

**SPECIAL MEETING  
BOARD OF MAYOR AND ALDERMEN  
(MAYOR'S BUDGET PRESENTATION)**

**March 28, 2005**

**6:00 PM**

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Gatsas.

A moment of silent prayer was observed.

The Clerk called the roll. There were thirteen Aldermen present.

Present: Aldermen Roy, Gatsas, Guinta, Sysyn, Osborne, Porter, O'Neil, Lopez, Shea, DeVries, Garrity, Smith and Forest

Absent: Alderman Thibault

Mayor Baines stated before I make my budget presented I just want to thank everyone that participated in the recognition of Greek Independent Day on Friday at City Hall...in recognition of the tremendous contributions that are made to the City by the Greek community. It was a pleasure to host that event around the flagpole at City Hall on Friday and again thanks to everyone who participated in that.

4. Mayor Baines presented comments and his budget message pursuant to Section 6.03 of the City Charter. The presentation shall include the FY2006 General Fund, Community Improvement Program, and all special appropriations.

Mayor Baines stated before beginning tonight, I want to thank all those who have had an effort or participated in the effort to prepare the budget. As you can imagine preparing an annual budget is a very time consuming process that takes the cooperation of a lot of people in city government. Obviously, starting with the department heads, the business service officers and the administrative service managers all in the departments and a

disproportionate amount of time as you can imagine falls on the backs of the Finance Department. I want to thank Kevin Clougherty and Randy Sherman in particular for their diligence in helping us get the numbers right and also to forge ahead a very significant plan to address the needs of the City in the future. From my own staff I want to personally acknowledge the hard work of my Assistant, Seth Wall this is his third budget working with me and he has committed a lot of time and energy working with all the people in city government to get to where we are today and obviously significant participation by Bob MacKenzie and his staff and Sam Maranto in particular dealing with the CIP issues and Ginny Lamberton because of her role in dealing with the personnel and calculating the amount of money needed obviously for personnel and benefits and the like and it's a very difficult task indeed but I want to thank them for their efforts. As we head in fiscal year 2006 there are many factors that must be taken into account as we begin the process of presenting what I believe is a responsible budget. On the national level we are faced with proposed federal budget cuts that could have significant negative impact, not only in our City but cities across the country. Specifically, we're looking at issues like funding for the Carl Perkins Grant...money for vocational education. The good news is the Senate voted 99-to-0 to restore that money to city budget. Another issue that we're watching very closely is Community Development Block Grant (CDBG) money...there's proposals for very significant cutback in funding and even transferring that responsibility from HUD to the Commerce Department which is being fought vigorously by republicans and democrats and mayors across the country led by the U. S. Conference of Mayors President Don Pasquale who had joined again with his republican counterparts...that organization switches from year-to-year from republican to democrat leadership but the good news is everyone's fighting that battle together and the other good news is there are a number of mayors that serve in the United States Senate and they recognize the Community Block Grant funding is critical to the rebuilding of our nation's cities. The fact that we looked at a revitalized and dynamic downtown has a lot to do with the funding we receive from CDBG. So, we want to watch that and other funding issues very, very closely. On the State level we're again faced with the tremendous uncertainty of educational funding. Now, we're again calling upon our State Legislature to solve that issue once and for all to allow communities across our State to engage in long-term planning with an appropriate formula for funding public education here

across our State. We will analyze some of the different alternatives that are out there and the potential impact on our budget but for the purpose of projecting an estimating revenues we are using existing law. We are not using the Governor's formula, Fred King's formula or others that are out there...we are going to show you what they might mean for our City but the fact is we are using existing law and we expect the State to follow existing law. And, I also want to remind people that we do not establish the tax rate tonight. We estimate the tax rate and one of the most difficult challenging things for any Mayor at this early stage of the budget process is to go out and indicate that there is going to be a certain tax rate hike. The reality is that for those of us this is my sixth budget that it never resembles what we talk about at this early stage because there are so many dynamic influences including educational funding, up-to-date information on revenues that we project within our own budget and different other challenges that we face going forward and dealing with the individual departments. I'm not addressing all of the issues but many department heads would like to see addressed and there may be issues that individual Aldermen have that want addressed while suggestions and ideas they may have to make this budget more acceptable to all involved. As you know I invited every Alderman sitting here tonight to meet with me to discuss the budget to give their input early on in the stages. So, if they had some innovative approaches, ideas to cut spending, ideas to strengthen city government they had the opportunity early on in the budget process to come in and sit in my office, with me directly, with my Assistant, Seth and the Finance Officer and the good news is a number of Aldermen took advantage of that and a lot of their input will be seen in the figures that are out today. If an Alderman did not take advantage of that obviously we're not able to incorporate that within the budget and now that it is in this phase we can look at all different ideas and suggestions. And, finally, by working cooperatively and engaging in cordial debate we will adopt a budget that is fair to the taxpayers of the City by providing the vital services that are needed to keep our City dynamic and poised for greatness in the future and perhaps we could even approve a budget before the second Tuesday in June. I see no reason to drag this process out into the second Tuesday of June. I think we have the ability to establish this budget earlier on than we have in the past while we don't have any uncertainty of negotiated contracts...as you know we've entered into 3-year contracts with all of our unions, we have a good idea of what's happening with projected expenses going forward and again the biggest

