

REPORT OF THE FINANCE COMMITTEE

APRIL 18, 2005

A meeting of the Finance Committee was held on Monday, April 18, 2005 at 7:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large David Rootovich, Vice-Chair presided.

Members of the Committee present: Alderman-at-Large David Rootovich, Vice-Chair
 Alderman-at-Large James R. Tollner
 Alderman-at-Large David W. Deane
 Alderman Kathryn D. Vitale
 Alderman Robert A. Dion
 Alderman Robert Shaw

Members not in Attendance: Acting Mayor Brian S. McCarthy

Also in Attendance: Carol Anderson, Chief Financial Officer/Comptroller
 Janice Tremblay, C.P.M., Purchasing Manager
 Stefan Russakow, Div. Dir., Public Health & Comm. Serv.
 June Caron, Superintendent of Recreation

COMMUNICATIONS

From: Janice Tremblay, C.P.M., Purchasing Manager
Re: Increase to Purchase Order for Police Vehicles

MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND APPROVE THE CHANGE ORDER TO PO C64600 IN THE AMOUNT OF \$2000. FUNDS ARE AVAILABLE IN ACCT. 531-68025-6609

MOTION CARRIED

From: Janice Tremblay, C.P.M., Purchasing Manager
Re: Funding Projects through the Anheuser Busch Operation Brightside Account

MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND APPROVE THE EXPENDITURE OF \$8500 FROM THE OPERATION BRIGHTSIDE ACCOUNT FOR THE THREE COMMUNITY PROJECTS AND PLAYGROUND EQUIPMENT OUTLINED IN THE MEMORANDUM. SOURCE OF FUNDING IS ACCTS. #341-01906-8603-6401 (\$2500); 341-1907-8603-6401 (\$2,000); 341-01908-8603-6401 (\$2100) AND 341-1924-8603-6401 (\$1900)

ON THE QUESTION

Alderman Deane

How do these groups – do they apply for these funds?

June Caron

No one has applied for them. I have gone to the groups because they do have teen groups that do need to do community service. Last year we started with the Boys & Girls Club. They did three areas near their facility, Los Amigos, the Rail Trail, and the Pine Street Skateboard Park. Because of the intent of Anheuser Busch's recommendation we went to both PAL and Girls Inc. and felt that we could ask them if they wanted to contribute because they both have teen programs as well that need to do community service.

Alderman Deane

June what do we have for a balance in this account? I know there was quite a period of time when we didn't use the money.

Stefan Russakow

-
At present there is around \$11,000, and I believe that is referenced in Tab 4 Alderman Deane.

Alderman Deane

On Item #4, this Shattuck Street playground does the city own that or was that part of the 2 Shattuck Street property?

June Caron

Our understanding, Nick and I had checked it out, that the property, the playground property, still belongs to the city. That is the area. That is the backside of the building not the front, not the small playground area.

Alderman Deane

I would ask you what the triple shootout was.

June Caron

It is a tall pole and it is three different baskets for baskets for basketball so the kids can shoot at any one of the three for all age groups so they can get the smaller kids.

Alderman Deane

All age groups so I could bring Alderman Tollner out there and take him to school on this?
Thank you.

Alderman Tollner

You can try. Since this is a communication with 4 different entities I will abstain only because I am on the Board of Directors of the Boys & Girls Club. I don't think that it would be appropriate being on the Board that I vote on something that has to do with the Boys & Girls Club.

MOTION CARRIED

1 Abstention

From: Janice Tremblay, C.P.M., Purchasing Manager

Re: Purchase Testing Equipment requested by Environmental Health Department

COMMUNICATION WAS WITHDRAWN FROM AGENDA BY JANICE TREMBLAY

From: Janice Tremblay, C.P.M., Purchasing Manager

Re: Contract Award for Rotary Common Engineering and Design

**MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO CROSBY SCHLESSINGER & SMALLRIDGE IN THE AMOUNT OF \$67,168. FUNDS ARE AVAILABLE IN ACCT. #752-53095-3709
MOTION CARRIED**

From: Janice Tremblay, C.P.M., Purchasing Manager

Re: Increase to Contract for Brick Repointing Project at Hunt Memorial Building

MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND APPROVE CHANGE

ORDER #1 TO THE CONTRACT WITH TURNSTONE CORPORATION IN THE AMOUNT OF \$42,300. SOURCE OF FUNDING IS ACCTS. #374-07511-7104 (\$18,300) AND 374-07513-7105 (\$24,000)
MOTION CARRIED

From: Janice Tremblay, C.P.M., Purchasing Manager

Re: Increase to Contract for Architectural Services related to Brick Repointing Project at Hunt Memorial Building

MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND APPROVE CHANGE ORDER #1 TO THE CONTRACT WITH HDB/CRAM & FERGUSON IN THE AMOUNT OF \$4,230. SOURCE OF FUNDING IS ACCT. 374-07511-7104

ON THE QUESTION

Alderman Tollner

Janice I have a question. I understand the amount of \$4,230 – is the architect's fee of 10% based on the original work standard when we are working on this because it looks as if there were services there – the repointing project – I am not sure why an architect would get more money on that if we just continued to repoint the brick on another part of the building.

Janice Tremblay

When Alderman Deane obtained some additional funding for us we worked with Turnstone Corporation and asked them for some additional areas on the building itself that could be covered with those funds. Actually we had the front entrance, the brick part of that entrance will be a part of it as well. Then I got a phone call from the architect saying I understand that you are increasing the project and you have to understand that we get 10% of everything because we have to be involved in making sure that they continue to meet the specification. We will do in process inspections for additional areas of the building so therefore we want 10%. We ended up having to back off because we didn't have money to pay them this 10% if we had gone and done all of the brick repointing. They were the ones that came forward and absolutely insisted that they were really going to give us a hard time if we didn't agree. Their contract does say – the contract that they had that pertained to this project does say that it is 10% of any work done.

