

BUDGET REVIEW COMMITTEE

PUBLIC HEARING

NOVEMBER 25, 2019

A Public Hearing was conducted by the Budget Review Committee on Monday, November 25, 2019, at 7:00 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd., Chair, presided.

Members of Committee present: Alderman-at-Large Lori Wilshire
Alderman-at-Large Ben Clemons
Alderman-at-Large Michael B. O'Brien
Alderman-at-Large David C. Tencza
Alderwoman-at-Large Shoshanna Kelly
Alderman Jan Schmidt

Also in Attendance: Mayor James Donchess
Alderman Ernest Jette
Alderman Patricia Klee

PUBLIC HEARING

R-19-185 Relative to the supplemental appropriation of \$2,900,000 from FY2020 Assigned Fund Balance

Mayor Donchess

Mr. Griffin and Ms. Kleiner are also here. They have additional information to provide or to verify. Thank you Mr. Chair. We are, of course, on the Public Hearing of R-19-185. The background on this Resolution is that in the last session of the Legislature, thank you Alderwoman Schmidt and Alderwoman Klee. The Legislature appropriated additional revenue to cities and towns; including revenue for the purposes of the schools and revenue for municipal aid. We did not find out until very late, sometime in October, regarding exactly how much this would mean for Nashua. But in the end, it meant \$2.9 million of additional school aid and \$1.8 million of municipal aid.

We already took action to use some of this money to off-set the tax rate basically; we did two things, we allocated \$1.8 million additional to the tax rate. The reasons for that were, first of all, we see that the healthcare situation which looked bad at budget time, the costs are escalating more quickly than we thought, than were estimated. Number two, we did reduce the proposed tax rate from 3% approximately to 2.6%. That leaves us \$2.9 million which needs to be allocated to various school and city needs.

One of the over-riding issues here is that we have our health care expenses are exceeding estimates, they are trending higher and Ms. Kleiner can give you the details or Mr. Griffin can. The budget that we passed in June, the Fiscal 20 Budget increased our healthcare appropriation by over \$3 million or 11%. It would have even been higher but we reduced the available named carriers from 2 to 1. That saved us \$400,000.00; so it would have been \$400,000.00 higher. As we have discussed before, the City is self-insured when it comes to healthcare and we have been self-insured for decades because it is, believe it or not even though it costs a lot of money, it is cheaper than buying insurance, because there is no profit in the City's appropriation. We do pay to get the plan administered, but other than that, we pay all the claims.

We do have a catastrophic policy which pays for individual claims in a single year of more than \$300,000.00 and we pay a couple million for that; I forget how much we pay for the catastrophic policy. In any event, backing up the health care system, we have a reserve account because we don't have an insurance company so we need money in reserve in case the claims exceed the estimate and the budgeted amounts. We have several million dollars, around \$4 million, how much do we have in the fund at this point.

Kim Kleiner, Director of Administrative Services

It is about \$5.2.

Mayor Donchess

\$5.2 but our consultants say it should be higher than that. Now as we look at the trend of health care expenses through the first few months of the year, those being July, August, September, October, so 1/3 of the year; last year we were somewhere above \$12 million in terms of claims paid, this year we are above \$14 million. So even though we budgeted 11% higher, the claims, at least so far, are running 16% higher than the amount of the previous year, in Fiscal 19. In allocating money for the escrows, we assigned additional money into the health care trust fund and that is the over-riding financial issue that we face right now.

I would remind you that or I would suggest, I do suggest, that the health care expenditures are principally a school/education related expense, because 60% plus of our employees are School Department employees. That is really where most of the money goes. Now that's all background.

With the \$2.9 million that we have to allocated, I have proposed via R-19-185 that we assign \$1 million to the School Department for various needs that they have; curriculum, hopefully mostly one-time expenses, but as they determine should be the way it should be spent. Curriculum or possibly hiring paras for the Kindergarten which are needed very much and which are very cost-effective; whatever the Board of Ed thinks that money could be spent most effectively. Secondly, because we are looking at a Middle School Project that is going to potentially exceed \$100,000.00 and we did allocate \$1 million to that project in the escrows, I am proposing here that we allocate another \$1 million to it, yes it is, someone said a "drop in a bucket" but you fill a bucket a drop at a time. And if we can save \$1 million here, a million there and you know over the course of the next few years, maybe we can aside \$5 or \$6 or \$8 million dollars and reduce our bonding cost.

Finally I have proposed that \$900,000.00 go to what I call the City General Contingency for City priorities which really, at this point, we know more now than we did when we proposed this really is the healthcare account, the HealthCare Reserve Account, because we know we need money there. If this thing is, in my opinion, if this should be adjusted, it should raise the amount going into healthcare because as I said we are already \$2 million over last year up 16% even though we budgeted an 11% increase.

I think if analyze what has been proposed here, the first million dollars goes to schools, the second million dollars goes to a school project that is the Middle School replacement or renovation. The third \$900,000.00 for healthcare is 60% a school cost, so all but about \$360,000.00 of the \$2.9 is really, at this on this proposal, being assigned to school needs or school purposes. And I say that if we do make an adjustment to this, it should be to increase the amount going into the healthcare to help shore up a problem that we know we have.

I believe, Mr. Chair, that gives you an overview and obviously I can answer any questions, or Mr. Griffin or Ms. Kleiner can answer any questions that any of the Board members have.

Chairman Dowd

Mr. Griffin and Mrs. Kleiner do you have anything additional that you'd like to add?

John Griffin, CFO

Not at this time.

Chairman Dowd

Does anyone on the Budget Committee have a question for the Mayor or Mr. Griffin or Mrs. Kleiner?