wild card being educational funding. And, as I noted last year and every year that this does not mark the end of a process, it's the beginning and in the end we are going to find that we have produced a budget that is going to represent the great future of our City by being responsible to the people who pay the bills. People like all of us sitting here in this room this evening. And, I also encourage the Board of Mayor and Aldermen to deal early on with the School District budget. As you know we have a little latitude this year in terms of timing but critically needed...the School District cannot be put in a position where we are not out there competing for the very best and brightest teachers that want to come to Manchester to teach. All of the school districts are out recruiting as we speak because the school district budgets in the towns are settled in March, they begin recruiting. So, if you're looking for Chemistry teacher the district's that have settled their budgets and are allowed to go out and hire and get the teachers they get the best and brightest teachers and having spoken...I can speak with a high degree of experience on this level. In many years as a high school principal I was trying to hire teachers in August. By that time the pool of the very best candidates had diminished and oftentimes I was forced to make choices that I would not have made if in fact the Board of Mayor and Aldermen, at the time, and the School District had worked to forge consensus around the School District budget early on. We are facing a high degree of retirements right now...all the baby boomers...those are the people that are my age that are retiring right now and I think the number this year could approach about 40 teachers, I've been told. We need to replace them...they are some of the most experienced and dedicated teachers throughout our School District and we need to replace them with very best people possible. So, I'm urging the Board to reach a consensus on the School District budget, they are prepared to work with us and I want to commend all the people from the School side. It wasn't many years ago that we were fretting about deficits. When I became Mayor I inherited over a \$2 million deficit that had been brought forward on the School side and many of us sat in the courthouse down the road to resolve that deficit issue. This Superintendent, Dr. Ludwell with his team has managed their budgets and produced fund balances by managing very close to ensure that the best interests of the students are met and the best dollar is produced for the taxpayers of the City. To give you an example, just on the Special Education side alone...one out-of-district placement could cost the District over \$100,000 and Karen Burkush has worked very diligently to roll back or minimize the growth

of the classified Special Education by working to bring these students back into our School District and that's where you'll see from time-to-time the School District is managing so well under this great leadership of Dr. Ludwell and the leaderships of Tom Donovan as head of the Finance Committee and all the Board that's worked very hard to ensure that our students get a quality education but they also meet the responsibilities under the Charter and law not to spend money that is not appropriated...those days are gone and the communication and the information we receive from the School District and the working relationship that the School District has with my office and our Finance office that I believe is the best in the history of the City. So, let's keep our confidence, let's work together, work cooperatively, talk cordially, civilly and at the end of the day we're going to have a budget that all of us can be very proud of. I'd like now to move to the power point presentation.

Mayor Baines stated I'm going to talk a little bit about the state of our great City. As we know we're experiencing growth in our population...the 2000 census indicated we were up to 107,000 people...we understand that that has been growing and it might actually be greater than that today. We don't have exact numbers on that because obviously we're not engaged in the census to determine...we do that every 10 years. What's happening with the diversity of our community? While we have more diversity than we've ever had as you can see we're not as diverse as many communities across our great country and there's been a lot of talk about what's happening with immigrants and refugees and we're going to talk a little bit about that in our budget...can we make sure everybody is focused up here please. What's happening with employment...we've had some of the most dramatic job growth in the history of the City of Manchester and if you look at what happened just with the labor force between 1995 and 2000 from 54,630 to almost 63,000 people. Jobs being created because people are focused on Manchester as a place to go. Comcast alone brought in 800 jobs into the City of Manchester and that number is growing, growing and could top over 1,000. We have other companies...big and small...companies like Alegro Microsystems located in an abandoned plant at the airport bringing close to 200 jobs in the City plus all the small businesses that have moved into the downtown area, into the Millyard and other places around the City. We have had the most dynamic job growth I feel in modern day history of the City. The City economy as we know represented 10.4% of the State's and a lot of people

don't realize but according to the U. S. Conference of Mayors the Manchester/Nashua region is the 71<sup>st</sup> largest metro economy in the country. This is a very, very dynamic economy and we should all be very proud of the role that we've played in keeping Manchester as a place to invest, to create jobs and to grow up with our children and our grandchildren. Why have we performed so well? We've done very well because of our conservative fiscal philosophies, adoption and adherence to conservative fiscal policies, and timely and significant investments that I'll talk about later on. The City has taken positive steps to adjust to the fiscal change. This City has legislatively adopted financial policies establishing several reserve funds: Risk Retention Reserve for health claims, casualty and general liability and Worker's Comp; Special Revenue Reserve accounts for non-recurring revenues; Tax Rate Stabilization Reserve account; the Rainy Day Fund; the Central Business District Revitalization Reserve fund; the Airpark Sales account; the Hackett Hill Sales account; and the Intown Manchester Service District among others. As many of us know that by working together with these policies Manchester was awarded the highest credit rating in the history of the City of Manchester. Let me repeat that...we were awarded the highest credit rating in the history of the City of Manchester...that saves the taxpayers millions of dollars going forward...as we float bonds for critical infrastructure projects in the City...what did Fitch say about us on Wall Street. They commended our fund balance reserve policy. As many communities across the country spending reserves because of the economic slowdown we continue to build them and add to them. Multi-year financial forecasting...we're always looking to the future, what's on the horizon, what's happening nationally, what's happening in the State...to measure our response to these challenges. Quarterly financial reporting...we you know the Committee on Accounts, Enrollment and Revenue Administration meets regularly to review exactly what's happening with spending in the City and I've sat here and many of us have sat here...one year when they came in we were going to have a \$1 million deficit in Welfare and we grappled with that. At that time I think we were spending \$1 million a year to people staying at the Queen City Motel in south Manchester...Commissioner Martineau has come in and strengthened it and we've established sound fiscal policies on the Board of Mayor and Aldermen and we met that challenge and we haven't faced that issue as well because of his great management of that department along with his staff. Contingency planning policies...we have policies if certain

