each segment because we do have so many properties.

Chairman Bolton

Almost none of them are precisely correct right?

Maureen Lemieux

Right.

Chairman Bolton

If on average we are at 84.9% so we adjust everything and we get ourselves so where on average we are at 95% they look at one it will be at 93%, they look at another it will be at 97%. If the one they happen to look at is a pizzeria and that is only at 93% do they assume that every pizza place is then under-assessed?

Maureen Lemieux

I believe what they consider to be a material difference is if we are off by 5 percentage points. If our overall ratio is 95% and the ones they pick are at 93% and 97% and 98% and 92% then we are falling well within the range of acceptability. I believe it was 5 percentage points that they considered to be material.

Chairman Bolton

Sorry to interrupt you Alderman Deane. Please continue.

Alderman Deane

That is okay. In 2004, about 17 days before Christmas I had sent you this e-mail and you had responded "prior to the assessment update median sales ratios for single and two family ratios had dropped to the following levels" – the single family was at 58.97% and the two family was at 49.59%, and the three family was at 44.88%. After Step 1, the single families went from 58.95% to 80.6%, the two families went from 49.59% to 76.7%, and the three families went from 44.88% to 80.5%. Now that is Step 1. When are we going to know what Step 2 is going to be? When are we going to actually have this data available and these percentages in hand?

Maureen Lemieux

Our goal is to have it ready for you for August 1st.

Alderman Deane

Why can't it not be done earlier?

Maureen Lemieux

To be very honest we will be lucky if we are done by August 1st. Last year I believe it was probably much closer to September 1st or even the first week in September when we finally had the data for you. It is a much longer process than it seems because we need to calculate the assessed value based on April 1st. We don't even get the data until probably mid May on most of the sales that happened up in that last month. By the time the sales are recorded and we get the data we are probably at least 6 weeks behind. We then need to go out and verify those sales and qualify those sales. We don't know from data that we receive whether or not it is really an arms length transaction. Our people have to go out and inspect those properties. Then when we are doing an update like this, once we really inspect all of the sales and calculated all of that, which takes probably another 4 weeks so we are now 2.5 months beyond the April date, we then have to run our computer models and update the rest of our housing stock or property stock really because we do it for the commercial properties also. Really it is a much – when you have 28,000 parcels of property that you are trying to update it is really a very cumbersome process. In fact, I was speaking with Angelo yesterday or today, and our goal is to have these numbers for you by August 1st. Last year we did not meet it and we certainly knew that we were much later in the process last year than ever wanted to be. Any time that we have tried to do this we have tried to get it done by the beginning of August. It takes time.

We are as anxious as you are to understand what those numbers are. It certainly helps in your budget process and we understand that. If we can do anything to get them to you sooner we certainly will. I don't want to give you false hope in thinking that July 1st or July 10th that we are all going to know what the impact is of this update because we probably won't until August 1st.

Alderman Deane

I am starting to live on false hope. We have a lot of problems, but this data is absolutely imperative that we get this. I would not want to see an issue like the one we had last year. The explanation behind it and the way it was delivered the people didn't understand it the way it was posted and what not. This is crucial information because not only are the citizens and property owners going to see an increase in their property tax bill they are also going to see an increase in their assessed value, which will drive their bill up even further as the weight is shifted around because of whatever the market does. I just think that – the sooner we get that the better because a lot of decisions have to be made on this.

Alderman Shaw

Maureen is there anything that could be done with additional personnel or resources that we could do to accelerate that schedule to hit a July 1 or even a June 15th type of date? Is there something that we could do shifting resources, hiring a temporary – I don't know what, but is there a matter of having a person to data entry that we don't have available?

Maureen Lemieux

I don't think – certainly June 15th I don't think we could do if we hired 5 people we couldn't do a June 15th probably even a July 1. I don't know, and I can certainly check with Angelo and see if there is anything we could do to accelerate the process maybe by a week or two so that it is mid July. I honestly don't even think that will happen, but I can certainly ask that question. I can guarantee you June 15th or the end of June is definitely not a possibility because by the time we have inspected the more recent sales we are already at about June 15th then we have to take that data and run the models, and then understand the models and analyze it and make sure that whatever results we get are really appropriate. We have about 2,000 sales each year in the city. We also have about 2,000 building permits so we have 4,000 properties that we inspect from the assessing department throughout the course of the year. We have 28,000 properties that we are assessing.

We are then taking whatever data that we get from those sales and building permits and extrapolating that and then pushing that analysis or evaluation if you will onto all of the rest of the properties. If we rush it too much we would certainly be concerned that we wouldn't have time to validate the data.

Alderman Shaw

The one thing that you are talking about getting out and getting inspections done by June 15th those are the ones that are sales that were up until April 1 is that correct?

Maureen Lemieux

Yes those are probably the last few hundred.

Alderman Shaw

I guess then looking at that portion of things is there any way to accelerate the inspections themselves to again maybe bring that in two weeks and be able to have – instead of having that task take until June 15th can that be accelerated to June 1? Can we hire an independent contractor as an inspector; can we shift the inspection resources that we have to make sure that we get those finished so that we can accelerate that data entry?

Maureen Lemieux

I will certainly ask the question for you and get back to you with that answer.

Alderman Shaw

Thank you.

Chairman Bolton

The record should note the arrival of Alderman Tollner.

Alderman Rootovich

Thank you Mr. Chairman. I guess one of my questions was the same as Alderman Shaw's with respect to resources. Is it the assessor that actually does the inspection?

Maureen Lemieux

Yes. We do have one data collector and then we have assessors at various levels and they all typically at this time of year are out inspecting all of the properties. As I said certainly along the lines of Alderman Shaw's questions I will see if there is anything that we can do to accelerate the process.

Alderman Rootovich

I don't mean to sound negative Maureen and please don't take this the wrong way please, but it would seem to me with this particular crisis I would assume that Angelo Marino would spend all of his time in the division right now based on the numbers that we need rather than having his time spent in two other divisions including him getting out and doing some inspections if necessary.

Is there any way that you can give this Board any best-case worst-case scenario by the end of June – at least that – saying worst-case scenario is X and the best is Y?

Maureen Lemieux

I would think that we should be able to have some feel for the numbers. What I can clearly tell you tonight and which you can certainly assume based on the meeting that we had in 208 several months ago – we certainly all know at this point that the multi-families will once again take more of a shift than anyone else the single families will again take more of a shift than the commercial properties, and the commercial properties may benefit. We clearly our ratios are not all at the same level. We will clearly see more shifting. Any decisions you make in the next month or so you certainly will want to keep in mind that the residential properties will probably all experience a shift whereas last year the larger homes, the newer homes benefited from what happened because their assessments were much closer in line with what they were selling at versus the homes that were built in the '60s and '70s. Even though they were single families there was a big difference between the single families built in the '90s and in the last few years than there were with the ones built in the '60s and '70s.

Those are all probably at a fairly proportional ratio at this point in time. What we would expect to see happen is that all of the residential properties will see some shifting this time around.

Alderman Rootovich

I would hate for this Board to pass the budget let's say for the sake of argument by June 30th and the taxpayers anticipating a dollar increase that they can figure out and then two months later they find out it's a lot more and in some cases maybe double based on the decision we made. Again that information is critical.

Maureen Lemieux

We don't disagree with you at all. We certainly understand the dilemma that you are in. Our problem is that the assessing year is April 1st. If that date were February 1st it would help all of us in the budget process. We would be much further ahead, but by State statute it is the April 1st value of all properties in the city. That is why those sales at that point in time are the most critical. The ones that we have checked that happened last August or September aren't as critical. It is exactly what the market is doing on April is the date that we are supposed to target.

Alderman Rootovich

Thank you.

Alderman Vitale

Thank you. It is my understanding that you are not expecting the increases to be like they were last year that the increases will be a smaller amount of an increase. If the residents in the city were going to try and plan themselves what might happen would they be able to look at what the value of their homes have increased – if they know they own a property that has increased in value substantially over another piece of the market, would they be the ones that should expect the biggest increase in the assessed value?

Maureen Lemieux

Over the next few weeks we could try to develop as best we could maybe a few different models to give you an idea. What we do know at least back when we did the analysis in November or December, what we do know is that the multi-families their ratios are still lower than the single families so clearly – we don't expect the shift to be as big this year as it was last year for the multi-families, but we still do expect it to be fairly significant. I don't want to sugarcoat this at all. I think people will certainly still see a shift that will be noticeable. I don't think it is going to be \$15 or \$20 more because of the shift I think it will be noticeable for many people. We can certainly see if there is something that we can put together for your understanding your part that it is a forecast and it is a best guess on our part, but we will see if we can put something together.

Chairman Bolton

I think the real answer to the question is it is virtually impossible for anyone sitting there that knows their own property to figure anything out because it is not any particular property that is an issue it is the relation in the escalation of that property as compared to the average of all other properties so until you know the average of all other properties you have nothing to work with.

Alderman Dion

I would just like to say that I don't think any increase in assessed valuation, which will increase the taxes a small increase. I don't believe in any such thing as a small increase number one. I think even a small

increase is a big increase. What I am trying to say is that Alderman Rootovich hit it right on the nose, I think Alderman Deane was leading up to it – in order for the Budget Committee and the Board of Aldermen to make a decision on the city budget it is imperative that we know what the assessed valuation hit is going to be. If it means having to wait until we know to decide on the budget and what measures we have to take and what kind of cuts we have to make in the budget to compensate is a decision that we will have to make. The sooner the better that we know. Thank you.

Alderman Lozeau

If I may to Maureen – Maureen in this time of the year and all of the pressure seems to be on the Assessment Department how comfortable are you with Angelo spending a significant amount of his time in the IT Department?

Maureen Lemieux

Actually I glad you asked that question because I think Alderman Rootovich alluded to that also. I am actually quite comfortable. When we first made the decision, I think it was February 14th, that Angelo moved to taking an acting manager's role there, we made it very clear that he would spend really put a lot of effort in the beginning up there and making a lot of changes because he has implemented a lot of changes – I believe and I hope if you ask any division director in the city that they would tell you that the services that they are receiving out of I.T. have improved dramatically since he has been doing that – we also made it very clear though that in making that decision that his top priority throughout the next 6 months would be to make sure that the city received a very favorable rating on our assessment review.

This is something that happens every five years for the city now. It is probably the most important function that he performs for our city really in the past five years. This is something that he has been gearing up for the whole five years. As I mentioned earlier they analyze our Veteran's credits, they analyze our elderly exemptions. We have spent the last two years going through all of those files. A lot of this work has been done beforehand so we have cleaned up different areas. We have gone through and done a review on every single veteran's file that is downstairs. We have sent letters out for anyone who gets the veteran's credit you have probably received them. For anyone that we didn't have their DD214 form on file they have received letters over the last couple of years. The same with the elderly exemptions. We have updated all of that. A lot of the work has been done.

The update itself until we get the data he is the one who really does most of the computer modeling. That part hasn't happened yet. Once we really get to that point he will then shift what he is doing and focus all his attention on that. We will clearly if we can improve upon the timing of this process at all we will clearly do that. I just don't want anyone to think that you are going to have this information in June. He has certainly structured his time so that when he had a little bit of time available he has really made a lot of changes in I.T. We think that we are seeing the fruits of his labor at this point in time. Now they know what he expects, and we think the operation is running a little bit more smoothly.

Chairman Bolton

Is there anything further on the assessing and tax rate setting questions? Alderman Deane you have other

areas you wanted to delve into?

Alderman Deane

I got a copy of the latest renewal projections and work rate calculations. Have you seen this?

Maureen Lemieux

Yes.

Alderman Deane

Another request I had made was to have Sue Jeffries – I know she was away a week or so ago, come in and wanted to go over how we are doing with the – I spoke briefly with Mrs. Anderson this afternoon – how are we doing with the numbers that are coming in now for last year's insurance? Is it good or bad?

Maureen Lemieux

We unfortunately are still unsure – when we looked at it – we were looking at it again today – we look at it virtually every other day – we got a few new bills in within the last few days, which are making our forecast for April not look as favorable as we were hoping April was going to come in. What we never know is if it is a real trend – some of the accounts seems to be running higher depending on which data they were during the month and some of the others look pretty good for April. We were trying to see and I don't know what the answer was – I had put a call into Sue Jeffery earlier today and I didn't hear from her and I don't know what Mrs. Anderson did – to see if she had gotten any bills within the last couple of days so that we would know how April ended on particularly Blue Cross. We were hoping that we had another bill. I don't know if we did or not.

The consultant in the report that I believe you have in front of you, he increased his forecast for this year about \$800,000.

Alderman Deane

There is nothing wrong with that.

Maureen Lemieux

Yes it is that is going the wrong way.

Alderman Deane

We can't go any further in the wrong way than we have been going.