Alderman Tencza

Thank you. If I could just ask and we may have had a hearing on this before, I just don't remember. What is contributing to the increased healthcare cost? I know during the Budget we had talked about trying to offer different plans and figure out ways for employees to save healthcare costs for the City. So why are the claims up even more than we expect?

Alderman Clemons

Point of order; shouldn't we go through the Public Hearing portion first in taking testimony before we discuss the Legislation.

Chairman Dowd

I was just asking if anybody had any clarifications from what was presented. We will have discussion when we get into the Budget portion of the meeting. Mrs. Kleiner.

Ms. Kleiner

Good evening, so what we do that is, and this is a positive, is we have seen an increase in members choosing the high deductible health plan. That is one way that we wanted to see things trend and that is up significantly. We do know that we are going to need to do increased education, most recently we have formed a Committee of all employer boards, Mr. Griffin, myself and Mr. Budreau from HR. We are meeting and we will be discussing ways to increase education amongst all the employer boards and our employees. That's one thing that we know that we need to do is a lot more education about how to control costs.

Alderman Tencza

I apologize if, I can't wait until the regular meeting if that's a more appropriate time to ask questions.

Chairman Dowd

I am just looking if anybody had any clarification from what was presented. Ok we will continue with the Public Hearing portion. We are having a Public Hearing on R-19-185 Relative to the Supplemental Appropriation of \$2,900,000.00 from FY2020 Assigned Fund Balance. I will now take any testimony in favor. Please state your name and address for the record.

TESTIMONY IN FAVOR - None

TESTIMONY IN OPPOSITION

Heather Raymond current President of the Board of Education, 19 Dumbarton Drive. I don't think I am in favor or in opposition to it so I kind of panicked about which time to come up. I want to commend the Mayor on his thoughtful presentation and the way that he has really gone over the numbers. I agree wholeheartedly with the idea of putting the \$900,000.00 towards or off-setting health insurance costs. I think that's a direct benefit to all school employees and also City employees.

That makes a difference for them and their families every time they get their paycheck. So I agree with that completely.

As far as the remainder of the proposal, I could spend millions and millions, but we are looking at immediate direct means. I just wanted to make the Committee aware of kind of where we were thinking, although we still have to convene budgetary meetings to decide that. We have about \$700,000.00 in curriculum costs to get all of our elementary schools using the same English Language Arts Curriculum so that if a child goes from one school to another school within the District, K through 5, they will have the same curriculum. So that is something that we would like to do with the bulk of the money.

The other thing to be aware of is we have a switch and I am not technical, I have no idea what a switch does except that it has something to do with the Internet. But the ones that we have at North and South we replaced one last year, we have another one that needs replacement; they last typically – life span is like 10 years, we are going on 16 on this one and that's about \$500,000.00. So we would be looking to use a portion of that to off-set the cost to our budget in the spring to be working on that switch. So that is kind of our thoughts off the top of our heads on where the bulk of that money would go. So that was all. I just wanted to bring that information to the Committee's attention. Thank you for hearing me.

Dan Donovan, I am the Chief Operating Officer for the School District. As Ms. Raymond said, I'm not really in opposition either, as I've explained to people, we are getting in more money we should all be happy. It is just how we decide to spend it. Just to talk a little, if you bring up, "Oh there's some money" people come running, everybody has an idea on how to spend money. Most people don't have an idea on how to save money but everybody has a way to spend money.

I could have a list here of all kinds of things that people want but basically the two items that Mrs. Raymond mentioned was the Curriculum – that's \$700,000.00 that'll get us where we hope to be with that program. That was a program that was piloted the last couple of years but a significant group of teachers. Then the switches, the switches I got an update today, the total cost of the switch is about \$970,000.00 but if we get them through E-Rate which is a discount program the School can buy equipment with we can probably get all the switches for about \$550,000.00. Now these switches are at North High School, South High School, the Middle Schools. You know do we put them in now, do we wait for the construction project and the Elementary Schools. We do, a lot of these switches are 15 and 16 years old. I spoke with IT today and they said a typical company would be 8 to 10 years they'd keep a switch and they'd move it out and put in another one.

I know in a School District, we are not typical company spenders, it would be a little longer than that but since a lot of them are this age at one time, this would be helpful to us. So if there is any way to sort of move a little bit of money around, like about \$1.3 million, we could get the switches and the curriculum. Just something to think about?

Mayor Donchess

Could you tell us what the switches are, I mean I heard about this today but I don't really understand what the technology is?

Mr. Donovan Well there's an IT person here who might explain it better than I.

Nick Miseirvitch 32 Lindwood Street, Nashua. Alright, what the switch does is that's how the different buildings communicate with each other, is through what is known as a switch. So I'm sure what the School District is doing is upgrading their outdated equipment which is mostly end-of-life and cannot be supported anymore at all because the vendors don't like to maintain this old equipment for years and years and years. So the City did a similar exercise through the phone system upgrade. All of our switches in each building were upgraded as part of that project.

Mayor Donchess

I think I understand a little better than I did before.

Chairman Dowd

I have a question, did you say that there is one of these switches at every single school?

Mr. Donovan Yes each school has a switch, there is one main switch that we just replaced about a month ago, it was very expensive; it was the main switch for the whole network coming into, the course switch. So that was replaced in this year's operating budget.

Chairman Dowd

Each one of these schools, the switch would cost a half million dollars?

Mr. Donovan No, no no; if we could get E-Rate Funding on this, which until you apply you don't know, we could get all the switches at all the schools for about \$575,000.00. If we can't get the E-Rate Funding it is close to a million dollars.

Chairman Dowd

Does that include the 3 Middle Schools including the new Middle School.

Mr. Donovan That does. The Middle School piece of it is about \$150,000.00. The other thing that we are having a problem with, we are trying to put in new access point and things. That's much newer technology, dealing with the old switches they are just not working like they should.