Alderman Tollner

I guess we won't be using them anymore ha?

Janice Tremblay

I really don't want to discuss that here.

Alderman Tollner

So really their response back to the City was you have no choice this is what you have to give us?

Janice Tremblay

They said that you cannot have additional work done based on the specifications and drawings that we generated at the beginning of the project without having us involved.

Vice Chairman Rootovich

That sounds a little unusual based on the projects I have been involved in.

Janice Tremblay

I wouldn't have a problem discussing it in another quorum, but I really don't want to go into any further detail here.

Alderman Shaw

At least the purchase order does designate that there is an additional site visit that was part of it – some additional work specifically, but I can understand their concerns. I had them somewhat myself.

Alderman Deane

I wasn't too happy about it either. His site visits are going to be basically inspections and we will expect a report from him on his inspections, and if we have failure issues there are inspections that are being signed off on the work that is done. The liability will be in his lap at that point.

Vice-Chairman Rootovich

Good point. Is there any further discussion?

MOTION CARRIED

From: Janice Tremblay, C.P.M., Purchasing Manager

Re: Contract Extension for Auditing Services requested by Financial Services Division

MOTION BY ALDERMAN SHAW TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE TWO ONE-YEAR EXTENSIONS TO THE EXISTING CONTRACT WITH MELANSON HEATH & CO THROUGH JUNE 30, 2007 AT AN ANNUAL FEE OF \$100,000 FOR EACH OF THE TWO

YEARS. FUNDS ARE AVAILABLE IN ACCT. 512-52010

ON THE QUESTION

Alderman Deane

I have a question for Carol. My first question is I think \$100,000 is a lot of money to be giving out to anybody without going through the bid process again. Now this is stated that the auditing firm has agreed to hold the annual fee at \$100,000 for each of the two years. In essence we are approving a contract of \$200,000 not for \$100,000 because it is this year and next year the way it is being stated.

I think that language should somehow be changed to reflect that because I don't think that is correct. The other part of the contract number VIII, the last paragraph "Any amendments or modifications of this Agreement shall be signed by both parties. In the event of any such amendments or modifications, upon execution of the same by both parties, such shall become part of this Agreement as if it had been originally part thereof." Did Legal – I read this paragraph about 30 times and it is – has that been accepted by the Legal Department? They have so the amendments can be made by who you and never come back here?

Carol Anderson

We would come back here – to both parties – the party is actually the City of Nashua and Melanson Heath so it would come back here.

Alderman Deane

Why would that be in here?

Carol Anderson

This went through Legal and it went through Risk, and Legal is the one that inserted that. If I could Mr. Chairman this contract originally did go out to bid. The bid was for three years and two one-year extensions. That is how the contract originally went out back three years ago. That was part of it, and when those bids were submitted there were amounts put in there for these two one year and they were asking I believe it was like \$102,500 and then \$105,000 for the fifth year, and I asked them if they would hold the price on those two years, but it was all out to bid originally. We had three firms that submitted bids; one was way under, about \$30,000 under, and that is because they would not give me any costs on GATSBY 33 and 34 because that was such a sweeping change no one would bid on it. The other firm that did bid on it bid higher than the Melanson Heath did. This was a five year 3 years and then two one years.

Chairman Rootovich

Carol with respect to your comments that it would come back to committee, it would only come back to the committee if there were any substantial financial considerations, but if there were any language change for instance sub-contracting, which in number VI it says “No subcontracting will be allowed without the express prior written consent of the “City”.” If they were to subcontract and the city were to agree that would not come back to the Finance Committee because there is no financial consideration.

Carol Anderson

Right.

Chairman Rootovich

I just wanted to clarify that if Alderman Deane had any concern with the language that may or may not be changed within the next two years Alderman Deane that would not come back to Finance.

Carol Anderson

I have no problem Mr. Chairman and members of the committee – I have no problem if you want to make that as part of the – when we pass this if you would want any change at all to come back before the committee. That is not an issue for us.

Alderman Deane

I had contacted Carol because if the contract is basically the same and we are approving the extension my question was where is the audit for this year. It says it is due by the 30th of December, and I guess she had a couple of things, but there should have been a draft auditor’s report that was delivered that shouldn’t really have encompassed any of the items that you haven’t completed internally. Is that correct to assume that?

Carol Anderson

The draft does not come before the committee the draft comes to the Finance Division and we go through that draft. We pull those numbers back and then after that is completed then we move into the next phase, which is the preparation of the management discussion and analysis. As I indicated to you, this timeline did not exist on the other contract only in the first year there was a timeline and then afterwards we have not been able to maintain the timeline because there are too many things that have to be encompassed in this audit. We wait actuarials reports. It is not just them coming in to do their work and then going back and preparing the audit.

The next two years we don’t see any substantial changes in government accounting so we don’t

expect there to be any delay on this.

Chairman Rootovich

Alderman Deane in prior years the Board of Aldermen never received the draft we always received the final product, which was the actual audit and the management recommendations in a separate document that was presented to the Board.

Alderman Deane

Usually in February.

Chairman Rootovich

We got it in some years in March.

Alderman Deane

It is the middle of April. Carol you talk about actuarial reports. Does that include the healthcare actuarial report?

