COMMITTEE ON ACCOUNTS, ENROLLMENT AND REVENUE ADMINISTRATION

March 15, 2022 at 5:30 PM

Chairman Heath called the meeting to order.

The Clerk called the roll.

Present: Aldermen Heath, Long, Levasseur, Barry

Absent: Alderman Cavanaugh

Messrs.: S. Wickens, C. Russell, B. Adams, L. LaFreniere, R. Gagne

1. Update on the City's Revolving Loan Fund.

*On motion of **Alderman Long**, duly seconded by **Alderman Barry**, it was voted to accept the report.*

2. Communication from Michele Bogardus, Deputy Finance Officer, submitting Finance Department reports as follows:
- Accounts Receivable over 90 days
- Aging Report
- Outstanding Receivables

*On motion of **Alderman Long**, duly seconded by **Alderman Barry**, it was voted to accept the reports.*

3. Communication from Sharon Wickens, Finance Officer, regarding the City's Monthly Financial Report (unaudited) for the first eight months of fiscal year 2022.

Sharon Wickens, Finance Officer, stated the average unobligated balance percentage after eight months should be 33.33% as a benchmark. All departments are within the 10% with the usual exception of the Department of Public Works that enters into contracts. The overall unobligated percentage after eight months is 35.71% compared to 33.04% a year ago. Health insurance costs continue to trend over budget through February and I will come back to that. A comparison of retirement payments through February for FY22 versus FY21 are in the middle of the page. It was 23 retirements in FY22 and 30 in FY21. The contingency balance is still at $340,000. Revenues for the first eight months are $4.1 million lower than a year ago. Permits are $626,000 higher. Auto registrations are $615,000 lower. Interest income is $229,000 lower. The one positive is for the first time this year, auto registrations exceeded what they collected the prior February. So it didn't deteriorate any further and I think that is a decent sign. I just don't know what next month will bring but let's be hopeful. Reimbursements are lower by $731,000 and that was primarily due to a debt refunding.

Chairman Heath stated you said the revenues are down. Are there other areas that are down or are things just coming in slower?

Ms. Wickens answered permits are higher and as far as auto registrations it was finally down enough so that ARPA funds began to kick in. It has stabilized for February. The increase over the prior year was only 5% so it is not a heck of a lot but it is better than we have seen. The other big revenues are interest income and we knew that was down. Parking is also down. ARPA funds are making that all up so we are good there. It is health insurance that is a real problem. We are trending through January $1.9 million over the planned budget. To put that into perspective, and I may talk a little bit more about it at the BMA meeting, a rough month is two members that exceed the high claims amount of $100,000 but do not quite make the stop loss of $250,000. We had 11 in December. It was very difficult to get this information from Anthem. They have a new claims processing system. Our consultant, USI, could not connect with them for quite some time. We didn't actually get a real picture of what happened in December, although we could see that claims were higher. The real picture didn't come in until the first week of March. I did get January the following week so I do have that. Usually that information lags about a month but this was two months.

Chairman Heath asked Sharon do we need to anticipate that we are going to see that repeated or are those expenses done.

Ms. Wickens replied it is running high and when we talked to both Anthem and USI, they have never seen anything like this and referred to it as a Covid anomaly. It is nothing that we anticipated when we set the rates for July 1. We said it looks like health insurance might go up about .3% over the year. We are like 21% over where we should be. To put things further into perspective for you, those 11 members out of over 1,000, are at almost $2.5 million in just claims payments. That is for just those 11 members. That is what we are seeing.

Chairman Heath stated my concern is that we are an aging workforce so as we start thinking about going into next year's budget process, we need to be thinking about that as well.

Ms. Wickens responded yes we do. We do have surplus, or we did until we used…in my projections I am showing that I am offsetting this escalating cost. We do have a reserve that has $1.8 million in it.

Chairman Heath asked and we are going to use that.

Ms. Wickens answered it is possible. If nothing changes it is possible that we could deplete that reserve.

Alderman Barry asked so what you received was from July through December correct.

Ms. Wickens replied we had received information through November. December and January were monster months. Anthem is saying that the providers are billing late. The providers are saying that Anthem is late in their processing. I am really not sure. USI is trying to figure that out but we can see a lot of claims that were paid in December and January that go back months. I don't know what the problem is. We are still trying to identify that. It seems that with the new claims processing system some of that could be Anthem. Anytime you get a new system it can cause challenges. USI was not even able to access the system for at least a month. It was down and it was down nationwide.

Alderman Barry stated but some of these expenses as you mentioned can be blamed on Covid because people weren't going in to have their surgeries or medical services done and hospitals were putting them off. Now we are starting to see it pick-up.

