

BUDGET REVIEW COMMITTEE

JUNE 22, 2009

A meeting of the Budget Review Committee was held Monday, June 22, 2009 at 8:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large Brian S. McCarthy, Chair presided.

Members of Committee present: Michael J. Tabacsko, Vice Chair
Alderman-at-Large David W. Deane
Alderman-at-Large Ben Clemons
Alderman Mark S. Cookson
Alderman Michael A. Tamposi

Members not in Attendance: Alderman-at-Large Lori Wilshire

Also in Attendance: Alderman-at-Large Fred S. Teeboom
Alderman Richard P. Flynn
David Fredette, Treasurer/Tax Collector
Michael Gilbar, Chief Operating Officer/Comptroller
John Barker, IT Division Director
Nancy Schafer, President, Schafer Consulting
James Mealey, Chief Oper. Officer, Nashua School District

COMMUNICATIONS

From: Roger L. Houston, Planning Director and CIC Secretary
Re: Amendment to FY2010 Capital Improvement Program to Include the ERP
Modernization Program, Prioritized as a Long-Term "A-1" Project

MOTION BY ALDERMAN TABACSKO TO ACCEPT AND PLACE ON FILE

ON THE QUESTION

Alderman Deane

This is basically telling me the Planning Board amended the Capital Improvements Program. Is that correct?

Chairman McCarthy

Yes. By way of a little bit of background on that, the ERP project had been rated by the Capital Improvements Committee (CIC) in prior years when the appropriation was made for the consultant study.

Alderman Deane

How far back?

Chairman McCarthy

It was like two years ago, and it hadn't appeared on the 2010 CIC because it had already been ranked. The administration felt it would be best to send it there again now that we are into the

implementation phase for ranking, which is why that was done after the CIC process was initially closed.

Alderman Deane

I guess it doesn't matter whether it is listed as a CIC project or not is that correct?

Chairman McCarthy

Correct.

Alderman Deane

This is nothing more than a feel good thing for the Planning Board to do.

Chairman McCarthy

No. State law says if we are going to have a Capital Improvements Plan it has to be done this way and we need to have a six year plan. It is not, however, required essentially for us to fund something or to authorize it.

Alderman Deane

Are there any minutes associated with the Planning Board's discussion about amending the Capital Improvements Program? Do you know offhand?

Chairman McCarthy

There was a recording made of the meeting. I don't know whether it was transcribed verbatim. They usually don't. I can tell you that the presentation given to them was essentially the same one Mr. Gilbar gave us this evening.

Alderman Deane

Thank you.

Alderman Teeboom

I am the one that raised the issue quite some time ago that I did not see this in the Capital Improvement Plan. Do you know why that wasn't presented? It is an A-1 rating now. Did it drop through the crack?

Chairman McCarthy

No. It had been rated and funded for the study last year. We typically, once the projects come off the CIC list and get started we don't typically send them back there again year after year. The High School project for example was there until it was started and during the 5-6 years it was running was not ranked by the Capital Improvements Committee every year.

Alderman Teeboom

So this was just a formality?

Chairman McCarthy

I believe so.

Alderman Teeboom

Doesn't the plan also contain a ten year spending plan?

Chairman McCarthy

No. In theory the plan contains six years of stuff. In practice, the way we do it is things that we anticipate may be done in the next six years show up on it, the rankings are done on this year's set of projects not on future years, and essentially the cost of the projects is not taken into account when they are being ranked, it is the importance of the project itself.

Alderman Deane

Maybe I don't understand this, but I am reading the Mayor's memo and it is to the contrary I believe of what you just stated. The original project was brought before the CIC for the FY08 capital improvements, but since then, we have had no other estimate with which we were 100% comfortable – so she is saying the cost wasn't a factor.

Chairman McCarthy

Correct, the cost was not...

Alderman Deane

And we have not brought the project back before the committee for review.

Chairman McCarthy

Right.

Alderman Deane

But then it goes on to state we are unable to get a consultant on board in time to establish numbers for the last review and are now ready to bring a bond resolution before the Board of Aldermen in order to get an RFP out in July. Unfortunately, because of the nature of the project, there is a short window of opportunity for getting through the preliminary steps to get to the first phase of implementation; setting up the core accounting system prior to 1 July 2010. So basically it was fast tracked because this is a project that somebody wants to do.

Chairman McCarthy

I don't...

Alderman Deane

It is pretty cit and dry.

Chairman McCarthy

I don't think that is the assessment. It was never sent to the Capital Improvements Committee with the estimated cost of \$7.5 million. But, my belief is that it was sent to the Capital Improvements Committee, they ranked it like they ranked everything else, there is a desire to get it ranked by the Capital Improvements Committee so that any questions that might arise with Bond Council about conformance to the Statute are answered, but I don't think there was any real necessity to go back there with a different number because they don't take the number into account essentially when ranking the projects.

Alderman Deane

There is a good chance the number might not even have come into consideration while ranking the project.

Chairman McCarthy

It certainly came up in the discussion.

Alderman Deane

But when you look at a lot of the numbers in that...

Chairman McCarthy

Mr. Fredette certainly had some questions about it.

Alderman Deane

When you look at the numbers in some of those capital improvement requests, they are just off the cuff. There is not much behind them to back them up. Thank you.

Chairman McCarthy

The motion is to accept the communication and to place it on file. Is there any further discussion?

MOTION CARRIED

MOTION BY ALDERMAN CLEMONS THAT THE RULES BE SO FAR SUSPENDED AS TO ALLOW FOR THE INTRODUCTION OF A COMMUNICATION RECEIVED AFTER THE AGENDA WAS PREPARED

From: Donnalee Lozeau, Mayor

Re: R-09-201

MOTION BY ALDERMAN CLEMONS TO ACCEPT AND PLACE ON FILE

MOTION CARRIED

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-09-201

Endorser: Mayor Donnalee Lozeau

AUTHORIZING THE TRANSFER OF \$46,000 FROM ACCOUNT #674-05 “CAPITAL IMPROVEMENTS – VAN REPLACEMENT” TO ACCOUNT #553-69051 “STREET DEPARTMENT – FUEL ISLAND DISPENSERS” AND ACCOUNT #553-68056 “STREET DEPARTMENT – SIDEWALK PLOW

**MOTION BY ALDERMAN TABACSKO TO RECOMMEND FINAL PASSAGE
MOTION CARRIED**

R-09-202

Endorsers: Mayor Donnalee Lozeau
Alderman Richard P. Flynn

AUTHORIZING THE MAYOR AND CITY TREASURER TO APPLY TO THE NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES (NHDES) FOR A LOAN OF UP TO \$500,000 FROM ITS REVOLVING LOAN FUND FOR EXPENSES RELATED TO THE NET METERING PROJECT AT THE NASHUA WASTEWATER TREATMENT FACILITY

MOTION BY ALDERMAN CLEMONS TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Teeboom

It seems like an exciting project. City Engineer Dookran mentioned \$76,000 being saved by sending electricity to the grid. Is that going to apply every year? He only talked about three years for the payback. Will that apply every year from now on until the generators fail?

Chairman McCarthy

I would believe so, and the Public Works Director is shaking his head. I think he was just saying it takes three years for it to pay back the amount it will cost.

Alderman Teeboom

But it continues to pay from that point on until of course it fails. You have to probably set up some kind of a maintenance arrangement in case things fail?

Chairman McCarthy

We will handle that with the same treatment we give all of our other maintenance I am sure.

Alderman Teeboom

Thank you.

Chairman McCarthy

Maybe even better.

Alderman Teeboom

Well this produces money so this ought to get better attention.

Alderman Tabacsko

I just wanted to clarify that the resolution talks about \$500,000, but the earlier testimony talked about a million dollars worth of design and construction.

Chairman McCarthy

I thought it was \$500,000. We only pay back half of the loan. Half of it is forgiven as part of the stimulus package.

Alderman Tabacsko

That is what I wanted to hear. So this is a million dollar project we are doing for half a million?

Chairman McCarthy

No it is a half a million dollar project we are doing for a quarter of a million dollars.

Alderman Tabacsko

Okay. That was the clarification I was looking for. Thank you.

Chairman McCarthy

Is there any further discussion?

Alderman Flynn

I thought I understood this very well, but was there a reason at the end of Mr. Dookran's presentation that he told us – did he say something about we currently pay \$50,000 a year to PSNH? It has nothing to do with it does it what we are paying now? That is not going to be reduced in any way.

Chairman McCarthy

I believe that it is because we would be generating our own electricity.

Alderman Flynn

I thought he said it was like 2.8 million and we were using 1.8 million, there was an extra million available, and that would be worth the \$77,000 a year.

David Fredette

I believe the City Engineer said they spend \$50,000 a month on electricity at the plant.

Alderman Flynn

Why do we care about that?

David Fredette

Well this is going to save us \$76,000 a year.

Alderman Flynn

I thought the savings came from the excess energy from the generator that we would be selling not from what our current bill was.

David Fredette

We are going to get paid by PSNH. That is how it works.

Alderman Flynn

I thought we would generate enough electricity so that we wouldn't have to buy anything from PSNH and we were selling some overflow to PSNH.

Alderman Deane

I can kind of weigh in on this. This will produce excess power to backfeed the grid. There are areas of the treatment plant that need to be upgraded in order for the generator to feed electricity to it, preferably the older part of the plant. The newer part, however, the digester will be self-sufficient with the generator running producing nothing. You can operate that plant with electricity supplied by PSNH. What this will do is make the plant totally self-sufficient with the generator. Unless of course it breaks and nobody tells anyone for six months then there is a problem. That is the idea. Right now we are flaring off methane in an alarming rate. Instead of flaring it off the generator will help reduce some of the consumption of the power that they do buy for the digester facility.

Alderman Flynn

If we are spending \$600,000 a year now to PSNH for that one facility, that is the number \$50,000 a month times twelve, in future years we are going to see budgets that are going to show that number I guess substantially diminished and there will also be something on a revenue page for the waste water treatment plant for funds that are coming to us from PSNH for the overflow that we sell to them?

Alderman Deane

Unless they install new switch gear, some of that power that they generate from the methane to the generator, the power portions of the plant that can be powered with it now, we will be utilizing...if

there is feedback on to the grid there will be revenue back to the city.

I think like Mr. Dookran said earlier, some of that old switch gear needs to be changed in order to take power and transfer it back over into the older parts of the plant.

Alderman Tabacsko

And that is not included?

Alderman Deane

That is not part of this. That is how I understood it.

Chairman McCarthy

The motion is to recommend final passage of R-09-202. Is there any further discussion?

MOTION CARRIED

R-09-203

Endorsers: Mayor Donnalee Lozeau
Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Fred S. Teeboom

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$7,500,000) FOR THE REPLACEMENT AND MODERNIZATION OF THE CITY-WIDE ENTERPRISE RESOURCE PLANNING (“ERP”) SYSTEMS

MOTION BY ALDERMAN TABACSKO TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Deane

I had some questions earlier. I believe Mr. Barker lead this effort. Am I correct?

Chairman McCarthy

Yes.

Alderman Deane

My first question is how much have we paid Schafer Consulting to date?

John Barker

First just let me clarify that I didn't actually lead the project alone. It was a joint effort of the CFO and me along with the Executive Steering Committee. The question of how much has been paid on the contract to Schafer Consulting, I believe to date \$60,000. The payments were tied to acceptance of specific deliverables rather than a time billing model.

Alderman Deane

And we have received all of the deliverables?

John Barker

No. That is why we have only paid \$60,000 so far.

Alderman Deane

What was the total contract cost?

John Barker

I believe \$175,000.

Alderman Deane

On page 13 of the tablet that we got, was there a summary in this somewhere or am I looking at it the first 30 pages – is that the summary? There seems to be a lot of information. A couple of things weren't mentioned. The total ongoing cost by year, what was the factor of escalation there when you go from 11 to 12 to 13 to 14? What percentage of escalation were you using?

John Barker

On which particular component?

Alderman Deane

On the bottom line.

John Barker

It depends on which piece up above that you are looking at.

Alderman Deane

On the top box where it says cost by category.

John Barker

I am sorry I am not being clear. You have internal IT support or annual maintenance or ERP vendor services. Internal IT support would increase approximately I think we projected 3% per year. Annual maintenance Mike do you know the...

Michael Gilbar

I believe that was 5%.

Alderman Deane

So the total bottom line amount, again total ongoing cost by year?