Chairman Dowd

So if the three Middle Schools acquired these switches via the project, it would be how much less?

Mr. Donovan That would be about \$150,000.00 and off the \$575 that would probably drop it let's say \$450 or so, yeah so it would be a little more than probably \$1.1, \$1.5 million we could get the switches and the curriculum if we didn't do the Middle School ones.

Chairman Dowd

Ok thank you. Any other testimony in opposition?

TESTIMONY IN FAVOR - None

TESTIMONY IN OPPOSITION - None

ADJOURNMENT

The public hearing was declared closed at 7:21 p.m.

Alderman-at-Large Michael B. O'Brien
Committee Clerk

BUDGET REVIEW COMMITTEE

NOVEMBER 25, 2019

A meeting of the Budget Review Committee was held Monday, November 25, 2019, at 7:22 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd, Chairman, presided.

Members of Committee present: Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien
Alderman-at-Large Ben Clemons
Alderman Jan Schmidt
Alderman-at-Large David C. Tencza
Alderman-at-Large Shoshanna Kelly

Also in Attendance: Mayor James Donchess
Alderman Ernest Jette
Alderman Patricia Klee
Kim Kleiner, Director of Administrative Services
John Griffin, CFO

PUBLIC COMMENT

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-19-185

Endorser: Mayor Jim Donchess

RELATIVE TO THE SUPPLEMENTAL APPROPRIATION OF \$2,900,000 FROM FY2020 ASSIGNED FUND BALANCE

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

I will now ask for any questions or comments on the motion?

Alderman Wilshire

My question I guess might be more directed to Mr. Donovan about E-Rate; E-Rate is a very competitive process, it is money that comes off your cable bill, the fees. They got into a big pot of money and it is a competitive thing and it is only for schools and libraries; the City couldn't apply, non-profits can't apply you have to be either a school or a library to get the money. It is very competitive. What happens, maybe you know Mr. Griffin, if you don't get the E-Rate money, I mean that's a lot of money?

Chairman Dowd

Mr. Griffin or do you want Mr. Donovan?

John Griffin, CFO

I mean I can speak with Mr. Donovan said, if you don't get the grant you're going to be spending almost \$1 million dollars for what would have been \$575,000.00. So Mr. Donovan obviously had calculated his best shot at what the percentage of the total cost would be and simply subtracted it from the total cost and got the \$575,000.00. I think he's hoping that we can qualify in that competitive process and that we don't have to move all \$2 million; \$1 million of which would come away from the Middle School Building into that process.

Alderman Wilshire

I hope so too. I mean I hope we get that E-Rate Funding because that is huge. Thank you.

Alderman Clemons

I have a question, so I see that there is \$2 million dollars going, well \$1 million dollars going to School Capital Improvements, which I assume would be the, it is the Middle School Project so I would assume that that would simply be going to pay down a potential bond. Is that the case?

Chairman Dowd

When I did the bond with Treasurer Fredette, we assume there's \$2 million dollars already; it is a \$120,000,000.00 project, if we don't pass the \$1 million here tonight; we'd have to make the bond \$119,000,000.00.

Alderman Clemons

So it is reducing the amount of the bond essentially?

Chairman Dowd

Right.

Alderman Clemons

Ok so would it be fair to say then that the switches that were discussed tonight should not be taken from that \$1 million dollars?

Chairman Dowd

I believe that we have enough in contingency based on our history of the last seven schools that we've done that we could cover the 3 Middle School switches. That's why I asked him about whether the Middle Schools were included.

Alderman Clemons

Then my second is the other \$1 million dollars, now that's going towards more of these priorities that were discussed earlier, is that correct?

Chairman Dowd

I can refer to the Mayor but I can tell you that the \$1 million dollars goes to the Board of Education and once we transfer it to them, they can spend it anyway they want to.

Alderman Clemons

Ok thank you.

Alderwoman Kelly

Yeah I have a couple questions. So the General Fund to the \$1 million to the contingency education priorities, when we allocated at the budget during the budget process, we made it very specific what they could take it out of contingency for. Would it still be under similar rules or is it just going to their bottom line?

Chairman Dowd

We could make it that way, in fact this evening we are going to be addressing giving them the \$200,000.00 because they went and got the ELL teachers.

Alderwoman Kelly

Which I am excited about ...

Chairman Dowd

I would just caution though that I am not sure that they have taken any kind of vote or 100% what they are going to spend it on. I think they sort of have an idea but correct me if I'm wrong out there that no vote has been taken as to how to spend it. So it would be kind of tough for us to put in that kind of contingency without knowing what they would have to qualify for to get it back.

Alderwoman Kelly

Sure, my second question – is there any reason why we wouldn't put more against your bond when we already – the bond for the Middle School when we already know that this definitely going to be a priority that is coming up versus this General Contingency bucket that is just sitting there that is unassigned, the \$900,000.00. Why wouldn't we give you \$2 million towards the \$118,000,000.00 project that we know we are definitely going to have?

Chairman Dowd

I'm not sure I am following your – is that a question?

Alderwoman Kelly

It was a question yes.

Mayor Donchess

Can I answer it? The reason is that is the \$900,000.00 that would go to back up the health fund. That is what we would use it for. Even though we say here General Contingency, if this passes as proposed, that's where it would go. I think in short order we would propose that it – or you could amend it right now, instead of General Contingency say Healthcare Reserve. I don't know how you would term it.

Mr. Griffin

It would be Fund 6600 which is Benefit Self Insurance Fund; that's the fund where this money would go.

Mayor Donchess

This has become more obvious in the last month or two so yes you could amend that to say “6600” as the CFO has proposed.

Chairman Dowd

“Account 6600”.