things happens. This past year we had to respond to \$3.5 million being cut from our revenues from the State at the last minute. We worked with the department heads, we boosted up our contingencies, we worked with the departments and we're dealing with an issue of the Highway Department tonight. We are able to respond to it in a fiscal responsible way. We have policies on non-recurring revenues...this is what Wall Street said about it, not me. This is what an independent force evaluating our policies...looking at depreciation of fixed assets and many other issues...pay as you go capital funding and a 5-year CIP Plan. Wall Street likes the fact that we're investing in our infrastructure and we talked about the important of the Water Treatment Plant facility which is being built under the radar screen, a lot of people aren't paying attention...we're spending about \$40 million to assure the highest quality Water Treatment Plant in the country at some of the lowest rates in the entire country. When I was on Wall Street they talked about communities that can't even account for 50% of their water because they haven't invested in infrastructure. Manchester's always invested in the pipes, we know where our water is, it's staying in our system...Wall Street recognizes that. We're also very proud of the fact that we're fixing all of our schools in the City...over \$30 million in deferred maintenance being addressed by this Board of Mayor and Aldermen. Standards and Poor's cited our great City as one of six communities in the nation that beat the recession...that is something that we should all be very proud of...Manchester came through the recession confident, poised for greatness and as we said at our Economic Summit by BankNorth last year when their CEO said all eyes are on Manchester, they basically said don't mess it up, keep it moving forward. Look what's happening around our great City. Guiding principles of all we're trying to do...we're trying to reveal a "Manchester Experience" and we're going to have a true Manchester experience on April 7<sup>th</sup> when the arena has 10,000 fans in it and the baseball stadium is full another 7,000 people...17,000 people in downtown Manchester. Many nights you're going to have the baseball stadium full, the arena full, the Currier Museum active with displays they now have with James Aponovich works being displayed and The Palace Theatre will be filled and there will be events at the Cathedral and all around the City...that's a true Manchester experience...to say nothing about dining but we'll talk about that in a while too. Places to go, things to do. No longer will teenagers say as my teenager's used to say there's nothing to do in Manchester. Now, it's about what are we going to do tonight in Manchester...that's a

dramatic change. Encouraging mixed-use developments...not just focusing on retail, we're focusing on bringing businesses like I mentioned with Comcast, Alegro Microsystems and others...bringing them to the City and I've been at the heart of a lot of those negotiations to bring them to our City. Look at all of the housing we're going to be taking about that...the diversification in our housing strategy that's paying off. Upgrading the visual appeal and design standards of our City...that is going to start with the Granite Street Project which we'll also be showcasing in a little while, making the area pedestrian friendly...we're working on plans that we'll talk about also. We're looking at while we want Manchester to look and feel to reflect the great City that we are today and preserve historical and environmental integrity. I often cite the example of the buildings that we worked in revitalizing Downtown Manchester. Almost every one of them would have been less expense overall for the developer to come in and buy the property and tear it down but because we were able to leverage private funds with federal funds and also the City getting involved in an appropriate way buildings like the McQuade building have been brought to new life, the Bond Building, the Chase Building...others...all have been brought to life. So, when you come to Manchester now you see the integrity of the historical significance of our City. I visited a friend of mine a Mayor in Connecticut recently where his office is in a modern office tower in downtown. Ours is a historically significant building and says a lot about the stability and integrity of our City preserving what's important...so we respect our past as we focus on the future. Look what's happening with hotels...all the new hotels that have sprung up over the past four years both at the airport on Brown Avenue and the new Hilton Garden Hotel that's being constructed at the Riverfront Ballpark. Supermarkets and retail...perhaps one of the most significant efforts that we made as a Board of Mayor and Aldermen and staff with my involvement as well has worked through all of the challenges and with the cooperation of Alderman Garrity to bring Shaw's onto South Willow Street and finally Stop & Shop and now the older shopping center on Valley Street has been level creating another new shopping environment allowing us in the City to have a choice in supermarkets and reducing the costs of food products in the City. Look at the businesses alone in Shaw's...there are about 22 new businesses in that one plaza alone...small businesses...that's the heart and soul of our national economy and the local economy as well. Public Service of New Hampshire...\$18 million investment on the river...one of the