Carol Anderson

What we do need to get from them is when we get that IBNR, Incurred But Not Received, we get that number that comes from the actuarial and that is part of all of our financials. We need to have that from the actuarials to incorporate into the audit itself.

Alderman Deane

That is supposedly supposed to be done this month right?

Carol Anderson

There is the one report that recommends to tell you what your total costs were and there is a second report that comes to us. I asked about that in January. What that tells you is it looks at all of your plans and tells you what you need to report as a liability. That is another number, but it is still an actuarial report. It is a different one than the one you are talking about Alderman Deane.

Alderman Deane

Are those the same reports that it was stated in the paper Sunday that the administration went by last year?

Carol Anderson

The first report that I was speaking about that would have come from Hobbs – I can't remember the name of it – I believe it is, but then they prepare a second report that is necessary for the financial statements that is outside the realm of the budget or the insurance costs, and it tells us what to report for liability for the three months claims.

Alderman Deane

I still think this should go out to bid, and I am not going to support just dolling out \$200,000. We find ourselves looking – I don't think it would hurt – they are not done with last year's audit, and I don't see what the issue would be to put it out to bid and see what we got for numbers.

Alderman Tollner

Carol I want to go back to page 1. It is stated that the first time they had the contract the contract was for three years with an option for two?

Carol Anderson

Yes.

Alderman Tollner

When you say option that is an option for the city to pick up. Is it a mutual option where suppose we say that we want to – your recommendation is for us to pick this up for the next two years at \$100,000 each year? The mutual option is if they agree to that price then we have a contract for an additional two years – correct?

Carol Anderson

My understanding in the original contract and maybe I am not understanding correctly, but it was for three years and then the option for two one year renewals. We did this with the prior two auditors. One ran 7 or 8 years and the other one 6 years.

Chairman Rootovich

This is a new contract. This is 2005/2006.

Alderman Tollner

The original contract was 2002 correct?

Carol Anderson

Fiscal year 2002.

Alderman Tollner

So 2002, 2003, 2004.

Carol Anderson

Right.

Alderman Tollner

What you are proposing is that we have two separate individual contracts that are part of the original agreement that are extensions, but we are signing a contract on those extensions correct?

Carol Anderson

Yes.

Alderman Tollner

Why did we leave our last auditor?

Carol Anderson

They came to us. They had one more year to finish off on that and when GATSBY 33 and 34 came in that was such a sweeping change – and we were a Phase I community – only two in the State of New Hampshire were at that level – a lot of auditors at that time didn't have the experience for that. Our auditors came in, the existing one, and said to us that you should go out to bid, and we were such a big client being the first Phase I other than Manchester that I think it was just too much for them to take on with their staff. I had to go out to bid, and as I said when we went out to bid they did not bid. We had one other firm from Connecticut bid and one from New Hampshire, but they wouldn't give us a – it was an incomplete bid because they wouldn't quote on the changes.

Alderman Tollner

What would be the harm in putting it out to bid? What are the pros and cons?

Carol Anderson

The biggest one I think, and I guess I didn't foresee that there would be a problem because going back in the past and that is how it had been done with the previous two auditors – their audit will be here at your next Finance meeting. It is just as much my responsibility that it is not done sooner. There is only so much that we can get done and we had to wait for information. The delay is not just on the audit firm it is on my part also. The other part is that we are at the end of fiscal year 2005. They will be beginning fieldwork or should be within the next month or so. Generally they come in around the end of May and into June to do preliminary work, and then they are here in September. There is a definite concern. At least I guess if you feel that you don't want to go forward with this firm I would hope that we would at least go through this year because they are due in.

Alderman Tollner

Do we have an option to go with one year versus two?

Carol Anderson

We could do that if you wanted to.

Alderman Tollner

I am looking here again on page 1 – item #4 and their response to us our RFP at the time was dated April 10th. I am sure that they – we are not really that far off the timeframe that we used in 2002. I am familiar with them. They are a very good firm it is just that when we renew this I am not sure whether we would get a better arrangement either from them or somebody else if we put it out to bid.

Carol Anderson

I know that the last time we put it out to bid and people thought that some of the big 5s would respond. They did not. We don't get the response that you would think you would get. The other thing that I am not sure of although I would imagine – they are a reputable firm and they have certainly worked through many issues with the city. We have had a lot of things to deal with and they have worked with us. I have asked them actually this past year to do additional work that we were not charged for. They just went in and I had three areas I wanted them to look at. They went in and did that. They have certainly been there to support us through what I consider to be the most difficult time in government finance. My only concern is that if we go with a one-year extension and they have said that they will hold the cost – on the original contract that they submitted it was \$102,500 and like I said that was not the high bid.

Alderman Tollner

What would happen if we held this in committee?

Carol Anderson

We need to begin work. If you are going to say no then I would start immediately with Janice to try to get out there and get something. Companies do have, audit firms have their work lined up. The end of the fiscal year is coming on June 30th.

Alderman Vitale

Tell me again why was it that we chose this auditing firm the last time it went out to bid over the other firms that placed bids?

Carol Anderson

There were only 3 firms in all that responded, and I believe we had sent out to 12 and only 3 responded. The low bidder was not the low bidder because they would not bid on – they only bid – there are two financial statements that are done now. It is the government on fund base and another on government wide that new structure that they have. The other firm wouldn't give us a cost for the government wide and that is where your substantial cost was. Then the other firm it was very close in experience and the cost was very close – it was within I think \$2,500 to \$5,000 on each one so we selected one that was within our State and within our community.