John Barker

As a growth factor? I don't know that there is one set growth factor applied to it. It is done by these components.

Alderman Deane

So are the component percentages that you just mentioned of increase the same going into the out years of 12, 13, and 14?

John Barker

I believe for internal IT support and annual maintenance yes. The other two I do not believe have a growth ratio applied to them do they Mike?

Michael Gilbar

Yes the annual maintenance is 5%.

John Barker

What about the anticipated ERP vendor services...

Michael Gilbar

Those I think we just left at the \$275,000.

Alderman Deane

It says annual maintenance based on industry standard of 20% of software license fee.

Michael Gilbar

That one is 5% across. And the one below it is just at that rate.

Alderman Deane

That is at 5% as well?

Michael Gilbar

No it is the same amount. The first year, the FY11 is half of a year and then FY12, 13, and 14 are all \$275,000, and that really depends on the needs of the organization so for purposes of the estimate we left it at the \$275,000.

Alderman Deane

So we are stuck with that ongoing cost.

Michael Gilbar

We were assuming that those are the needs that we have.

Alderman Deane

They could be less or could they be even more?

Michael Gilbar

They could be less, they could be more. We hope we have conservative figures there so we would anticipate they would be that or less.

Chairman McCarthy

Do I recall correctly that earlier versions of the analysis had a larger number than the savings from annual maintenance of current systems? I thought I remembered this table having a six digit number in that savings column a couple of weeks ago.

Michael Gilbar

It initially had a figure that was an incorrect number. It was a transfer of cost from – it made the assumption that there would not be additional IT staff support so essentially what it was doing was washing out the ...

Chairman McCarthy

Not that one. Basically losing the license fees for current admins, etc. I thought we had a number in there that was around \$245,000.

John Barker

I can answer that I believe Alderman McCarthy. There are two components to the annual maintenance. One was software and the other was hardware. I believe that the hardware pieces are not in here, the hardware maintenance costs. Because we continued running that old system until the end of this five year period.

Chairman McCarthy

That was the hardware maintenance cost. Okay.

John Barker

Once we hit that five year period it cuts that off.

Chairman McCarthy

So at some point in the out years of this chart, there is a \$200,000 plus savings when we stop...

John Barker

I don't believe it is \$200,000, more like \$40,000.

Chairman McCarthy

I thought it was much more than that.

John Barker

Not based on the maintenance figures I pay each year currently.

Chairman McCarthy

I will have to go back and look at my old copy.

John Barker

The numbers did go through many iterations along the way.

Alderman Clemons

While we are on the maintenance schedule, and this kind of goes back to what Alderman McCarthy was just discussing, what do we currently pay – rather than what do we currently pay, I guess what would you say our annual costs are for maintenance of the system that we are running now including payroll and factoring in the time – a rough estimate of what that might be?

John Barker

When you ask about staff I am not certain honestly. We have 1.5 individual, full-time developers dedicated to this, and I am not sure what that figure would be. Under hardware and software currently about \$40,000, but that will actually come to an end fairly sooner if; 1) it blows up or 2) it becomes unsupported, which we know it will. Some of these costs will go down there. But, I think one thing that unfortunately admins gives a misrepresentation of is the expense of licensing and maintaining a modern system. It is a thirty year old system and the licensing costs, while they have grown somewhat, they have grown a tiny amount based on the fact that we paid so little for it way back when and we did all of the development ourselves.

Someone recently said, and I think it is a good way to look at this, that unfortunately what we have is about thirty years of back payments come due. We can't really use a \$40,000 figure for maintenance and say that is a reasonable figure that any organization of our size would pay for hardware and software maintenance and licensing on a system of this magnitude. That would be nothing like that.

Alderman Clemons

So it is fairly typical then \$800,000 to \$1,000,000 is fairly typical to pay for maintenance of a system this size?

John Barker

Twenty percent is absolutely the industry standard just as the figure of the vendor services of 10% is not a number we plucked out of the air it is a number that is used by the municipal governments and the GFOA when they recommend adequate funding of the ongoing development and upgrading of the systems.

Alderman Clemons

How is this maintenance fee of nearly a million dollars going to be factored into your budget in the future years or is it going to come from across the board since the entire city is going to be utilizing this system?

John Barker

It will come from across the board.

Michael Gilbar

We don't have a plan right now as to how we are going to do that because we don't know that these are actually going to be the numbers until we put the thing out to bid and get some real numbers.

Alderman Clemons

Assuming a flat increase so take the 2010 budget for example, what percentage increase is this over that budget?

Michael Gilbar

Over the overall budget?

Alderman Clemons

What are we adding to our regular day to day costs or our yearly operating costs with this? I understand it is a million dollars or \$800,000, but we are constrained under the Spending Cap, and I am wondering how much that will eat out of that portion of what we are able to spend over that amount.

Michael Gilbar

It is a little over ½ a percent.

Alderman Clemons

It is ½ percent. Okay.

Alderman Teeboom

First of all let me say Mr. Barker this is a very good job. My name is on the board as a participant of your steering committee so I want to make full disclosure. I don't think anybody questions that we need the system because the system is just about falling – I know the spreadsheets, I see the spreadsheets constantly, and I know how much overtime you spend just producing spreadsheets. That is not in question.

The question comes down to cost, well to me it comes down to cost. I can look at this document, 70 pages – I have to tell you it disappoints me a little bit, and I think I expressed this to you before. There are roughly 70 pages in this report not counting all of the attachments and the costs are really only described in about 2 or 3 pages. I was concerned about this before. The costs as I computer – if you look at the bond payments just to give you an idea of how I see it, if you look at the bond payment schedule that I was on the board and I have a copy of because I asked for a copy of it, at one point let's say in FY 2012 you are paying \$1.5 million in bond payment. It is more than 10% of the bond because you are accelerating the bond over 6 years, 11 years respectively for the software and hardware.

On top of that you get the maintenance costs so the cost in FY2012 as an example is going to be \$2.4 million. Our budget right now is roughly \$245 million so you are talking about a 1%. The ½ percent is if you average things out. That is a big hit. The question I have asked before is when I see a major cost like this and I see options I like to see options priced. As an example and you did that for the implementation, you have the financial, which is cost at \$5.4 million, you have the licensing and permitting, which is cost at \$1.3 million, rounding it off, and your documentation is about \$700,000.

The first question we should ask at least for the record, and I think I know the answer because I asked you this before, but I would like it for the record, what if we just did the financial, which is the biggest need – admins is the biggest weakness I think is in the financial part. When we talk spreadsheets we talk financials. And we didn't do the licensing and we didn't do the documentation? What would that mean other than we reduce the cost by about acquisition \$2 million and we can assume another \$400,000 at last initially in terms of maintenance payments.

John Barker

The licensing and permitting piece is really a hydra, many fingers. It is ticking into a number of different places. It ties integrally into the financial system in a number of different ways. If we did the ERP financials and we did not do the licensing and permitting, I am not sure that we could necessarily integrate what we have existing into this new system. First off, quite a bit of those components would be in admins so all of those egregious risks I laid out would still be there for all of those pieces. Those pieces that are not in admins now, there are some old but other legacy apps, wouldn't necessarily speak to the new systems. The silos would continue the integration might be challenging or not possible. I have always pretty much maintained that the licensing and permitting pieces are across all of these different divisions, and you really can't tease them out quite so easily out of that. To me it is like saying I want to build a home, but I have decided I am not going to have plumbing or electrical. You can't pull these pieces out necessarily.

Document management that is I think a piece that brings a tremendous amount of value to it. It is not quite as integrally tied into the other pieces as the other two components are, but it is the one that in some ways delivers on the productivities and efficiencies that the system promises. For the commitment of money involved, it is minor. I think Mike you calculated 6% of the total budget.

Michael Gilbar

Roughly. The licensing and permitting and the document management are about 25% of the total.

John Barker

I think it is a big bang for the buck, and when you are undertaking a project of this type, it is a concern that now that we need to do this, and we know we need to do this and this is the opportune time, that we don't do the pieces we need to get the system that we have paid consultants to validate that we have to have. I will tell you again that the licensing and permitting is a piece that is just too deeply in the rest of the system to talk about chopping it off.

Alderman Teeboom

A final point, so what we are given here is basically an all or nothing proposition. We have to do the whole thing or do none at all. We are not given a choice of anything in between. That is what it is basically saying. That means we are going to take for the next one starting in FY2012 five years at least we will see \$2 million plus hits in our budget. That makes it very difficult. The Spending Cap as an example is around 3% roughly and keeping pretty steady about \$7 million. Of the \$7.5 million this is plucking away \$2 million for 4 or 5 years before these bond payments go down then they disappear.

The other problem I have is in the schedule Mr. Gilbar that you presented it is a very optimistic schedule because it says here are the bond payments, but if you look at the bond payments it is all of the known and existing bonds; Broad Street Parkway, but I can tell you right now I'm along with Alderman McCarthy and some of the other members here are part of an ongoing event called HVAC upgrade for schools. That looks like it is going to be \$11 or 12 million maybe more. At one time it was going to be \$23 million. It is probably going to be around \$12 million. That is not in this schedule. It is going to have to be bonded. It also says the next 10-15 years no additional bonds, which is just not credible with the history of the city or any city. It is a very difficult thing.

I know I have been part of your effort. I am a technologist not I guess as good as you are, but I tried. I know the system is falling apart. I know the time you put into it, but it is a very expensive upgrade, and I don't know how to deal with this. It is a very difficult thing to pay for 6 years to come.

Chairman McCarthy

In response to that Alderman Teeboom, I sort of look at it the same way I looked at the High School project when we did it; what we did when we built the high school was we had a cost of \$24 million and we built the old high school for \$14 million, and we ran it for 20 years and did not invest in the maintenance of it and when we were done we had extracted all of the value we had ever put into it and ran it out and we wound up spending an awful lot of money because we didn't have anything left in value of an asset we were paying for.

We are basically in the same condition here. The stuff that we have is very near death. We have stuff that is based on VMS and VAX and later ALPHA hardware. There is no VAX hardware anymore. The ALPHA patents and the ALPHA chip line got sold to Intel in the midst of a law suit 15 years ago. Intel is not interested in preserving it and has in fact announced end of life for the ALPHA line. VMS now belongs to Hewlett Packard who has no interest in continuing it, and what used to be a 300 person engineering group at Spit Brook Road is now the last 20 people who agreed to move to Marlborough when the facility closed down. That is short lived.

When that stuff stops it just stops. We can do part of this by moving the admins code to a windows based admins, however, that is not an up and coming technology. That will eventually go the wayside as well. Even if you do that, half the system is not written in admins it is written in VMS DCL, which is where all the menu system is, and that has got to be completely redone.

During the presentation somebody said there is no real cost to not doing it, it is this other burden, and I don't fundamentally believe that is true. I think there is real tangible dollar cost to not replacing this over the next 5 years in terms of what we have to do just to keep being able to collect taxes and pay the payroll and pay the warrant. I think that there is a substantial risk there. As Mr. Barker has said thirty years of back payments have come due, and we need to drag ourselves into the 21st Century if we are going to continue being able to do business.

When I first heard 20 some odd years ago that we were writing all of our own software when I was sitting in the audience at a budget meeting, and that was proudly announced, I said oh my God because I have been in this business a long time and frankly if I had a choice between writing something for myself to use or buying it from somebody else I buy it. It is just that is the way it works. It is much better to get somebody who can amortize the cost over lots of implementations than to amortize it over one.

We are at the point where we need to move forward with that. There is a lot of modernization to do. I understand that it is expensive to put in the budget, but bear in mind that one of the things that we pushed on when we were selecting consultants and one of the reasons we went out twice with the RFP and didn't pick anybody from the first round was that modernization of business practices argument. We have arcane business practices in this building that date back to personnel conflicts in the '60s and all kinds of reasons that people no longer even remember let alone understand for the reasons why things are so hard to do.

The other thing we are doing here is saying what are the right workflows, what is the modern best practice in the business world for payables and receivables and these things, and approval practices. You only have to just look at what it takes us to approve timecards and expenses in this building. It is crazy. We didn't do a what is the headcount reduction we could get by doing this because I don't think that is the way to go about it, but there certainly is a lot more capacity to get work done in the building once we remove the burden of some of the business processes we have had and automate new ones that are more up to speed. The people who spend a lot of time walking from office to office to get physical signatures on things won't be doing that they will be doing something else that helps the enterprise to move forward and provide better service for our constituents.