most significant historical buildings in our City...the federal building on Chestnut Street being renovated at almost \$18 million...Catholic Medical Center went through a \$10-12 million expansion project...Comcast is a very low number (\$6.4 million) when you try to take into account acquisition and renovations of that building...if you have not been out there look at how that whole area of East Industrial Park Drive has come back to life...think of the economic impact of having 800 people that were not there just a little over a year ago now working in Manchester and contributing to our economy. Look at the Bridge and Elm Streets Project, a \$40 million project. A parcel of land that was vacant for almost 15 years...we worked very, very hard to bring that project to reality, we'll be open this October with over 200 units of upscale apartments, a 300-space parking garage and retail on the bottom and we've heard that they're in the process of signing deals relating to the retail on the bottom floor. The Riverfront retail and residential...people thought would never happen...April 7<sup>th</sup> the baseball stadium opens, the hotel should have a topping off ceremony in July and will open next January and Eric Chinburg is breaking ground in April on his great project on the river. Also, housing at all levels of the socioeconomic status. This project up in the Hackett Hill area...condominiums...people are coming in to our City to live, the Gale Home a great project of the Manchester Housing and Redevelopment Authority...that's probably one of the nicest projects that I've seen created for elderly in our City right next to the School District offices. The Families in Transition a great addition to the west side. I know Alderman Smith is working diligently with some issues in that neighborhood but look at what this great non-profit is doing to create for some of the most vulnerable citizens...they're helping them realize the American Dream of living in a healthy and good environmentally safe place for people who are in transition now find the ability to live their lives in a very positive way...this is going on right behind Pappy's Pizza...another project of Neighborhood Housing Services...creating affordable housing in the inner-city where people work and need to raise families in an affordable way. This is over on Wellington Road...the work that's going on in that area of the City creating housing that's going to serve the workforce here in the City of Manchester. This is the housing over on Biron Street...again, creating opportunities for people to have great jobs in the City and have places for them to live. One of the things that I heard when I first became Mayor was Mayor we're trying to hire people but there aren't places for them to live...we've met that challenge

by working with the private sector by having them work with us and create great opportunities for the citizens of our City. Who would have ever thought that we'd see Carisbrooke finally built up after so many years...now, that great facility over in Ward 10...Alderman Smith's ward now has come to new life and created a great environment for people. Now, look all levels of the economic strata have been outlined in housing and this is not the end of it...the great developments that are going on over on Hackett Hill and others across the City, we're creating housing, we need housing because businesses want to expand and come to Manchester. The great Palace Theatre because of the support of the Board of Mayor and Aldermen that theatre as you know had gone bankrupt now last year over 100,000 people went to The Palace Theatre and every school child gets to go to The Palace Theatre because of the generosity of the Board of Mayor and Aldermen. So, when I go to read to students in schools I asked how many of you have been to The Palace Theatre and almost every child raises his or her hand...that is a great facet for our City and it's a great testimonial to the faith and confidence of the Board of Mayor and Aldermen and I often said if we can build great places for entertainment and sports we can protect the arts because they need us to survive. The Currier Museum is going through a most significant expansion in the history of the museum...we're very excited about that because The Currier has really become a prominent destination place for people from all over New England, if not beyond and right now...earlier they had the Andrew Wyeth Exhibit and now there's a great exhibit with the work of James Aponovich which we encourage...a local artist from Nashua and his great works are on display there and if you don't appreciate James' work when you go see it you're going to be amazed at the greatness of what he's accomplished and we're celebrating it here in Manchester. I always tell people the Verizon Wireless Arena...no one ever envisioned the success it's having. When my predecessor was predicting the financial success of it the indications were if they brought in 4,500 fans for a hockey game they would be successful...very few people thought they would do that...over 9,000 people come for games, it's the second largest grossing arena of its size in the world next to Rotterdam and I tell people it's so popular that Cher has come by three times to say farewell. We have great assets in our City and we've been talking about the Enterprise System and I'll talk about it during my budget message. We have great assets in our City...we need to look and see if we can market them and create more interest and enthusiasm around them...the construction of

a new clubhouse at the Derryfield Country Club is a great tribute to the Board of Mayor and Aldermen. Again, we're working with the private sector to get rid of a building which is literally a fire trap and those of us who have toured that building and have been through it...the basement of the building and looking at what exists there...we should be very proud that we're getting rid of that facility, creating a new facility at Derryfield which is going to be quite a destination place and a great place for people to have events like weddings in the City. We haven't had a place such as a country club of that magnitude, so I comment everyone involved in that. The great dining experiences that are emerging. I've been telling people that the most exciting news I've heard was about the Irish restaurant that's opening across the street in a building that's been vacant too long...Chuck Rolocek is opening an upscale steakhouse on Hanover Street in the old Indian Head bank building which is going to be one of the premier dining establishments in the region right in Downtown...others, the J. W. Hill Sports Bar and Grille and we're also hearing that other entities are looking for spots in downtown Manchester because it's been demonstrated that people will come down for dining. It's become the dining capital of northern New England. Gill Stadium...I want to thank everyone that's been involved in that and I'll repeat it so everybody understands it. When the engineers began working on that grandstand we were told that that grandstand was in danger of collapsing and what a great tragedy that would have been. In working with the Board and Drew Weber that stadium has come to new life and it's now a great source of pride for all the student athletes that now call it home. The new baseball stadium that will be opening on April 7<sup>th</sup>...that is what is looked like just two weeks ago by the way...see all that snow...this was all closed in, now it's all opened up almost all of the luxury suites are completed...this is the concourse where all of the refreshments will be served, all the seats are in, they're working on the field...that's what it's going to look like in January. As people drive down South Commercial Street this is going to be the view of the new Manchester with the Hilton Garden Hotel, the baseball stadium, and then the condominiums and then The Hands Across the Merrimack project that we should be announcing very shortly that we're almost there in terms of securing the private funding so that project can go ahead and we're going to have a pedestrian bridge from west Manchester over to east Manchester connecting with the riverwalk connecting with Downtown Manchester...that's the rendering of the second phase of the project, the condominiums that are being