Chairman Bolton

Unfortunately I think that is what we are being told. It is now another \$800,000 in the wrong way.

Maureen Lemieux

Right. What he was talking about a few weeks ago when he was here has now been increased by \$800,000.

Chairman Bolton

What is that total currently?

Alderman Deane

Twenty one million, one hundred and sixty two thousand?

Maureen Lemieux

No ah ..

Alderman Deane

Estimate the total city cost..

Maureen Lemieux

You can't go by his city cost in that. What you want to look at is the total policy cost because he doesn't break out the grants.

Chairman Bolton

Let me ask my question a little differently. When the Mayor comes in and submits resolutions to transfer money and to make supplemental appropriations and so forth from whatever source it has to come from how much more do we have to add in the FY '05 budget? At one time we were told \$3 million. At one time we were told it might be \$3.5 million. What is the current estimate?

Maureen Lemieux

We believe we are certainly still at least in the \$3.5 million range.

Chairman Bolton

Okay.

Maureen Lemieux

The numbers have not gotten any better I can tell you that.

Chairman Bolton

Based upon the information we have seen that show the month to month variation, if anything was clear that one or two months is not a range of experience enough to say you have a new trend because every month is an anomaly essentially. It is very jagged; it is not a smooth curve at all. That being the case, are here less than 2 months from the end of the fiscal year, do you know when the Mayor plans on bringing in legislation to deal with this?

Maureen Lemieux

Yes actually we were talking about it today. I don't know if it will be ready for your meeting next week, but not next week then at your following meeting.

Chairman Bolton

I know we are discussing it as we go, but frankly it is my experience that the Board of Aldermen as well as the Budget Committee actually gets to focus on things when we have a piece of legislation. I don't think it would be very responsible to delay until the last month of the year before the Mayor submits his legislation asking for an additional \$3.5 million in the fiscal year that is about to expire in a matter of days or weeks.

Alderman Lozeau

I would like to go back where Alderman Deane was going regarding the projections of next year's insurance costs. I would like to ask a question – by over-estimating the costs instead of last year apparently we underestimated the cost and the result of that is it fair to say that the employee really didn't pay 5% of his healthcare coverage and the city paid more like 97% of the healthcare coverage instead of 95% as a result of the under-estimate of the insurance costs. Is that a fair statement?

Maureen Lemieux

I think it is depending on how much over the estimate we go.

Alderman Lozeau

Three and a half million dollars right now.

Maureen Lemieux

But the working rates were based on the total estimate from the consultant so the employee did not benefit by as much as we may think. They certainly will have benefited somewhat. Now the year before though just so I can actually further that answer. I think this balances itself out over time because the year before we had based our working rates on a higher number that we did not realize and so the year before the employee probably paid 6% or 6.5% instead of the 5% of what our actuals were at the end. What is very difficult is when it is working rates you don't know when you establish the rate for the year. I think over time this balances itself out. There will be years when the employee will benefit somewhat and then there will

years when the city will benefit a little bit.

Alderman Lozeau

That rate is the estimated rate of the cost of healthcare to an employee that is a set rate in a certain month in a certain year?

Maureen Lemieux

Yes it is when we do our open enrollment, which is actually happening right now.

Alderman Lozeau

That is set for 12 months?

Maureen Lemieux

Yes.

Alderman Lozeau

So if they over pay or under pay there is no retroactive pay or no reimbursement?

Maureen Lemieux

No. If there were a year when it was so significant that the employee was overpaying I am sure we would probably make some adjustment, but there hasn't been anything happen quit to that point yet.

Alderman Lozeau

Thank you.

Chairman Bolton

So if I understand that that means that when the consultant issued his report last year and established working rates based upon what he thought the total cost would be and when the administration determined for whatever reason to revise that estimate downward on total cost no corresponding revision to the work rate established by the consultant was made?

Maureen Lemieux

Correct.

Chairman Bolton

So if in fact the administration had been correct it would have resulted in an overcharge to employees.

Maureen Lemieux

Correct.

Chairman Bolton

That didn't happen and I guess that is part of the reason for much of the discussion we continue to have.

Alderman Tollner

I think the \$800,000 that you just mentioned will go into the figures of the working rate. I guess what I would probably recommend is that you ask the two carriers for their working rate because they can both Blue Cross and Harvard Pilgrim can provide you with working rates and you can use them as a comparison. It doesn't cost any money to ask those carriers to do that and in the end you will have two sets of recommendations; one from the carriers and one from the consultant, and you can compare them. The working rates are pretty much established as Maureen said in the beginning prior to these open enrollments in healthcares. ... **tape flipped** ... if the working rate at the end of the year comes in and retroactively you look at it and it is a little higher what most of the municipalities will do is take that money and put it in a fund. Like we have been saying in the last couple of weeks you are going to have good year and bad years. Not that I am projecting what the city's claims are going to look like, but industry wide chances are that when you enter the warmer months your utilization in most cases tends to improve. The higher utilizations usually occur during the months of October through March. As the weather gets warmer people are less likely to have elective surgeries. The surgeries that you need to have you will have anytime during the year, but..

Chairman Bolton

You are probably less likely to fall on the ice.

Alderman Tollner

Exactly right. I think that what you do is you take that \$800,000 that the consultant is projecting and you load that into your working rate, but even if we had a great year next year you don't give that back because this year is another good example of, and I think where Alderman Lozeau was going was you built your working rates and we had a worse year than we thought. In reality for the HMOs if the employee was paying 5% and we were paying 95% in reality when all of the claims come in, are incurred, and paid and you run out and everything like that he is probably right the city is probably going to pay 97% or 98% in the end because you can't retroactively go back and try to recoup that money when you had a bad year.

Chairman Bolton

But we didn't adjust the working rates so the working rates were actually predicated on a total cost that we are going to come very close to. I don't think the result is that the employer is paying 97% and the employee paying 3%. I think it is coming much closer to the 95/5% at least on that program. We are coming in pretty close to what those working rates were based on.

Alderman Tollner

But you also have roughly 90/120 days of claims run out that will go well into the next fiscal year that we still be paying – that you will be responsible for.

Chairman Bolton

But that always is the case and the working rate anticipated that so if the total cost comes in near what the consultant originally projected the total cost would be then presumably his working rates were based upon that expectation. The fact is we adjusted one and didn't adjust the other and I guess now it is a good thing that is the way it worked.

Maureen Lemieux

What we are doing also with some of this is utilizing the reserves that were left over from last year as part of our solution so last year where they did pay in a little bit more as Alderman Bolton said – we ultimately over the two year period are going to end up much closer to the 95/5%. It just didn't all happen in the 12-month period that makes up our fiscal years.

Alderman Deane

Thank God for reserves ha? Maureen I don't know how much you had to do with these proposed – “Per your request attached are my final recommendations regarding the FY '06 budget. My proposed budget has been amended and is now ready for your consideration.” This is from the Mayor. I wanted to go to page 1 and down to the 508 insurance policy account. I had sent the Mayor a communication I didn't know when we were going to go through this list, but I wanted to know how he made these decisions in the 508 account. After what we have experienced, and what we are dealing with and everybody is dealing with, I have grave concerns, and I just wanted to have either Sue Jeffery or you or whomever knew why this was done and what assurances we have that it is appropriate to be doing this so that we are not creating another dilemma for perhaps next year.

If you want to start at the top of that and if the Chairman doesn't mind I would like to understand these cuts and these additions, and what was moved around and how these decisions – how they came across making all of these decisions.

Chairman Bolton

If you are prepared Mrs. Lemieux. We were trying to arrange a day for Sue Jeffery to be here as well so don't know if that will be coming in the future or not.

Maureen Lemieux

I can certainly go through them if you would like.

Chairman Bolton

If you can go through that would be just fine.

Maureen Lemieux

I can certainly do that.

Chairman Bolton

I know Alderman Shaw is trying to make a comment or something. Is this related to something we have just left?

Alderman Shaw

It was and it might be a tie into this. What I wasn't clear on still was when we will actually establish the working rates for next year and maybe that does tie directly to this.

Maureen Lemieux

They actually have just been published the other day. I believe May 1st is the beginning of our open enrollment period so the employees have just received their memos with what the working rates are. We have had a few significant changes. The JW plan has had significant increases on the working rates so much so that we anticipate that half of the people who are currently enrolled in JW will move out of that plan and into the POS plan. We do not expect anyone who has the JW plan, which is the full indemnity plan for anyone who is not familiar with our acronym of JW, we would not anticipate that someone that is in that plan would ever move to an HMO. That is too much of a jump for someone that has been used to that type of a plan. What we would anticipate is that they would move to the POS plan. What the city pays 85% and the employee pays 15% on the POS plan the city pays the same dollar value on JW as we do for POS so the employee portion has increased significantly. So we expect to see – there is about 65 people currently enrolled in JW we expect to see probably half of them move to POS. That is part of the explanation Alderman Deane when you see these differences in these accounts. We also each year when we look at this we include an anticipated migration. Now that may or may not happen. We don't know that when we forecast this, but just based on the amount that the JW plan has increased to the employee we would expect that if somebody is able to move out of that plan they would.

The benefits actually for POS and JW are very similar. I personally don't even understand why people are in JW nowadays, but everybody has their reasons for doing things. We would anticipate half of those people to move to the POS plan.

Alderman Shaw

When does the open enrollment end and will we end up learning anything soon enough from that to further change where we would estimate some of these accounts being at?

Maureen Lemieux

I think it ends May 30th or May 31st. I think it is the full month. We do then know if we have had movement and very often but not all – some people that are going to move they wait until the last minute when they have to make that decision, but very often when people see the rates – I know Risk has been getting calls for the last two days. They have received a lot of phone calls particularly from our retirees who pick up the full cost – trying to understand the change in the rates. People who are in the JW plan as soon as they have seen this change in the rates you would expect that they are looking at this very carefully. A lot of them will let us know fairly quickly. I believe it is the full month that they have. We will certainly know by the first week in June what happened.

Alderman Deane

Maureen you had mentioned anticipated migration is where these numbers are coming from. Now you stated that when the closing period ends so by the first of June. These two top numbers the \$598,000 and \$243,717 will be able to be identified as actuals at that point?

Maureen Lemieux

The only thing that will be actual at that point is how many employees we will have in those plans for the year. Again back to this whole self insured notion if we end up with 30 or 35 employees in the JW plan, which is what we would be projecting at the moment, if 5 of those employees have catastrophic illnesses then obviously numbers won't be anywhere near what you would have projected. We have never had a year where we had 5 employees with catastrophic illnesses, but there is always that possibility when you are self-insured. Whatever the numbers will be will not be actuals until the end of next year. What we will know the first of June is how many people we have in each plan. Then of course that varies during the year if you have people who come and go. I don't believe in the past year – we ran an analysis I think it was for a full 12 month period with people who left the city versus people who started with the city and how many people actually take insurance with us, and the number is actually smaller than any of us would have guessed. I forget what the number was, but many people who come to work here don't necessarily take their insurance with us. I don't believe there was a single new employee in the last 12 months that came here and signed up for the JW plan. It is very expensive at this point to the employees. It is expensive to us, but it is expensive to them too. I do not believe we had a single employee sign up for that.

There is always some movement though – If you have people that were in POS that leave the employment of the city and younger single people come on they tend to come on in an HMO. There is always some movement.

Alderman Deane

Your \$598,000 how was that number calculated?

Maureen Lemieux

What this does is actually leave I believe it is around \$50,000 or \$60,000 in the budget. What these are changes to what is in the budget in front of you. We actually when we were at the point when we were

preparing the budget, we had other internal confusions in this account that go beyond everything that we have needed to discuss here.

Chairman Bolton

That is so reassuring.

Maureen Lemieux

The way that we were actually crediting some of these accounts was not working the way that it should have been. What appeared to have been a higher balance in this account in January when we were preparing the budget was not really correct. Where we had budgeted \$330,000 this year for an amount we believe that we will end up coming short of that number and are expecting to only spend \$50,000 or \$60,000 on the city side, but that is part of the migration. We don't expect many city employees to be in by next year.

Alderman Deane

I appreciate this, but this is my insurance pages here and now we are looking at even more and more significant changes.

Chairman Bolton

They can probably give you a different book if you want.

Alderman Lozeau

I have a different color highlighter you can have.

Alderman Deane

Maureen basically if I go into the 83010 account you are suggesting taking that line of \$650,000 and reducing \$598,000 from that?

Maureen Lemieux

Yes.

Alderman Deane

So that is a minus \$590,000.

Maureen Lemieux

It will be at like \$52,000 will be our budgeted number for next year. I believe we will have – we are forecasting having fewer than 10 city employees on the JW plan.

Alderman Deane

If we have more than 10?

Maureen Lemieux

If we have more than 10 then that line may end up being higher, but your POS line would be something like

Alderman Deane

So your next line of 83011 the Mayor had recommended \$486,000 and now we are reducing that by \$243,717?