I agree it is expensive and I agree the yearly cost is expensive, but that is the cost of doing business. That is not different from what anybody else is paying for software at this point it is just we got away with it for a long time because of what we spent writing software in the '80s and that

model just can't be repeated again at this point in time so we are going to have to move forward with that.

In terms of where it fits in the Cap and those things, I don't think this is probably one of the most important things that comes up. In terms of budgeting for the future it is one of the things we are going to have to look at as one of the highest priorities as we go along. I don't see a lot of choice other than to do it. I think we could probably say well let's trim here and trim there in the process of doing it, but in reality to do that on the fundamentals of a \$250 million business I think is probably shortchanging ourselves. We are not talking about something that is 20% of our yearly budget we are talking about something that is on the order of 5% of a yearly budget that will serve us for ten years. It is a big investment in dollars. It is not that big in terms of what it is as a percentage of the business that it is controlling.

I think we have got to go ahead with it, and I wouldn't want to nickel and dime it very much. Mr. Barker will certainly work to keep the costs down as we implement. I think there are ways that we will see that some of these costs on a yearly basis do go down over time as things happen. We are not predicting anything that has to do with attrition in here. We will at some point make decisions where we say okay someone is retiring and we don't need to replace them at this point because that function isn't there anymore, but we are not trying to put that down on paper. What is on the paper is here is what it is going to cost us to fix our basic business functions and move on, and I think they are justified pretty much on their own.

Alderman Teeboom

Alderman McCarthy let me ask you one question; when the Mayor comes down here next time and says I want to spend let's say \$5 million on fixing our buildings, I forgot what she had, about \$5 million, and we have to face the question and this is a question to you, we are going to add \$2 million initially to the budget to comply with this, or we are going to spend for \$2 million we can buy say on a regular 20 year schedule about \$20 million worth of construction so do we do \$20 million worth of construction or spend it upgrading the system and what is your answer?

Chairman McCarthy

At the moment, I would say upgrading the systems is the most important thing to do. When we do that, as you have pointed out, looking at how the bond mechanics overall work is a complex topic and we need to look at the overall sheet, but for example for the things that are hanging out in the \$4.5 million building bond, I think this is more important than the things that are in there for the most part.

Alderman Clemons

Thank you. Am I correct to understand then that the lifespan that we are anticipating for this is 12 years on the bond?

Michael Gilbar

On the bond correct. The actual lifespan of the equipment and the software I suspect will be higher. Given our history we are looking probably at 15 or 20 years.

Alderman Clemons

Okay because the resolution states 22 years.

Michael Gilbar

The term of the bond when we put that together we put that at the highest maturity that we could just to be on the conservative side. We hadn't looked at the total debt at that point in time.

Alderman Clemons

I guess what I would like to see is a couple of things - an analysis similar to what you had up there breaking down what we're paying with our debt payments, but also adding in what Alderman Teeboom was talking about the what ifs, what if we approve the \$12 million for the new boilers in the schools or what if we approve the building bonds that the Mayor wanted to do and anything else that may be laying out there because what I would like to see is what is that going to do, if we approve this what is that going to look like when we take up these other issues that are hanging out there. I would like to see what that debt schedule is going to look like.

The other thing is I would like to see what would happen in relation to that if we instead of doing the 12 years did pace it out over 22 although I realize that the interest payments would be substantially higher, we might actually be paying less over a year to year basis. It might be something to look at.

The other thing is I would like to see a plan as to how this is going to be divided amongst all of the departments and how this \$800,000 to \$1,000,000 cost is going to be divided up amongst all of the divisions. I think it is important to understand where this money is going to come from because it has to be paid and it obviously can't be paid all out of one department's budget so it has to come across the board, and I would like to see where on a spreadsheet in the future. I don't know if that is possible at all, but it is a huge question mark.

Chairman McCarthy

I guess I am not convinced that it has to be not in one department's budget. We certainly need to understand what percentage of the cost is generated on behalf of what departments, but it is a million something in the bottom line of the budget and where it is in the line items I am not sure – it doesn't make any difference to the bottom line. I think we need to understand where it is coming from. A large amount of it is essentially going to be in Financial Services because it is things like payroll.

Alderman Clemons

The parts that are coming from say – I guess where I get concerned is the parts that are coming from say the School Department or from the Fire Department those budgets are produced by the Fire Commission and the Board of Education and I would like to see what it is going to do to the impact of those particular budgets because you are dealing with separate boards that prepare those budgets.

Chairman McCarthy

That is why I don't know that it actually will show up in their budgets. It will show up somewhere in the budget and we will have a breakdown of who it is attributed to, but I don't think we are going to leave it to the Fire Commission to say we're paying for the software that supports the Fire Department this year. Their payroll expenses are their payroll expenses, and basically when you go to look at things like that those costs get apportioned by the number of employees who are covered by the system. We currently don't allow a huge amount of control over IT budgets to the departments we manage that centrally, and I think that the way it has got to go.

Alderman Clemons

The other thing that I would like to see particularly coming from the Mayor's Office is if she orders another directive that says everybody is coming in at 1% that this isn't part of that 1%. That is what we were under this year and I think we need to understand what the line of thinking is going forward before we move forward with this.

Michael Gilbar

Last year one of the things that came right off the top of the budget before the 1% was calculated was the retirement costs so one of the things we have discussed was the possibility of doing the same thing with this. Take it right off the top because it applies to everybody and then basically the difference is what would be allowable for the individual departments or overall for the rest of the budget. There may be some other priority items, but that would be one way of doing it. The other way would be to try to come up with some reasonable allocation. As Alderman McCarthy said Financial Services bears a big piece of that. Then the other components there would be some percentage in that allocation. With our current system it is difficult to do that so we actually couldn't do that until we had a new system in place.

Chairman McCarthy

We are not currently attributing pension and healthcare costs to the departments that generate the expense either. On a good day that is ten times the expense this would be.

Alderman Cookson

Thank you Mr. Chairman. I think one of the first questions that was asked was what was the contract, what has been paid to date, and what is the delta in the total cost, and there is a difference of about \$115,000 right now between the \$60,000 that was paid to Schafer Consulting and the \$175,000 of the total contract so my question is, is the delta dependent upon the approval of this \$7.5 million bond?

John Barker

No. That is not the way the contract was written.

Alderman Cookson

Can you speak to the additional deliverables at a high level what is expected for the remaining \$115,000?

John Barker

The deliverables that are still outstanding we have a change management plan, there are workshops and defined change control procedures around that. There is the request for proposal to be put together. I don't want to understate the complexity of that. That is not around just a few words saying we would like you to bid on something, there are some very comprehensive and complex spreadsheets based on the requirements analysis that have been performed here at the city that the vendors will have to go through in detail to respond to whether their application complies or does not comply to the degree to which it meets our need, limitations, etc. All of that has to be written up to issue out along with any of the city's and Schafer's recommended contractual language, etc.

Once the RFPs have gone out, Schafer will lead the evaluation of the RFP proposals that come back in to assess them to lead that process to help do the initial assessment, bring them forward to us for further processing, to come to some sort of a short list of vendors and a probably suite of different applications that would come together for an integrated solution for us. That involves evaluation workshops, vendor demos, management of site visits, reference checking things like that. Assisting the city with contract negotiations with the bidders in addition to what our legal staff would do. Then ultimately to assist in the development of a high level implementation project plan. That would be the kickoff point for the vendors coming in to develop more detailed down in the weeds implementation plans to put those things in place.

Alderman Cookson

So Schafer Consulting would not be doing the implementation they would be doing the project management or oversight of the implementation?

John Barker

Right now we are in what we have been calling Phase I and Phase I is all of the planning and all of the activities up to the procurement of the applications, the high level plan, and then the beginning of the implementation. We call the implementation our Phase II. There is independent project management called for in that. It is in the budget. Schafer Consulting certainly the city intends to consider them for that and Schafer Consulting would like to be considered for that, but that was not specified in the contract that we have signed up to this point.

Alderman Cookson

Excellent. Thank you. I had a question. I am not sure if you can answer it or if someone from Schafer Consulting needs to respond to it. It is with regard to the functional requirements matrix that was one of our appendices and it doesn't matter which one you look at, but what I was curious about was the general operating requirements section, are those considered the industry standard best practices for that particular topic whether it be applicant tracking or training? Are those industry standard best practices?

John Barker

I am going to defer if I may to Nancy Schafer of Schafer Consulting.

Nancy Schafer

The answer is yes. Really it was a collaborative effort. When we came to the city to conduct these requirements matrix workshops we already had a template that had literally over thousands of requirements of what other cities have wanted for the past 3 or 4 years, and really take in effect of all of the latest trends and web technology. We had a starting point so that people didn't have to kind of start from scratch. In addition to our template, we would add those processes or requirements that are very specific to this city so it really was a combination of two sets of information that we collected.

Alderman Cookson

Thank you. Just another question if I could continue, on the requirements matrix. You have identifiers AT1, AT2 for applicant tracking and I am assuming it is first respondent or second respondent to a series of questions. Is that accurate?

Nancy Schafer

I don't think I understand the question.

Alderman Cookson

Let me show you.

Nancy Schafer

These numbers, these are unique identifiers really tied to the requirement itself not to the respondent.

Alderman Cookson

Thank you. So it is the requirement and not the respondent. Somebody who responded to the question AT1 you could have multiple respondents. You could have 3 respondents, 4 respondents to that particular topic?

Nancy Schafer

Right. We generally conduct these workshops that consist of a cross departmental and cross functional group of employees at the city, and in our opinion if one department needed a requirement we are going to treat that as a requirement that is needed because everybody has different needs, but if the schools need it then certainly even if the city departments don't need it we are still going to treat that as a very very valid requirement.

Alderman Cookson

That becomes your least common denominator.

Nancy Schafer

Yes. The goal here is to make sure that everyone's needs are being met.

Alderman Cookson

And it looks like you used a 4 point scale to rate the current and future needs?

Nancy Schafer

Zero through three.

Alderman Cookson

Zero through three not available through works very well. Then that corresponds to a gap score so if you are at a zero in your current and you are at a three in your future state that responds to a gap score of 10 or something that is required or would be needed by the city, and that is a functionality that you would add to the system or suggest would be part of the system.

Nancy Schafer

Suggested right. We're going to use the same document in the RFP. We will hide our columns, but then the vendor is going to use that same document to let us know whether that particular functionalist exists in their system or not.

Alderman Cookson

One final question was I believe that your consultant that gave most of the presentation on the business case made reference to three graphs; financial modules, human resources and payrolls, and other systems. Those are based on this requirements matrix and they are all subjective based on the self evaluation or the self described need of the individuals that were responding to the questions?

Nancy Schafer

Yes.

Alderman Cookson

Okay. So when I try to make a 1 to 1 relationship between and I will use training for this particular example, training on page 6 of our business case document shows it at 100% of respondents that there as a training need or requirement. What I see in the appendices is a gap score of 9.35. I was trying to make a mathematical connection between the gap score and what was appearing on the graph. On many of the other ones it appeared to be by a factor of 10 so if we multiplied that number by 10 the 9.3 became a 93 and that was relating very well to the graphs. Is that the correlation between the gap score and the graphs that are generated?

Nancy Schafer

Actually, the gap analysis gets a little bit more involved than that. In addition to rating your current system and the future system, we also ask the employees to rate importance of that particular requirement so if they rated a particular requirement to be critical, we have to have this requirement to do our business, and if there is a big gap then that is going to create a bigger point

spread than a requirement that is rated as an average need. We have weighted the scores so you probably will not be able to find a pure mathematical correlation between the number of requirements versus the number of yes and no.

Alderman Cookson

Thank you. One last question and that is a lot of this is quantitative right now. Did you also do a qualitative analysis?

Nancy Schafer

In the appendices we have a series of needs assessment reports by functional area and in each one of those reports we identified in narrative format where we see some of the inefficiencies that are occurring here, some of the redundancies, and we also prepared some vizeo diagrams where we really mapped out your current processes so that we can demonstrate to everybody where the most convoluted processes are occurring so we do have a combination of qualitative and quantitative reports.

Alderman Cookson

Excellent. And the qualitative analysis would allow the best practices that are within the functional requirement matrix to be amended or augmented based on the needs of the city?

Nancy Schafer

We use those qualitative inefficiencies that we identified and we add it to the excel requirement spreadsheet.

Alderman Cookson

So the functional requirements matrix already includes the enhancements based on the qualitative data?

Nancy Schafer

Exactly. It was a combination of our template plus whatever we uncovered in the needs assessment workshops.