built...those are the ones that are going to be closest to the baseball stadium...the first phase of it is just beyond that with the townhouses and that groundbreaking will be in April. The JacPac property...I want to commend the Board of Mayor and Aldermen for having the vision to purchase that property...property that was assessed at over \$7 million, we purchased for \$3 million...in this area we are going to be talking about locating that project that we need to do under federal mandate dealing with the sewer interceptor problem...the estimates are that by purchasing this property and securing a site for it we could save the taxpayers up to \$50 million plus the potential...that's in one of the studies that's been produced by Mr. Thomas, so for \$3 million we may have saved \$50 million plus we have 17 acres that can be part of our great master plan for reclaiming the river, sustaining the tax base, and creating jobs. School Projects...again, \$105 million commenced in July 2003 will conclude 40 months later...unprecedented project in municipalities across the country where former Governor Benson said to me this is one project that he feels the people are going to look to Manchester as really setting a new standard for rehabilitating schools across the country. It's going to save millions and millions of dollars by doing it the way we did and the fact of the matter is it probably would not have been done if we didn't do it the way we did it...design/build and again it encompasses all of the schools and we are now beginning to work on the next phase of the schools looking at the needs of the elementary schools, we have an in-house planning group looking at enrollment trends, looking at the studies that have been done and we're going to be prepared to look at the challenges of the elementary school population over the next several years...that's a view of Memorial High School about two weeks ago too they're new facility...again, I want to commend the Board of Mayor and Aldermen. When I was a student at Memorial High School in 1960-1964 I used to stand up here outside of the patio because we were told there was going to be a great athletic complex there, that's what we were told and now 45 years later it's become a reality because of the confidence of the Board of Mayor and Aldermen. At Central High School that we toured just last week spending that kind of money, the oldest public high school in New Hampshire blending the old and the new and creating a beautiful public high school for future generations of students and I think the best news I heard that night was that it was going to be 100% handicapped accessible...a school where a student with a handicap either temporarily or permanently...we had to move classrooms out of certain sections of the

building...now, that may not seem like a big deal to you but if you have a handicapped child that's a really big deal...that will never happen again at Central High School and as we address all the needs in our schools in our City we're making sure that they're 100% handicapped accessible, that was the best news that I heard that night. This is the new air traffic control tower that's being constructed at the airport. Many of us went to the groundbreaking of that not too long ago...coming to life the great airport, the City has invested over \$500 million over the last decade and in 2002 \$750 million was brought in to the economy, by 2015 we're expecting that number to rise to \$1.5 billion. One of the great successes over the last decade has been Manchester Airport, not only for our City but for the entire region and I want to commend Kevin Dillon for his extraordinary leadership at the Airport. This is the project I'm talking about that many of the people don't know what's going on...and, for the first time this was financed through the enterprise and that's a \$34+ million project to ensure that we're going to have the highest water quality of perhaps any community in the nation at some of the lowest water rates of any community in the nation and we should be very proud of that investment and the vision of the Board of Water Commissioners and Tom Bowen. The new Senior Center...all of us were very pleased to see that and what it's meant to our seniors here in the City that now they have a first-class facility they can call their own and also the construction...this is actually the construction of the new Derryfield Country club and as I said very shortly I think we're going to be able to announce that we've secured all of the funding necessary to move that great pedestrian bridge project going forward. Here's a rendering of the Granite Street work that's about to commence and what a great project that is going to be for the City creating a vista as people come into the City that really will make a statement about our City and as you know I worked very closely with Senator Judd Gregg and the Congressional Delegation to bring in I think it was approximately \$17 million...\$15 million to help us finance that project and that's an example where you need to work with your Congressional leadership to secure funds on major projects in the City and Senator Gregg visits about once-a-year and says what's your major project you'd like me to focus on and for several years I kept saying Granite Street and he delivered with the support of the other members of the Delegation. So, what is the State of our City...it's strong, it's dynamic and it's poised for greatness. I don't think the City has ever been in better shape, it's never had the interest in development and

expansion of jobs, unprecedented expansion of the tax base and we should be very proud of the State of our great City. And, now I would like to move to the budget presentation.

Mayor Baines stated we're looking at this year being a transition year and we'll talk a little bit more why we're talking about that as we go forward. We're mandated, as you know, to go through a revaluation of property, which is mandated under State law, it's nothing that we have any choice about. The School funding issue I have already addressed early on, the federal grant restructuring that we need to watch very, very closely and we've been reaching out to all members of our Congressional Delegation to ensure that the needs of our community are met. Homeland Security is always on our mind and we're taking a lot of steps here to bring in the necessary resources to make sure that our City is secure. And, the global and national economy that we continue to monitor. There can be one international event that could throw all of our predictions off as you know. What happens with the economy...just coincidentally this chart provided by the Finance office started in 1946, the year I was born so I guess we weren't doing very well back then for some reason, but we look at the aftermath of World War II...we understand what was happening with our country and the way the economy grows we have a flat and low period and then we had dramatic growth...leveling off up here and this was the point in time when we started to run into some problems when the economy started to go down, level off and we hope to see some spikes going on into the future but we're always looking at what is happening to make our financial decisions. What are we doing? We're keeping the discipline of the budget, we're not overextending. The emphasis will be on planning, strategic planning, good planning, sound planning...we've launched several major strategic planning initiatives. I think a number of them unprecedented. The fact that we are moving forward to look at what's happening with the City and the Downtown Master Plan. What do we want Downtown to look like because you know they're going to come in...focus groups meeting with planning officials and you and others in the community to determine what do we want out Downtown to look like. We're looking at parking...the emerging issues on parking...more and more businesses are locating in Downtown, more and more businesses coming into the Millyard...more to come by the way...more businesses interested in Downtown, we're meeting some days on a daily basis in Bill's office looking for opportunities in Downtown. It seems to have picked up a