Alderwoman Kelly

I’d make that motion.

Chairman Dowd

If you recall, this last Budget Year \$3 million dollars of the increase was for health insurance. When the State applied all the monies that they were going to give us to the tax rate, which is why we had to some of the manipulation with the surplus, you know, our taxes would have been pretty low if it weren’t for that \$3 million dollars. We are trying to do things now to make sure that we don’t end up in that same position next year which would limit all of the Operating Budgets again because we’d have to keep the tax rate as low as possible. Any other questions?

Alderman Jette

So the money, the unanticipated money that we got from the State, I don’t remember whether the Legislature, whether all that money came, was that supposed to go to schools or is part of that supposed to go to the City or is it a combination of the two. Can you explain that part of it?

Mayor Donchecss

A combination of the two; so there was \$2.7 million dollars additional School Aid including Special Ed money and \$1.8 million dollars of Municipal Aid for a total of \$2.9 of School Aid; \$1.8 of Municipal for a total of \$4.7. Now \$1.8 million of that has already been used via the last action that the Board of Aldermen took on this issue, so there is \$2.9 million left and the proposal in front of you is to allocate that money.

Alderman Jette

So did you say that \$2.7 of that money was for the schools?

Mayor Donchess

\$2.9 I corrected it. \$2.7 yeah and \$1.8 for the City.

Alderman Jette

OK.

Chairman Dowd

Technically that \$2.9 that was for Schools got allocated against the tax rate because this happened so late in the State’s Budget Process with the Budget getting approved, correct me if I am wrong Mr. Griffin. But all that money that the State was going to give us, they used to reduce our tax rate. That’s why we had to go back and take some of the things that we have allocated before in the Reserve to lower the tax rate, to use in other ways.

So technically that \$2.9 has already been applied to the City's tax rate and we are trying to allocate some of the surplus to help out in some areas based on the fact that the State did that. Correct me if I'm wrong.

Mr. Griffin

Yeah one final point to tie everything together; because of the lateness of the aid coming in, you folks had already applied \$4.5 million of surplus against the tax rate. So mechanically what we did is we reduced that through a piece of legislation that duly noted the \$1.8 and the \$2.9 - \$4.7 left the use of \$1.5 or \$6.2 million against the tax rate. That's how the 3% increase became 2.6% as the Mayor pointed out. So the reason why you are now assigning taking from assigned fund balance is the year is already over because we brought that \$4.5 down to \$1.5 we assigned it. We assigned it, that's basically a comptroller, senior accounting manager function so now what we are trying to do is recognize the needs for what we were going to apply against the tax rate for these other items that you are discussing.

The optics are, from the State, is they are trying to use mechanics such as Free & Reduced Lunch, headcount, things of that nature in trying to give the aid back to the municipalities to essentially lower the tax rate or pay for things that they couldn't otherwise pay for. So you had done a budget with the School Department, Board of Education that had everything to the best of our ability paid for; so as Mr. Donovan points out, this is money, this is extra money and thank God we have it. So what we are trying to do here is use the assigned fund balance at the end of it in a very strategic way and not take that, not grow that assigned fund balance any further and certainly not put it into what's called unassigned fund balance because we are comfortable with what that balance is. So hopefully that answers your question. But once this action is taken, all of that activity culminates in this money going to certain locations; we've got a Certified Tax Rate by the DRA. We have already billed the taxpayers of the City; all of the money is in the right spot. That is what we are trying to do with this piece of legislation tonight.

Alderman Jette

Forgive me for my difficulty in understanding. Why couldn't somebody argue that the \$2.9 that was meant for schools, why shouldn't that go to the schools? Alderman Dowd when you said that the State reduced the tax rate, took the money and reduced the tax rate, that was our choice wasn't it? We allocated part of that money to reduce the tax rate, we didn't have to do that, we could have allowed the tax rate.

Chairman Dowd

I'll let the Mayor address it.

Mayor Donchess

So you could argue that but you could also argue, "well what about the \$1.9 for the City" you know for City needs. Virtually nothing is going to the City so you could also argue, well \$1.8 of this should go to the City because we got \$1.8 million dollars of aid. Now to address the second part of the question, had this money from the State come in earlier, we would have simply taken it and appropriated it in a more simple fashion than what you see here. We would have potentially of the total amount, put \$1.8 million to the tax rate and then allocated the other \$2.9 to various needs. But by the time we got notice of what the money was going to be, it was only a week or so before the tax rate is set. And there was not time, because we have to hold a Public Hearing, we need to introduce legislation, we have to hold this Public Hearing, we need to discuss it. There wasn't time to appropriate the money we received to spend it on anything. So it automatically was going to be applied to the tax rate.

As an alternative way to free up \$2.9 million dollars and achieve a 2.6 tax increase, we reduced the amount of the surplus that was going to be applied to the tax rate, we reduced it and let the money we were getting from the State, I think we reduced it by how much, did we reduce it?

Mr. Griffin

\$3 million Mayor.

Mayor Donchess

By \$3 million, so we reduced the amount of the surplus that was going to be applied to the tax rate, and we let the State money be applied to the tax rate, but now rather than applying \$4.7 million or whatever to surplus or \$4.5 now it is \$1.5 which freed up \$2.9 million of surplus to be allocated for the needs that the aid was intended to meet but which couldn't be used in that fashion because the money came in too late. Does that clear?

Alderman Jette

No but that doesn't mean you haven't made a very good effort at explaining it, I think it's my difficulty understanding and not your explanation.

Chairman Dowd

And technically what was said before is you could technically say that the \$2.9 is being applied towards School-related activities. The Middle School Project is a School activity; the million dollars that they are going to get they can spend on anything that they want; the \$900,000.00 is going to off-set some of the School Department's Health Insurance. So it could also, if it had come in earlier, we could have reduced the amount of money that we had to tax people for the current education budget without them getting a cent more. There's different ways you can look at it. I think you know the School Department is making out very well based on what we are doing.