Ms. Wickens responded that could very well be a possibility. December and January were really high; almost $1.5 to $1.6 million more than where we were. February was coming in normal but I am starting to see invoices coming in high again. I am concerned that by the end of February we could be $2.3 million in the hole. I don't know. It is really an issue that we didn't see coming and Anthem didn't see coming and our consultant didn't see coming. We are just getting hit really hard. I am thankful for the reserve account.

Chairman Heath asked is this a trend that Anthem is seeing cross the country.

Ms. Wickens answered yes – both Anthem and USI are seeing this trend for most of their customers. That is why they think it may be Covid related. It is not Manchester specific.

Alderman Long asked is the $250,000 stop loss by fiscal year.

Ms. Wickens replied yes. We have two members that just hit stop loss.

*On motion of **Alderman Long**, duly seconded by **Alderman Barry**, it was voted to approve the report.*

4. Communication from Charles A. Russell, Administrator, on behalf of the Estate of Matthew Skwozinski, Jr. requesting that the City reduce and waive portions of accrued interest on taxes for four parcels located on Cleveland and Blaine Streets.

Charles Russell, Attorney, stated I am the Administrator of the Estate of Matthew Skwozinski. I will try to give you the Cliff note version. In 2009, he came into my office with lots of taxes owed and the threat of losing his property. We put him in bankruptcy to buy some time to sell off the properties and we made an agreement that as each property sold, a portion of the back taxes and liens on it would be paid off in proportion to the assessment for each property. We sold three or four properties. The last property was to be sold in 2014 and Mr. Skwozinski was supposed to have it cleaned up by July 31. He had it done by August 31 but not to the satisfaction of the buyer and that deal fell through. We had several other buyers along the way. I was not especially his attorney but I would help him when real estate deals came along. We have had Reed Heath, the real estate agent who is here, actively working on putting a deal together. In October 2019, they had a deal that got within two days of closing. Mr. Heath was heading up to Franconia where Mr. Skwozinski was in a nursing home and unfortunately Mr. Skwozinski died on Tuesday. The papers were going to be signed on Thursday so the deal fell through. Reed Heath has continued to list the property and had two or three other buyers but for Covid and other reasons it didn't sell. Finally, we have somebody who wants to buy it. We just learned that they are going to build a 12+ unit apartment building which, according to Mr. Heath, at $200,000 per unit would be $2.4 million in assessment up from the $300,000 that is not being collected. We got together in last minute haste a closing statement. I am dealing with a buyer's law firm and closing agent down in Methuen, MA. They were very slow in getting it to me but we did get something this afternoon. We were supposed to close by February 28 and now it is March 28 contingent upon your approval. I put some numbers in but back in 2019 right before the closing was going to take place, there was a notice, the green notice, of the tax deed and the City was owed $306,000 for back taxes and interest. It is now up to $435,000. The actual taxes that are owed in my computation is between $180,000 and $200,000. Under the proposal that we submitted, we are asking the City to waive anything over $270,000. The City would be getting $95,000 in interest and $270,000 in taxes. Needless to say, this wasn't my favorite client. I had to get a lien on the property in order to get myself paid. I have been sitting around for eight and a half years waiting to get paid. If I was getting interest, the money owed to me probably would have doubled. The real estate agent has an agreement with the estate at 10% of the $350,000 and that is the $35,000. Mr. Skwozinski's late mother died in 2015 and he signed for the Courville Nursing Home and they got a judgment and recorded a lien for just under $21,000. They are not getting any interest on that. The request is to waive anything over $270,000, which would be the difference between $436,000 and $270,000. The City would be getting paid every cent of back taxes and $90,000 in interest. This has been stuck on neutral for way too long and it needs to move forward. I have somebody over there scrapping it right now at no cost. The estate has no money other than this land. They are pulling stuff out of there.

Alderman Levasseur asked can we hear from our Tax Collector and what her recommendation is.

Chairman Heath stated let's have him finish.

Atty. Russell stated I have been told by your Solicitor that whatever the recommendation is from this committee it would have to be approved by the full Board so we may have another extension for the P&S. It is just that we have gotten so close so many times and it is distressed property and there is a need for housing and we need to move this along.

Chairman Heath asked Brenda can you come up and walk us through this paperwork.

Brenda Masewic Adams, Tax Collector, stated the properties sale price is $350,000. All of the amounts due, excluding the City's balance, totals $80,488. The City would realize from the $350,000, $269,512. Of that amount, $175,000.09 would be paid to principal taxes, which pays that off and $99,000 would go towards the interest. We would be waiving $169,049.27 which is 39% of what is due to the City as of 4/5. I think that to be fair all parties should realize a loss on the sale because of the extenuating circumstances with the property. We have gone through the state and got DES to come in and test the soil and do water testing at no cost to the City but now it is up for sale. All of the parties listed are not realizing any decrease to the amounts they are requesting. If this were to be approved, I would suggest that we close immediately and not have it go beyond 4/5 so this property doesn't continue to drag on the way it has. Also, some sort of work should start happening to change the condition of the property.