great deal of interest over the past couple of weeks by the way. We're looking at a City-wide economic study. What does the City need to do? Not just looking at Downtown, we're looking at all over the City of what we need to do to support and keep the momentum of our great economy moving forward and the Parks Master Plan that we talked about...part of that is going to be looking at how we can maximize our assets and perhaps not only generate more opportunities but more revenue. I want to single out the fiscal management that's going to be a critical part of us moving forward. Obviously, starting with the Mayor and evolve into the Board of Mayor and Aldermen and the fine work of the department heads that was demonstrated this past year during the fact of the 2% cut. Maintaining a building capacity for the future. Even though we're going easy we need to keep thinking about building capacity for the future and I'm going to announce a plan tonight that I think can take care of one of the lingering problems in City government dealing with technology and motor vehicle replacements. If we have the discipline and we have the will to do it we have the way for you to do it. It is a maintenance budget, very small growth...with the growth of this budget we'll be very close to the rate of inflation. Controlled spending levels and we've taken some strategies to do that using as a base the 98% budget that we agreed to at the end of the day last year and contingencies for the unexpected. We should be very proud that we've built up our reserves and we're going to booster up the contingency this year as well in my recommendation so we are prepared for the unexpected such as maybe a winter worse than the one we had this year...no, that won't happen. We're going to continue to support the non-profits, however, I do acknowledge that a number of Aldermen have spoken to me about our inability to bring in support for other non-profits and I'm going to ask the CIP Committee over the next year to look at that, to make recommendations to the full Board either to increase our spending or to look at some reductions for existing non-profits by giving them time to plan if in fact that's the ultimate decision. Of this budget, we'll fund the non-profits at last year's level. We have money in there to help with the immigrant and refugee population, a number of youth organizations as well and we did add funding for the Greater Manchester AIDS Project. I felt that that was one project because of some of the issues that we're dealing with in the community that we had to step up and support it and I ask you to do that as well. We're going to talk about in the CIP budget money for Airport Runway Terminal Expansion and Parking as part of the Airport Master Plan. We're looking

at money to support affordable dorm housing for the NH Institute of Art. As many of you know it is one of the few non-public private art schools in the country and it's right in Downtown Manchester and it's growing and it's expanding. They recently purchased the former Stan's Masury Paint building and they're going to have a store on the bottom floor and classrooms at the top plus their purchasing buildings for more housing for college students in Downtown Manchester. That is going to compliment what we did to support the YMCA to create dorm rooms in the Y. It's good having young people downtown and it's good for our economy and it's good for the vibrancy of our City. We're very excited about working with the MHRA on the Brown School rehabilitation for seniors. We've made a strong commitment to support affordable housing and housing for our senior citizens here in Manchester that will continue with the Brown School and the Sewer Separation and Cohas Brook Interceptor and integrated transportation...there's a lot of efforts going around, going on right now involving not only the MTA but all of the other transportation providers in the community. One of these is being spearheaded by Easter Seals looking at opportunities to maximize opportunities for public transportation across the City. I'm speaking on April 6<sup>th</sup> in front of the Minority Health Coalition. One of the first subjects that surfaced in that organization advisory group was the need for public transportation so people can get to their jobs. So, we're going to work on that with the MTA and we're going to support them with their efforts. And, again, I want to commend the tremendous leadership of Dave Smith and the Commissioners really pushing public transportation to a new level here in Manchester. The Operating Budget will include equipment replacement initiative. We are going to continue to focus on the enterprises within Parks and Recreation...I'm going to have a specific strategy to study and review the function of the enterprises and I'll talk a little bit more about that later. This is the major initiative that you've already heard some talk about and the talk about this is not new, it perhaps go back to the time where the City decided to change the fiscal year. Many of us remember a time when the fiscal year was the calendar year and I can remember many years that the City was still grappling with the budget three months or more into the fiscal year and the havoc that was created there...the change to the traditional fiscal year cost a lot of money. In fact, it cost \$3 million per year in debt service...that expense retired this year, which creates an opportunity that I urge the Board not to squander. What we would do...funding for scheduled replacement of the City's