Alderman Vitale

I think I would want to go with just the one additional year and discuss whether we would like to – what we would do for next year we can discuss a little sooner so we are not into that time crunch.

Carol Anderson

Right.

Alderman Dion

Through you I would like to ask Carol a couple of questions. Carol before 2002 when the other firm was doing the audit, what kind of change did you see with this firm here, Melanson & Heath, versus the one you had before?

Carol Anderson

Do you mean in the type of financials that they had to prepare or the service?

Alderman Dion

Service.

Carol Anderson

Service was the same. What happened was the other firm like I said they really couldn't take us on at that time. That is what happened. They just couldn't do it. Service wise I had no problem with the service of the previous firm.

Alderman Dion

Now is it safe to say that due to the fact that you are willing to extend the contract with Melanson & Heath that you must be satisfied with their services?

Carol Anderson

I am definitely satisfied. Maybe it is because of what we had to go through to be a Phase I community and to get there. They have made some good recommendations along the way. I think we are stronger in our financial records and everything than what we were in the past. There have been many changes to work through. I know that there certainly are other firms out there that will have the same experience.

Alderman Dion

We had a three-year contract with this firm correct?

Carol Anderson

Yes.

Alderman Dion

How much a year were we paying?

Carol Anderson

It was \$95,000 in the first year, \$97,500 in the second, and \$100,000 in the third.

Alderman Dion

They sort of escalate \$3,000 or \$4,000 each year because of cost of living I assume?

Carol Anderson

It was \$2,500 a year is what they were escalating.

Alderman Dion

But you were able to get them to stay at \$100,000 for a two-year period?

Carol Anderson

Yes.

Alderman Dion

Well I commend you for that. Just to say it one more time you are satisfied with the services?

Carol Anderson

Definitely.

Alderman Dion

And they come around in May and then in September you said?

Carol Anderson

They start their fieldwork in like late May they come by and then they work with us through June and maybe the early part of July. Then they come here full force usually the second week in September. I work with them throughout the year. It is not like it stops when it is just for the audit. I don't hesitate. When we had the situation with the insurance I was on the phone with them. When we sell our bonds I work with them. It is not just at the audit time. Any questions that come up if I have concern about internal control and throughout the audit they usually will specify and this has been the common practice with the previous two firms. They will come in and you will tell them two areas that you think should be looked at or they will come in and say we think we should be looking at this area or that area and you will agree upon that. If you think you need additional – last year I asked them to provide some additional oversight in a couple of areas and they went out and did that.

Alderman Dion

No by full force what do you mean by full force; 4 people, 5 people, 3 people?

Carol Anderson

Six. Generally six.

Alderman Dion

And they stay with you for a period of?

Carol Anderson

A week to two weeks. They will dwindle down. Their numbers vary within a certain timeframe.

Alderman Dion

How many come in May?

Carol Anderson

I would say probably 4 would come at that time. They go into different areas like they will go to Motor Vehicle then they will go out to start the internal controls in some of the other areas.

Alderman Dion

This auditing firm they audit everything in the books of the city or is it just the enterprise grant money and Board of Public Works pension fund?

Carol Anderson

It is all encompassing.

Alderman Dion

All finances?

Carol Anderson

Yes.

Alderman Dion

Thank you Mr. Chairman.

Vice-Chairman Rootovich

The only thing that I can remember from the prior auditing firm that we had was their reports that we received to the Board of Aldermen were much more comprehensive. They had many more documents in there with respect to every area they audited in the city. This particular company you get 5 or 6 charts and that is about it. There is a difference if I remember.

Carol Anderson

We do have the very thick document. In fact...

Vice-Chairman Rootovich

What we get for the Board of Aldermen is ...

Carol Anderson

You just get a summary, but I ..

Vice-Chairman Rootovich

The prior one we used to get copies of the entire audit, which was significant.

Carol Anderson

I do provide that. I don't know what happened in the past, but they do that. In fact, now there is much more to the document because you are reporting on two levels both as a government and then like you were a private business. Those are the two ways that it is reported now. I will make sure that you have those copies. What they usually do is when they come before the Finance Committee they give the executive summary because there is so much detail they try to focus in on – the prior firm did that.

Alderman Deane

I am a little disappointed about the essence of the date and how this has to be approved. It should have been brought in a lot earlier number one. I will not support hiring these people – without putting this out to bid we will never know of any cost savings. To sit here and turn over \$100,000 contracts I think is just wrong. I think we should make people come in and we should develop the RFP and put it out to bid. I think cart blanching an auditing firm or anybody else for that matter is wrong. We wonder why we have financial problems in the city, and here is a perfect reason. If you don't put this out to bid you will never know what cost savings you may realize. Regardless of the job they do, which I am not questioning their integrity or the job or how they work with people or the amount of folks that they bring in here to do the work or when it is turned over or how they respond to Carol when she calls. That has nothing to do with it. There are plenty of other firms that would probably operate in the same manner and deliver the same product, but we don't know what their price is. I would ask that if somebody – if you are going to approve this ...

The other question I had is here we are asking for a two-year extension approving funding

something that has no appropriation with it. You are voting to approve something next year when the money hasn't even been budgeted yet or the year after for that matter. How do you do that? How do you approve these multi-year contracts with no funds in place? Alderman Shaw has brought that up about the fireworks if I remember correctly at Holman Stadium where we approve and that is a \$20,000 item – this is \$100,000.

