



CITY OF MANCHESTER

Mayor Joyce Craig

Good evening,

Thank you everyone for joining me this evening.

Tonight, I will present the FY19 budget proposal that adheres to the tax cap.

From the outset, let me be clear, this budget is a start. While my submission of the tax cap budget begins the FY19 budget process, it is far from the end. This is step one. Tonight, I want to begin an honest conversation about what this budget achieves, but also what it does not.

No one person will have all the answers when it comes to the city budget. It should be a collaborative process that brings people together to find solutions to our budgetary challenges. I am committed to working with this board through this process over the next few months.

Since I took office in January, I've met with department heads to discuss ideas that will help us improve city services while making smarter choices with our tax dollars. I urge the board to do the same, ask department heads what this budget means for their departments and the services they provide to our residents.

By working together and incorporating new and innovative ideas, we can make Manchester a better place to live, work and raise a family.

Since 2011, Manchester has had a tax cap. Per the charter, this cap limits the amount of revenue and the amount of property taxes that can be used in a given fiscal year. The tax cap is based on the three year average of the Consumer Price Index-Urban.

This year, the tax cap is set at 1.63 percent. Based on this percentage, the budget presented to you this evening offers \$3,412,064 in additional property tax revenue.

However, before increased FY19 property tax revenues can be allocated to new initiatives, the FY19 budget must make up the \$2,708,713 fund balance from FY17 that was applied to the FY18 budget. The current forecast projects a surplus of \$1,560,000. Per city ordinance, 50 percent of the surplus, or \$780,000, is available to partially offset the fund balance.

In addition, on the city side, we expect an increase of \$1,357,747 in non-property tax revenue primarily as a result of car registrations, building permits and parking surplus. However, the school district anticipates a decrease in non-property tax revenue of \$450,000.

This means, the net combined revenue shortfall, including fund balance, city revenue and school revenue is \$1,020,966. I am confident departments will generate additional surplus in the next three months, which should substantially reduce the shortfall as the board works on budget alternatives. Unfortunately, I can't take advantage of future projections by department heads in this budget, but the aldermen can in their budgets.

Given these factors, I instructed department heads to put forward level-funded budgets, with the exception of any contractually obligated salary increases. As you will see, I have kept most departments level-funded to ensure we maintain current staffing levels and services as best we can under the tax cap.

I want to be honest and transparent with Manchester residents about what we can not include in the tax cap budget proposal. While I strongly believe city employees should be adequately compensated for their work, this budget makes no allocation for increased salary costs outside of existing contracts. This means that salary steps and longevity payments remain frozen, as they have for most city employees since the beginning of FY18. This also means there is no funding available in this budget for new contracts.

And like the FY18 budget did not fund severance, I've been unable to reinstate severance in this budget. Based on conversations with department heads, the city is anticipating that 35-40 individuals may retire in FY19, which could cost the city approximately \$1,425,000.

When an individual retires, the department will have to cover severance costs from their existing budget. As we've seen in FY18, this practice is not sustainable. Departments have had to cover a portion of severance in their operating budgets by leaving much-needed positions vacant.

I appreciate the aldermen addressing this issue, and I encourage them to adopt a city ordinance with a long-term funding plan that allocates a portion of surplus to the severance reserve account. I urge the aldermen to have department heads come before the board and speak openly about what this budget will mean to their departments. I know this board will be open to hearing their ideas for delivering municipal services and opportunities for new revenues.

In FY19, city departments will see a total increase in expenditures of \$805,943, \$790,210 of which is an increase in salary to cover the final year of the police contract.

This budget reduces the appropriation for the highway department's winter weather operations by \$200,000 from FY18 to FY19. This possible shortfall can be managed with the winter weather reserve account of \$200,000.

In addition, while Southern New Hampshire Planning Commission and the New Hampshire Municipal Association have been great partners for the city, at this point in time the funds do not exist to support membership in these organizations.

There are external factors relating to the increase in non-departmental expenditures as well, including increasing pension costs. This budget allocates \$250,000 in pensions for the Manchester Fire Department, \$500,000 in pensions for the Manchester Police Department and \$350,000 in pensions for other city employees.