motorized equipment, fleet, apparatus and technology. Use that money to begin to establish a trust fund so that we can meet that challenge well into the future. In the long-term it would result in a reduction in operating budget costs for maintenance/repair of aging fleet and computers. We have fire apparatus that maybe as old as 6 years beyond its normal use. We need to begin to look at that, we made in roads last year with Police, Highway and others but we have a long, long way to go. We need to introduce efficient equipment that is less labor intensive thereby eventually reducing operating costs...we're going to outline a way for us to do that. How are we going to do it? I'm urging the Board to take that \$3 million annual appropriation from the fiscal year conversion debt which we just retired and debt service payments in FY2006 used to fund a Capital Reserve Account. I'm urging the Board to deposit \$2 million into a Capital Reserve Trust...it's going to take some discipline to do it but please do not squander this once-in-a-lifetime opportunity. I'm asking the Board to spend \$1 million of it this year...\$750,000 will be designated to the MER, the fleet replacement account...it's not a lot of money, it's not as much as it should be but it's a start and again the old adage inch-by-inch everything is a cinch...this is a way to get to the goal that all of us want to get to and 25% (\$250,000) to technology. We are lagging behind in technology and we need to step up and create a mechanism to fund it well into the future. We can do it if there's a will. The Enterprise System while supporting continued expansion of the needs of the Airport looking at runways, terminal and parking and community improvement and again the tremendous efforts that have been made to bring the community into discussions I think has allowed the Airport to grow and prosper in a responsible way and again that's the economic key to the future for our City, our State, and our region and we need to keep investing in the Airport. We're looking at EPD and I talked earlier about the JacPac site for the possible location which is probably the probable location of the CSO (Combined Sewer Overflow) Storage Facility...that would save according to studies that were produced by Mr. Thomas about \$50 million if we locate it there and we're also looking at upgrading the issues in the Cemetery Brook Basin which has created significant problems in the inner-city. The Enterprise System is going to be a big challenge for us. I know there is a lot of discussion about it and I'm urging the Board not to make any changes in the Enterprise System in this fiscal year. I'm asking the Board to charge the Commissions...some of the members are here tonight to work with our office, the Finance

office, the Sports Council and the business community...representatives of the business community. Take a hard look at how our enterprises function, develop a business plan, a marketing plan, revenue enhancements to really maximize the use of our facilities. Not that we could do it here but when I heard, for example, at Fenway Park they're creating an ice rink in Fenway Park to use that facility year round. Are there creative ideas that we as a City can look at to make our enterprises more vibrant and utilize our great assets which we have invested a lot of money in and make them more available, there may be enhancements available and also to bring in other events and activities that can spur the economic revitalization of our City. Aggregation...again, I'm asking the Board to leave that alone in this fiscal year. We need to engage in some long-term planning to retire that debt and review just what the positive and negatives are about Aggregation. There's a lot of debate about it and I've been on that side of the issue and felt at times that we shouldn't have been involved and different issues at the State level...that's in the past, we need to look to the future and we need to examine a very thorough and conclusive way and not an emotional way about handling that issue and if the decision at the end of the day and I want that Energy Committee shared by Alderman Thibault to get active, work with City staff examining the impact of Aggregation and look at possibilities of moving to the future and at the end of the day if the decision is made to retire the debt and to try to plan to do it over a period of years, it does not need to be done in one year. What does it mean financially...the FY06 budget...a total of \$259.057 million...there's the City allocation of \$117.3 million, Schools \$142.2 million and MTA \$1.07 million and I'll tell you why I've singled out MTA in just a minute. This represents a 3.65% including the MTA but again hold on and you'll understand why that percentage is up there. City net spending increase is very close to the rate of inflation...3.2%. School spending 3.4% and MTA 6.2%...why the MTA 6.2 because they have matching funds and we're looking at purchasing two new step savers buses. Why is that important...because we have an aging population, we have a number of people that are in handicapped situations that rely on public transportation. This past year we purchased two buses, these buses can come up to a curb and sort of lean down and a ramp comes up and people can wheel on or walk onto these buses and have access to public transportation. They're people using our buses now that were unable to access public transportation. Our goal is to replace that fleet over time to get rid of those buses that are in place now which are

really just glorified school buses functioning as modern transportation. We need to move into the 21<sup>st</sup> century, public transportation is important, it requires the support of local and federal government and we need to look at that whole issue of sharing resources with all the people involved in public transportation and we need to look regionally as well...all these studies are underway, we need to support the MTA. How did we do it? We looked at the full complements...looking at all departments as if all approved positions were funded. We included the retirement and step increases and then we minused to get back to the base where we were this year, we minused the 2% from last year and used that to create some discipline in creating a new base in the salary area. This is not popular with many of the department heads but we feel it is a necessary step to manage within their budgets and to manage vacancies and as you know we have a process to approve any vacancies that occur and there are going to be some challenges to that...we've talked to the larger departments of how to accomplish it...we think by good management we can accomplish that, it establishes fiscal discipline and helps us keep spending increases within the range of inflation. We've also included funding for the City Internal Auditor...that function is being transferred, it is now an independent office and it will be located in the City Solicitor's office but functions as an independent City Auditor...that's long overdue and I applaud the Board and the citizens of Manchester for championing that change. I proposed that I think when I was only Mayor for two or three months and got shot down and I appreciate the efforts to move that forward.

We are including funding for a GIS Administrator in Information Systems to generate revenue around the use of that system and a Clerk-of-the Works which the Highway Department has asked for and they are not being funded on the taxes they're being funded by offsetting revenues that can be talked about during the budget process. Overall, we're talking about a 2.5% increase in FY06 City revenues. The areas of increase are associated with investment income, interest rates are working to our advantage right now, we took a major hit on that after 911...we're beginning to recover and that's helping us both on the School side and on the City side. School funding...we've used the education law...\$2 million more and there could be \$5 million more than that, it could be something else, we just don't know...that changes all of these figures by the way...I'm only including \$2 million. Fund balance...we're working very diligently on the City side and the School side to generate a significant fund balance to help us offset the impact on the tax rate.