Maureen Lemieux

Yes and that is because we actually have more employees in the school department who are on JW than we do on the city side. Again we are anticipating some migration, but we will continue to expect that we will have more school employees enrolled in that plan.

Alderman Deane

This is all on anticipation?

Maureen Lemieux

Yes.

Alderman Deane

If things don't work out as anticipated then the object will be to do what after the fact? You are looking for probably areas that have excess funds in it because things didn't happen the way you thought they would and other lines that have not enough funds where you feel confident that can be moved around?

Maureen Lemieux

Yes.

Alderman Deane

But they will be there to be moved around if need be?

Maureen Lemieux

Right.

Alderman Deane

That is my concern.

Maureen Lemieux

That is the goal.

Alderman Deane

That is a major concern.

Maureen Lemieux

The key actually to all of this is if you look at the bottom of the 508 recommendations, what we are recommending is that we put \$2 million to replenish the unallocated reserves. What we have never really done, and which has become obviously very clear to all of us this year is when we set this up when we thought we were entering each year – we entered this year with \$5 million in reserves and we had \$1.6 million left over last year. After we took care of all of our prior year payments at the end of last year we entered this year with \$6 million in reserves, which sounded like an incredible amount of money, but \$5.6 million of it we can't touch, and it might have been a little more than \$6 million that we had because we actually have like \$650,000 that we can utilize from last year to help us with our issues this year.

What we didn't have is enough of an unallocated reserve. We had our IBNR, which we have talked about Incurred But Not Received bills that if we would ever stop being self insured in either plan we know that we have this runoff that we have talked about, that money is all still sitting there. We haven't discussed touching that in anything that we have brought before you. What we didn't have is a reserve, an unallocated reserve for issues like this. That is why we would like to move this \$2 million in that type of an account. Then what you will see beginning next year, which we have never done either, is have a line item in here that will probably be called replenishment to reserves. We have never budgeted – you have heard us talk about a few of these different nights our prior year claims that have come in particularly the one in the police department, the \$360,000 or \$380,000 that we had to pay a month or so ago, we have never budgeted amounts for prior year claims. We have always worked on what we thought the current year would be and somehow through luck over the years, and this is actually for many years, there has been enough of a surplus in this account that we have been able to deal with prior year claims.

It wasn't until we started budgeting it quite as tightly as we have that we realized that the prior year claims have never shown up – when you have looked at your financials over the years, when you have looked at the 508 account the prior year claims have never even been reflected. That was where when I say a few weeks ago that was certainly I don't know if I want to call it an error or whatever on my part that we didn't have money set aside to deal with the prior year claims. That you will start seeing next year. We will be putting a line item in, and what we will do is calculate an average prior year amount that we have always been taking out of the reserve.

Chairman Bolton

What liability insurance carriers do for the traffic accidents and one drive or passenger or something bring a lawsuit they actually sit down and internally value that claim and they establish a reserve amount per claim and then it may take several years for that claim to be finally disposed of and it can be favorably or unfavorably. At least if you have established that reserve it doesn't lapse year-to-year it is there. It is not unlike in fact what we do in the overlay and the prior year abatement situations. I guess up until now we have not been doing that the way an actual carrier would have done it, and new are going to start or are just going to take an average per claim or not make an assessment on each individual one?

Maureen Lemieux

We will still value all of the claims and that is the amount that actually gets recommended for our property and casualty IBNR, which right now is \$1.8 million. That \$1.8 million will sit there, but during the year as those claims are settled and this year we have already got almost \$800,000 worth of prior year claims that we have settled – that \$1.8 million has technically decreased now to \$1 million. Now if the actuaries come in and take a look and see what we have done this year – obviously as a city we are always doing things that people don't file suit with us maybe in the current year and maybe they do and as you say it takes a few years to work its way through. What we haven't had is a mechanism that replenished that amount. What we have been is lucky in that we have had a surplus in this account in each of the last few years that has automatically replenished it for us without having been identified as a line item where we know that we need to replenish that reserve. That in all of this is another thing that we have learned that you will now start beginning in your budgets.

Chairman Bolton

Continue with wherever we were.

Alderman Johnson

I guess my concern is and I guess I should say that the city has been lucky all of these years up until this point. We have a reserve account for everything it seems like in this city and we didn't have a reserve account for health insurance coverage to cover this particular part of being self insured in this city. It really baffles me that we just didn't have a reserve there because I guess luck just ran out this year. Now we are in this mess this year because we are taking from prior year and we are paying into the next year. We do that on so many things in this. If you talk to the school department about their out of district placements and they will say we are going to make reductions in the budget, but we have to make sure although school is out in June we still get invoices up until July and August so that means they would have to make sure – I am using them just as an example – that they have money in reserve to pay off any invoices that come in. This would be about basically the same thing an accounting wouldn't it?

Chairman Bolton

This is much worse than that.

Maureen Lemieux

Very different too.

Alderman Johnson

I understand it is much worse, but it is the same principle in accounting that you would have to have money to pay off that you can't just say because the year ends June 30th that is the end of any claims that are coming in for this year.

Chairman Bolton

It is really different. There may be some slight similarity, but it is a different level of problem. In every situation when you are doing your accounting on an accrual basis, which is much more sophisticated than just on a cash basis, you are going to have expenses that you have incurred and have not yet been billed for. That is easy because you don't actually close the books on things on June 30th you still pay out for expenses that are properly incurred in the prior fiscal year as those bills come in and you can encumber funds when you know you are expecting a bill to come in to satisfy that purpose. This sort of reserve for claims that are pending is of a different nature. It is much less capable of precise calculation and it can roll over not just across one fiscal year's ending for a matter of weeks or months, but it can roll across years. As I said it is much more similar to what we run into with the abatement requests that may accumulate for years. The difference there is that those keep adding another year to the liability each year with fee kind claims or wrongful termination or professional misconduct or automotive liability or something like that that tends to be a discreet event. While your estimate may be good or it may be poor you don't have to keep ratcheting it up as time goes by just because of the passage of time. It is really more akin to that than just waiting for bills to come in from a discreet expenditure.

Maureen Lemieux

If I can just jump in the other thing that makes this account so different is even at least with the overlay account people have to file for their abatement by March 1st so when we are setting for next year's budget at least we know how many property owners have filed for abatements. When we are setting the overlay for the following year we have some idea of who is filing against us whereas with particularly the property and casualty side of this if somebody hasn't filed suit against us yet it doesn't necessarily mean that they are not going to. There can be things out there today that we have done that people are contemplating suing us for that we don't even know about. When they value an account they are only valuing the claims that we know are out there. If it is a three year statute of limitations on many of the types of things that somebody could sue us for they could come after us for something that particularly in the police liability issues that happened a year or two ago and we may not even know that they are out there and planning coming after us. It becomes that much more complicated. As far as paying the run off of the bills we do understand that piece of it. That is something that we clearly understand and are accounting for when we are coming to talking about what we think the magnitude of this number is.

Alderman Deane

I know we spoke a lot about reserves, and this is one account that should have adequate reserves in it I feel anyway – you have your good years and your bad years, but it is nice to be able to go back and make

up for some issues if you happen to run into them. The next two lines; the Blue Cross/Blue Shield HMOs the initial request was for those two lines was \$8.4 million. The new request is \$11.7 million. That is a \$3 million increase right there alone.

Maureen Lemieux

Yes.

Alderman Deane

Can you explain that a little bit? I know we talked about the JW plan. Do you see any migration out of the area maybe into another area where we might see some possible reductions?

Maureen Lemieux

I do not believe we are forecasting virtually any migration there. What we basically would expect is as I said earlier is the JW people would move to POS. Most people that are in a POS understand that they are going to pay a little bit more money than they do with an HMO, but they are in a POS for a reason so they typically don't move.

Alderman Deane

You had \$841,000 basically there will be a little more out of the 10 and 11 line and now we have added \$3.3 million. When you go down to this Employee Assistance Program to the city and school the Mayor has recommended cutting that. Is that plan utilized by the employees?

Maureen Lemieux

The plan is definitely utilized by the employees as I know I said one of the nights I was here we haven't cut it because we don't think it is valuable. That is not the reason that it is here. We were certainly looking for areas to reduce that were not contractual. We do believe it is of value to our employees particularly if people have had some trauma in their life or whatever could be happening in their personal life. When you are self insured if they become sick whatever it is that has been traumatic for them causes them to have health or to miss work it costs the city money either way. If you instead can help your employees by sending them to EAP so they remain productive and able to come to work it clearly saves us money. We didn't cut it because we didn't think it was valuable it was just that we were looking for things that were not contractual.

Alderman Deane

Similar to this. I haven't really other than conservation commission or whatever I haven't seen recommendations of cutting any of these stipends that were non-contractual as of yet. The next couple of lines the Harvard Community, the city, and the NSD 16 and 17 lines could reduce one by \$45,000 and you have added \$429,000 to the 17 line. Is that migration driven? Why is there a change there?

Maureen Lemieux

I think it is a realization of actuals. We are not planning for a migration there really. I think it is just that there must be more people in the school department that are enrolled in Harvard than we had initially been forecasting along the way. We actually had in the working rate a small increase for Harvard. I am not quite sure if – the employees who are enrolled in Harvard they were very happy when they got their open enrollment letters.

Alderman Deane

We are enrolling employees into Harvard?

Maureen Lemieux

We have very bright employees.

Alderman Deane

Oh the insurance not the school.

Alderman Shaw

I actually wanted to comment back on the AP, but it looks like actually and I don't know if we picked up on this before or not, but it looked like it actually got level funded on the school and the increase reflected on the original proposal for the Harvard Pilgrim and this looks like it is actually a realization that it wasn't probably originally allocated correctly because it was straight across at \$1.27 million from '05 to '06 for the school, but it was \$300,000 increase for the city. That is probably a big part of that. The Employee Assistance Program what – I think you answered this before when it did come up and I don't have it in my notes here. This shows there was no funding for it in '05, but how was it covered and will it still be covered at all then or are we actually truly removing that as a program going from '05 to '06?

Maureen Lemieux

We would truly be removing it. It was embedded in some other line prior to this year. I don't know which one. It could have been in the JW plan I am not quite sure.

Alderman Deane

That is what I have written down.

Maureen Lemieux

This would truly be removing it as a benefit to the employees.

Chairman Bolton

If we actually think it saves us money where is that other money added into the budget?

Maureen Lemieux

It is not. If it is saving us – well if it is in lost days I don't know that you see the real cost of that. We do not have some – we have never quantified it to begin with. We have no corresponding adjustment.

Chairman Bolton

But if we actually think that it will show up somewhere so it will show up in some department's need for more substitute teachers or more overtime on the fire department or ...

Alderman Tollner

I was just going to say it is very difficult for employers to measure the effectiveness of an EAP program in actual dollars because if an employee doesn't come in – you are right for substitute teachers you would see it, but for someone say working in I.T. or anywhere else in the administration it is very difficult for any employee to measure the effectiveness of an EAP program to the bottom line other than those areas where you have to have replacements for those positions if those people aren't in.

Alderman Lozeau

Would the EAP be a voluntary thing or would it be a supervisor mandated thing? How is EAP administered?

Chairman Bolton

It can be self referred or it could be suggested by a supervisor like I have noticed you have been coming a little late, I noticed you are not as productive, you have issues – before I have to take some formal action affecting your employment why don't you go see these people – those kinds of discussions end up with people taking action and this is one of the actions they can take. On the other hand an employee can completely self refer – no discussion with anyone just pick up the phone and utilize the program on their own initiative.

Alderman Lozeau

Is it a matter of going to a counselor rather than a psychologist?

Chairman Bolton

It can be, but it can be other things as well.

Alderman Deane

Are we done with the EAP? The 18 and 19 the POS plans for the city and the school district – those are significant especially the school district is a significant increase – we are adding another million to that line. That would put us up almost \$2.7 million on that line, and the POS citywide would put us up to about \$1.7

million. What was the shift there Maureen?

Maureen Lemieux

I believe we have moved 30 or so employees.

Alderman Deane

This is anticipated?

Maureen Lemieux

Maybe 40 employees into the POS.

Alderman Deane

You are anticipating doing this?

Maureen Lemieux

Yes. Again this has to do with the migration out of JW. We would anticipate that they would move to the plans. I am also trying to ...

Alderman Deane

I understand the difficulty here and you are anticipating all of this migration in and out and around and about to all of these different plans with all of these different people, but do we have past data that shows migration habits of employees and – how do we come about figuring out the 40 employees as you stated that will probably be migrating over to this?

Maureen Lemieux

It was actually the consultant's recommendations, but we do have each year we have really tracked with the increase in cost particularly in JW we have tracked the movement out of that plan. A few years ago probably 2 if not more than 3 years ago we had a couple of hundred employees in the JW plan and now we are down to about 65 and would expect that to really decrease.