In the last five years, Manchester has lost millions in state aid as a result of the state walking away from its obligation to pay 35 percent of pension costs, a cost the city and the taxpayers are now paying in full. It's unfortunate that HB413, which would have required the state to pay 15% of pensions, failed by one vote in the New Hampshire House this session. I will continue to advocate that the state live up to its obligations and restore this much-needed funding for both the city and the school district.

While health care costs are expected to increase by about two to three percent next year, this budget covers only a 1.4 percent increase. I would note we have an estimated \$1.5 million balance in our health care reserve account. After speaking with our health insurance provider, I believe there is an opportunity for significant savings if employees utilize Vitals SmartShopper, a program that compensates employees for utilizing lower cost, yet high-quality providers.

This budget also includes a \$282,000 increase for Manchester's self-insurance program. While Manchester may have been well-served by a self-insurance program which has covered the city's general liability and workers' compensation needs, it is now time to assess whether our current program appropriately addresses the city's risk exposure. Thus, I have asked the City Solicitor's Office to lead a process over the next several months to ensure that the city is fully and appropriately protected.

Through the Municipal Mechanical Equipment Replacement (MER) program, we are bonding \$3,500,000 to replace trucks, cruisers, cars, dump trucks and other vehicles in the Fire, Public Works and Police Departments, and MTA. This work will allow the city to achieve long-term savings by ensuring mechanics and other employees aren't spending time repairing city vehicles that will soon be unusable.

By funding the Right of Way (ROW) program, 22 miles of road will be updated in FY19, along with 30 miles of crack sealing citywide, resulting in 52 miles of streets scheduled to receive some type of treatment. State surplus funds will allow the city to make repairs to bridges, alleys, and the city's sidewalk/curb program.

Our Environmental Protection Division (EPD) Community Improvement Project (CIP) work continues to proactively monitor and update the city's aging sewer infrastructure. With more than 100 miles of sewer pipes being over 100 years old, this work is necessary to address the city's aging infrastructure. This budget also uses bonded funds to evaluate and update EPD's wastewater treatment plant's emergency power needs and implement an asset management system to maintain and replace city assets in a proactive manner.

In addition, this allocates \$1,500,000 in bonded funds for city-wide technology upgrades over the next four years.

The city receives federal funding from three sources. Community Development Block Grants, or CDBG funds, which can only address programs relating to social services, city infrastructure, parks and recreation, economic development and other sources. HOME funds can only support various housing initiatives designed to increase the supply of decent, safe and affordable housing units throughout the city. Finally, Emergency Solutions (ESG) funding can only support programs to prevent or address homelessness issues. Collectively, through these programs there is \$2,834,973 available to fund requests in their designated areas.

Projects within the city departments using CDBG federal funds include, but are not limited to:

- Upgrades to streets, sidewalks and lighting through the municipal infrastructure project
- The continuation of the City's Concentrated Code Enforcement Program to improve housing conditions in rental properties
- A multi-year investment in modernizing the City's Master Plan
- Continuation of the Police Department's Weed and Seed Officer and Saturday Teen Night
- The Parks & Recreation Department's Fun-in-the-Sun program
- And a new Facade Improvement/Business Code Compliance matching grant program for businesses

Last week, my team and I, along with the Governor, and others, participated in Child and Family Services Annual SleepOut to raise awareness of youth homelessness. It was an eye opening experience and shed light on issues within our community.

Accordingly, I'm pleased to share the city is supporting programs through ESG federal funding offered by Child and Family Services, New Horizons, Families in Transition, the YWCA and The Way Home to prevent or address homelessness. Projects include:

- Rapid rehousing for homeless and at-risk homeless families
- Homelessness prevention services
- Emergency shelter for homeless individuals and families
- And low income tenant assistance

Department heads and employees are working hard to ensure they're providing services within the budget, and I applaud their commitment to the residents of the Queen City.

My gratitude extends to our public school teachers and administrators as well. Manchester schools face chronic underfunding when compared to neighboring towns and similar districts. Despite these challenges, our schools have always found ways to do more with less.

This is a status quo budget for the school district. Teachers and administrators are working hard with limited resources. At a time when we should be addressing district needs, including, but not limited to, a district-wide literacy program and curriculum alignment across all grade levels, we are not.

Earlier this year, Dr. Vargas identified approximately a \$2,200,000 budget gap. The district has identified ways to save money and close the gap. This includes moving the Manchester School District offices to West High School, eliminating costs associated with mortgage and condo fees.