Carol Anderson

The only thing I would say is that originally when this was approved you normally go for a minimum of a three-year contract. The previous auditors that would have been a seven-year and the ones before that were 8 years. When you enter into the contract you are entering into three years to begin with at that point. We are required to have an audit. We wouldn't be able to sell a bond unless we did have it so there is a requirement for that. We went out to bid – at that time they were the low bidder so I followed procedure and to me when that contract had been received and accepted and it said that you were allowed two one year extensions that is what I thought I was allowed. I was doing the same thing that we have done with previous auditors. I have been her 12 years and it has been that way. I would have gone out to bid if I had known that the two one-year extensions wouldn't be allowed without a re-bid.

Alderman Deane

Carol my question is why is the practice different in some areas – from an accounting perspective is this right to do this this way to approve something where you have no funds to pay for it?

Carol Anderson

I have seen other contracts that have overlapped like that. That happens.

Alderman Deane

Is that right though?

Carol Anderson

I think fireworks are a little bit different than an audit. An audit you are committing a firm, and if firms are going to work they need to know what their work schedule is. I don't want to have to start going out on an annual basis for an audit firm because when you are in an audit that year you are constantly using them. They are a resource to us just like our financial advisors and bond council are. I can't even imagine changing an audit firm every year. You need that continuity.

Alderman Deane

You are missing my question though.

Vice-Chairman Rootovich

It is a requirement. It is a State requirement. It is also a requirement for us to go out bonding. It is part of .. I guess the same thing why do we approve three-year labor contracts when there is no funding 2-3 years out either? It is the same thing. I guess I would put it in the same category as that. We approve labor contracts, we approved one a while back for 5 years and there is no funding available for that either. I guess the difference between what Mrs. Anderson is talking about and what Alderman Shaw pointed out for fireworks – fireworks isn't a necessity and we are not required to do that by the State or any other regulatory commission in the State or Federal Government and this one we are so it is kind of in a distant ballpark.

Alderman Deane

It is the financial perspective Alderman Rootovich that I am ...

Vice-Chairman Rootovich

I appreciate that and I understand, and I do agree with that. You are asking why we approve it I am trying to give you an analogy as it is the same as the labor contracts where we approve those 2 and 3 years out with no funding available as well.

Alderman Deane

I will not support this endeavor.

Janice Tremblay

Thank you. Could I read from the City Ordinances, Section 2-248 as it regards professional services, and this is just an FYI to remind the committee of something that is stated in the ordinances. "In the purchase of accounting, architectural, auditing, engineering, legal, medical, and ambulance services, and purchases of independent professional consultant services for personnel, data processing, insurance, actuarial, planning, management, and other comparable purchases, competitive bidding shall not be required." There is not an absolute mandate that any of those types of services would even need to have been competitively bid in the first place. We did that three years ago to see who was out there that had the ability to provide, especially the GATSBY requirement accounting, and since our existing auditing firm wanted to back off because of those requirements, we really needed to go out and see. We took the initiative and did that three years ago. The decision that was made three years ago to settle on Melanson was based on the sound reasoning based on the responses that we got back.

We can certainly go out again for competitive bidding. I caution however that if it comes back and the lowest acceptable competitive bidder comes back at \$105,000 or \$110,000 we live with

that. There is no way of going back to the \$100,000 that this firm is willing to hold. That is just a consideration to be put on the table.

Alderman Dion

I will support this because I feel that exactly what Carol said a little while ago and that sort of jilted my brain that if we went out to bid at this particular time auditing firms are pretty well tied up for the fiscal year. They are usually out straight. I think it would probably wouldn't be the smart thing to do to go out at this time to bid when they are tied up due to the fiscal year ending June 30th. I feel as though we should continue with this contract. We have had good services for the last three years. I feel as though we should continue with this extension then when this extension is over do it early – go out to bid, go out early so that we can get some people to bid on it ahead of the June 30th date – way ahead like the first of the year. Thank you.

Alderman Deane

Janice what is that ordinance number you were just reading from?

Janice Tremblay

This is 2-248.

Alderman Deane

I would appreciate the motion be read again before it is voted on. Thank you.

Alderman Tollner

Carol I recall getting the auditing report earlier than we have in recent years. When do most municipalities close their books? As it stands right now we are still waiting today for the close of FY '04 right?

Carol Anderson

Right.

Alderman Tollner

Here it is April. We don't even have a report and we are in the process of discussing the budget. When do most municipalities close their books and get their reports from their auditors? I do recall a number of years ago we used to get it earlier.

Carol Anderson

A number of years ago that was before that change came through. We used to get it – it was always around Christmas time. That is when we got it. That is why we have those dates in here. We have it like one month beyond into January because I really feel that is what we are going to need. Like I said it is not just city information that we require it is information from other consultants too. I would say January 31st is a good date. In prior years there wasn't even one half of the work that is required now for the audit. That is the problem. The books really don't close and there is really only like a preliminary close that is done at the end of August. When they come in at the middle of September, we are still working at that point. It is like through that week and literally until the day they walk in and even when they come in we still have more work that we need to perform. It is not an easy task whatsoever. In past like I said the work was ½ what is required now.

Alderman Tollner

Understanding with the new GATSBY and everything that makes it a little more difficult are there performance guaranteed in this contract that we should get the auditing report from this firm by such and such a date and if it isn't there are penalties that apply?

Carol Anderson

No. One of the problems would be it is just that if there is going to be a delay at all that would be worked out. The only reason why there has been a delay in the past it is not like – it is hard to put a firm date because things can happen – that RBNR number I didn't even get that, which – I didn't get that until the middle of January. You still need that. There are other things that are involved.

Alderman Tollner

What if you wanted to put performance guarantees in this contract? Put performance guarantee in here that the city would receive their audit report by February 1st or February 15th?