Alderman Cookson

Fantastic. Thank you so much. Those are my questions. Thank you.

Chairman McCarthy

Mr. Barker I wanted to ask one follow up on one of Alderman Cookson's questions. In the contract with Schafer, are there items outstanding that have been done but not billed and paid for yet?

John Barker

Actually I believe there are a couple of items that – it calls for an official acceptance review by the leads and authorization to pay. For instance, I believe I received an invoice in for the development of the ERP business case, which arguably we just finished, but I haven't officially accepted it yet. So there are some items.

Chairman McCarthy

The amount outstanding is not just for the work items you described that haven't been done yet, but also...

John Barker

For some work – for instance Schafer has done quite a bit of work on developing the RFP. They are in the progress of that, but there has been no billing for that yet. Change management in the process of that, but there has been no billing yet because that is not completed.

Alderman Flynn

Thank you Mr. Chairman. I think I am stating the obvious, but it is an important consideration for me anyhow is if you look at our budgets over the last three years, we have come in under the Spending Cap, and I think we have used our money pretty well. I know we settled a lot of difficult contracts with our budget, we have bought new fire trucks, I think we have full manning now in the Police Department. We have done pretty well I think with our budget. In reality, if you look at the numbers our budget has grown a little bit over \$5 million per year over the last three years.

To make ends meet we really have seen our bonding debt go down, but we have used that gap as well as the \$5 million a year to stay under the Spending Cap and to come in with hopefully what people consider to be reasonable tax increases. In 2007 our annual bonding debt was \$19.8 million. This year it was \$17.9 million. This particular year our budget went up \$5 million and we still spent an extra \$2 million that was the change in the budget over the last three years. If we wanted to stop spending those funds we would have a difficult time finding out where we don't want to spend those monies.

The savings that we have made from restraining ourselves on additional bonding, there were genuine needs for that. Now apparently there are genuine bonding concerns going forward whether it be the HVAC at the high school, the Mayor set aside a little bit of money, a million dollars for this building, she is very concerned about the Mulberry Street building. Those kinds of things are going to have to – we won't have that same offset that we have today from bonding debt going down. As you said Alderman McCarthy a lot of things have been run into the ground.

It is going to be very very difficult to keep spending and not have that additional pool of bonded needs being decreased because those decreases we have used every bit of that. Every year we have used every penny of that. This past year we used \$2 million difference from three years ago, and we still increased our budget from \$213 million to \$217 million. It is going to be very very difficult for us to figure out how we are going to prioritize what our bonding needs are and still continue to do the things that we have been able to do over the last three years like I said in terms of resolving outstanding contracts and proper equipment for all of our departments and whatever. That is going to be a pretty difficult step.

I had two other questions if I could. On the spreadsheet for the breakdown of the annual costs, I printed some of this over the weekend, but I didn't have too much time to do it, to look at it. Additional internal IT support, that \$213,000 when I wrote that down over the weekend I wrote on my own handwriting three people, but I think tonight you said there were only going to be two people for \$213,000?

John Barker

I think one thing to recognize first off is that a database administrator is a fairly high paid position, a very high paid position generally. Of course the economy is down and we will save when we go to get one, but it is still a fairly high paid position and very highly skilled. The one that may be a little misleading is the support. I think before they said it was a help desk person, which is something of a misnomer. In the two large implementations I have done, a Banner System and a Peoplesoft System, you really can't take support of that application and put it totally on an existing help desk. The reason why is because those people are very good at understanding if you are having a problem with your PC or your network or a spreadsheet perhaps. They can even figure out if a person is in the right screen to perform a particular function, but they don't know anything about financials. They don't know anything about accounting.

To support an ERP application, someone has to be on the other end of that phone that when someone says the system is broke because it is not doing X, that individual understands it is not the software that is malfunctioning it is the data that is going in is not appropriate or not in the right place or not matching up with a certain code. Those are the kinds of things that are fairly high level skill sets. You need to bring in someone that has more than the average technical background and certainly a strong financial background and understanding of these kinds of systems.

If you don't do that you are going to have a problem because all of those questions will get routed to the financial staff that we are trying to get working on other productive things, that is if they understand the system well enough at that time to support them. It is a deeper thing, and we anticipated that those two positions – I don't remember the exact figures, but there is also obviously a factor of 1.25% against the salary for the burned rate.

It is two positions they are fairly high paid positions. We are not talking \$90,000, we are not talking \$85,000, but we are talking about a reasonable salary for those skill sets, and those are two positions I don't believe you can successfully launch a system like this with, certainly a vendor would tell you without a DBA don't bother, and I will tell you without a support person who understands what is going on in that system, that complex financial system, don't bother.

Those needs to be done. It is my hope that within about year 3 or 4 and one attrition, that will reduce some of that cost, but it is conjecture at this point so I don't want to make a promise, but certainly I think that it is reasonable to assume that, based on the existing staff, that as we move forward into the new system that there will be one individual who has been providing a higher level of support on all of the existing apps that may not be necessary.

Alderman Flynn

I am never comfortable with that either waiting for someone to decide to retire or to leave or whatever to get the cost savings. If you can get along without that person that is fine, but if you have to wait for them to leave it is a tough way to depend on getting savings.

Is there any chance we could see that last slide that showed the bonded debt again? I am sure I will be able to get a copy of that, but I would like to ask some questions. It's the one that you showed the Broad Street Parkway costs on as well.

As an example, on line 14, what really has happened on line 14? Our change from year to year is \$553,000, our Broad Street Parkway debt and our ERP debt for that year is \$4.9 million? Those are our bond payments for those two projects in FY14 under this page? Is that what you are saying?

Michael Gilbar

I am sorry can you repeat that?

Alderman Flynn

Let's look at FY14 just so I am sure I understand what the columns mean. FY14 at current debt without taking on anything but Broad Street Parkway or the ERP project, I assume that is what you are meaning.

Michael Gilbar

Correct.

Alderman Flynn

Excluding all of the other things we have talked about, the HVAC at the schools all of that stuff, just our current debt in FY14 is at \$14.6 million. I wanted to use FY15 I guess. That is the one I started with. It went down \$553,000 from one year to the next. The Broad Street Parkway debt and the ERP debt combined that \$3.6 million and the \$1.3 million means that the debt that was not at the begin point; it was not on the screen in FY09, that particular year that debt is now \$4.9 million?

Michael Gilbar

Correct.

Alderman Flynn

It wasn't visible in FY09 at all. That is what we are saying here?

Michael Gilbar

Correct.

Alderman Flynn

And the change, the only change we are talking about here is the change from the previous year?

Michael Gilbar

Correct.

Alderman Flynn

So the new debt change is the new debt change from where?

Chairman McCarthy

The new debt is not going to be – what is in that change column is just the change in new debt from the previous year.

Michael Gilbar

Correct.

Chairman McCarthy

But that doesn't take into account hauling the new debt over from the previous year over into the outstanding debt. So if I were to look at FY14 for example, where our existing debt goes down by a million dollars, but we are adding five million dollars in new debt so the net new debt is not \$1,799,000 it is about \$4 million.

Michael Gilbar

No. In order to make the comparison you have to look at the year to year change.

Chairman McCarthy

When I first looked at this the Broad Street Parkway column adds up to over \$30 million. We start out with \$18 million in debt, and then we move \$15 million of it, you add \$30 million over there and \$7 million over there, and then over here we only show 3 years in which our debt goes up by a total of a million dollars. That is the velocity of the debt not the amount.

Michael Gilbar

Correct. The point of this is that in any given year you are essentially replacing a certain amount from year to year of old debt with new debt.

Chairman McCarthy

But that has nothing to do with what it was last year. That has to do with how much the overall debt is reduced by. There is a component missing there because that first Broad Street Parkway bond of \$3 million will be had by the time the last one is let.

Michael Gilbar

If you look at this sheet, because I didn't have room on there to do the entire thing, I have one other column on there.

Chairman McCarthy

That last column I would contend doesn't have much meaning that is of interest to us.

Alderman Teeboom

There is a total debt column in this handout that is not on the projection. That is the problem.

Chairman McCarthy

I see.

Alderman Teeboom

You have a total debt. Alderman McCarthy that is what you are looking for.

Chairman McCarthy

Yes. Okay.

Michael Gilbar

Ideally what we would want to do is maintain roughly the same level of debt over some period of time.

Chairman McCarthy

That total debt column is not correct because let's look at FY14 again. We start out with \$14 million in debt, we are issuing \$5 million in new debt, we go up to \$19 million. The next year we are going to issue \$5 million in new debt and we are paying off half a million. That doesn't decrease the amount of outstanding debt, it increases it.

Alderman Teeboom

I don't think you add ...

Chairman McCarthy

This is showing us with a total outstanding debt of \$2.2 million at the end of that when we have just issued \$30 million in debt and half of that is less than half paid off or all of it is less than half paid off. The bonds that we issue for the Broad Street Parkway in FY12 what is the term of those bonds? Are they 20 year bonds?

Michael Gilbar

Yes they are 20 year bonds. I am sorry no no no, I'm sorry it is a combination of 6 and 12 year.

Chairman McCarthy

For the Parkway or for the ERP?

Michael Gilbar

No I am sorry for the Parkway is 20 yes you are correct.

Chairman McCarthy

So look at the bonds from FY19 to FY29, which constitute at least \$15-20 million in there issued between FY19 and FY29. They will not be more than half paid off at the end of ten years so the amount of total debt outstanding from just those is not \$2.2 million, but rather about \$10 million.

Michael Gilbar

This is the actual debt payment. I am sorry. It is the actual annual debt payment it is not..

Chairman McCarthy

This is debt payments not the debt?

Michael Gilbar

Yes. I am sorry. It is not debt outstanding it is the debt payments.

Chairman McCarthy

Okay. I see. Then that is true of every column in this?

Michael Gilbar

Correct. I apologize.

Chairman McCarthy

But that is not true of the Broad Street Parkway or is the Broad Street Parkway column also the debt service?

Michael Gilbar

It is.

Chairman McCarthy

I see.

Michael Gilbar

These are all debt payments.

Chairman McCarthy

You had me worried there.

Alderman Tabacsko

And the title does actually say debt payments.

Michael Gilbar

I should have reflected that in the labels.

Alderman Clemons

Would it be possible for you to update this spreadsheet with those other possibilities?

Michael Gilbar

Assuming I could get – I am not sure where the school is on what the potential cash flow may be, but I will check into that. The Broad Street Parkway is approved data. I just took the approved data because I know what those numbers will be.

Alderman Clemons

I understand.

Alderman Tabacsko

You could do a hypothetical additional \$15 million or thereabouts I think is probably about what we are talking about here. Maybe \$18 million.

Alderman Clemons

I am curious what the debt payment would be with that projected. I understand it is going to be \$15 million, but I just...

Alderman Tabacsko

So you do need to lay it in based on the project.

Chairman McCarthy

So the highest debt payment is the \$19,766,000, which is about \$1.7 million above where we are this fiscal year.

Alderman Teeboom

For these debts. If you think about how much money we relax on the debt and how much we are going to add that comes out about right.

Chairman McCarthy

Could actually flatten that out a little bit if we were to look at slightly increasing what we put aside for debt service in FY11 for example and escrowing that forward into that – keep that number artificially a little higher than it needs to be in FY11 and FY12 maybe and have some cash that we can move forward to subsidize those two bad year.

Michael Gilbar

That is actually what I had in mind for those years.

Alderman Flynn

I was glad to see this column. It was a real disadvantage to me not having this a little bit ahead of time. Again, it is of great concern certainly to see us back to that \$19 million mark based on the Broad Street Parkway and this ERP project – back to that \$19 million mark because we have been eating off \$2 million of bond payments and been using that to keep the city operating whatever that might be through contracts, equipment, paving streets, whatever those things are we have been eating out that \$2 million. We haven't set that aside as a savings for future years' bond payments. We have been using that to keep ourselves in balance and somewhat controlling our tax rate at least for the last couple of years.

This, as several other Aldermen have tried to say, puts us back to kind of our peak for bond payments. In the four years that I have been here it brings us all the way back past that peak and still doesn't address some of the real other big issues that even four years ago there was a real strong concern what are we going to do about the heating systems in the school, and I think at that time we were close to a – I think at that point the words used were things like we are on the verge of a serious shutting down our schools during the winter. In the meantime we found some kind of boilers perhaps, and used boilers that were able to move from one building to another and we kind of got through that to give ourselves some time, but now with these two things being on the plate it doesn't give us an awful lot of room.