Mayor Donchess

All this complication, I mean it is really just you know money is fungible so a dollar is a dollar, so this is the way we had to do it to be able to spend – if we had done nothing, none of the money would have been free to appropriate because it all would have been grabbed in the tax setting process. So what we did is we took action, in advance of that, to set up this so that at least some of the money or the majority of the money could be allocated to School and City needs. But in a way, again money is fungible it doesn't really matter which dollar we spent on, exactly where the money went, because we are still using \$2.9 million dollars to help us in various respects and \$1.8 additional went to the tax rate.

And again, a lot of that was School-related because one of the reasons we needed to, excuse me, there were two causes, there were two separate things that affected our ability to keep the tax rate down. Number one, and we are really getting into the weeds here and I apologize for that but the Board of Tax & Land Appeals made a decision which altered the way that utility values are calculated by cities and towns which reduced our tax base by \$20 million or something like that. And that came in very late as well so the tax rate, if we hadn't been helped by the State, would have gone up more than 3% so we needed to off-set that and we wanted to apply some of this to help the taxpayers so we took the tax rate down from somewhere north of 3% down to 2.6% using \$1.8 million dollars and this is what is left.

Chairman Dowd

Alderwoman Kelly I've got a question. Did you make, was that in the form a motion to take the \$900,000.00 and apply it to, what's the account, 6600?

Mr. Griffin

So I would recommend that you replace the 1000 with 6600 that's the fund number.

Chairman Dowd

So Alderwoman Kelly did you want to make that amendment?

Alderwoman Kelly

Sure, can I ask my question first?

Chairman Dowd

Sure.

Alderwoman Kelly

Thanks. I know we talked about it at the Public Hearing but if you guys could just re-explain why the healthcare costs are up? And I think we talked about it percentages but what does that look like right now and what is the \$900,000.00 going to do for where we are?

Kim Kleiner, Administrative Services Director

Sure, Kim Kleiner, Administrative Services Director. When Mr. DeLacy from WBS came in and spoke to us about Healthcare Costs, he explained that this is nothing outside of the ordinary; this is what we are seeing in any private employers and certainly in any municipality. The cost of healthcare is rising. He cited a number of things, everything from pharmacy to increased mental health costs to these very specialty procedures that are costing large amounts of money. As the Mayor stated earlier, we have this stop loss insurance for claims over \$350,000.00 but what we see or what we have seen is that you have a significant number of healthcare incidents that are high and you also have just the rising cost of services and pharmaceuticals.

Alderwoman Kelly

I know that we have talked at length about healthcare costs rising, it is a national question right now as well. But I think my question was it seems to be rising faster than we expected this year and I think that is what Alderman Tencza asked earlier. Do we know why? And again I asked specifically like where are we at versus what we were hoping?

Ms. Kleiner

So I don't think that we are seeing, certainly we estimated about 11% and we are about 16%. What we are seeing is some costs that last Fiscal Year have come over, they came in late so they came in July. It is not a hard stop with those types of costs. What we don't know is how things will trend out from here. It could be that percentage comes down a little and we end up at 11% cost out and then we'd be fine. But that's what we do not know and what we do have is an increased number of employees that have chosen the high deductible plan. So for most of those employees, right now they are spending their money, right, because they have a higher deductible. So their costs, if they should have any, nothing says that they will, but if they do, you'd see those later in the year after they've met their deductible. But we sit monthly and we have utilization meetings with WBS, what we are seeing is primarily the same thing that we saw last year; increased pharmaceutical cost, increased mental health claims; but we will know more once we look at the year half-way through.

Mayor Donchess

Provide the actual figures, it was \$14 something last year and \$16 something this year through October 31.

Ms. Kleiner

Yes, so through October 31, it is \$14.6 this year, \$12.3 last year.

Alderwoman Kelly

Is that millions?

Ms. Kleiner

Yes millions sorry.

Alderwoman Kelly

I didn't know if you were still talking in percentages.

Ms. Kleiner

And what we see right now is about \$5.2 City to \$5 last year, \$5 million last year, \$8.3 Schools to \$6.5 Schools last year.

Alderwoman Kelly

I'll make the motion to change the account to 6600.

MOTION BY ALDERWOMAN KELLY TO AMEND R-19-185 TO CHANGE RECEIVING ACCOUNT FOR \$900,000.00 TO FUND 6600 PENDING THE LEGAL DEPARTMENT REVIEW

Chairman Dowd

For the \$900K.

Alderwoman Kelly

Correct, correct.

Chairman Dowd

Clerk? To you, she made a motion to amend.

Alderman O'Brien

I'm going to need to write this down. Mr. Griffin can you assist me with this or can Alderwoman Kelly, can you repeat your motion, your amendment?

Alderwoman Kelly

Which one is easier?

Mr. Griffin

I could help.

Alderman O'Brien

Just so we can get the verbiage so everybody knows what we are doing here.

Mr. Griffin

I haven't been doing this, but John Griffin, Chief Financial Officer. So on the Resolution itself I would simply cross out the 1000 and put the 6600.

Alderman O'Brien

Cross out the 1000.

Mr. Griffin

Yeah on the third – so it would be 6600 and then where it says “description – benefits self-insurance fund”. So you don't need General Fund, you don't need Department 194. Where it says “description” would be “Benefits Self-Insurance”.

Alderman O'Brien

I don't have that.

Mr. Griffin

Oh you don't have this?

Alderman O'Brien

I have the script. So basically what we want to, how much do we want to take out of the ...