This budget includes an increase of about \$1,174,400 to the school district, which is the same number approved by the Board of School Committee earlier this month. \$256,738 is allocated toward the \$1.5 million needed for phase one of Dr. Vargas' redistricting plan. In addition, this budget funds safety items such as improved surveillance and door locking upgrades, among other capital improvement items.

While we will also receive \$1,122,000 in kindergarten aid from the state, those funds do not offset the revenue loss we are experiencing in other state funds and enrollment aid.

The Manchester School District is facing a \$756,403 reduction in adequate education aid due to a decrease of stabilization funding from the state and a reduction in enrollment. We are again anticipating a \$563,615 revenue reduction because Hooksett and Candia students have left the district, as well as a \$802,739 loss in capital tuition from Hooksett. I recognize the value these students bring to our district, and I am actively trying to mend the broken relationships from sending towns in the hopes of attracting new families and students to our district.

Even though we are working with limited resources, we're always working to find new ways to help our students succeed. With the district's strategic plan ending at the end of this school year, the community group, Manchester Proud, has committed to fund a long-term strategic plan to better meet the needs of our students. They're committed to funding a community-centric effort to ensure we realize the full potential of our schools and all of our students.

I am grateful for the widespread support we're seeing from the public to help our students. Recently, BJ's Wholesale Club funded every local classroom project on DonorsChoose.org — a \$40,000 donation that benefited more than 2,100 students. In addition, Southern New Hampshire University and the Boston Celtics recently finished the last of four technology labs in every one of our middle schools. As a district, we need to continue seeking out public/private partnerships.

We have challenges, but by working together we can achieve success. Thankfully, there are opportunities for children to learn both in and outside of the classroom, and we are able to allocate federal funds to these efforts as well.

Through CBDG federal funding, this budget funds programs such as Boys and Girls Club of Manchester, City Year, Easter Seals, Granite YMCA, the Manchester Community Music School, QC Bike Collective, and others.

Through CIP federal funding in FY19, this budget will fund a new playground at Sweeney Park. In addition, the Department of Public Works is working on a master plan for the much-needed overhaul of Basquil-Sheehan Park and Hunt Pool on Maple Street. Funding this year will aid in completing the plan, which includes a gravel parking lot and a new playground structure. Planned future renovation includes a splash pad, a new zero-entry pool, a recreation center and a new skate park.

Through CDBG federal funds, the Youth Farm and Leadership Program will provide high school students with the opportunities to assist in the farming of crops and selling them at a local food stand.

The Manchester Health Department will also be able to provide a fitness and wellness program for low-income families through its work in the Community Schools Project.

In the three months I've been in office, I've witnessed an outpouring of support from the community. There are people across this city who want to help and who are dedicated to creating positive change.

For example, Southern New Hampshire University and Major League Soccer have teamed up to fund a world-class soccer mini pitch, which we hope will open this summer. Lansing Melbourne Group is adding decorative lights to the Hands Across the Merrimack footbridge. I am working with The Granite United Way to bring an AmeriCorps VISTA member to the city to write grants and identify new opportunities for outreach in the community. The CDC and the National Association of County and City Health Officials recently chose Manchester to receive \$100,000 to reduce opioid overdoses. In addition, The New Hampshire Charitable Foundation is funding an evidence-based plan that will document Manchester's current efforts and assess our capabilities as it relates to the opioid epidemic.

There is a widespread desire to improve our city. Last week, I gave my first State of the City address, which outlined an optimistic, yet realistic, path to improve Manchester. As I've said many times, the sense of togetherness and teamwork across our city is inspiring.

In my opinion, this budget does not adequately address the need for necessary improvements. It provides us with the status quo. It is also not intended to cut services or weaken the city's workforce.

This budget represents a starting point. Tonight is the beginning of a difficult—but I hope—collaborative and open process. The budget I am presenting tonight can be found on the front page of the city website at manchesternh.gov. In addition there will be a public hearing on the FY19 budget on April 10th at 6:00 p.m. in the Aldermanic Chamber.

Though we are limited in funds, we are not limited in ideas. We face challenges, but I am confident we can work together to achieve a shared vision of a brighter future if we remain honest with ourselves and the residents of Manchester. Together, we must continue to work hard. I look forward to helping create positive change for Manchester.

Thank you.