Alderman Barry stated the only problem is we have two entities, one being Courville that is owed $20,000 and the attorney who is owed $15,000. That is who you are talking about right? You are talking about two entities and the amounts are very small compared to what is owed to the City. Because this property is in Ward 10, I have been dealing with it for a while. It is an absolute mess and it is going to continue to be an absolute mess and all we are going to do as a City if we don't deal with this soon is just keep building interest and we will never be able to sell it.

Ms. Adams responded I agree. I think we should move on and try to sell it but I am saying that as far as losses go, that is my opinion. I believe we should move on for the betterment of that neighborhood. Myself and the Assessor visited and it is quite a mess and should be cleaned up.

Alderman Levasseur *moved to approve the Tax Collector's recommendation.*
Alderman Long *duly seconded the motion.*

Alderman Long stated the only thing I am not in favor of is everybody taking a loss. With respect to the City, the only loss we are taking is interest on taxes correct?

Ms. Adams answered yes and that is $169,049.27.

Alderman Long asked and it is not all the interest but part of it correct.

Ms. Adams responded most of the interest would be waived.

Alderman Long stated but not all of it and any money we put in for clean-up and all of that will be paid. The only thing I object to is that Brenda said everybody should take a loss. I would amend the motion.

Alderman Levasseur stated I think her final recommendation was to move on with the request.

Ms. Adams stated correct and to insure that this closes by 4/5/22.

Mayor Craig stated I would also like to add that the clean-up should begin immediately.

Alderman Levasseur stated I don't know if we have any authority after the P &S is signed but Mr. Russell can you add that to the P&S.

Atty. Russell responded I am sorry I didn't hear that.

Alderman Levasseur asked can you put in the contract that the clean-up work proceeds as quickly as possible and that the deal closes by April 5, 2022.

Atty. Russell answered I am dealing with a Massachusetts attorney and title company that I have difficulties getting information from.

Mayor Craig stated we don't want this to continue for six months or another year in the condition it is in. We are willing to waive the tax interest if you close on a date certain which is soon and work starts almost immediately on the clean-up.

Atty. Russell replied they are already working on clean-up at no cost to the state. The P&S is set for a closing on March 28. I assume this has to go before the full Board.

Alderman Levasseur stated we can bring this forward tonight for approval.

Chairman Heath asked can we be clear on the actual motion we are voting on. Brenda, can you walk through again what we are saying we are going to approve this evening?

Ms. Adams answered that we agree to the sale as is, waive $169,049.27 in interest owed, have a closing date by April 5, 2022, and start clean-up as soon as it closes.

Leon LaFreniere, Planning & Community Development Director, stated a portion of the outstanding debt to the City is attributed to liens that were placed on the property for demolition and clean-up and I believe that in my very brief conversation with the Finance Director, the source of those funds was contingency and those funds should come back to the contingency account. The balance could then go to the taxes owed. I would ask that however the motion is structured that the Finance Director be given the flexibility to apportion those receipts to the appropriate accounts.

Robert Gagne, Assessor, stated just to be clear I think what we are asking for is the BMA's blessing. We are talking about having to abate to get rid of the balance they can't pay which is under the Board of Assessor's purview. I certainly didn't want to take that on without the BMA's blessing. Whatever gets approved by the BMA, we are willing to accommodate but it is really the Board of Assessors that are going to have to use overlay money to clear the accounts of cost and interest. I just wanted to make the committee aware of that.

Alderman Long asked so we are not approving the interest not being paid because that is under your purview but we are giving you the blessing to do that.

Mr. Gagne answered yes.

Chairman Heath asked so we are authorizing you to go forward. I am not quite sure what we are voting on.

Alderman Long stated we are voting on what was recommended. The only addition is what Mr. LaFreniere said which is that the Finance Officer distribute the funds to whatever accounts they go to. With respect to the Assessor, we are not authorizing that the interest be waived because it is under his purview. We are just giving him our recommendation to do so.

Chairman Heath called for a vote on the motion that the Purchase & Sales agreement for four parcels located on Cleveland and Blaine Streets be approved with a closing date no later than April 5, 2022, that the Assessor abate $169,049.27 owed in back tax *interest and that clean-up of the property begin immediately. There being none opposed, the motion carried.*

*There being no further business, on motion of **Alderman Long**, duly seconded by **Alderman Barry**, it was voted to adjourn.*

A True Record. Attest.

Clerk of Committee