Chairman Dowd

The \$900,000.00 that was set aside for General Contingency, the 1000 Account, you want to change that to go into Account 6600.

Mr. Griffin

Fund 6600, Benefit Self Insurance Fund. I could provide this information to the legislation.

Mayor Donchess

Yeah we could get Legal to give you a ...

Chairman Dowd

They can draft it up because this is coming before the Full Board tomorrow night.

Alderwoman Kelly

Can we make the motion contingent on Legal cleaning up the language?

Mayor Donchess

Yes of course. We can get a new version a so-called Golden Rod to you by tomorrow night.

Alderwoman Kelly

Sure.

Chairman Dowd

Is that a question on the amendment? Did you have a question on the amendment?

Alderman Tencza

I do yes, about the effect of moving this into the healthcare contingency fund. How far did you say we are from funding that contingency fund from where we'd like it to be? You said earlier that there was \$5.something million in there.

Ms. Kleiner

So right now, the fund is – you have employee contributions coming into the fund and you have claims being spent from the fund. We also have a balance which you earlier put money into this fund to raise the balance. So right now we have about \$5.2 and as I said, you'll have employee contributions and employer contributions coming in and you'll have claims going out. So the need, although not immediate, I think what Mayor Donchess was trying to do was to raise it to a level where we may not need to put it in later.

Mayor Donchess

But I think a more or another additional answer would be that if we did hypothetically come in with claims that equaled about what we budgeted, we'd end up with about \$5 million dollars in the fund. But if the claims exceed the budget then the fund gets drawn, that's where you get the money is in the reserve. So if the claims exceeded the budget amount by \$3 million dollars, that \$5 million would be approximately \$2 million. And I think the consultants would like us to have more than \$5 million at the end of the year. They recommend – how much?

Ms. Kleiner

Yes so generally they recommend at least 3 months' worth of claims.

Mayor Donchess

So we are healthy but we should be healthier. It would be ideal if we were healthier. So putting money into this fund just helps to backstop the whole system.

Alderman Tencza

Just a follow up, just a thought I guess. The General, the City Contingency Fund though, I mean if we put the money there we could always move it over later if we needed to or it would be there to access for another issue that comes up. I'm sure there are a lot of funds we can say we are healthy but we'd like to be healthier on. It's more of a thought.

Chairman Dowd

Money can be moved if we had an account that was a lot healthier than we thought it needed to be.

Alderman Klee

Actually I was going to say the same thing that Alderman Tencza said and I guess, I think the Mayor has answered this. So this \$900,000.00 would kind of bolster us if we froze time right now up to \$6.1 million dollars but that's still below what they are saying that we should be at. What would 3 months of claims be?

Ms. Kleiner

So if you are looking at 3 months of claims on how we are currently trending, you are looking at about \$9.

Alderman Klee

Ok so even this isn't get us up to where we should be so thank you.

Mayor Donchess

But you could do it either way; you could put it into the Contingency, we watch the thing, we come back to you later if things continue we ask for a transfer. I mean you could do it either way really.

Alderwoman Kelly

Just a response to Alderman Tencza's question, I wish we had Legal here because my question is, I know it's my motion, if we put it in General Contingency are we still following the rules of giving it to the School as was the intent from the State?

Chairman Dowd

It could be used for anything in General Contingency only as so voted by this Board?

Alderwoman Kelly

So would that be an appropriation that followed the rules in which we got the Supplemental Aid?

Mayor Donchess

Well the answer to that is yes, because we spent a lot more than \$2.9 million dollars on schools for one thing. It's more like you know a hundred and whatever. There's also the point that we got \$1.8 million of City aid and we are not spending any money on City projects; I mean there are a lot of City projects we could spend \$1.8 million dollars and we are spending zero. So you could say that the rules were that we were supposed to spend \$1.8 million on City projects; they aren't rules it is just the way the money is allocated to the City and then the City can use it as it wishes.

Chairman Dowd

Any other questions on the amendment only?

Alderman Jette

I just want to point out that the balance that we are trying to beef up for healthcare costs is a potential liability. The School Department has identified immediate needs, you know, this Curriculum Project and the Switches. Mayor, when you say the \$1.8 that was supposed to go towards the City we are not spending any of that; we really did. We used it to reduce the tax rate, so it was a good thing reducing the tax, it's a good thing but that is a choice that we made, we could have not reduced the tax rate and we'd have the \$1.8 million to spend on other projects. We made the choice to use the money in that fashion.

Chairman Dowd

OK anything else on the amendment? Seeing none – the amendment on the floor to R-19-185 is to change the account number of the Reserve Account it is going into, correct?

Mr. Griffin

It would be the Fund Number.

Chairman Dowd

Fund number change.

MOTION CARRIED

Chairman Dowd

It passes unless someone wants a division? Ok. So now the amended motion of R-19-185 is the Supplemental Appropriation of \$2.9 million from FY2020 Assigned Fund Balance as now amended. Any other additional discussion?

MOTION CARRIED

R-19-188

Endorsers: Mayor Jim Donchess
Alderman Richard A. Dowd
Alderman-at-Large Michel B. O'Brien, Sr.
Alderman Patricia Klee
Alderman-at-Large Brandon Michael Laws
Alderman Linda Harriott-Gathright
Alderman Thomas Lopez
Alderman June M. Caron
Alderman-at-Large Shoshanna Kelly
Alderman Mary Ann Melizzi-Golja
Alderman-at-Large David C. Tencza
Alderman Jan Schmidt
Alderman-at-Large Lori Wilshire

**RELATIVE TO THE TRANSFER OF \$200,000 FROM DEPARTMENT 194 "CONTINGENCY",
ACCOUNT 70112 "CONTINGENCY FOR EDUCATIONAL PRIORITIES"**

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Dowd

Ok and this motion is take the \$200,000.00 that we set aside in contingency for the School Department to hire ELL and they have done that and now we are releasing it to their budget. Any questions?