Like I said I didn't have too much time to study this over the weekend. I think Alderman Teeboom was getting into this, are there certain modules or certain facets of this that we could decide not to adopt? Some of these things on here – I am sure keeping the inventory of our equipment I am sure that is done on Excel spreadsheets today for the Fire Department and the Police Department, Public Works Department – they keep their inventories on spreadsheets. I usually get those when I am in the finance meetings. I guess they see a 91% shortage in the current system tracking that for them. I don't think that is a real high priority for me to be keeping that in the Cadillac model of ERP. Are there certain places here that we could just or the committee could decide to bring us back like we did from the Broad Street Parkway from \$110 million project to what turned out to be sold as \$50 million. I thought it was \$37 million.

Alderman Teeboom

Our money.

Alderman Flynn

In any case, are there certain areas in here that we could do that same kind of thing or that the committee has thought about Alderman McCarthy or perhaps Mr. Gilbar or Mr. Barker to get away from this \$7 million price tag?

John Barker

I think the only thing that you could peel away easily would be document management. I don't believe the other two. For instance, under the financials we have two things to consider; one is that if they are running under admins and it dies, they die. If you say well let's leave payroll under admins or let's move procurement over or let's leave procurement and let's move the payroll over, if it dies it stops completely. It is like having a generator. If it dies all of the light bulbs connected to it will die. We can't say we will hold these ones separate from that. You can't slice it up that way.

In terms of the financial pieces, very very difficult to talk about this little piece we are not going to put in and that little piece we are going to put in. I think it would be extremely challenging to try to look for any kind of economizations there. Besides the fact that if you attempted to do that there are significant costs during the implementation to telling the vendor I have decided I am going to implement this piece, but that piece of the Legacy system I want you to plum into it, forget the risk, but I want you to plum into it and make it work with this modern system to the degree it can, now you are pumping the costs back up again.

Chairman McCarthy

I guess I would look at it another way also, which is if you look at the \$19,766,000 number in FY14 there is nothing you could do that would get that number under \$19 million. In fact, it is probably not much under \$19 million if we do nothing about the ERP.

Alderman Flynn

But the point is we are going to do a lot of other things. I think that is really the point is – I recognize that is a small piece of it, but there are going to be a lot of pieces and any time you can either explore or see some position perhaps that allows you to move on some of these other pieces that have been certainly been well discussed, certainly the HVAC is the most significant one, but the Mayor has been very outspoken herself about beyond the Library roof, what she wants to do with a lot of other public buildings.

It really doesn't seem to – the overall plan certainly looks very very dicey trying to get through all of this.

Chairman McCarthy

We need to figure out how to fit the HVAC project in here somewhere.

Alderman Flynn

I think it has to be done as well yes.

Chairman McCarthy

Some of the other building work can either be done with annual budget monies, monies that we find at the end of the year or deferred out for a couple more years. I am just saying I think with respect to this project the bulk of the cost is going to mean getting the things that we absolutely have to have done so even if we were to cut out the document management and that is going to have a reduction in the annual cost of maybe \$100,000 a year, which doesn't make much of a dent in the worst bond year.

Alderman Clemons

If we move forward with this I would want to see the whole thing replaced. I have to imagine that when the original admin system went in it was for the entire city that is why we are replacing this one, and it was probably an expensive project back then. I think we've gotten more than our life out of that. I do see the value in replacing it, but again what concerns me is everything else that we need to do in the city as well. I guess in order to move forward with this I need more information as to some of the costs that are going to be associated with this and also some of the other projects that are out there. That is not to say that this wouldn't necessarily be my top priority because it probably would if I had to weigh them out of all the things that we're going to be doing.

My position, the way I looked at it is you have to have a broad view of the city and you have got to take all the needs and see well if we are going to go out and buy this system for \$7.5 million then we need to cut back somewhere else with one of the projects that we do want to move forward with that we may have to bond. It is a hard decision to make, and I guess I just need more information before I can make a final decision.

MOTION BY ALDERMAN DEANE TO TABLE R-09-203

ON THE QUESTION

Chairman McCarthy

Before I take a vote on that I would like to understand what information it is we want so that we will all be able to get it for our next meeting. I would ask for just limited discussion on that.

Alderman Teeboom

Some information I would like; if you go to page 39 when we deal with \$7.5 million this is a pretty skimpy table to say the least. I understand that you don't want to put a lot of figures here because you don't want to give advantage to potential bidders to understand all the details, but let me point something out; out of the \$7.5 million there is 10% contingency, that is fine. But there is a \$3.245 million professional services on top of which there is another \$345,000 professional services. We are talking about more than half. That is a lot of professional services. I have nothing to compare it against. There is no data presented to show how others have done it. I asked the question earlier, and the answer was we compared it sort of, but there is no data here. I have no way of judging this.

Chairman McCarthy

If we want to do this it has been suggested to me that the breakdown of costs of the large items into the smaller items that we will send out to bid, we should consider in non-public session so that they are not recorded in a place where potential bidders can find them.

Alderman Teeboom

I understand that. We just talked about the tabled motion and you are allowing some leeway with the tabled motion. I would just like to understand better.

Chairman McCarthy

You can ask for it, and I hope the committee will bear with me because I want to make sure we get what we need to know. If we want to do that what I would like to do is table this until later in this meeting and then go into non-public session to have that discussion. We may wind up tabling it again after that, but I do notice that Mr. Mealey is here, and I suspect he wants to talk to us about an item of unfinished business so if we were to entertain a non-public session I would want to do that after we have cleared the other agenda items. I don't know what the pleasure of the committee is.

Alderman Deane

We can still table it and move on. The motion I made was to table.

Chairman McCarthy

What I don't want to do, because the consultant will not be back here at our next meeting, is to not understand what it is we want from them so what I would ask is let's table it and take up perhaps the other piece of legislation and then come back to it and see if we want to deal with a non-public session this evening. The motion is to table R-09-203

MOTION CARRIED

MOTION BY ALDERMAN CLEMONS TO TAKE FROM THE TABLE R-08-137

MOTION CARRIED

R-08-137

Endorsers: Alderman Jeffrey T. Cox
Alderman Michael J. Tabacsko

APPROPRIATING \$1,347,754.73 FROM UNANTICIPATED REVENUE-ACCOUNT #481-629 "SCHOOL DEPARTMENT REVENUE-SPECIAL EDUCATION, CATASTROPHIC AID" INTO ACCOUNT #981-5375 "SPECIAL EDUCATION EXPENDABLE TRUST FUND"

MOTION BY ALDERMAN CLEMONS TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

James Mealey

The last time we spoke about this Alderman Flynn had asked about the possibility of utilizing the

funds that we had planned to utilize for FY10, specifically CTE funds and rental offset funds. While the possibility exists that we could utilize the rental offset funds this year, concerns I would have regarding the CTE are that we actually had to commit to the state with a letter for FY10 of exactly how those funds were going to be used. They were generated for the CTE program by tuitioned students, and they have to be designated for CTE expenses. In order to do so we had to commit to them as I said in a letter from the Board of Education specifying what expenses in FY10 they would cover. They were amenable to that.

The second concern I have is that now that we are at the end of the year, and this was some of the conversation, was that if we had voted on this a couple of months ago then we may have run into trouble if we needed to get a supplemental appropriation for anything else. There was no flexibility to then do that. We're now at the end of the year, and I am not sure as I didn't get a chance to ask Mike, but maybe somebody here knows, what our flexibility is for next year. I think it is about the same amount as we are talking about this money here is, about \$1.3 million.

I think if we wait until the next fiscal year and move this \$1.3 million in now we have removed all of our flexibility for next year for the entire year whereas if we do it now we're not worried about what can happen between now and the end of the fiscal year, we are there and the money is there and we won't need to take another action for next year.

Just to recap, there was \$1.347 million that was over what we anticipated getting from the state for Catastrophic Aide. The previous two years we had taken the excess amount and put it into an expendable trust fund for expenses associated with catastrophic aide; special education expenses. We anticipated this money, we knew what the amount was, and we budgeted accordingly. We had our operating budget and we added the \$1.347 million for our total budget.

What has happened though is in trying to move that money into the expendable trust fund we ran up against the Spending Cap issue. I am asking, now that we are at the end of the year, if we can move that money into the Expendable Trust Fund and we should be set for not only this year, but next year as well.

Alderman Clemons

I had had the same concern regarding the end of the year, but I had spoken to Alderman Cox about removing this from the table and moving it forward this evening, and he brought to my attention that there was some kind of settlement money I guess that was coming through or that had come through that was in FY09, and there was a resolution that was to be introduced, and I guess it did not get introduced yet for some reason – forgive me for the lack of details, but we just had a chance to briefly discuss this, but it was his concern that if we move forward with this money, and we override the Cap that we wouldn't be able to override the Cap for that expense, this oncoming revenue that we are getting in from some kind of settlement. It was related to the fields up at Nashua North.

James Mealey

This is actually a good example of what I was talking about where you take away the flexibility; if we wait until next year we could do one, but we couldn't do both and you couldn't do others that might come up because you would already be at the Cap. What happened was as we closed out the high school project the North High School field, especially the upper field, was done incorrectly. In a settlement we received not only enough money to repair and do the job over so that it works

actually very well now, but there was about \$300,000 that would be left for future maintenance of that field. That one is not time sensitive in that there is no year associated with it so at any point, and it does take legislation though to move the money from it was put into I think some type of contingency fund, a field maintenance account has not yet been established, which is what the re-appropriation would do.

Chairman McCarthy

If we were to pass this piece on and the language that Alderman Teeboom had suggested about the exclusion of debt currently is set for just the \$1.347 million, if we were to make that exclusion for \$1.647 million then we could subsequently appropriate the \$300,000 from the field in this fiscal year if we wanted to.

James Mealey

You could yes.

Chairman McCarthy

We can manage that. I think Alderman Teeboom's concern was that we not just blanketly exclude all of the debt, but we can certainly make that number big enough to accommodate that settlement if we want to do that at some point.

James Mealey

It is actually a good example of the difficulty we have with the Spending Cap because in both cases, the Catastrophic Aide funds were extra revenue that was unanticipated or extra reimbursement that was unanticipated and the settlement was funds that were unanticipated. In both cases, they don't impact the tax rate, but they certainly impact, when you appropriate them, the Spending Cap.

Alderman Clemons

I guess my question to Mr. Mealey would be would we be able to appropriate that settlement money in the next fiscal year under that different cap?

James Mealey

Again, Mike could answer this better, but as far as I understand that money is just going to sit there until the Board does something with it.

Alderman Clemons

It was Alderman Cox's suggestion that he and I had both spoken to CFO Gilbar and CFO Gilbar said out of respect that he wishes that if we were to override the Cap we do it by at least the middle of July. Alderman Cox's concern was that the resolution he was preparing for that settlement money had not come through, and out of respect for that, we hold off on R-08-137 and the intention being that we combine the two monies into one resolution, and then move forward.

Chairman McCarthy

I understand the issue. I don't see a need to do that if we know what the approximate number is. We can put a number in this resolution that is big enough to accommodate that, and then that resolution can just be a simply appropriation and not have to deal with Cap language at all.

Alderman Tabacsko

Doing it that way, say we pass this tonight at \$1.6 million or recommend this and it goes to the full Board, the other piece coming in would be coming in in the new fiscal year. Does that impact?

Chairman McCarthy

If it comes in and we choose to do it in FY10 that would be fine. We can also do it before the books are closed.

Alderman Tabacsko

Accommodate it here, and then it would go back to..

Chairman McCarthy

We could transfer it into an FY09 account if it were to come in at our next meeting for example.

Alderman Tabacsko

For whatever it is worth I support that idea of let's do this and do it once and be done with it and get both pieces covered.

Alderman Clemons

Would the language of the resolution have to – other than the dollar amount, would the language of the resolution as far as what the money was going to have to change?

Chairman McCarthy

I don't believe so because I think the dollar amount is in a separate piece, which just says that is the amount we have excluded of capital projects.

Alderman Clemons

I have the original resolution.

Chairman McCarthy

Most of the language is around the particular expenditure, which we are not touching. Mr. Mealey do you know what the number is for the settlement? It was more than \$300,000 but less than \$400,000 right?

James Mealey

Originally it was \$400,000. I want to say \$412,000 don't hold me to that, and then we spent \$104,000 for the repair of the field. It is a little over \$300,000, but I don't know the exact number.