Carol Anderson

I don't have a problem with that.

Alderman Tollner

So if that was part of the motion I made—the other question I think in years past I guess when the audit was being presented – why isn't anybody here from Melanson & Heath tonight?

Carol Anderson

I didn't think it was necessary honestly. I apologize.

Alderman Tollner

So you don't have a problem putting a performance guarantee of a penalty of say 10% so the contract is \$100,000 – that if we don't have the audit report from them by February 1st there is a performance guarantee payment of \$10,000.

Carol Anderson

The only thing you have to be careful of is that if like I said the reason why it is late now is because I didn't get – wasn't able to complete some ...

Vice-Chairman Rootovich

We have to make sure that our end of the deal is held up.

Alderman Tollner

How performance guarantees work if they find out that they can't meet that deadline because the city is not providing them information then what they need to do is communicate to the city in advance listen this is to serve the city with notice that you are delinquent in providing us this, this, and this, and we are not able to meet the February 1st date. I do not think that this Board has received any memo or communication either from that company or from your office to say heads up I want you to know that the audit report is going to be late regardless of whose fault it is. There has been no – this is a pretty substantial report. This isn't anything to sneeze at. This is a pretty substantial report that tells us what shape the city is in.

Carol Anderson

You are very right on that. If there were anything that we thought with the draft when that came out – if we thought there was anything on there that needed to be brought to the Board's attention that would have been done. I would have done that.

Alderman Tollner

So if I was to make a motion that approve this for a one year extension with a performance guarantee of us receiving the auditing report of February 1st otherwise a performance penalty of 10% would apply without any communication – let 's be reasonable if we are not providing them with the information they need then that is our fault and we can't hold them accountable, but I don't think – have you ever gotten notice from them saying hey Carol we are running a little late and the reason we are running late is because the city hasn't provided the information that we are looking for?

Carol Anderson

We go back and forth internally as an administration with them. I talk to them, Cindy talks to them, and we knew that we were running late, but as I say I haven't in the past notified the Board and I would have if I thought there was anything in that report that needed to be brought to your attention. I would definitely do that.

Alderman Tollner

Are you comfortable with those two amendments?

Carol Anderson

As long as ...

Vice-Chairman Rootovich

Mrs. Tremblay was just shaking her head no no. Can we give her a chance to respond to that – there might be some light she can shed on this.

Janice Tremblay

I just have a concern. When we go out for bids or proposals and if there is going to be penalty clauses applied and often times this is obviously public works contracts, but if we are going to apply any penalties with so much a day if you miss the schedule or whatever, if we are going to require a performance bond, if we are going to require payment bonds, all of those kinds of things pose a potential cost to the firm so we make sure that when we are out for the original proposal that we state in that request for proposal everything that we are going to ultimately require in the contract. I think that to decide here this evening that we are going to amend this – make it a one year extension and then slap that requirement on that is in my opinion too much of a surprise to throw back at them and expect that they will say oh wonderful thank you very much. If in deed you want to do something like that I think my suggestion to the committee would be that you table this or hold it in committee until the next meeting and allow Carol to go back and speak with Melanson & Heath and explain to them what the committee would like to do; the one year extension and also that we would like to tie in some date and some kind of a penalty and agreement that if the city is delaying the process that Melanson & Heath has a medium by which they officially notify us to say that date on our contract is in jeopardy because ... I think that they should have an ability and an opportunity to discuss that with Carol and agree to it before we actually take a final vote and say okay yes this is the way we are going to go.

That would be my suggestion to the committee that we think about that kind of an approach.

Vice-Chairman Rootovich

Carol would it be an issue if we were to hold this for one meeting? I know you said there was a

time concern, but would it be and try to get those things resolved?

Carol Anderson

No. We can do that.

Vice-Chairman Rootovich

I would kind of support the motion with the one-year extension right now since we are late in the year and by January of next year we go out to bid.

Carol Anderson

I will actually go out far sooner than that.

Vice-Chairman Rootovich

I understand the dilemma you are in because of the time of year. I take what Alderman Deane says very seriously especially with the budget concerns that we have now. We really do have to look – I am not speaking for him. He is capable of speaking for himself quite eloquently, but we really do have to look at every single opportunity we have to save some money, and if this is one area we should we really need to take a look at it.

Alderman Tollner

If I could follow up on the performance guarantees. Janice I understand what you are saying, but basically if we were to vote on it tonight we are giving them the opportunity to come back to us and say they agree with it or they don't agree with it because they have to sign it. This isn't a contract the way it stands right now because as of the end of this fiscal year if we don't do anything our relationship with them ends.

Carol Anderson

Right.

Alderman Tollner

So I don't have a problem and maybe the easiest way is to hold it in committee, but I would think next year if we are in the same position this would be brought to Finance back in February maybe not in April. If we are putting it out to bid next year and that is usually the safest bet to protect the city – I would think that RFP would go out some time in August or September to give both of you enough time to go through it and make an educated and thorough response and recommendation to the Finance Committee. The good thing about Melanson & Heath is they are local and they are in Nashua, which is in my mind very important because they do their

business here, they are headquartered here, they have more of an impetus to make sure everything is done right rather than if they were in Boston or Worcester or some other place. I will agree with the motion to hold, and I guess the two recommendations – I don't want to speak for the committee, but if I am incorrect someone stop me, and that is for a one year extension and to put a delivery date of the audit of February 1st and Carol I would lean on you if February 1st is a good time – I just don't know when the other municipalities usually get theirs. I think that is a safe bet around February 1st, but here it is April and we don't have it.

Carol Anderson

That is what we have in this contract is by January 31st that it would be delivered.