MOTION CARRIED

R-19-189

Endorsers: Mayor Jim Donchess
Alderman-at-Large Michel B. O'Brien, Sr.
Alderman Ken Gidge
Alderman Linda Harriott-Gathright
Alderman Thomas Lopez
Alderwoman Mary Ann Melizzi-Golja
Alderman Jan Schmidt

RELATIVE TO THE APPROVAL OF THE PURCHASE OF ONE ELECTRIC CAR AND INFORMATION TECHNOLOGY BACKUP SERVERS FROM THE CAPITAL EQUIPMENT RESERVE FUND (CERF) DURING FY2020

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Dowd

Ok the Motion on the floor is to recommend to Full Board Final Passage of R-19-189. Any questions?

Mayor Donchess

I can provide an explanation on this Mr. Chair. Nick is here as well on the server. So there are two items we are proposing here to be sent out of CERF, the Capital Equipment Reserve Fund. The largest is of course the \$300,000.00 for the backup server. The reason for this is that many cities have, a few cities have encountered real problems with foreign entities who come in and hack the City IT System, take it over and then hold them for ransom. They just freeze the entire City's operation. That happened to Baltimore. Some cities have paid hundreds of thousands in ransom and still have not achieved full capability once they have done that.

Nick can give you more of the details or Kim but the City has a lot of security systems but one thing we do not have is an off-site backup server to hold the City's information so if we were ever hacked, which we don't think is likely to happen but if we were ever hacked there would be an off-site location where the City's data would be hold so that it could be re-introduced to the system were there one of these catastrophic incidents. Now we found a place at the School Department which would not be connected with the City System but would be housed elsewhere, the City and the Schools are separate computer systems. This would be placed in a place where if either of these systems were hacked, this would be safe, off-site, safe from the intervention in our system. So this an additional security step, yes it costs \$300,000.00 but it is like an insurance policy providing additional security to the City's IT system to protect us in the event of any hacking incident.

Alderman Clemons

Thank you. In addition to the upfront cost of buying it, \$300,000.00, is there any maintenance that is required of it that we'd have to increase the budget for next year?

Nick Miseirvitch, IT Manager, Infrastructure

Thank you Mr. Chairman, yes out of that \$300,000.00 we have identified a yearly recurring cost of approximately \$40,000.00.

Alderman Wilshire

I'm just surprised we haven't done this long before now. I think companies do off-site backups all the time. So I am glad to see this coming forward.

Mayor Donchess

We should have done it before now.

Alderman Clemons

I think that is good to know. I think the cost is definitely worth it because you know the City of Atlanta got, they are still having trouble with theirs when it happened to them. Just so you know, it's not just always big cities like Atlanta, sometimes it's – I think there were a few smaller cities in Wisconsin and different places that you know for whatever reason they go in and it can be real destructive. So having something like this probably or is definitely the right thing to do. Just out of curiosity, how often would a server like this have to be replaced?

Mr. Miseirvitch

Ideally, and let me step back a second, it's not, we are not just buying one server, we are buying an environment. So it actually comprises of 3 servers. Typically, we'd like to replace equipment on a 5 year cycle, however, we use things as long as we can, we get the max life out of items at the City. Currently we are running hardware that's 10 years old and it is still running. So ideally 5 years but it can be extended. With something like this, it most likely we can get a longer life because it won't be actively used. It is there in case of an emergency.

Alderman Clemons

Right. Ok thank you.

Alderman O'Brien

Question of the Chair, is this going to as far the car and CERF, is this going to come to Finance?

Question of the Chair, is this going to as far the car and CERF, is this going to come to Finance?

Mayor Donchess

Ok the second item is an electric vehicle, now the Mayor, in this case this is me, has a public works vehicle. I've been driving a Ford Fusion but we can give that to someone else. We are proposing here a used, used Leaf that we can get for \$12,000.00 or \$12,500.00 and this would be the first electric vehicle that the City would own, helping us to work towards our energy reduction or our greenhouse gas energy reduction needs. Doria Brown who is the City's Energy Manager located the vehicle, it was her idea that we get the Leaf, she thinks they are the best deal out there. Again, we are getting an electric vehicle for \$12,500.00 and it only has a few thousand miles; it is very low mileage. In using the electricity mix that we have, it gets the equivalent of at least 55 miles a gallon in terms of energy use. So I am proposing that we move forward with this in order to save energy, get a used car that can last a long time and begin the transition to more energy efficient vehicles. But do we have to bring it to Finance, I think not because it is less than the \$25,000.00.

Alderman O'Brien

Thank you Mr. Mayor because I totally support this, anytime you can get the greener the better, particularly from an Irishman's point of view. But anyways my other hat being on Infrastructure, is there enough funding or do we have a charging station for it?

Mayor Donchess

We've got 3 charging stations in the Elm Street Garage. We increased that from 1 to 3 in the last month or two.

Alderman Kelly

Thank you. My question is regarding the server we will be replacing. Are you going to cycle them out as a backup, what happens to them?

Mr. Misirvitch

Once we take them out of rotation out of the server forum, we will repurpose them for additional storage, we will create a storage server for some lower end files that are not really accessed all the time but people still need access to them occasionally. So that's how we extend the life even further.

Alderman Kelly

So we will retain them as long as we can.

Mr. Misirvitch

Absolutely.

Alderman Kelly

Thank you.

Alderman Jette

So can all the Aldermen buy in on this \$12,500.00 car? Can she get us all a deal like that?