Valuation...I'm very pleased to note that even since the last notification we meet with the Assessors regularly, almost on a weekly basis to review where we're at...we're looking at about a \$65 million growth...that coupled with the growth last year is some of the most significant growth and expansion of the tax base in decades here in the City of Manchester...that is all of our initiatives, all of our opportunities that were created for investment coming to pay dividends for city government and the taxpayers of our City. The School allocation...is \$142.2 million and represents an increase of 3.4% over last year's budget and according to our calculations as you know all we can do is determine the bottom line, it's going to add approximately 20 positions. There is a critical need in the School District to meet the agreements and the tuition contracts to get all high school classes under 30 students and I would ask any citizen here in this room, across the City...would you want your student in a math class with 40 students? I would say no and we've got to work with them to get those class sizes down because some of the great in roads that have been made on a positive note in our public schools over the last four or five years has been to reduce class sizes across the district and we need to keep a commitment to doing that, but it's a challenge to the bottom line of the School District and the growing population, the diversity of our population and the special needs of our population but we can do it. Again, the School District issues...funding is set at the State level we're at the mercy of our people in Concord and I know that Alderman DeVries and Senator Gatsas...Senator Gatsas in particular has been a real champion of a fair education formula for the citizens of Manchester and we look forward to working with him and everyone in our delegation to make sure that Manchester and every school district around the State is treated fairly. How can we have a formula that does not include English language learners, how can we and that happened in the last session of the Legislature and we need to recognize the substantial special education population here in the City of Manchester as well and I commend Alderman Gatsas on being a real conscience for an appropriate approach to that issue. Student information systems...is desperately needed in the School system. I don't think they are going to have enough money to fund it in this year's budget and we have to look at that because that is something they need and we may need to work with them further as an educational law is finally established we might have the ability and I would encourage the ability to go back and look at that grant and apply the necessary resources...maintenance contracts. We need to begin to expand the

amount of money...we're adding all kinds of new space, we need to maintain it in the School District...it's a challenge and finally with the School District I want to talk and I alluded to it earlier...the tremendous relations and good faith that exist between the School District and the City right now and I urge us to work diligently to maintain it. For too many years the students and the teachers and others involved in the educational community suffered as a result of acrimony and court battles between the Board of Mayor and Aldermen and the School District and the lack of incredible information...those have all gone away. The Finance office believes them and the information that they now get from the School District that is a dramatic change, let's keep working in a positive way for the school children of our City. Now, I'm very committed to the Step Saver Program as I talked about earlier and we need to fund it and there's matching funds from the federal government to make it happen. Also, to answer a question...sometimes I get the impression that since many of us have been here spending is out-of-control. So, we look at trends and I'm not making judgments about it but I will make some statements of fact about this. From 1996 until 2000...this is what was happening with spending...this is what has been happening with spending over the past six years...this year was the year we received \$32 million from State Aid to Education. The City at the time spiked the recommendations of the Finance Officer and spent all of the money and we increased City spending 16.5%. I don't think that was a good decision. The City of Nashua at the same time reserved 50% of their State Aid Education and put it in a reserve and that helped them through the years that were to follow. Also, the first two years of budgets that we grappled...those of us who have been with me during this time we were implementing contracts negotiated here and these contracts carried into 2001 and 2002 and were mandated, they were contracts. They included the steps plus an automatic inflation tied to the Boston Area Consumer Price Index...we negotiated that out of the contracts here and, therefore, this is how spending has leveled off. The spending for those years that I just said average 7.37%...these years we've averaged under 5%, 4.5%...this year we're projecting under 3.5%. These are the educational funding options that are out there and there may be more...all the way from the present grant of \$44.7 million to Governor Lynch's plan and I believe this is Senator King's plan to give us much more...that could happen at the end of the day...that changes tax rate projections...might give us opportunities to address some of the lingering needs of the School District in terms of the student information systems and the

maintenance of school facilities and to establish some reserves. If the grant goes up this high I will definitely urge that we don't spend it all, that we need to be fiscally responsible and not make that mistake which I believe very thoroughly was a mistake and I've said it many times over the past years and I said it in 1999 we can't make that mistake again. We'd be better off to put some money in reserves to guard against some of the tough times that we know are ahead and the uncertainty. Estimated and I underline estimated...because of what's been happening with the tax base and some conservative fiscal management policies we were able to keep this increase within the neighborhood of the rate of inflation and we also know it's going to change over the next several months. We do not set revenues tonight...the Board of Mayor and Aldermen never sets revenues...there are only two people in city government that certify revenues according to State law...the Mayor of the City and the Finance Officer and the revenues will be what they are when we fill out the State forms and are two names are signed to it. All we're doing is projecting today. The Board of Mayor and Aldermen cannot go in and say well we're going to have a million dollars more in revenue in car registrations, they are going to be what they are and we have to certify them...that is our budget that we now put in the hands of the Board of Mayor and Aldermen. As you know I have until towards the end of this week to make any revisions and if we have found any errors or have been some omissions we will address them before the deadline according to Charter which is the last day of the month. I look forward to working with you, rolling up our sleeves, developing a sound fiscally responsible budget that meets our obligations to the people of our City and at the end of the day when we look back on our work we can say we've done a good job on behalf of the taxpayers of the City of Manchester. Thank you.

This being a special meeting of the Board no further business was presented and on motion of Alderman Guinta, duly seconded by Alderman Gatsas, it was voted to adjourn.

A True Record. Attest.

City Clerk