Alderman Deane

Are all of these recommendations from the consultant?

Maureen Lemieux

Up through the POS. Through that line so through the 83019 line.

Alderman Deane

The report that was done, and I believe you have my copy of it, is that who gave you these recommendations?

Maureen Lemieux

Yes.

Alderman Tollner

I think on all of these 83010 all the way down to what Maureen was talking about 83019, we are self funding ourselves – there is going to be more transitions from different plans this year than we have probably seen in a long time. Surely because as Maureen said earlier the JW plan is going to see a dramatic increase. You may see some migration out of the POS into some of the HMOs. It makes it difficult to project if these were fully insured plans we could pretty much, the city could pretty much choreograph for you what the dollar amounts are because all you are going to do is pay the premium and you are at no further risk than that. What is very difficult is to take the risk that is inherent in JW, POS, Blue Cross HMO, Harvard HMO and anticipate how many people are going to migrate into those plans and what the risk is going to be or the claims experience is going to be in each one of those plans. It is safe to say without a doubt that your highest risk population is going to be in the JW and then the POS. That is a fact because if people have a low risk or low utilization they tend to go into the HMO because they haven't had any experiences where they want to be able to go to any doctor under the sun.

All of this is projections. Quite frankly looking at this I think it is pretty reasonable. I think Maureen is right especially on the JW plan. I think the people that are going to stay in the JW plan are probably if not all retirees people that either have a lot of money and say I don't care how much it costs I am going to stay in it or retirees that are used to those plans. All of these figures right here they are assumptions. If the consultant recommended it the consultant has been in the business for a while. I think what we want to do is take a look at these figures and then when the open enrollment is over go back and take a snapshot and see how many subscribers are in the HMO, the POS, and the JW and we can tweak this a little bit. I think these are very reasonable assumptions. Again, we don't have a crystal ball.

Alderman Deane

Well I am certainly happy that Maureen did let us know that the consultant worked on this data for the city and it wasn't the Mayor. Not saying that the Mayor might not know, and I think Alderman Tollner brought a wonderful idea that once the enrollment closes we will still be here – come on back and we can do the adjustments at that point so that things are more in line with where they should be. After the 19 line if I Mr. Chairman we can draw a line and say the consultant is done or did he do any other looking at ...

Maureen Lemieux

The stop loss the health stop loss, which is 83077 is also embedded in the numbers that he gives us. The combined with all of the numbers that are above the Blue Cross POS section is from the consultant. Now again that is an estimate too. A lot of this is still estimates. We have quotes out for our stop loss policies

We don't have these answers back yet. We are actually getting quotes as I am sure many of you recall from conversations we have had our stop loss has been set at \$200,000 per person if you will for this year. We are getting quotes not only lower that we are also getting quotes to raise that to \$300,000 because when we really took a look at it we have had very good experience with not going above the \$200,000 so we are paying \$375,000 or whatever our estimate is for next year for this stop loss if it costs us – if we have spent say \$50,000 in the claims that have gone above the \$200,000 and if we instead increase our stop loss to \$300,000 and we can save money doing this it may behoove us to look at even increasing what our stop loss is. We are getting quotes both ways so that we can understand what the appropriate number should be.

Alderman Shaw

I am sorry if you said this – was that guided also by the consultant? Was that his suggestion or was this just part of our own...

Maureen Lemieux

I don't know that he suggested that. It may have even come out of one of the conversations that we had here or one that I had with an Alderman. The other thing I do want to mention I do recall you asking about a total aggregate and we are certainly seeing if we can get quotes on that also. A lot of this is really still ongoing and we are still getting prices.

Chairman Bolton

Once you change the level at which the stop loss kicks in don't you have to go back and recalculate other things?

Maureen Lemieux

Not much because we only had this past year – I forget the numbers now – a few weeks ago when I was really deep in the middle of looking at that particular item I knew the numbers off the top of my head, but I believe we have only had 1 or 2 individuals that have gone beyond the \$200,000 in the past year and the only one went slightly above it.

Chairman Bolton

Doesn't that change your risk profile? As we have said you can't judge a whole trend on the experience of two individuals, but presumably the consultant is in a position to look at industry wide experience that would say that if your excess insurance kicks in at \$500,000 you should be prepared with reserves of X dollars whereas if your excess kicks in at \$200,000 you only need a reserve of Y dollars. You have a different level of risk that you have to manage.

Maureen Lemieux

Yes well I am sure if we were to ever really look at increasing it we would certainly have to make sure that we have that analysis done.

Alderman McCarthy

I want to reiterate that because I had actually talked to you about the changes in the stop loss policy, but Alderman Bolton is entirely right, and this is another case of the same thing we have seen with the self-insurance fund that the statistical data on when you are going to use the stop loss is so small that I think you had originally told us there might have been as many as 8 cases that had invoked the stop loss last year. If they actually were over \$300,000 then when you kick the stop loss policy up from \$200,000 to \$300,000 you actually have to add another \$800,000 to the self insurance because that is the premiums would have paid out of there. I guess what I am worried about is if once every 10 years we have 8 cases that show up that hit the stop loss we need to understand that because there is going to be a time when we have to pay \$800,000 more out of the trust fund then we would in any other year, and we need to be prepared for that.

Maureen Lemieux

Right. What you have to understand is that our data is still very immature. We have only been self insured for a couple of years so we did go back and get those numbers after the conversation that we had. One of the years I want to say that it would have cost us about \$100,000 and the other year it was something less than \$50,000 so they were small numbers, but we only have a couple of years worth of data. We don't know if over a ten-year period that we would expect an average to be 3 employees or 6 employees. We don't have that. We would be very careful before we ever moved it up to the \$300,000, but our data is immature, which is exactly what part of our problem has been.

Alderman Tollner

I think if you get different quotes you will be able to lean on the consultant for his recommendation, but if you go up higher – the only reason why you are going to go up higher is if you think that by going higher and you compare the cost of your re-insurance. It behooves the city to do that. It is kind of like a scale. You are going to – if you take it from \$200,000 to \$300,000 your premium costs are going to go down or re-insurance considerably and you weigh that against the risk of how many possible claimants will you have between the \$200,000 and \$300,000 range. I would agree with Maureen we have only been self funded a couple of years so you don't have a track records. I think there were a few other claimants that the city thought they had, but they were MediCare eligible, which helped out the city.

Maureen Lemieux

Yes so when I had originally told Alderman McCarthy that I thought that we had 6 or 8 people the number was not that high.

Alderman Lozeau

If I could just go back to the JW part, are we self-insured on the JW plan?

Maureen Lemieux

We are self insured on everything.

Alderman Lozeau

Proposed is a \$598,000 cut on the JW plan. That only keeps \$52,000 in that account. That is not even one major surgery.

Maureen Lemieux

I know. That is the recommendation.

Alderman Lozeau

Even if there was only one person on that city's plan of JW \$52,000 is not even one surgery.

Maureen Lemieux

What you have to keep in mind is they are more or less their own pool. For all of our retirees they pay in their monthly premiums, or based on the working rates – we have about I want to say we probably have about 400 retirees. We receive a considerable amount of money in this account that you don't see. When we talk about our employees – the city contributing 95% that is just on the HMO plan. When you look at this one we receive – it is its own pool if you will so if some of the people are fairly healthy and they are paying in and we are not really incurring costs with some people are we are with others you would hope that it would balance out. I know I think that it looks awfully low too. I think it looks awfully low too. I don't disagree with you, but we only are going to have I believe as I said earlier we are estimating maybe 5 city employees on this plan.

Chairman Bolton

And we will have more retirees who are paying 100% in.

Maureen Lemieux

Yes.

Chairman Bolton

And even the 5 we do are – what is the number on this like 40% or something.

Maureen Lemieux

It is quite large.

Chairman Bolton

There is actually more money available than it looks like, but who knows.

Alderman Lozeau

I would think retirees are ...

Maureen Lemieux

On that note, if you don't mind – what we did look at when we have been talking about maybe getting close on commercial insurance, it does appear, and we haven't made a decision yet we need to look at this a little bit further, but for the retirees the commercial insurance rates look as though they are going to be very similar to the working rates here. As I said we have about 400 people in that group. What may really make sense is for us to move that group to a commercial plan so that we don't bear the risk of those people. Their rates are going to be virtually the same. We are looking at maybe moving some of our people to a commercial plan and not necessarily everyone.

Alderman Shaw

Back to the stop loss and maybe this is jumping ahead if we are still just trying to get the quotes and what not, but understanding that our population is immature and we don't have necessarily well our data is in the regard sorry – we don't necessarily have a lot of that history – is there any other data that we can rely on either again from our consultant or from other projections that would help us in terms of understanding what that risk is versus that reduction in cost, that we will be able to use to help judge that?

Maureen Lemieux

I believe that whatever we have sent to the different carriers or the different companies who will quote us they have our history to the best ability that we have to provide it. I am not sure if in that if they get the claims data from back when we were commercially insured. I do believe that is available through ANTHEM so they may be getting five years worth of data when they are quoting out stop loss. What we don't have the time that we have been self insured we don't have data beyond the three years now.

Alderman Tollner

That is a great question. I think on the Harvard side I think you were community rated for a number of years so that we didn't track it when you were community rated. It means you get a rate pretty much similar to what everybody else gets. In the last three years they haven't been community rated. When ANTHEM took over and they converted their systems – I am not going to speak for ANTHEM, but a lot of times when you convert over to a new computer systems they will keep 3-5 years worth of data, and the data from 10 years ago is relatively insignificant only because half of those procedures are no longer even done – they are not applicable for you to price what those claims or the risk would be worth today.

Maureen I have a question for you – do we buy our reinsurance from ANTHEM do you know?

Maureen Lemieux

No. I believe it is – I want to say it is through ING right now.

Alderman Tollner

When you say you are asking for some quotes – just so everybody knows in the marketplace it is not as if there are a dozen or 15 or 20 legitimate reinsurers out there right now. After 9/11 a lot of them left the industry, a lot of them were bought out because of the repercussions of reinsurance. Even though it was real estate it affected everything and a lot of these companies it wasn't worth it for them to stay in the business and deal with the risk. I think in this business of insurance right now for the most part there are probably about 4 or maybe 5 that have a consistent track record that the city could tap into. I would hope that we are looking at 4 or 5 of them. I know ANTHEM has their own, SIGMA has their own, but you can utilize SIGMA now because we don't offer SIGMA. There is not a heck of a lot of choice out there as far as flexibility.

Chairman Bolton

I think the question was though are we at the mercy of only relying on our own history or can an expert in the field take a look at what school districts generally experience, what municipalities generally experience or municipalities in the Northeast or some other way to extrapolate from other data what is more likely to happen here and get a more accurate prediction than just by going on the very short history of this city itself?

Alderman Tollner

They can give you that information, but I don't think the consultant would ever hang his hat on and say well this is what is going on in 15 other municipalities Nashua you should do this because populations could be completely different. They will give you an idea of whether you should look at it, but I don't think there is a consultant out there that will put a stake in the ground and say hey City of Nashua you should put your reinsurance level at \$225,000 and you will be fine. Texas Instruments has a totally different utilization than Hewlett Packard or somebody else. They are all different. When you are reinsuring yourself you are running your own risk. They can give you a range where you are probably within 5-10%, but I don't think they are interested in taking that risk right now. Five to ten percent on \$27 million is a lot of money.

Chairman Bolton

Even your own past experience is not necessarily indicative of future performance. To some extent I don't necessarily see the logic that you only rely on your own experience. It would seem better that you would want to increase the data so that you can make a better prediction.

Alderman Tollner

Two hundred is a good number. If Harvard is self-funding I mean if Harvard is fully insuring groups this is similar to our pooling level, which is the similar to reinsurance, is probably around \$175,000 to \$200,000, which would be a little lower because we are reinsuring pretty much our own claims. This number of \$200,000 is very reasonable for a group. It is not very risky on the city's part, by then again – I think you are going to end up at \$200,000. You might go to \$225,000, but you are not going to save that much money in doing that.

Chairman Bolton

I guess the up side is let's not waste a lot of time figuring out what the different quotes are at different levels. Is there anything else on this reinsurance line? Is there anything else anywhere else?

Alderman Deane

Maureen we have added \$37,000 to the dental plan. Why was that added?

Maureen Lemieux

We had \$595,000 in the budget for next year. We are already at \$428,000. Even though we are 10 months into the year, based on the fact that we do have bills that lag, we would consider ourselves to probably be at least in the actuals that are reflected more like 9 months into the year. If we added another 1/3 onto that and then put an inflationary dollar on it we just thought that we needed to beef that number up a little bit.