Vice-Chairman Rootovich

There is no motion on the floor to hold it Alderman Tollner. The motion on the floor is the one previously made by Alderman Shaw.

Alderman Shaw

I would be much more in favor of either just amending this to a one year extension with the intent to go out for the new bid and avoid the whole performance criteria because I believe that essentially we are getting into re-negotiating the contract and I would expect if I were Melanson & Heath I certainly would at least say I am back to \$102,500 I am not going to give you the extra \$2,500 I cut. I think the timing we have at this point in this process it does not behoove us to be going and starting to negotiation and potentially be having them walk away from even participating in at least a one-year extension. I thought Alderman Dion spoke quite well considering where we are at and the satisfaction we have with the company. I actually would be in support of the two years, but I understand the sentiment of going out for competitive bid. We are not at the point where I think that makes sense for this year. I think we need to go ahead with the one-year extension at a minimum, but I think we are – I appreciate your intent to get the performance criteria in, but I see that as only something that will cost us \$2,500 up front and potentially cost us even their willingness to have their services for the next year. I would not ultimately be in favor of that.

I would be willing to support a hold for the two weeks to understand what their position might be, but I don't really see it favorable to be re-negotiating the contract at this point. Thank you.

Alderman Dion

I don't feel as though – I am putting myself in the auditing firm's position – if Carol would call me up and say we are willing to go a year, but we are going to put a monetary fine if you don't get the report by February 1st I would tell Carol go find somebody else. That is what I would tell her. I would not accept that kind of condition after I have served the city for three years. All of a

sudden out of the clear blue sky we want to put a monetary value/a fine on them. I would support what Alderman Shaw said reluctantly for one year and a one-year contract and I am sure Carol can get an understanding with the firm to get a report out by the first of February. Do you have any problem with that Carol?

Carol Anderson

I have no problem with that.

Alderman Dion

I would support that.

Alderman Tollner

Carol on page 4 section C & D, are these I guess this criteria in the present contract – entrance conference with the CFO, progress conference with the CFO – are they stipulated in the present contract?

Carol Anderson

They were only stipulated in the first year, but there was no stipulation for the second and third year – there are no dates.

Alderman Tollner

Then I do see in Section D Final Report Date is Due. I guess I would go along with Alderman Shaw and Alderman Dion on this one. Now they have to accept the one year so if we go back and say we only want one they can't go back and say either it is a two year extension or none right?

Carol Anderson

I guess I don't follow you.

Alderman Tollner

If we go back and say we only want one year extension instead of the two single year extensions, they have to accept that proposal right that we only go with one – they can't come back and say you either go with two or none?

Carol Anderson

I don't believe that they would do that.

Alderman Tollner

You would commit to send the Finance Committee and the Board of Aldermen a memo by in the first week in January updating the Board that whether this report is going to be here on time?

Carol Anderson

I will actually send that to you in mid December. I can do that so that you will have a heads up. I wouldn't want to do it like in January if it is expected at the end of January. That doesn't give much recourse for us. I would do that I would say by December 15th.

Alderman Tollner

We would get information requests like this earlier than April in the future?

Carol Anderson

Definitely. I think what happens – it is very difficult unless you are actually in the business – when this change took place this GATSBY 33 and 34 – they were telling us that you should ramp up your staff at a minimum between 30-50%. We didn't do any of that. The workload didn't lessen. It was very difficult. We have worked with other communities throughout the state because you had like the Phase II and Phase III communities so we provided support to them. It is like a networking that you do, but we didn't ramp up any of our staff. Then you get the additional demand so you do fall behind. There is no way – if we don't have the staff it just takes time, and I am not trying to offer excuses, but it is on both ends. I am sure that the firm felt the same thing that we have felt in house trying to get everything out in a timely fashion. There was no intent to not get them here in a timely manner. If anything you want it behind you because that is the only time that you have is like a couple of months when you can get your bearings and start doing some of the things you would like to do. It was never the intent to have the reports this late it is just with these changes the past several years it has been overwhelming in Finance. It is overwhelming.

... tape flipped ...

Alderman Shaw

... concerned they will come back and say they are not interested in pursuing just a one year extension, which you could read as their unwillingness to take a one year versus a two year, but I think they certainly could walk away from the opportunity for the one year extension so I don't think you – it sounded like you might have been stating as if they would have to take it, but I think you meant in the context of they couldn't force us to give them a two year, but certainly it would be their option not to sign the contract for any sort of extension.

I guess there has been a lot of discussion about the lateness of the audit report, and I think Mrs. Anderson has been trying to tell us that as much of the delay was due to the city and our own timing in supplying information. Whether this is a factor or not we certainly did accelerate the budget process and ask for a lot of things to happen sooner, and I don't know whether that might have had any delay as well, but I think there is a sense here that we are putting this delay on – it was really the response of the audit firm when and at least what I think I am hearing is it was as much the city's responsibility that has caused the delay as anything. At least it certainly was mutual. It does not appear that it was through negligence or lack of performance on the audit firm. Again I don't see an issue with the performance.

Alderman Dion's question to Carol I think clearly indicated a level of happiness with their services and their willingness to work with us through some of these difficult implementations of GATSBY 33 and 34. I just want to be a little bit careful there and this extension as well I think is already written into pretty well the dates. There is determination information later on in Section VII, which essentially could act somewhat in terms of if there was not sufficient meeting of the delivery of those reports. I am not sure that would be a great time to be trying to release the contract, but there certainly is that provision as well. Thank you.

Alderman Deane

Carol was this proposed contract reviewed by Legal and Risk Management?