Chairman McCarthy

If we were to increase the exclusion by \$400,000 there would be enough space?

James Mealey

Yes there definitely would.

Chairman McCarthy

I think what we need to do is amend that number up by \$400,000.

Alderman Tabacsko

Alderman Teeboom is suggesting that all we would need to amend is the amount in the second paragraph.

Chairman McCarthy

That is what I just suggested to Alderman Clemons.

Alderman Clemons

I see okay so not the first, but the second..

Chairman McCarthy

Not the first amount, but just the amount that is excluded from the Spending Cap.

Alderman Tabacsko

Because that is the piece that we are trying to accomplish.

Chairman McCarthy

If we increased that number by \$400,000.

Alderman Tabacsko

Make it \$1.747 million?

Chairman McCarthy

Yes.

**MOTION BY ALDERMAN TABACSKO TO AMEND R-08-137 IN THE LAST PARAGRAPH WHERE IT READS “AND BE IT FURTHER RESOLVED” BY AMENDING THE DOLLAR AMOUNT TO ONE MILLION SEVEN HUNDRED FORTY SEVEN THOUSAND SEVEN HUNDRED AND FIFTY FIVE DOLLARS (\$1,747,755)
MOTION FAILED**

Alderman Flynn

Mr. Mealey could you talk a little bit more about that CTE money? When I had done some research on that money I thought some of that money went back to maybe 2005 or 2006. There had been no expenditures against it for quite a few years. Now the state at this point has come to the same conclusion as me that there is a lot of money in there and we are not spending money and we had to give them a plan on how we are going to spend it?

James Mealey

Basically you are right, the account has been 4 or 5 years now where we have been taking tuition in and there have been no expenditures to that account. This year, given the budget that we had and the guidelines that had been presented, the hope had been to set up an account that was an equipment replacement account for CTE. As you know some of the equipment involved in that program is very expensive. Given this year’s situation, the Board decided to ask if they could utilize that money for CTE related expenses, which is what it is there for not just specifically for equipment. We had to ask the state if they would be okay with that and they said they would be. So the state didn’t come to us, we went to the state to make sure that it could be used for not just equipment replacement but for expenses associated with the CTE program.

Alderman Flynn

So you didn’t have any restrictions on how you could use it. If you wanted to use it in next year’s budget you had to check with the state that it could be used for a broader scope than what you originally had intended or the state had intended for you? The state told you to use it for large equipment purchases?

James Mealey

No. Based on what we had said, the state had said okay you can bring in tuition money and use it for equipment replacement originally, and then we asked for a broader scope of that money.

Alderman Flynn

So the intention in this next fiscal year is again just to displaced costs in your budget these will be CTE costs this particular year, but it won’t be for the original scope of what you expected to do, which was large equipment purchases. That will still be a problem consideration going down the line?

James Mealey

The second part of the plan is to come to the board and actually set up, utilizing future tuition payments, to set up an equipment replacement fund and put the money in at the end of each year into that equipment replacement fund. We have averaged about \$160,000 a year in tuition funds.

Alderman Flynn

But now the state has told you that you can use it for anything that is CTE related?

James Mealey

For this year, for FY10.

Alderman Flynn

And then in the future it is only good for large equipment purchases?

James Mealey

And that would be our intent yes. The reason that they are somewhat more flexible than usual, which they are, and it is similar to the stimulus money where all of a sudden things that weren't okay are going to be okay for the next couple of years where they are even recommending that stimulus funds be used to supplant, and we have been adamant that we don't want to do that, that we don't want to use it to pay for positions because stimulus money might be available this year, it might be available next year, but then after that it is not available and you are in the same exact position you would have been. We have been saying no to using stimulus funds for positions.

Then the only reason that I recommended the CTE funds for this year is because the largest increase in teacher contract is for this coming year. The following year that increase will be 2% less so we won't have to make up that money, that \$700,000 that we are using from the CTE fund for our budget next year because the increase will be that much less. We will be at pretty much the same point.

Alderman Flynn

Could you refresh my memory why it was above the line and not below the line? Is that because it was set aside for equipment purchases?

James Mealey

It was above the line just to show where that was coming from, that it wasn't any particular – the way we could have done it was if the CTE overall budget is \$1.5 million we could have showed it as \$800,000, but instead we thought it was more clear to show we spent \$1.5 million on our CTE program, but we have \$700,000 that is going to offset some of those expenses. So it was just to show where it was coming from.

Alderman Flynn

This is a one time use for positions.

James Mealey

For operating expenses.

Alderman Flynn

And that came about because we couldn't balance this year's budget with the Mayor's 1.5% or 1.47%?

James Mealey

I don't know if you say balance, but it would have meant a lot more position cuts in order to stay at those guidelines yes.

Alderman Flynn

And we had to go to the state to get permission for that.

James Mealey

Yes.

Alderman Clemons

Just general comments about the exempting the Spending Cap – it is a funny thing because we're in a situation where we received money from the state that is reimbursement money, and it is money to be spent to reimburse us for expenses that we have incurred. We have already spent that money. We have raised taxes on the citizens of Nashua for those operating expenses, and the state has given us back that money so that we can cover those expenses. That is what we are looking to do through this resolution.

By amending the resolution we are adding to a settlement – we won a law suite, we were successful in winning a law suit, and we are receiving money, it is coming into the city, and we want to make sure that we can use that for maintenance of the fields. We won the law suit. Yet we are at a standstill here in the committee because we don't want to spend over what is artificially created in our city charter because there is a certain number that says well we can't go over that amount. The analogy that I like to think of is if your roof is leaking, but you don't have the money to fix it that is an unfortunate situation, and you are limited to your budget, but if the government comes along and says we understand you are in a tight spot, your roof is leaking, we will give you a grant to fix your leaky roof, here it is you just have to accept it, it is \$50,000 whatever it may cost to fix your roof on your house and you will get a brand new roof that won't leak anymore. And you say I didn't plan for this, it is not in my household budget, I am not going to accept this money, I am not going to fix my roof because I didn't plan for it.

That is what we are doing here by not passing this resolution. I find it ironic that here is money that is coming in that is revenue and yet we are not spending it. It baffles me.

MOTION BY ALDERMAN CLEMONS TO RETURN R-08-137 TO THE FULL BOARD OF ALDERMEN WITHOUT A RECOMMENDATION

ON THE QUESTION

Alderman Deane

I don't know maybe I am wrong, but this money would lapse into the general fund. Is that correct Mr. Gilbar? So we have the money. We have already paid the bills. This is old money. This is 2008 money. We can always do this, and this is a novel idea, we can always use it to reduce the tax rate. What is wrong with that idea? Give it back to the people that gave it to us, the people that live in this community. We don't necessarily have to spend every bit of revenue we receive; we can always use it to offset the tax rate.

James Mealey

The problem is, and Alderman Deane is correct, we already paid the bills from that year, but this was money that was used to prepare our budget for this year and for the next year. In effect, similar to what Alderman Flynn was just talking about, by setting this up back when I had just started, May of 2006, that year was coming to an end, and we were preparing the FY07 budget and we had \$567,000 that was available over what we had anticipated for Catastrophic Aide. We were able to reduce the budget line and bring back I think it was 10 teachers and 10 para professionals, so it directly impacted bringing people back.

For last year we had \$534,000, which the board unanimously approved putting into the expendable trust fund, and that allowed us to not have to cut 12-13 teachers. This year, we had \$1.347 million, and that allowed us to budget for this year, and now that our expenses have been coming down for Catastrophic Aide because if they had stayed where they were even this \$1.347 million wouldn't cover everything, but we were able to budget the way we did last year and not cut 10 teachers. I use teachers because in reality our margin usually is at teachers. If we have to cut anything more it is usually we will have to start cutting teachers.

For next year we are looking at probably about 15 teachers if the money that this \$1.347 million will cover to finish off this fiscal year and then be carried over into next year to cover the Catastrophic Aide expenses wasn't available.

This is money that we anticipated because that is how the system had been set up, and we had budgeted that way not to try to cover expenses that had already been incurred.

Chairman McCarthy

Does your FY10 budget already take into account this money having been transferred to make the expenditures meet?

James Mealey

Yes.

Chairman McCarthy

What about the FY09 budget?

James Mealey

Yes.

Chairman McCarthy

Your budget will be over expended if this money isn't transferred in to cover the offsetting revenue lines in the budget.

James Mealey

Correct, and I had said that when we met either the previous time or the time before that, that when we set the budget we actually set it thinking that we would need an additional \$1.347 million. As the year went on it became obvious that Catastrophic Aide expenses were not going to be as much as had been anticipated, that they were only going to be \$800,000 or so more. That left \$500,000 that could be moved into the next year out of that \$1.347 million.

Chairman McCarthy

So essentially what is going to happen if we don't pass this, the money will lapse into the general fund, the 581 budget will have been over expended by about a million dollars and the offset in the general fund will simply pay for that.

James Mealey

Basically I would have to come to the Board of Aldermen for a supplemental appropriation to meet our FY09 expenses. I was able to obtain stimulus funds that would cover the purchase of 16 new cafeteria tables, but we were not going to do it out of the operating budget. So no to answer your question.

Chairman McCarthy

Do you have a surplus elsewhere in the budget?

James Mealey

No.

Alderman Deane

So you spent every dime that was given to you is that what we are hearing? Is that what you are telling us?

James Mealey

I am saying that we will be spending our money on what we budgeted. In different lines Alderman Deane we are under budget and in other lines such as para professionals we are over budget, but overall ...last year without doing any end of the year spending we were \$4,--- - \$5,000 on budget.

Alderman Deane

If you had some items that you weren't going to spend money on how far away are we from this \$1.3 million?

James Mealey

I anticipate between \$800,000 and \$900,000.

Alderman Deane

So right now you are telling me you have about \$400,000 left of the \$87 million?

James Mealey

No that we would short by \$800,000 or \$900,000 without the \$1.3 million is what I am saying.

Alderman Deane

Thank you.

Chairman McCarthy

The budget already anticipates using the \$1.3 million for tax relief because it is transferred in as revenue rather than an appropriation from the general fund.

James Mealey

Correct.

Alderman Clemons

We also discussed at the previous meeting when this came up, we discussed the fact that, and this goes back to something Alderman Teeboom had brought up, which was truth in budgeting in that because those budgets are already passed there is no way that we can go back and re-do the budget so that this shows up in a different manner, but that moving forward the process could change and this money could be shown in a different manner so that we didn't have to come to this situation again. I think that is an important thing to remember.

The other is that because this money is a reimbursement for our expenses regardless of whether or not we are using it to pay bills that we already have – we are using this money for what it was designed to be used for, which was to be used for education expenses. That is true because it is in the budget. It is understood to be in the budget. Its intent was to be used to cover education expenses and that is what this resolution intends to do.

We could put it back to the tax rate. I understand that argument. We could do that. Doing that provides virtually no benefit to the end user, and that is the kids at the school. What it sounds like it will do is reduce the school's by 10 teachers if we don't do this. I don't think that is appropriate especially when our classroom sizes are already what they are. We are at what 26? What is the average classroom size?

James Mealey

It depends on the level and the school.

Alderman Deane

Some of them are 14, 13, 12.

Alderman Clemons

Some of them are over 30 though. I think that the right thing to do is to exempt the Spending Cap in this case and then when the new COO comes in it can be discussed listen we need to fix this problem, the 2011 budget we need to get this in place so that it shows up in the budget, and that these types of factoring these things in does not occur anymore. I think that was supposed to be the understanding when we moved this forward. I don't know if that got lost or if there was – maybe other members don't agree I don't know, but I thought that was a very reasonable plan because there is no way to go back in time and fix that problem. There just isn't not without a detrimental affect to the school budget.

James Mealey

I actually think we are going to have our hand forced in that regard. The reason we are here is this is the third time I brought one of these forward. In the first two apparently didn't impact the Spending Cap. They were within it. This amount was higher and it did so that is why we are here and struggling. When I say we are going to have our hand forced I believe it is because it is very unlikely that we are going to receive more than anticipated for the next couple of years with regard to Catastrophic Aide. It actually came at the perfect time for us that the state was able to fund at 100% of Catastrophic Aide expenses, and allowed us to manage to keep our increases down over the last few years without having to cut a lot of positions. As I said I don't think that is going to continue. They have already stated that the percentage will be a lot lower so we will probably be getting what we had budgeted and we won't be dealing with extra funds.