Alderman Deane

This one account this one department when the administration met the suggestions of the Board to submit a budget earlier than expected is there any possibility that if the administration wants to continue this practice say next year that maybe that we exclude this one department because of all of the unknowns and fluctuations and bills that are coming in – although it is the second largest department that we have would not make sense to do the budget and then bring this piece in say May 1st? If you look at these numbers that are changing now you have gone out in your projections and you actuals have gone out far enough so that now you are just adding to lines because you know they weren't right to begin with when it was developed in February. What would that do to the process if we took this department out altogether and gave it another couple of months to have a lot of the data come to fruition so the numbers were a little more accurate?

Maureen Lemieux

Actually if we were to try to give you a budget again in February I think that is an extremely good suggestion. I know back when I sat on the Board and I am sure those of you that were on the Board when it was even when we got the budget in April many years the insurance account just reflected whatever the numbers had been from the year before and didn't have the new numbers. We have never received the quotes until probably May. For us to have tried to estimate this – in November when we were talking about giving you the budget in February my biggest fear was that this account wasn't going to have enough of a run rate for this year. Obviously what I thought was my fear then paled in comparison to what transpired, but there was no way that we were able to predict this back then. If we were to do this again that would probably be a very wise suggestion.

As you know we just received the consultant's report last week or the week before and they actually gave it to us faster than we typically get them.

Alderman Johnson

On the dental plan, is this just a basic dental plan or is this the plan that covers braces and .. it is not just the plan that covers the basic cleanings it kind of goes one step further?

Maureen Lemieux

To tell you the truth Alderman Johnson I don't know. I do know the school department may have braces their plan, but the city side does not... **tape ended** ... for the city also on this is it the most expensive, is it the middle of the line, or is it the economy brand on the dental?

Maureen Lemieux

My guess is it would either be middle or lower because as Alderman Bolton said it does not cover orthodontics and clearly there are many plans out there that do.

Alderman Johnson

Thank you.

Alderman Shaw

I just wanted to comment a little bit on what Alderman Deane was just asking about. I appreciate the fact that maybe we are not able to do a good job estimating this, but I guess I would still rather see based on right now looking like we are roughly like an 18% increase in this department every year I would rather see at least an initial budget if we are getting it in February actually reflect this past year with an 18% add or whatever the best projection at that point is and then come back and sure up the data and correct it. I think generally for us if we have all the major dollar items in front of us I think that is probably the kind of number we are going to be starting from. Unless something drastically changes in all likelihood it is not going to be a number that is going to be staying that low. I think it is maybe a little bit philosophical thing, but I would just assume see we are accounting for what will be \$25 million or \$26 million right up front and the best news might be that it is actually something smaller than what we can initially estimate. That is something that will probably just play out as future years go, but I think any of this stuff as we get the revised number it is important to come back and try to give us the most accurate information if we are still in the middle of deliberating the budget.

Alderman Deane

I tend to agree. Hopefully we will be able to reduce some of these health insurance cost money by changing the contribution sides of it in the future, but I think getting a better handle on this even starting with if you took your percentage of increase last year and added it plus 1 or 2 to the following year to say this what we are anticipating, it could go up a little or it could go down a little. Then at least you have somewhat of a starting point.

The rest of these reductions other than the motor vehicle property and liability claims, which there is \$105,000 added to that 64 line, why was that so dramatically under-funded? That doubles that line from \$95,000 to \$200,000. What happened there –064 – it went from \$60,000 in '05 to \$95,000 in '06, and no

we are up to \$200,000 for '06.

Chairman Bolton

We have had some bad experiences – motor vehicle accidents you may remember.

Maureen Lemieux

That is basically the answer. What we did with all of these other ones is project them based on what the actuals were for this year. Right now we have spent \$115,000 for this year and we have spent \$21,000 during this current year for prior year claims so we have spent almost \$140,000.

Alderman Deane

So these numbers reflect what you have for actuals to date ending April 31st?

Maureen Lemieux

Yes – a little earlier – mid April.

Alderman Deane

What if we are having better than average years in some areas?

Maureen Lemieux

Again that goes back to our \$2 million for an unallocated reserve.

Alderman Deane

You are adding \$2 million, but then you are taking all of this out. I don't; understand.

Maureen Lemieux

We are taking out and adding. We are really doing a little of both.

Chairman Bolton

Well a little more adding.

Maureen Lemieux

I only meant in these accounts. The accounts such as like the commercial liability excess in the commercial liability umbrella, those are – we actually get quotes on those accounts so those are one time payments. Those really in the budget that was put together were higher than they should have been and have been actually – they were in the '05 budget also.

Alderman Lozeau

So we are not self-insured on commercial liability?

Maureen Lemieux

We have excess policies on – we are self insured in property and casualty, but we have excess policies.

Chairman Bolton

Very similar to the stop loss on the health. Over a certain level.

Maureen Lemieux

Those reflect 20% increases. Again we don't have those quotes yet either, but we have reflected a 20% increase in those types of accounts. There are three of them; the commercial liability excess, the commercial liability umbrella, and ...

Alderman Deane

If you take all of those numbers Maureen that you are reducing and you add them up what do they come

Alderman Lozeau

In just 508?

Alderman Deane

Yeah. You are adding \$2 million and you are replenishing unallocated reserves and then you are reducing all of these little lines all the way up – there is one that you added, another one, but when you add all of those up, what is the total?

Maureen Lemieux

That is \$4.5 million.

Alderman Deane

That is what you are adding. What are you subtracting – all the ones that you are subtracting out ...

Maureen Lemieux

Well it nets out so we're probably adding on the lines that have the additions that probably adds up to \$5 million or \$6 million with the ones that we are netting against. The net is \$4.5 million.

Alderman Deane

Along with the \$2 million that you ...

Maureen Lemieux

Along with the \$2 million.

Alderman Deane

For a total of \$6.5 million that we are adding.

Maureen Lemieux

Yes.

Alderman Deane

Along with \$3.5 million from last year comes to \$10 million right?

Maureen Lemieux

Yes.

Alderman Deane

Remember that conversation we had out back that night - \$10 million – that was my guess. Thank you for your explanations on everything.

Alderman Shaw

I would like to go back to the motor vehicle – even at \$140,000 run rate through 9 or 10 months it would seem that \$200,000 is quite pessimistic, but then I guess I would like to put it more in the context of when we have been historically especially going back several years, but especially if we are looking at this current situation to be at normal or exceptionally high, a bad year, however you want to characterize it, and we have just gone to trying to deal with some of those kind of glips if you will in specific accounts by having that additional reserve fund, I guess I am struggling with why you would bump that up by so much unless we really think we are now going to be truly incurring \$200,000 on average in the motor vehicle liability.

Maureen Lemieux

We don't want to under-estimate the accounts, but we don't necessarily think that the property and casualty side has been an exceptionally bad year not for the current year claims. The prior year claims because the police claim is in there that is something we did not forecast, the \$360,000 claim, on that. It is the health side that is so abnormal or has spiked by so much. The property and casualty side has certainly been increasing slightly each year. Any one of these is – this is the same as I have been saying all night any c

of these are forecasts. We clearly do not want to under-forecast. We hope not to over-forecast by too much, but we don't want to cut it short.

Alderman Shaw

I guess this is something I will want to come back to just because I still think if we are funding a reserve and we are trying to account for things – I think we don't want to under-fund, but I think we want to try to be as exact on as we can and especially if essentially you have already built in by a reserve account what amounts to that buffer or our own insurance on the insurance cost. I will save that for a different time. Thank you.

Alderman Lozeau

Do we ever go back and re-assess whether – not in the healthcare because it is a little bit too late – do we ever go back like in workman's comp. and liability and things like that – do we assess the cost that it would cost for a normal policy, not to be self insured versus what it is costing us to actually self insure? Do we regularly assess that? I don't think that is depending on what your history has been, but I think it is modeled over the insurance company's modeling of the typical coverage for a typical truck or car or build

Maureen Lemieux

To be honest I don't know the last time that we looked at it for the liability side. We have actually been self insured in property and casualty for a very long time. I think I want to say for at least a ten-year period. I believe the city has thought that this program has worked well for us. I don't recall us looking to get commercial quotes for the liability side. We can certainly look into that in this coming year if people would like us to do that.

Alderman Lozeau

I would suggest it because I don't think there is a cost involved with getting a commercial quote for either liability, worker's comp. I think it is a State mandated cost. Maybe we ought to look into what it has actually cost us versus what it could cost us not to be self-insured.

Maureen Lemieux

We can certainly do that in the next year.

Chairman Bolton

Worker's comp. has been even longer – at least 25 years.

Alderman Tollner

Maureen you said the open enrollment was going to last a month. Is there a reason why we ask for a month? Is that contractual? The more I think about it we send a notice out to the employees and instead

four weeks to make their mind up we gave them three weeks and you ran it to like the 24th of May – this Board would be able to get that information a week earlier. I don't think another week – closing that window – most whether it is commercial or municipality they usually give 2-3 weeks. Very rarely do I see them give their employees a month because the bottom line is those people that wait until the last minute they will wait until the last minute whether it is three weeks or four weeks, but if this Board looks around very rarely do your employer give you a month to make up your mind. In most cases it is two weeks, which is plenty of time for people to make up their minds.

Chairman Bolton

It is probably too late to do anything this year.

Alderman Tollner

Well they got the letter ... **tape inaudible** ... a couple of other things – we had asked for a breakout of full time positions and we are waiting for the school department's broken out. We were going to get that under separate cover I think we were told. It has been a couple of weeks.

Maureen Lemieux

Wasn't the school department included at the end of this – at least their total?

Alderman Tollner

We asked for it to be broken out just like the city's.

Maureen Lemieux

I wasn't aware of that.

Alderman Tollner

We wanted it broken out by teachers, administrators, etc.

Maureen Lemieux

I am assuming you did that through Mark. I don't know that we have that data here.

Alderman Tollner

I know you didn't. I thought that was going to come to us under separate cover. Then I guess we will have to make the request again to have that broken out. The other question probably to the Chair of Budget – had sent a memo that I copied the Board on over to the School Department 2-3 weeks ago regarding the vacant positions that they had and asking the school department to keep those positions vacant until we get through the budget process. I think the last sentence in the letter was can you please respond back and

the Board of Aldermen know if you are able to do that. We have not had a response. I have no problem sending a follow-up to the school department, but I didn't know whether the Chair wanted that to come through the Budget Committee or not. We did not get a response on that.

There was also a conversation where between now and the summer I think the School Department also anticipated a number of additional vacancies that they usually see during the course of between the end the school year and the beginning of the new school year some additional vacancies – could we get an estimate on that. In my own opinion I don't think that we are done taking a look at the budget. I know that 1% is on the floor right now as far as us discussing it, but looking at what the tax rate is going to be I don't think it is going to end up being 1%, and I would like to make sure that everybody is aware of that.

Alderman Rootovich

To expand a little on what Alderman Tollner said. In 1994/1995 I think or 1995 our insurance costs were around \$9 million. Now it is just under \$27 million. That is three times it has gone up in ten years. I have said before a lot is driven by headcount. The document we got from Mrs. Jane Joyce the other evening I believe citywide we went up about 260 employees in the last 5 years. Based on a spreadsheet I have had from like 1997 we have hired about another 165 prior to that. We are up to about 425 employees in the last 10 years in this city. A good portion of that insurance increase is driven by headcount. When we talk about headcount we have to be very cautious in that because it does drive more than just the payroll. The insurance costs is really affected by that among other things. Keep that in mind. Our insurance costs have gone up three times in 10 years. It is significant.

Alderman Tollner

How do we want to handle those two questions that I brought up?

Chairman Bolton

You can continue to follow up until you get the information you requested. I don't know what else to suggest.

Alderman Tollner

I can do it, but I would also ask the President of the Board of Aldermen to speak to the President of the Board of Education and possibly the School Department. Memos of requests were sent out and I think everybody got a copy of that letter, and here it is 2-3 weeks later and there has been no response. I just want to know if they are working on it, do they have a response; are they going to leave those positions vacant while we go through the budget process? I think it all started when we had asked them if any pink slips were issued, and for all intense purposes no pink slips were issued other than those individuals where there may have been a performance concern or the estimate that I got from Mr. Giuliano on retirements. I was told that they are probably anticipating much larger numbers than that.

What I don't want is two months down the road us trying to finalize the budget and finding out that all of those positions have been filled and we don't have any flexibility in adjusting the budget.

Chairman Bolton

Let me see if I understand you. We have a vacancy for example that they anticipate, that they know they are going to have it – principal for the South High School – is your position that they should not hire someone to be Principal for South High School?

Alderman Tollner

That is not my position. My position is that if they are going to hire someone if they hire someone internally and don't fill the other – those are positions that you have to fill. The teachers let's use them as a better example – they have 10 vacancies that they know of right now because they have let people go for valid reasons. My recommendation is you do not fill those positions until we know where we are in the budget understand that those 12 positions were teaching students, but given the budget concerns maybe we don't have to fill all 12 of those maybe we only have to fill 8 of them and make other adjustments is what I am saying.