Carol Anderson

Yes.

Alderman Deane

Why does it not say that on the cover memo?

Carol Anderson

I don't know that, but I know it was.

Alderman Deane

It doesn't say that though.

Carol Anderson

Janice can testify to ...

Janice Tremblay

You are correct Alderman Deane it does not say that. We went back and forth with language on this thing for several days just before the cutoff of my getting the memos up and I didn't get that sentence in the memo. I apologize for that.

Alderman Deane

Which language are you referring to Janice?

Janice Tremblay

The language that says that it has been reviewed by Risk and Legal.

Alderman Deane

Did the Legal Department have any issues with the contract?

Janice Tremblay

Well for instance you questioned that last paragraph about any amendments or modifications in this agreement, and that is language that Dory inserted late Wednesday afternoon.

Alderman Deane

Why did she do that?

Janice Tremblay

Because she wanted to have something in writing that said if there were any modifications and in the original contract that wasn't addressed.

Alderman Deane

And Sue Jeffery reviewed that proposed contract as well?

Janice Tremblay

Sue Jeffery's group reviews the insurance requirements and any liabilities or indemnity clauses. That is basically what she looks at, and yes she did review what is in there.

Alderman Deane

Thank you.

Alderman Shaw

In this context of the potential of looking to just maybe propose a one year extension with the intent to go out for RFP versus the other possibility of simply just holding this contract in committee for the next two weeks until the next Finance Committee and having you go back and converse with the firm, do you have a recommendation for us in terms of what might be a better way to handle this in terms of just from your perspective and theirs?

Carol Anderson

I don't think two weeks would make a big difference if that gives the committee greater comfort. I don't think anything would change in that two-week period, but that is entirely up to you.

Alderman Shaw

Thank you.

AMENDED MOTION BY ALDERMAN TOLLNER TO ACCEPT, PLACE ON FILE, AND APPROVE THE CONTRACT EXTENSION FOR AUDITING SERVICES REQUESTED BY FINANCIAL SERVICES DIVISION FOR A ONE YEAR EXTENSION

ON THE QUESTION

Alderman Tollner

The reason for that is realistically if we wait two weeks if they don't like or are not interested in what we are doing we are in a bit of a bind anyhow because there is only a couple of months left in this fiscal year. If you put out an RFP you wouldn't have enough time to get it done. I think it is a reasonable compromise one year with the understanding that it is probably in our best interest to put it out for bid next year.

Alderman Deane

My understanding is \$100,000 is a sizable amount of money and I think I don't really agree with some of the comments that these people may walk. That is a lot of money and it is a large contract. If they have the ability to walk away then we will find someone else. I kind of find that hard to understand why someone would want to do that.

Vice-Chairman Rootovich

Is there any further discussion?

MOTION BY ALDERMAN TOLLNER TO RECOMMEND FINAL PASSAGE AS AMENDED MOTION CARRIED

UNFINISHED BUSINESS - None

NEW BUSINESS – None

-

WARRANT

MOTION BY ALDERMAN SHAW TO APPROVE WARRANT #19 IN THE TOTAL AMOUNT OF \$8,825,007.21 OF WHICH \$1,892,773.73 ARE ACCOUNTS PAYABLE, \$4,565,870.03 ARE PAYROLL AMOUNTS, \$17,386.39 ARE PREPAY AMOUNTS AND \$2,348,977.06 ARE WIRE TRANSFERS

ON THE QUESTION

Alderman Deane

I reviewed the Warrant and we seem as a city to be paying sizable cellular bills especially over in the Health Department area. I saw some Nextel bills for over \$500. I know they separate them and they draw out of different bioterrorism grants and things of that nature, but it seems a little excessive.

The other thing when we get back to our budget deliberations is these 94 accounts that money is being charged off onto I think this Board really needs to take a look at where these people are going, where they are staying, and the amount of these seminars – what the cost is. I think some of that has to be curtailed. There are a lot of expenditures going on in that area that I think we should take a hard look at. Thank you.

Alderman Vitale

I had one question regarding a cash payment of \$9,500 under the police department, 331-01420. I didn't have a chance to ask earlier today.

Alderman Deane

It is always my understanding that when the police department have some sort of activities going on in which they are uncover you will see those in there on occasions. That is what the monies are used for.

Alderman Vitale

Thank you.

Vice-Chairman Rootovich

Are there any further comments, questions, discussion? Mrs. Anderson I want to thank you for having the Warrant out to us early. It gave us enough time to go through it over the weekend. It is very appreciated. Thank you.

Carol Anderson

You are welcome.

Alderman Deane

No better way to spend a weekend ha Dave?

Vice-Chairman Rootovich

No better way than to sit by that computer and go through that line-by-line. Is there any further discussion?

MOTION CARRIED

DISCUSSION

Alderman Deane

I was hoping that Alderman Tollner would announce that there is a special Board of Aldermen meeting tomorrow night at what time?

Alderman Tollner

Thank you Alderman Deane. There will be a special Board of Aldermen meeting tomorrow night at 7:30 p.m. The topic on the agenda is the discussing the Acting Mayor's veto.

Vice-Chairman Rootovich

Is there any further discussion and/or announcements?

Alderman Deane

You are welcome Alderman Tollner. As always I am here to help you.

Alderman Tollner

Thank you Alderman Deane sir.

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ADJOURNMENT

**MOTION BY ALDERMAN DION TO ADJOURN
MOTION CARRIED**

The Finance Committee meeting was adjourned at 8:15 p.m.

Alderman Rob Shaw
Committee Clerk