Mayor Donchess

I think if you wanted one yeah I think so. She just shopped around. She had previously worked for Worthen Industries where she did a similar job . She found a used Leaf for Worthen and it worked out very well for them. So she recommended that we do the same thing, a new electric vehicle can cost more like \$35,000.00 plus. This one, again, has very low mileage so somehow, even though it is a few years old, but low mileage, or a couple years old. So it seems like a good deal and I think she is aware of the market and could find others as well.

Chairman Dowd

Is there anyone that hasn't met the new Energy Manager? No?

Alderman Jette

I haven't met her but I am going to.

Chairman Dowd

Anyway she is very energetic and has a lot of ideas.

Alderman Jette

On the server, forgive me again for my ignorance which is on display tonight, but why are we buying these servers, I mean why aren't we using the Cloud. Isn't there a company in Ukraine that could take care of this?

Chairman Dowd

Just so you know, the Cloud is actually hardware.

Mayor Donchess

We are trying to defend ourselves against Ukraine here.

Mr. Miseirvitch

Actually we did look at that scenario and the problem with Cloud is there is very minimal upfront cost but there is very high recurring monthly cost. The issue we are faced with is, yeah the Cloud is great but what if we lose our Internet connection at City Hall and for that matter in New England? The Cloud doesn't do you any good at all, you can't get to it. That's how we've ...

Mayor Donchess

How much was it monthly for the Cloud? It was far more than what we would spending for this?

Mr. Miseirvitch

Yeah it could easily be \$10,000.00 a month because you not only pay for the hardware in the cloud, but you also pay for the amount of storage space that you require.

Chairman Dowd

Have we ever approached any of the high tech companies in the area about working with them, they tend to swap out their hardware a lot faster than the City does. I was just wondering if we could perhaps get, not necessarily for this case but other hardware that they might be willing to part with?

Mr. Miseirvitch

We have not but the issue that is, you know, you get what you pay for and if depending on the type of equipment that they may want to get rid of, it may not fit our needs because of the virtual environment that we have here at the City.

Chairman Dowd

Some of the high tech companies they swap out their notebook computers every two years and our school system, we've got Notebook Computers that are 7 years old, you know?

Mr. Miseirvitch

And at the City we have PC's that are over 10 years old.

Chairman Dowd

Yes I know. I know that one of the companies, not to be named, has a program where they refurbish equipment and give it to School Systems. I don't know which ones, I have no idea, but just something to think about. Any other questions about the Motion before us?

MOTION CARRIED**R-19-190**

Endorsers: Mayor Jim Donchess
 Alderman-at-Large Michel B. O'Brien, Sr.
 Alderman Ken Gidge
 Alderman Linda Harriott-Gathright
 Alderman Richard A. Dowd
 Alderman Patricia Klee
 Alderman June M. Caron
 Alderwoman-at-Large Shoshanna Kelly
 Alderwoman Mary Ann Melizzi-Golja
 Alderman-at-Large David C. Tencza
 Alderman Jan Schmidt
 Alderman-at-Large Ben Clemons
 Alderman-at-Large Lori Wilshire

RELATIVE TO THE TRANSFER OF \$95,700 FROM DEPARTMENT #194 "CONTINGENCY", ACCOUNT #70100 "GENERAL CONTINGENCY" INTO VARIOUS ACCOUNTS IN DEPARTMENT #132 "ASSESSING" FOR THE PURPOSE OF FUNDING THE SALARY AND BENEFITS OF A CHIEF ASSESSOR POSITION FOR THE REMAINDER OF FY2020

MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGEON THE QUESTIONAlderman Jette

If I remember the Resolution it talks about a salary of about \$70,000.00 and plus the \$25,000.00 or so for benefits. Is \$70,000.00 enough to hire a Chief Assessor? I did a very non-scientific Google search and I see that Claremont is offering \$81,000.00 for a Chief Assessor; Rochester just hired a Chief Assessor at \$93,000.00 back in 2017. Manchester is paying their Chief Assessor somewhere near \$100,000.00 I believe and Mr. Marino, when he was our Chief Assessor, he was making \$105,000.00. How are you going to hire a competent Chief Assessor for \$70,000.00.

Ms. Kleiner

No you are right on Alderman. I would not hire a capable Chief Assessor for \$70,000.00. The \$70,000.00 represents really the second half of the year costs; we figured from December on by the time that we have the Board's approval and we search for a capable candidate. The Chief Assessor would sit on Grade 19 which is where our former Chief Assessor was; that salary ranges from \$87,000.00 to \$114,000.00 and generally when we are hiring we put them somewhere in those steps dependent on the amount of experience that they have.

Chairman Dowd

I'm glad we got that answered otherwise that was back there was going to pull them out and ask for more money.

Alderman Clemons

Yeah I just want to make one point, I rarely will, you will rarely see me jump on to legislation as a co-signer, but I did on this because I just want to reiterate that I have the full confidence in Ms. Kleiner and her decisions. I think you've run the Assessing Department as well as your new position as Administrative Services Director very well and I respect your opinion. And if this is the way we need to go, then this is the way we should go.

Alderwoman Kelly

I just wanted to comment that I'm really happy to have this come forward, I know you've done an exceptional job working through the Assessing Department and the appropriate steps to take and I ask the question back then why we were getting rid of it, so I am really happy to see it come back.

MOTION CARRIED

NEW BUSINESS – ORDINANCES - None

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN

Alderman O'Brien

Thank you I would like to take the privilege to wish our fellow colleague Alderman Patricia Klee a very happy birthday. Thank you for being here.

Chairman Dowd

I won't say Happy Thanksgiving because I'll see you all tomorrow night.

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

**MOTION BY ALDERWOMAN KELLY TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 8:17 p.m.

Alderman-at-Large Michael B. O'Brien, Sr., Committee Clerk