Chairman Bolton

That may be possible, but the reason I used the Principal of the South High School as an example is because we can see that as a discreet position that we know has to be filled. It is much easier to say if you have vacancies of 30 teachers let's just move people around, but in some of those it may not be entirely fudgable. You may have lost the one person that can teach Advanced Placement Calculus at the South High School and you need to find someone who can teach Advanced Placement Calculus or whatever it is – there may be specialized areas that you cannot just move..

Alderman Tollner

I agree.

Chairman Bolton

... another teach into. To say don't hire anyone until the Board of Aldermen passes a budget – they may be opening school without people if they carry that to .. if they follow that absolutely. Last year we didn't pass the budget until well into August and this year it is not looking any more promising. I think they have to pay attention on being able to function come the opening of school.

Alderman Tollner

I would agree with the examples that you used, but I haven't gotten any communication. I would hope that of those 27 positions they would say Board of Aldermen we think that it is essential that we fill 11 of them because of the examples that you used. I don't know anything because I haven't gotten nor has the Board gotten any response back that is all.

Alderman McCarthy

I am more than happy to follow up on data requests, but I have to say with regard to asking them to actually

take action, while any member of this Board can write to the School Department and say I would prefer if you didn't fill these vacancies until the budget is fixed, I can't convey as the will of the Board of Aldermen request that they not fill vacancies until there is a recorded vote of the Board at a full Board meeting that says that. If you would like Alderman Tollner I am more than willing to follow up with them and say Alderman Tollner has requested this and if there are others who would like I would request that they also individually inform the School Department of that desire, but I can't take unilateral action on behalf of the Board without knowing what the will of the Board is by taking a vote at a Board meeting.

Alderman Tollner

Let me clarify the request. I think the examples that you just used were valid ones – Principal and specialized positions it absolutely is essential that we fill those positions. In the memo that I sent out, it was just feedback to get some response back from the School Department, which rather that request could have been worded differently there has been no response whatsoever from the School Department to that request – whether they understood it, whether they agree with it, or whether the examples that Alderman Bolton used, which are valid, was in their response – we have gotten nothing back.

Chairman Bolton

The Board of Education only meets twice a month though as a full board so if they are going to develop their own policy and take votes on that we should not expect to get something back in a week and a half something – now you are expecting the Superintendent to respond that may be something different.

Alderman Deane

I have a question. I don't know if you can answer this Maureen. If you take Step 3 out of the budget equation, this step here, and we go back to Step 2 prior to getting Step 3, what was the anticipated – if we pass this the way this sits, the way it was presented, what was the anticipated tax rate increase? Was it around 14%?

Maureen Lemieux

The way the budget was prepared?

Alderman Deane

Once the insurance issue unfolded and prior to us doing anything – we hadn't done anything – first it was the insurance and then it was the fire department capital reserve money and whatever else was added – what did we start this at once the insurance came in – was it around 12 or 14%?

Maureen Lemieux

If everything had come to fruition for the different revenue sources when it was presented on February 22 I believe the number that we were talking about was just under 6% at that point.

Alderman Deane

That was the start.

Maureen Lemieux

We then if we assume that we would need to add the \$4.5 million for the insurance that would bring it up just about 3%. We would be at 9%. Solid waste depending on what we do with it what we gave you included back in February included \$1.7 million of contractual trash. If we instead end up making an adjustment for Majestic Heights whatever the number is whether it is \$1.5 million then that stays somewhat neutral. If it goes as high as the \$3 million then we get a 1% benefit there. If the Majestic Heights ends up being \$3 million we get a 1% benefit. If it is anywhere in the \$1.5 million to \$2 million range it remains fairly neutral. If Majestic Heights happens, that transfer, that is a somewhat neutral issue.

Chairman Bolton

If that happens at all do you think it is prudent to take it all in one year?

Maureen Lemieux

Not necessary.

Chairman Bolton

Given the projections that I have seen the latest projections show next year's situation to be worse than this year's. To the extent you pump \$3 million in to better this that makes next year even that much worse.

Maureen Lemieux

Right because currently we are forecasting – we have taken a \$2 million bond proceed amount and applied it to this year. If the Joint Special Committee ends up spending all the rest of or if we have already spent the rest of the money that was allocated by the High School project there may only be that \$2 million for us to deal with. That almost appears to be like a \$2 million increase in bonded debt not that it is, but there are other issues as we go into next year. I don't know that – obviously the Board needs to figure this out, but if we take the benefit of everything that is in front of us for this year's tax rate we certainly compound the affect of next year.

Chairman Bolton

As an example if something was going to be \$10 million this year and you decided that was too much and you managed to reduce it to \$9 million, but in either event it has to be a \$12 million the following year right so going from 10 to 12 is 20%, but going from 9 to 12 is 33.3%. When you think you are saving in one year the impact the following year becomes even more drastic whereas if you can save for one year you may be better to go 10 in one year and 11 in the next year and end up with only a 10% increase as opposed to 20% or 33.3%. Some of these efforts to deal with one year at the expense of future years may well be shortsighted and to some extent is responsible for some of what we are facing now.

Alderman Deane

That is where the assessing issue – the updating comes in too. The continued thirst for reserves.. As Alderman Bolton had stated I think next year you had forecast starting at like 8.89 with just – I don't know what the operating budget increase was, but it was starting at a 9% increase with just basic 3% across the board and with no other issues.

I wanted to make mention of this Majestic Heights situation that we are currently looking at. My request is I want to know how many cubic yards we're taking out of that hole – those two detention pond holes. The 12,675 cubic yards that the Mayor states was in there would fill Holman Stadium up to the top of the existing light poles if you took it and stacked it in there. The inside of the playing surface it would fill it up to the light poles. As I had stated to all of you through some e-mail communications, there was material found there, it was a CSO project, yes the wastewater fund should be tapped into to pay for the necessary disposal, but if there was 3,000 cubic yards taken out of there and they want to build that retained earnings for 12,675 yards something is terribly wrong with that. As I told the Mayor and Mrs. Anderson and whomever at that friendly Public Works meeting we had last week, if there appears to be more than enough money in retained earnings then the City should get the checkbook out and return the money back to the citizens who pay into the system.

I do realize that we have seen some grant money come in and things of that nature, but I think just going into that retained earnings helter skelter just looking for another way to quench the reserve thirst is absolutely inappropriate. That money is for CSO work. There was an issue up there that regarded abatement. Yes the landfill should get whatever was taken out of there they should get. Whatever was mixed up in Majestic Heights and quadruple that amount perhaps shouldn't be paid by our retained earnings. That is just my feeling. I think when it is looked into further perhaps we will find out we will have another source – who knows. That wastewater account and that whole wastewater program is probably one of the most efficient and well run departments we have in this city. It just seems as though we keep going to all of these different reserve accounts and now we are over there. We are at the end of the road now. Right now there is \$44 million in retained earnings in wastewater. Out of that \$44 million \$20 million is spoken for through contracts. There is a balance of about \$24 million over there. As most of you know through some of the questions I have asked Director Seymour his feeling is on the retained earnings with the amount of work that has to be done we won't have to borrow a nickel to fund any of it. What is coming in, the cash that is coming in and the project – I think that is great. We are doing \$100 million worth of work and we will not borrow any money to do it, which I think is great. When we start tapping into it, it makes me wonder is that true to form where all of a sudden we have \$3,075,000 available. Granted there has to be a little available I believe for contingency or whatever on their project, which is fine, but I have a lot of heartburn about doing this. A percentage of it yes, \$3 million of it absolutely not. That is just plain wrong.

I think we should figure out what the cubic yard was that was taken out, pay that amount to the landfill, and call it a day.

If we take all of this outside of that \$3 million and the enterprise fund revenues – if we took the \$3 million out this would put us at about what 9% if all of this was approved? Take the \$3,075 out of it for Majestic Heights. Leave everything else in tact the way it currently sits what would this do to the budget – if we are at 9%, 10% or 11 or 12% tax increase now? We had 9% after the insurance then we had the \$1.7 million for the landfill and the \$2.3 million for the education adequacy money so that is \$4 million right there right

does that put us up around what 11%?

Maureen Lemieux

Pretty much.

Chairman Bolton

It comes to 12%.

Alderman Deane

Currently we are sitting at 12% without having done anything. Now if we implement this strategy, number minus the \$3 million of Majestic Heights reimbursement money until we find out – let's be fair about it, let's give you a million of it, and take \$2 million out of the equation. What does this do – where would this plan put us?

Maureen Lemieux

I believe, and I don't know the exact number – I was away last week at the end when this was calculated. I thought that this plan would land in between 6-7%. If we were to add an extra million and a half or so or say \$2 million that would be another point and a half – if we only took a million for Majestic Heights. That would probably be in the vicinity of 8% or so.

Alderman Deane

It would be 8.5%.

Maureen Lemieux

That is with education funding at I want to say \$24,700,000, which is where it stands right now with the way that it came out of the House.

Chairman Bolton

Maybe it would be good if we can get the calculation of what if all of the Mayor's desires are achieved what that adds up to and then everyone else can adjust from there depending on what they want to do with \$3 million regarding Majestic Heights and what their own personal prediction of what the New Hampshire Senate is going to do.

Maureen Lemieux

We do intend to have that for you Thursday night I believe.

Alderman Deane

Maureen can you call me about the stipend update? I know there is a lot of stuff going on. This isn't the most important thing on the planet, but we have considerable amount of non-contractual stipends that I think we should – I would like recommendations from the H.R. Director on whether it is appropriate to as part of the job description whether they should be incorporated in the salary or whether it is something that shouldn't be.

Maureen Lemieux

Sure.

Alderman Vitale

Question about the stipends and this might have been talked about on Thursday, but I haven't seen all of the amendments from that yet – I was told that some of the stipend amounts were given as stipends so they didn't show up in the regular pay schedule, and then when the person would retire it would be a benefit that because their retirement calculation would not include that stipend amount. Their retirement calculations would actually be less than if you included the stipends within their pay.

Chairman Bolton

I don't think that is true. I think it would always be included for the purpose of calculating retirement benefits. It is overall compensation.

Maureen Lemieux

I will certainly follow up on that. I believe as Alderman Bolton said that it is actually the opposite of what you just stated, but I will certainly check that out for you.

Alderman Rootovich

I asked that direct question to Mrs. Jane Joyce at the last meeting, and she said yes it was as Alderman Bolton said part of the overall compensation so it would affect their retirement. It is part of their overall compensation. That was the direct answer from her.

Chairman Bolton

What does the committee want to do as a general approach here? Do you want me to schedule much as we have done already have every Division Director, Department Head, agency come before us to discuss what the new recommendations would mean or do or do you not want to go through all of that? It sort of means starting over again, but that is much the position we have been put in.

Alderman Shaw

I guess before I answer that I would like to see if the committee is going to be looking at the suggestions that Alderman McCarthy made in terms of that we look at programs and look at a number of programs on some sort of ranked basis and whether or not and try to establish what some of those dollar figures are a

consider that as part of the discussion also, which very well might provide a yes we would want to especially speak with specific departments to make sure that as we consider, if we consider any overall program cuts, that we would have that follow up. I guess I would like us to at least see what we could do try to take that approach as opposed to just doing the across the board percentage cuts because I think it really doesn't necessarily help us other than essentially maybe hurt all programs and all activities and all services that we are providing versus maybe being more selective. Ultimately it might come down to that we are looking at some combination of bottom line cuts and program cuts. I guess I haven't heard a lot of comment. I think I heard at least one other Alderman speak to some favorable reaction to that approach, but I am not sure if there is even a consensus on the committee right now.

Alderman MacLaughlin

I think having spoken with several of the division heads that they are waiting really for a not a specific recommendation in terms of where to cut within their budget, but rather they are very comfortable and ready to go with a number once they receive it from us. If that came in the form of a percentage cut I think many of these division heads are already planning their A, Bs, and Cs depending on the number that they get from us. I am not sure that it is necessary to bring all of the division heads back in as a group as we have. I think they have already done the prioritization within their own day-to-day management.

Chairman Bolton

I think we may want to know what those are before we actually do something. Maybe we don't.

Alderman McCarthy

I guess it is tough for me to sit here and say that I agree with that without seeing what those cuts are. We tried this once already. We sent the 1% cut over to the school department. The Division Director over there concurred with the cuts that the School Board made and when they came back we have done nothing but yell about them ever since. We ought to understand what it is we are asking for before we ask for it. We may well like it afterwards, but we may have suggestions as to where else we want the cuts to be made, and we need to understand what – it is not a Division Director's priorities that we are funding it is ours. We are the policy making board for the city. If we have Division Directors who would rather pay stipends than get rid of some other program they don't like – I want to see those decisions before we cast into concrete by just telling them here is your money go do what you like with it. I think it is absolutely essential that this Board understand what those cuts are going to be and understand whether we are going to sacrifice programs that are our priorities by doing that. Maybe we want to change that to look at other divisions, other ways of dealing with the problem – I can't sit here and in a vacuum say I want that budget to be \$2 million less and I don't care what it takes to get it there because I may well care. If we are going to do it that way we need to vote and not criticize the result in terms of what is presented to the citizens in services.