Now the other part of this is unfortunately it is contingent upon your students, and we have been fortunate the last year and going into next year that our students that are going out of district aren't going out of district to places that have been as much as they had in previous years. If that continues we will be okay, but that could change with one student. One student could cost \$250,000 a year.

Alderman Tabacsko

Point of clarification – the split that you mentioned earlier Mr. Mealey that there is roughly \$800,000 for this fiscal year and \$500,000 for the coming fiscal year that is already planned in the budgets so for us to do nothing on this and allow it to lapse, that to me seems like we are retroactively cutting existing budgets, and that doesn't seem to be very productive in my opinion. I would, if we don't want to try to accomplish the other with the settlement money maybe we should go back to the original motion and try to move this on to the full board as originally proposed.

Chairman McCarthy

We currently have the motion to return it without a recommendation.

Alderman Flynn

Thank you. Like I said I really wasn't prepared for this tonight. I probably should have been. I probably should have seen that it was coming up tonight. When we explored this a little bit maybe a month or a month and a half ago when you were in here, there was the CTE money that we thought was a possibility. What was the other source of revenue that we considered to add up to \$1.3 million?

James Mealey

There is excess rental offset money - \$200,000.

Alderman Flynn

Is that money still available?

James Mealey

Yes.

Alderman Flynn

And how much is that about \$600,000 or \$700,000?

James Mealey

It is \$200,000.

Alderman Flynn

How were we going to get to \$1.3 million? How much is CTE money \$200,000?

James Mealey

It is \$700,000.

Alderman Flynn

Rental was \$200,000. How were we going to get the rest of the money? Do you recall that discussion? Were you going to find that money within your own budget? What was the discussion? As this committee how did we come to grips with...

James Mealey

You are talking about two different budgets. The FY09 budget originally was put together with the \$1.3 million already known, and the FY10 budget was put together knowing that actual amount we

were going to need was \$800,000 and we still would have \$500,000.

Alderman Flynn

Now it is starting to refresh me a little bit. Thank you. So what really is happening is you have to have \$800,000 for next year. You don't have to have \$1.3 million for this year. And we had identified with a little bit of effort, I forget now who I collaborated with, could have been you, I don't recall now it has been so long, but we kind of identified that there were at least two areas that together would go over that \$800,000 some odd that you needed for this year, and the \$200,000 is still available so the shortfall for this year is around \$600,000.

James Mealey

If you use that money yes.

Alderman Flynn

My position is I am not going to look people in the eye – I don't want to get into a political debate tonight, but I don't want to get into political speak either when I say one thing and I don't mean it. If I tell you I am never going to override the Spending Cap I am not going to have well you didn't ask me, you didn't press me hard enough to get the true answer that there were circumstances that I would. I don't want to get into that debate tonight. I find it very very difficult to think that I have written things down and said I wouldn't override the Spending Cap, I have certainly said out loud I wouldn't override the Spending Cap, so I am still very concerned that we shouldn't be exploring further what our possibilities are for finding that \$800,000. The \$200,000 apparently is still out there.

James Mealey

Just to clarify though, we were dealing with this as two years, this year and FY10. The CTE funds we were committing to FY10 and that \$200,000 we were committing to FY10. If we use the, and we could use the \$200,000 this year, that would mean that the \$200,000 that we didn't use from this \$1.3 million would be used in FY10 instead.

Alderman Flynn

I agree with all of that, but the point is we are talking about this year's Spending Cap not the space that we have under next year's Spending Cap for the other \$600,000 or \$700,000. How the rest of the board feels about that next year and how the Mayor feels about using that in next year's budget I can't speak to that. I am only speaking to my concern about what I am going to do or how I am going to be able to vote, and how I am going to be able to vote to override the Spending Cap for this year. I am only interested in exploring what is the number that we really have to have for this year not \$1.6 million but I guess it is \$800,000 or something in that range for this year. At this point because we can't use the CTE money there is \$200,000 that could possibly be used against that \$800,000.

James Mealey

Correct.

Alderman Flynn

At the end of this year of the \$81-82 million whatever your budget is you don't expect to have half a million dollars or \$600,000 that you are going to return to the city?

James Mealey

No. Actually if that had been the case then I would have suggested waiting until the next fiscal year to do this.

Alderman Flynn

We could as a Board of Aldermen we could wait to see what some of the Mayor's strategy is for escrows for example at the end of this year to use those monies. We have already seen ourselves tonight start to use essentially escrow money, the money that she is setting aside for two extra fuel pumps that really is money that normally would have been escrowed. It didn't need to be used this year, but she has moved it around to be able to use it to I guess make some real additional progress on that fuel management system that she has been bringing forward over the last month or so.

Alderman McCarthy how would the money that – I know when we set aside the money for the roof for example at the library correct, when we set aside that money that turned out to be a lot more money than we expected it to be needed. I think we ended up with putting aside a quarter of a million or \$275,000. I think that project is going to come in considerably under. I think the contract that we passed in Finance was under, and I think in the Finance Committee we discovered that contract actually was quite a bit more I think than actually was needed, and the consensus of that committee was well we will get that money back they are not going to spend it anyhow.

Is that money that could be used for something like this? Is that something this committee could look into?

Chairman McCarthy

It requires a transfer to do that. Otherwise it will lapse into the general fund and offset taxes. Using that money or using the money that is appropriated for this purpose makes no difference other than with regard to whatever promises we have made about the Spending Cap.

Alderman Flynn

That is right, that is considerable. That kind of exploration is something that this committee – I don't know if you are going to forward this to the full board tonight or not, but to me if it ends up being re-referred to this committee those are the kinds of things that we could look for as areas like that, money that has been unspent for example for the repairs in City Hall, escrow money that is probably going to be coming forward. I can't believe there won't be requests for escrow money. I would think there would be a number of opportunities for us to try to close that gap between the \$200,000 that the school department has in place and the \$800,000 that they need.

Chairman McCarthy

I guess it just strikes me that transferring money from six different sources of year end money that

would otherwise lapse into the general fund instead of transferring money that is intended to pay for special education where the end result has no impact on the bottom line of expenses or the bottom line of the tax rate just strikes me as a lot of gyrations that do not represent truth in budgeting to accomplish the same purpose.

Alderman Flynn

The difference between us on this is pretty clear. That money was never intended, in my view, was never intended to be used for special education purposes it was intended as a reimbursement for expenses already..

Chairman McCarthy

And because of that we have an offset line in the school budget that says don't raise a million dollars in taxes because we are going to get a reimbursement at some point during the year. We can do that because our expenses are actually \$3 or 4 million and we can manage the cash flow so that when the money comes in from the state to reimburse part of that we can use it to pay for the end. You can't just say at the end we just won't spend it at all. It is intended to pay for special education.

Alderman Flynn

But you can't just say at the very beginning I am going to assume somebody is going to give me a million dollars so I am going to go out and spend my \$82 million.

Chairman McCarthy

Yes you can, and it is responsible budgeting to do that because then you don't raise it in taxes.

Alderman Flynn

Where was it budgeted to have this override?

Chairman McCarthy

It is not in there to have an override it is in there because there is a revenue line that offsets special education expenses that says we don't raise them in taxes, that we raise them in the cash flow management by the fact that we get reimbursed for part of the first $\frac{3}{4}$ of the year and we can use that to pay for the last $\frac{1}{4}$. The mechanics of that because of the way the Spending Cap is worded require that we exclude a certain amount of bonded debt to cover that. However we do it, it doesn't increase spending, it doesn't decrease taxes. It just makes the budget look like the way it is supposed to look; we took special education money, we spent it on special education. Otherwise what we have is we took some building money and we took some money that we got from renting the gyms out and we took some money from over here and put that together to patch up the end of the budget so we could make it through quarter 4 and then we took the money that was intended for that purpose and we lapsed it back into the general fund to make up all of those monies so that we didn't raise it in taxes again.

Alderman Flynn

As ridiculous as that seems, the difference is in one of them you don't override the Spending Cap you are within the Cap. We had a number two years ago or one year ago when we had a budget and we had a Cap for that budget.

Chairman McCarthy

And my belief is that doing that simply for the purpose of not overriding it when it doesn't make any difference to the tax rate is not truth in budgeting. What I believe our constituents expect of us is to keep the tax rate down and to not spend money irresponsibly. Simply moving shell games around doesn't accomplish that.

Alderman Flynn

I don't consider this a shell game at all, but I guess we're at polarized positions.

Chairman McCarthy

We have 5 transfers that add up to the same thing at the end, I don't see how you can consider it anything but a shell game.

Alderman Flynn

The difference is if this had been included in the budget, then we would have had to make considerations across the board to get us within whatever that number was, \$222 million. It didn't have to be the school department eating that million dollars. We as a board would have done the responsible thing and come in with a budget that, as the law says, we are supposed to be under the Spending Cap or we need those 10 votes to override it.

Chairman McCarthy

If I were in Mr. Mealey's position I would never come back to this board with a budget that anticipated using the special education money to offset the expenses. I would imply leave it in there at its bottom line and let it get raised in taxes.

Alderman Flynn

They will always come back to this board with any number he has to get passed by this board.

Alderman Clemons

When I ran for office two years ago I said also that I would not override the Spending Cap, and I was wrong because twice there were situations where I would have. I made promises too, but I had never served in office before and when you serve and you gain experience, and you see the kind of things that need to go on and that need to happen in order to make a city run efficiently, you change some of the things you said you might do. One of those things is my stance to override the Spending Cap. I think it is appropriate in this situation for the exact reason that Alderman McCarthy just stated, and that is that it is not going to raise taxes.

Everybody's fear, if you ask the average person on Main Street, what is your biggest fear about overriding the Spending Cap they will tell you that my taxes are going to be raised. If you said to them actually in this instance when we override the Spending Cap your taxes aren't going to be raised they might say well okay go ahead and do it then.

Alderman Teeboom

First of all there is an affect on overriding the Spending Cap. In this case, it is minor, but you do lift the base budget for the following year by that amount so there is an affect, there is some gain. I have a question. When are we going to get the escrow resolutions from the Mayor? Have we seen them yet?

Chairman McCarthy

I have not.

Alderman Teeboom

Are we expecting? This looks almost like an escrow resolution it transfers money from one place to another. It is a memorandum. For instance she is talking about taking money from a van purchase and that wasn't needed so now she is applying it to...

Alderman Deane

Point of Information...

Chairman McCarthy

That was a resolution that was on our agenda.

Alderman Deane

I have a point of information. I remember distinctly the Mayor stating there weren't going to be any escrows.

Alderman Teeboom

Well if there are no escrows..

Alderman Deane

I just remember her stating that, and it could change who knows, but I do...

Alderman Teeboom

It's getting awfully close to 1 July. My point is I would override the Spending Cap in the case of an emergency. I don't know if this is an emergency or not. I just still don't know if this is an emergency. I say it is an emergency when the school department comes back and says we blew it. Let's face it the school department gave some very big raises to their administrative staff, 10% or thereabouts, and they didn't ask that time what is going to happen to our budget.

We could wait and see if they actually come in with a budget saying we blew it and we need supplementary funding. I guess it would apply to this fiscal year, in which case you either allow them the funding or we take an across the board cut across the entire city. That is another part of the Spending Cap, across the board cut in case you are over. If you go over your budget you either fund it or take an across the board cut.

Chairman McCarthy

That is actually a point I was about to bring up, which is in effect at this point in time since we now know that there is a shortfall in a department's budget that provision of the Charter should in fact kick in, and the other departments should have their budgets cut. In practicality, there is less than 7 days left in the fiscal year and it is not going to happen that way, but you have a situation where we now have a department whose budget is overspent.

Alderman Teeboom

Well we haven't got the formal notice, but if they gave us a formal notice and say in the next 5 days we are going to over spend by \$400,000 then the Board of Aldermen has to make a decision do you want to override the spending cap or do you want to cut across the board.

Chairman McCarthy

And that money would be taken out of police and public works...

Alderman Teeboom

Across the board, \$.10 or \$1.00 across the board or \$1,000 across the board unless you can do a ¾ vote to override. The Spending Cap is there to prevent excess spending. I am not sure anybody really said we spend excess taxes, but it follows like night follows day, if you start spending money you start looking for more taxes. Look at what happened at the state level, they started spending more and now they are looking for more taxes. It always happens so one follows the other. This may be an instance we can argue it is revenue, but that revenue has been identified in the school department where it should have been as a revenue source and budgeted for it would have taken account of it just like Alderman Flynn said.