I really think that we need to take an approach where we start looking at what we can do, get a whole bunch of things on the table and then their associated costs and then it is up to this Board to decide what our priorities for the city are and take out the things that are low on our list.

Alderman Tollner

I think that is well and good; however, the clock is ticking right now. We are going to have to make some significant cuts, and if we are not prepared to make some legitimate cuts in the next say 30 days or so we're not going to be able to implement those cuts, you are not going to see the results of those cuts in next year's budget, which essentially starts July 1st. For example if we were to make cuts in a particular department and it had to deal with personnel, the city doesn't stop paying that individual the day that department decides to make those cuts. You have to give those people notice, benefits would apply for a certain period of time, and that would eat into any advantages from a budget perspective that you think the city would attain. I have spoken with a couple of department heads and they would much prefer getting some legitimate communication from this Board this is what my budget is going to be next year so they can go right now and put a plan together to manage that department via that revised budget going forward. I understand that we want to look at all of the different programs, and I think in some departments that is probably valid, but let's be realistic – we went through a very painful process a year ago with the budget. Do we really think that we are going to have the time to go through every single department and decide what this Board wants and match it up with the cuts that we need to do to deliver a reasonable tax rate within the next 30-60 days? Looking at how last year's budget went I don't think that is going to happen.

My concern is that we are going to be sitting here at the end of July with no budget passed, city is still paying those expenses in July and probably in August and September – so you are looking at a quarter of the fiscal year already gone by, and not have a consensus on the budget level on what programs 10 Aldermen happen to agree with.

I do agree with you Alderman McCarthy as far as looking at important programs and deciding which are priorities, but I also think it is a lot to ask for this whole Board to look at every single department and make a decision on what programs are valid or good and match that up with the dollar cuts that we need to make.

I will give you an example – Police Department – the Chief has a proven track record that he knows how to run that police department. I am very comfortable when we get to a point of what we think the police budget should be to go back to the Police Chief and say you have X number of dollars next year to run your department, please provide us with the feedback of the changes that you are going to make. I have complete confidence in the Police Chief in making those decisions. I don't think this Board of Aldermen should get down to a point where we are conveying to the Police Chief or the Police Commissioners this is what I would like, this is what I don't want to have because it is not going to happen in a timely manner.

Alderman Cardin

I agree that we ought to be looking at programs. I don't think a bottom line cut or a percentage cut – there is no one size fits all in the city. I am hoping that on Thursday night the public gets out and tells us what they want us to do with this budget or at least give us some input as to what they feel is important to them. The taxpayers of this city don't often come out for important matters like budget hearings. It is usually the same handful of people that we listen to time after time that kind of beat up on the Board saying you should do this and you should do that and not a good cross section of this community that has a lot at stake here. I really hope on Thursday night that people come out and express their desires to what they feel should happen with this city budget.

Alderman Johnson

I have heard from many people. I am getting phone calls. I have received letters. People have been writing letters into the Editor of the Telegraph talking about they cannot take another hit. They are also talking about maybe come November clean out the Board because we are tired of our taxes going up. Next year was supposed to have been an easier year, FY '07. We are hearing it is going to be worse than this year. I am not a department head. If I want to get a job in this city and I have the qualifications to be a department head then I would leave my position as an Alderman, stay out of the Board for two years and then apply for apposition here and apply for a department head and make a hard decision. I am not here to micromanage their departments. They know what they have to work with. The Mayor has already gone and said 1%. They have already taken 1% out of the budget in areas, they know what it will leave them with.

I went to Florida and sat on the plane working on this budget and in the hotel room the next night I worked on the budget; some departments 2%, some departments 5%. I did this because of the dedication because I know what we are facing. If we pass down a 12%, a 6% and then we take that 2% of the reassessment and especially on some of these people with the multi-families and the elderly, we are going to send them a shockwave that these people who have worked all their lives and they retired and this is the golden egg that they have had their house, and now I get these calls all the time – I can't afford my home what am I going to do – you can't hit us up with another tax increase. Here is one letter I spoke to a constituent – I am an Alderman-at-Large so everybody is my constituent not just in a ward, and all I hear from people – I read their letters and they are serious. If you think the taxpayers because they don't come out to these public hearings aren't serious now on what is going on – they are. I feel sorry for the people in this city because we couldn't stop spending over the years and now we are in a real mess. We are in a bigger mess than we should have been in because every time we turn around – we didn't make a reduction in the budget and we get another piece of bad news and another piece of bad news. Whatever reduction needs to be made I guess the department directors are going to have to go back and they are the ones that are going to have to decide what programs are important in the city and what they need to do to keep that important program going. Thank you.

Alderman McCarthy

I don't think there is any argument about the fact that we need to make reductions in the budget. What we have been arguing about is how. I would use the same example as used a minute ago in the other direction. This is exactly why we had so much trouble with the budget last year. We sat here and went through – while I was sitting here in wrap-up, dozens of motions that had to do with cuts, and when the question was asked often by you Mr. Chairman what exactly is it we don't get if we cut this out, we never had an answer. We didn't understand the program implications. Those are the things we need to understand. We are not going to do that – if we want to advocate that responsibility and I don't, but some members of the Board may want to do that; one it is not clear to me at all that peanut buttering the cuts across the divisions and saying everybody goes down by 1.6% because that gets us to the number makes any sense whatsoever. There are departments that can withstand cuts, there are departments that are programs that if we looked at them carefully we wouldn't like and wouldn't want to continue anyway, and there are departments that are hanging on by a shoestring now. That just doesn't make sense to just say we are doing an across the board cut.

When we go to look at it we either have to understand what they are going to do or we have to promise not to criticize it when they tell us what they are going to do. When the School Department comes back and says the least important thing in our budget is the \$45,000 in overtime to open and close the schools for the biddy basketball program we have to shut up and tell them okay cancel the biddy basketball program because we delegated that authority when we delegated the responsibility to get rid of the expense. If that is not what we want then we need to be suggesting something else to the departments. Every time we have done this we haven't liked the list that comes from the School Department. We don't like the list this year because it includes high school busing. We didn't like the list last year because it included the one thing that actually will cause long-term change in the School Department, which is closure of one of our elementary schools and removal of the staff that is needed to staff it.

They can't mystically produce millions of dollars of cuts out of the air without affecting something. We have to understand the something and we have to agree with it. That is why we are here is to make those decisions.

Alderman Rootovich

I think the Board has to determine what is an acceptable tax rate first, equate that to what the dollar amount is, and then go back from that point on. That is the first step we have to take. My suggestion would be at that point to ask each division director what – three different scenarios whatever those scenarios we decide would be; A, B, and C what we would suggest what programs we would cut based on Scenario A, B, and C. Deliver that product back to the Board then we can make an educated guess with respect to what we want to pay for and not pay for. I think it has to start with what we all believe is an acceptable tax rate. I think we can't work the opposite way. That is my perspective.

Alderman McCarthy

I agree.

Alderman Deane

I just wanted to go back on the remark Alderman McCarthy made. It has taken a number of years, but the Department of public works offers more in kind services to the School Department than the stinken \$45,000 you just mentioned about the basketball program. If you want to sit down I have already retrieved the data from the Public Works Department pertaining to that. When you – things like that it will get to that. We have already talked about the busing and all of these other items. Now it is going to end up pitting department against department, which I don't think is a health situation.

Alderman McCarthy

I couldn't agree with you more, and that is exactly why those decisions have to come back and get made here because we have all kinds of places where there are in kind services. The high school project got \$400,000 I believe of inspections done without transferring any money to the Building Department. The School Department gets waste picked up, the School Department provides services for other departments and because of that those things are very likely to always be the lowest priority in the department that is providing the service because it is not something for their mission it is something for somebody else's. S

we don't want those things to be the things that are cut we need to understand that and those decisions need to be made here. I am not saying I favor cutting the biddy basketball program, I am saying if you let the School Department cut something that may well be what they come up with. If we are going to say we trust the Division Directors to get this right that is the result you are going to have to live with.

The alternative is to say here is what that program is worth and we the Board of Aldermen believe that is important enough to keep it in the tax rate and not cut it out.

Alderman Deane

So you would tell the Public Works Department to cut something and they cut the \$200,000 it costs them plow out the schools.

Alderman McCarthy

Absolutely. That is exactly the problem I don't want to get into.

Alderman Deane

Well I am telling you that is basically what it boils down to.

Alderman McCarthy

But that is up to us to solve by...

Alderman Deane

I understand that, but I am just a little disturbed by some of the memos that we have gotten from the Board of Education because it seems like every year it is the same crap every year. I for one am a little tired of

Chairman Bolton

I think it has been different areas in different years. This is the first time I have heard high school being the place to look at.

Alderman McCarthy

That being the case I think one of the things the Board probably needs to do much as we hesitate to do it meet again with the Board of Education and hash out some of these things. We need to understand where is there we could cut and the problem is if you say blanketly you can't cut services that happen in front of the classroom then you are left with cutting buses, etc. because that is where all the money is that isn't salaries. It is almost all salaries. We are going to have to understand if we want to reduce personnel that there is an impact in there, and we are going to have to agree that impact is something that we can go back to our constituents with. I am not saying we shouldn't wind up doing that I am just saying we have to get together with them and have that discussion if you want to make the change and not do it via the cuts that they have proposed.

Alderman Tollner

I got an e-mail this evening from a constituent I think you were all copied on. I think she made a very valid point. She used the analogy – she is fit to be tied with this busing situation, which if any of you go anywhere Ward 1 now between 6:30 a.m. and 7:20 a.m. Broad Street is grid locked to begin with let alone us ever moving forward with the busing situation for the high school students, but the analogy she was blown away at is that what the Board of Education is suggesting is that her child – the example she used that her child cannot walk 4 blocks to a bus stop and be driven 5 miles to a school in comparison she can put her garbage out by the curb and that garbage will be driven 5 miles to the landfill. The point that Alderman McCarthy brings up that we do need to sit down with the Board of Education – I would agree. I can't imagine cutting busing to the high school and the impact that will have. The e-mails that we have gotten this week are all valid. You will have students that drop out because they have no way to get to school. There is no way that you would be able to start school on time if every one of those students that are now being bused to the high school have no way to get to the school. ... **tape flipped** ... the reason why we are making these cuts because the Board of Alderman or the Mayor is cutting our budget.

I say this every year we are all in this together. They are going to have a definitive budget when we are done. In the end as we all know they own that responsibility of managing that budget. We have absolutely no say on what they pick and choose to start funding. They need to take the same responsibility for the programs in their budget that we do as a Board of Aldermen for the fire, police, public works, and every other department. I have to state we are all going to be pinching, all of the departments – Board of Education included. For them to say there is nowhere for me to cut with a budget that is close to \$77 million. If class sizes go from in certain cases 19 or 21 or 23 to 23 and 24 and 26 in order for us to provide those same services then that is what we are going to have to do. I think Alderman McCarthy's suggestion of sitting down with the Board of Education is a good one. We need to work together because I keep getting these e-mails as you do please Board of Aldermen don't make the cuts so the busing can be re-submitted. We have to work together. Busing – no busing – eliminate busing at the high school – your knee jerk response – we need to work on it.

Chairman Bolton

I think you have dramatically made Alderman McCarthy's point that just telling every division, department and agency cut X percent does not work for us because we may not agree with the decisions they made. There is a dramatic case in point.

Alderman Deane

Maureen I don't know if you got this communication.

Maureen Lemieux

Yes I did.

Alderman Deane

There is one thing I would like you to look at for me. I am a little troubled by this. It says that the proposed FY '06 budget to the Mayor and the Board of Aldermen, which included the elimination of 37 existing positions within the school district. What I am requesting is the funding mechanism for the 23 para-professionals, 7 teachers, 3 administrators, and 4 custodians. I believe those 23 para-professionals were grant funded and the grant expired. That had little or no impact on what we are dealing with now, but I can make a copy of this if you would like.

Chairman Bolton

I think they were quite straightforward Alderman Deane in telling us that – that it doesn't necessarily remove money that had been in the budget, but what it does do is remove personnel from the services that were being provided and will not be provided in the future.

Alderman Deane

This has a dollar figure associated with it. When it was presented, and it is still be touted that way as something that will have a significant impact or reduction on what is needed to pay for it out of the general fund is not the case.

Chairman Bolton

I think we know they were paid for by grants. The elimination though does eliminate service.