Chairman McCarthy

It was. That is exactly what caused the problem. The school department did recognize it as a revenue sources and budgeted it. We failed to generate revenue by taxes because the school department's budget said we will get that money from the state and when it comes in we can appropriate it to pay for that \$1.34 million out of the budget that we have submitted.

Alderman Teeboom

But they didn't submit that in their budget. They had a hidden amount.

Chairman McCarthy

Yes they did. There is an adjustment in their budget so that we do not generate that million dollars from taxes. There is a line item with parenthesis around it in their appropriations that says don't collect a million dollars because we will get it from the State, and now it is here from the State and we are not going to put it to cover that set of parenthesis in the budget.

Alderman Teeboom

But they did cover the full amount that they were allowed by the Mayor to budget. They went from \$82 some odd million. They didn't cut the budget by that amount. They went to the full amount. I guess if they are going to overrun their budget, and this would be the first time I heard of that, we have to take up another resolution whether we override, we have to take care of that.

James Mealey

I try not to take these things personally, but I would come to the board and say this is how much we are over budget based on the fact that that money hasn't been put in yet, but I wouldn't say to the board that we blew it. I budgeted exactly as I had been instructed to do so, which is I knew the \$1.3 million number, I already had that number. The reimbursement was coming from the state. In the past two years the board voted 14/1 and 15/0 to take that money and put it in the Expendable Trust Fund. That is exactly why it was set up. I knew I had \$1,347,000 that was coming in and would be put into the Expendable Trust Fund. I had no reason to think it wouldn't be. That is what the Board of Aldermen had set up.

Alderman Deane even asked me Jim when are you going to bring that forward to move that money into the Expendable Trust Fund. When I finally did I ran into this. It was budgeted exactly as I thought the Board of Aldermen wanted me to do it.

Alderman Clemons

And we passed that budget to continue on with what Mr. Mealey just said, and we passed that budget as a board and the Mayor signed the budget and so now we are going back on what we said. If this had been a problem we should have taken out the parenthesis at that time.

Alderman Deane

Let's understand something here, this board decided to spend up to the top of the Cap. That is what this board decided to do okay. Mr. Mealey on the other hand at the advice of I believe the former CFO, sat on this money. That was the advice to sit on it and don't bring it forward because there were other irons in the fire pertaining to spending in the city, and that took precedence over this amount of money. Correct me if I am wrong, but that is what you were instructed to do was not to bring this resolution forward correct?

James Mealey

I will not deny that the Mayor's Office...

Alderman Deane

Okay then so I mean...

James Mealey

The Mayor's Office and the CFO...

Alderman Deane

This whole scenario with the first year when we got the money and the second year when we got the money with the budget we were quite a distance from the Cap. The whole situation was a total different animal than it is today.

James Mealey

Not when the budget was put together though.

Alderman Deane

It certainly is Jim.

James Mealey

It was only a matter of when the money was going to be put into the Expendable Trust Fund...

Alderman Deane

It was brought in in a timeframe that met the end need. This money is 2008 money. This is FY10.

James Mealey

We are talking about FY09 because FY08 money...

Alderman Deane

Is this FY08 money?

James Mealey

Yes...

Alderman Deane

Okay.

James Mealey

And that is why we knew what we had when we were putting together the FY09 budget. As far as when it was going to be moved in why would I when the Mayor's office and the CFO say Jim instead of the end of this fiscal year just wait until the beginning because of what they told me was

the Spending Cap issue, it is going to impact it. If you do it the next year there won't be a Spending Cap issue and they will just be able to put it in so why would I not wait then?

Alderman Deane

Well this board decided to spend more money than it should have. That is what happened. I kind of agree with Alderman Flynn. I would like to wait and see what Jim's end of the year numbers are.

**MOTION BY ALDERMAN DEANE TO TABLE R-08-137
MOTION FAILED**

Chairman McCarthy

The motion before us is to return it to the board without a recommendation. Is there further discussion of that motion?

MOTION FAILED

Alderman Clemons

I am going to, and for the purpose of public discussion tomorrow, I am going to move that we suspend the rules tomorrow at the full board meeting and take this from this committee. That is my intention so that everybody here knows and the public knows, you can comment, I will send a memo to Alderman Bolton so that he knows. I am intending to do that.

Chairman McCarthy

For the moment we need to dispose of it in committee.

**MOTION BY ALDERMAN CLEMONS TO TABLE
MOTION CARRIED**

Alderman Deane

Mr. Chairman, it will take 10 votes to suspend the rules tomorrow night won't it?

Chairman McCarthy

I don't know whether that is true or not.

Alderman Teeboom

It will take 2/3 of the members present.

Chairman McCarthy

Well, we have an ordinance, which says it takes 2/3 to suspend the rules; however, there is precedent that the attorney's office will tell you about that we cannot restrict our statutory rights as a board and those rights require only a majority. We can debate it at nausium if we like.

Alderman Teeboom

Point of Inquiry – are you saying Mr. Chairman that the suspension of rules is not really applicable?

Chairman McCarthy

I am saying that the general principle under which legislative bodies work is that it takes only a majority to set or suspend the rules, and that the other general principle is that a majority of the body does not have the right to restrict the rights of a minority of the body by requiring a super majority on things where the Charter or the Statutes that apply do not provide for that, and that is the case that we have with our ordinance. I suspect that our ordinance is not valid under state law in its face.

Alderman Teeboom

You don't mind if I check that with the attorney do you? I am not necessarily opposing.

Chairman McCarthy

I would be more than happy to have you check that with the attorney.

Alderman Clemons

I hope that for the purpose of taking a final yes or not on this issue tomorrow that we get at least 10 votes to suspend those rules because otherwise we are just frustrating the situation.

Chairman McCarthy

It is actually not a suspension of the rules it is a motion to take from committee, which in fact under Masons does only require a simply majority. There is no suspension of the rules necessary.

Alderman Clemons

Thank you.

**MOTION BY ALDERMAN DEANE TO TAKE FROM THE TABLE R-09-203
MOTION CARRIED**

R-09-203

Endorsers: Mayor Donnalee Lozeau
Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Fred S. Teeboom

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$7,500,000) FOR THE REPLACEMENT AND MODERNIZATION OF THE CITY-WIDE ENTERPRISE RESOURCE PLANNING (“ERP”) SYSTEMS

Chairman McCarthy

Do we want to entertain the notion of discussing with the consultant, in non-public session, the details?

Alderman Deane

Are these folks heading back to California tonight? Tomorrow? Tomorrow morning.

NON-PUBLIC SESSION

MOTION BY ALDERMAN CLEMONS THAT THE BUDGET REVIEW COMMITTEE GO INTO NON-PUBLIC SESSION BY ROLL CALL PURSUANT TO RSA 91-A:3,II(D) TO CONSIDER THE ACQUISITION, SALE OR LEASE OF REAL OR PERSONAL PROPERTY WHICH, IF DISCUSSED IN PUBLIC, WOULD LIKELY BENEFIT A PARTY OR PARTIES WHOSE INTERESTS ARE ADVERSE TO THOSE OF THE GENERAL COMMUNITY

SECONDED BY ALDERMAN TABACSKO

ON THE QUESTION

Alderman Deane

Is that the appropriate motion to be using?

Chairman McCarthy

I believe so. It is the exclusion that allows us to talk about details of things like...

Alderman Deane

Acquisition of real or – what was the next word?

Chairman McCarthy

Personal property.

Alderman Deane

So what is the real or personal property?

Chairman McCarthy

The hardware and software that we are discussing.

Alderman Deane

Was that a prepared motion that was on the agenda Alderman?

Alderman Clemons

Yes it was.

Alderman Deane

So we knew that we were going to be doing this?

Chairman McCarthy

I had put on the agenda we would likely ...

Alderman Teeboom

No you didn't.

Alderman Tabacsko

It was on the agenda.

Alderman Clemons

It says likely non-public I believe on the agenda.

Alderman Deane

Mine says possible non-public session, but every committee meeting agenda I get has that on it.

Chairman McCarthy

It also says under 203 non-public session anticipated.

Alderman Deane

Okay. Motion has been made and seconded. Now you have to call the roll.

Chairman McCarthy

I understand that.

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

Yea: Alderman McCarthy, Alderman Tabacsko, Alderman Deane, Alderman Cookson,
Alderman Tamposi, Alderman Clemons

Nay:

MOTION CARRIED

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The Budget Review Committee went into non-public session at 10:46 p.m. The Budget Review Committee sealed the minutes of the non-public session and returned to the regular meeting of the Budget Review Committee.

**MOTION BY ALDERMAN CLEMONS TO TABLE R-09-203
MOTION CARRIED**

NEW BUSINESS – ORDINANCES – None

TABLED IN COMMITTEE

R-08-63

Endorsers: Mayor Donnalee Lozeau
Alderman Richard L. LaRose
Alderman-at-Large Lori Wilshire
Alderman Michael J. Tabacsko
Alderman Jeffrey T. Cox

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$4,500,000) FOR THE PURCHASE, REPAIR, RENOVATION, AND IMPROVEMENT OF VARIOUS CITY BUILDINGS

R-09-190

Endorsers: Mayor Donnalee Lozeau
Alderman Michael J. Tabacsko
Alderman Marc W. Plamondon
Alderman Jeffrey T. Cox
Alderman-at-Large Ben Clemons
Alderman-at-Large Lori Wilshire
Alderman David MacLaughlin
Alderman-at-Large David W. Deane
Alderman-at-Large Brian S. McCarthy
Alderman Paul M. Chasse, Jr.

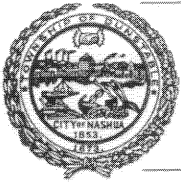
ESTABLISHING AN EXPENDABLE TRUST FUND TO ACCEPT A DONATION IN THE AMOUNT OF \$24,144 FROM BAE SYSTEMS FOR THE PURPOSE OF FUNDING EQUIPMENT FOR NASHUA FIRE RESCUE

ADJOURNMENT

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

The meeting was declared closed at 11:50 p.m.

Alderman-at-Large Ben Clemons
Committee Clerk



Donnalee Lozeau
Mayor
City of Nashua

SUSPENSION OF RULES



Date: June 19, 2009

To: Alderman Brian McCarthy, Chairman
Budget Review Committee and Members

From: Donnalee Lozeau

Subject: R-09-201

Resolution 09-201 request transfers of funds for two projects.

The funds will be used to purchase two new fuel dispensers for the city wide fuel site at #6 Riverside Street and for partial funding for a new unit to be used for sidewalk clearing.

The resolution transfers the unused funds from capital account #674-05, Van Purchase, to two accounts for the purpose stated above. The funds are available in the capital account because Transit's van purchase did not require the full amount as expected.

Fuel Dispensers: \$19,961

The dispensers to be replaced were purchased in 1996/1997 and have reached their end of useful life. The fueling depot located at 6 Riverside Street is the main fueling depot within the City; it dispenses approximately 283,000 gallons per year. There were insufficient funds to replace all four (4) dispensers as was recommended by the Street Dept and the fuel management software vendor. This resolution provides the additional funding.

Sidewalk Snow Plows: \$26,039

As you know the City is in the process of purchasing multi-use utility vehicles and a sidewalk tractor to assist in several functions throughout the City. A major function of the units will be clearing sidewalks in the winter. The current plan is to purchase at least four (4) additional vehicles (two from the Street Department and two from Transit) that will assist in the snow clean up of our sidewalks, parking areas, and transit waiting areas.

Because we have identified more than one source of funds, I thought it might be helpful to have a summary of the dollars and the equipment.

- DPW – Streets Department – (1) Traditional Sidewalk Tractor and (1) small loader with a snow blower attachment – total funding for these two pieces are \$176,336 of which \$26,039 will be from this resolution. Total funding for these two pieces of equipment will be from:

FY2010 Account 553-68-	\$62,415
CERF account #96178 -	\$63,882
FY2010 CDBG funds -	\$24,000
R-09-201 – 553-68-	<u>\$26,039</u>
Total	\$176,336

- Nashua Transit – Two (2) skid steer vehicles with a bucket, blower and fork lift attachment - Account #374-68013 - **\$120,000**, ARRA funds

Several City departments are meeting on a regular basis to discuss snow removal improvements for the upcoming season. The goals of the meetings include the quicker response and clearing of existing sidewalk routes and the clearing of additional walks to address the overall community needs.

I hope this provides enough information for the committee to support the request.