Alderman Deane

That is not what it says here. I understand the service end, but that is not what it says here.

Alderman Vitale

When we are asking the division heads to come forward to us and possibly bring forth programs that could be considered for cutting I think we should also ask them if this would be cut and we want to re-implement the program down the line what would be the cost to re-install that program. Some programs might not have any cost involved, some might be substantial, and that might affect whether we would want to consider that program for a cut.

Chairman Bolton

At least in every case the increase of starting something over again is 100% new cost in that particular program. That alone is a great barrier, but there may well be other entry costs that don't recur when you keep maintaining a program.

Alderman Shaw

Alderman Rootovich's suggestion, which definitely met with Alderman McCarthy's concurrence, was needing to find a tax rate that is acceptable to the Board. I guess I would like to ask how we actually look go through that process up front if we believe that is essentially one of the first steps we need to take now

Without any sort of at least dialogue and discussion that even if it is just to get to some non-binding consensus or do we actually do something legislation wise – I am not sure exactly how that might be crafted, but I guess I have concerns that there is at least some sentiment for that and I think it actually could make a lot of sense to bring us at least an awareness now versus going down many paths and only finding that we have hit some dead end because we don't have a sufficient majority of the Board or super majority of the Board that is finding an acceptable tax rate or at least an estimated tax rate. I just want us to think about how we actually do that other than ending up with just some sense that we should do it but we don't know how to get there.

Alderman Rootovich

I would suggest one or two ways – either you submit those in an envelope either to the Chairman of the Budget Committee or the President of the Board of Aldermen.

Chairman Bolton

Secret votes are illegal under New Hampshire law.

Alderman Rootovich

It is not a vote. It is merely an opinion on which we would all feel is a ...

Chairman Bolton

You won't get any sealed envelope from me. I am not going to do it that way. You guys can do whatever you want and – I don't think it is legal. I think if we feel something we have an obligation to the public to step right up and say it. This sealed envelope stuff..

Alderman Rootovich

I have no problem with that as well I just thought people would feel more comfortable doing it that way. I have no problem doing it that way as well. I would just assume go around the room and ask as far as I am concerned. It is fine with me too.

Alderman Tollner

I agree. I think that we have to come to some consensus as a Board as far as what is a reasonable tax rate that we as a Board can live with, and then work in that direction. How we come up with that I don't know what the best process is, but I think if you come up with a tax rate and go through each of the department budgets – I think what we should do is start with scenarios. Right now there is a 1% reduction. I think we should ask every department in the city and I said this 2-3 weeks ago I said the Mayor's budget of 1% is going to cut it. I think what we do is we ask every department – we already have the information they provided us correct Maureen on the 1% reduction right? I would ask every department what their recommendations would be if there was a 2% budget cut and a 3% - just for the public who is listening, basically what I am saying is level budget across the whole city with the exception of the School Department – School Department coming in roughly about 2.5%, and what are the recommendations that

those different boards would forward to us based upon those projections. If I am not mistaken I think under those scenarios a level budget with the School Department would get us somewhere around 4.5% to 5%.

Chairman Bolton

When you say level you don't mean things like pensions, insurance, utility expenditures..

Alderman Tollner

Insurance, utilities – we know that – we will work on some figures, but for the most part a level operating budget for the departments with the exception of the School Department. Ask the department heads to come in and say alright you already have my 1%, this is what I would recommend if we were reducing the budget by 2%, this is what I would recommend if you are asking me for a level budget. We keep saying we are going to cut the budget. A level budget isn't cutting it is matching this year's budget. I understand the proposed budget we are cutting, but ... see what the recommendations are and see what those different scenarios – put them in a formula and see at 2% reduction in the overall budget would generate a tax increase – maybe it is of 7.5% and a level budget would generate a tax increase of whatever it is – 5.5%. That way we know where we have to go, and then to Alderman McCarthy's point – again I will reiterate I don't agree with doing it across the board – I have a lot of confidence in the Police Department so School Department and some other departments we may have to do a little give and take and have conversation. I am very comfortable with the recommendations coming out of the police and fire. Maybe we don't have to spend time doing that, but get to a tax rate that this Board is comfortable with so we know as a group that when we get to – say the figure is 5% for conversational purposes – everyone around this Board has agreed to a 5% target, we make those decisions – it will be a lot easier for this Board to get 10 people to vote on that budget. In the end there may be a couple of people that don't vote for it – that is understandable. I think that is the only way that we are going to come to a consensus.

Alderman Deane

I think that might be a good idea, and whatnot, but we still have to look at the updating issue too. Not only are you looking at this funding issue and what we are comfortable with for a tax rate increase, but then we have to look at the updating as well. That is another component that can't be pushed off like it had been done in the past. Now we have to be certified this year correct?

Maureen Lemieux

Yes.

Alderman Deane

We can't forego it like was done the last 3-4 years with a little bit of updating other than last year. You have that plus your increase.

Alderman Tollner

That would be part of the whole formula.

Alderman Deane

Granted I do realize that when people call and complain the answer to them is well you weren't paying enough to begin with, but that is not their fault. I believe most of them – what is our percentage of tax bill 98% are corrected. The people were paying the taxes they were asked to pay. I think that is a poor answer for citizens to be given when they call with concerns. We really have to look at the services. That is what we have to look at.

Alderman Tollner

I mentioned this earlier – we really have to get moving on it. If we start making decisions and it rolls into July and August, whatever budget we agree on it is in all likelihood it is 25% of that fiscal year we have already spent the money even though we have made those decisions.

Alderman Deane

That is not true.

Alderman Tollner

It absolutely is true.

Alderman Deane

No it is not.

Alderman Deane

Because if you don't approve a budget until say the end of July or even August, by the time you make decisions on those changes you have already spent the money for the most part in July – even if you make the decision in July you have already spent August. You have already eaten away at 2/12 of your fiscal year, which absolutely will affect your budget and your tax rate without a doubt. I agree with the scenarios that have been presented tonight, but I mean we got the budget in February and I know there have been other issues, but here we are May 1st and we haven't even begun to dive into making major decisions on this budget. I think that is what we need to spend May on.

Alderman Deane

I believe last year we filed a continuing resolution that only – it wasn't broken up into 12ths. Whatever passed passed after that. You can look at that in a couple of different ways. My question Maureen is are we – is the Mayor going to give a presentation Thursday night of Step 3 of the budget?

Maureen Lemieux

The Mayor is actually going to speak on Thursday night, but not do a presentation perse. He is certainly

going to speak before the public hearing opens. Actually it is over at Elm Street I believe – Actor Singers has been performing there. They have their props on the stage. It was going to become difficult to set up any real presentation so we are going to have the tables set up as we always have done at the high school with one table set up for the City Clerk and the Chair of Budget and then the other table set up for the Mayor. He does intend to speak and talk about the changes in his budget, but it is not going to be a Powerpoint presentation if that is the question.

Alderman Deane

Why did we not have the availability of the High School?

Maureen Lemieux

I don't know. It wasn't my office that set it up.

Chairman Bolton

Both auditoriums were in use every evening until the end of May.

Alderman Dion

On the public hearing Thursday night, the people that attend the public hearing are they going to be presented with some documents as to what the amendments are or the total budget is so they can ask intelligent questions?

Maureen Lemieux

I am glad you asked that because before we ended I was going to ask you actually Mrs. Anderson this evening the reason that she wasn't here with us is that she has been downstairs at least trying to input in the system all of these changes that the Mayor was proposing. We have not yet printed revised budgets certainly wanted to check with you to understand whether or not you wanted them. If you want a wholly revised budget based on what the Mayor is recommending we can have those printed for you people tomorrow. I think for the public we would have the original budget and the list that was sent to you. I don't know that we would be – I don't know how many of these budgets we would be able to have put together

Alderman Deane

A whole new budget book?

Maureen Lemieux

Well that is my question to you.

Alderman Deane

That is a waste of money. We don't have enough money to begin with now we are spending more of it.

Chairman Bolton

At least for Thursday I think the thing is if the budget book as it was originally presented in February with the Mayor's latest and as he says final recommendations at least it is final as between now and Thursday for those two things to be available to members of the public.

Alderman Deane

I would appreciate the 508 account reprinted.

Maureen Lemieux

Okay.

Alderman Deane

That is where there was most of the significant changes. I wouldn't go spending any money making another one of these things.

Alderman Rootovich

Did you say Maureen that you are also going to have a document that shows what the proposed tax increase will be with the percentage on the spreadsheet? Did you say that?

Maureen Lemieux

It is certainly our intent. I don't know whether or not we were planning on handing that out. It was our intent though to certainly have the number available so that we could certainly speak to that number. If people think that we need to handout – to have available one of those spreadsheets we can do that if you think that would be helpful – if instead you want us just to be able to relay that – if everything on here was incorporated the tax rate would be 6.2% increase – if all we need is the number we could do that for you also. Whatever your pleasure is I guess.

Chairman Bolton

Whatever the administration wants to do as far as getting its message across I think I will leave to the administration, but the best data – whatever we set 15 minutes or something to tell the people what it is the administration wants, and then we will try and hear from the public.

Alderman Dion

Is this going to be televised?

Maureen Lemieux

No. It will be taped. We do not have the capability of televising.

Chairman Bolton

It will be played on Friday I believe.

Maureen Lemieux

And I believe again Sunday.

Alderman Deane

Although you probably won't get a number Maureen, I would like for the Anniversary Park project – I would like to see a number with that retained earning transfer from the \$3,075,000 – I would like to see that reduced to a transfer of \$845,000. What I did was I took 12,675 cubic yards and I divided it by 3 and came up with 4,225 cubic yards times \$200 a cubic yard. That is a third of it. I think Alderman Bolton brought up a good point there is \$3 million worth of revenue they are looking at out of the retained earnings this year and next year it is not going to be there. I know you won't get a number probably from Public Works on what was taken out of there because quite frankly I don't think anybody knows. I guess if you do a line across and figure the depth and the width and the cup of the bowl and everything you could figure it out – with a tax rate increase with that \$845,000 transfer. Thank you.

Alderman Bolton

While we are on that subject of the wastewater system paying for the space used up in the landfill and so forth, what is the administration's position on what approval is necessary for that to happen? Is the Mayor intending on submitting legislation to approve a transfer or is this being regarded as some kind of payment that gets approved by the Finance Committee or ..

Maureen Lemieux

I apologize. I don't know the answer. As I said I was away on vacation last week when the final decision was made so I wasn't in the conversations so I don't know. I will certainly let you know.

Chairman Bolton

Is there are things that require legislation I think the administration ought to get that legislation before the Board of Aldermen sooner rather than later.

Alderman Deane

I spoke with Mrs. Anderson about that, and she did inform me that does require legislation and so did Attorney Clarke.

Chairman Bolton

That would be my position so I was wondering why we hadn't seen anything yet.

Alderman Deane

I have a companion piece coming down the pike.

NEW BUSINESS – ORDINANCES - None

HELD IN COMMITTEE

Resolutions

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**

R-05-185

Endorser: Mayor Bernard A. Streeter

ESTABLISHING THE USE OF UNDESIGNATED FUND BALANCE FOR TAX RATE

R-05-193

Endorser: Alderman-at-Large Brian S. McCarthy

AMENDING COMPENSATION FOR THE BOARD OF ALDERMAN FOR FISCAL YEAR 2006

Ordinances

-

O-04-45

Endorser: Alderman Marc W. Plamondon

REQUIRING THE PARKS AND RECREATION DEPARTMENT TO CHARGE A

FEE TO NON-RESIDENTS FOR RESERVATION OF CITY-OWNED PARKS AND

SPORT FIELDS

O-05-76

Endorser: Mayor Bernard A. Streeter

**RELATIVE TO DISCONTINUING THE SCHOOL BUILDING AND CONSTRUCTION
CAPITAL RESERVE FUND**

O-05-77

Endorser: Mayor Bernard A. Streeter

**ESTABLISHING A NEW "SCHOOL BUILDING, CONSTRUCTION, ADDITIONS AND
RENOVATIONS CAPITAL RESERVE FUND"**

O-05-85

Endorser: Acting Mayor Brian S. McCarthy

ELIMINATING CONSERVATION COMMISSION COMPENSATION

O-05-86

Endorsers: Mayor Bernard A. Streeter

Acting Mayor Brian S. McCarthy

**ESTABLISHING AN ADDITIONAL MOTOR VEHICLE REGISTRATION FEE OF FIVE
DOLLARS PER VEHICLE AND ESTABLISHING A SPECIAL MUNICIPAL
TRANSPORTATION FUND FOR SUCH FEES UNDER RSA 261:153 VI**

DISCUSSION

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ADJOURNMENT

**MOTION BY ALDERMAN DEANE TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 10:34 p.m.

Alderman Paula I. Johnson
Committee Clerk