

Fiscal Year 2010 Budget Address – March 31, 2009

Nearly six weeks ago tonight, I stood before this Board of Aldermen to give both our elected leaders and the general public a sense of how challenging the Fiscal Year 2010 Budget would be. At that time, I indicated to the public that without significant changes being made to the city budget, property tax increases could easily top 15 percent on the average family. I indicated that such an option was not on the table (at least for me) and that I would do my very best to bring in a responsible budget that keeps taxes low, funds city services at an acceptable level, and minimizes layoffs of our municipal and school employees.

Many things have changed in these past six weeks; little of it for the good. The regional economy is definitely in a downturn and we continue to see underperforming city revenues. We are anticipating the first drop in property valuation since 2003; a clear sign that we are in a recession. We are also not receiving millions of dollars in stimulus funds to help our budget...friends; I am here to tell you tonight that we are on our own during this budget season.

The budget I present this evening is lean, and yet fair. It reflects the priorities that I have put forward in the past and that I continue to champion even today. Before getting into the budget, I want to educate this Board on how I got to this point.

The Budget Process

On December 4, 2008, I began meeting with city departments to discuss the 2010 budget and to gauge the overall health of city government. Manchester has fine department heads and employees, and we are very fortunate to have such dedicated public servants. Our department heads have been my chief collaborators during this budget process, and I believe that they will tell you that this year's budget process was the most transparent that they have ever seen.

I was honest and upfront with our departments, and I told them that this budget would be very tight and that spending must remain extremely low. Our revenue projections were significantly lower than projected in the previous budget and I wanted to prepare our management team for the hard decisions that need to be made. Unlike previous budgets, I asked departments to submit two budgets: one representing level funding based on the current fiscal year and the second representing full funding of all designated positions within each department complement.

Commencing in early January, I began to meet with each department head to review their budget submissions and to understand better what the pressures of this year's budget might do to city services. Meetings continued throughout the month and provided me with a better picture of what the budget challenges truly were. I promised department heads that further meetings would ensue once my budget team had the opportunity to prepare an early draft of the budget.

Fulfilling my promise to department heads, I began to meet with each one during the first week of March. At those meetings, I gave each department head a working number representing a bottom line appropriation for that department, and asked them to respond with an analysis of how they would budget based upon that appropriation. Department heads were exceptionally open and honest during this process, and the cooperation that I encountered helped to limit the pain felt by our city workers.

Mayor's Proposed Budget

The budget I am proposing this evening significantly restrains spending and provides for a modest tax cut for all homeowners. During these challenging times, I believe it unconscionable to pass a tax hike on people already at risk of losing their homes. I recognize that there is a cost to doing business and that people expect certain city services, but I believe few people would vote to increase spending significantly if those policies forced more foreclosures in our neighborhoods.

The following are some key items found within this budget proposal:

- 1. Assessed Property Valuation:** This budget assumes a \$25 million decrease of net assessed property value; a number that falls within the range of assessment provided to me by the Board of Assessors. This is the first drop in tax base in many years and is a clear sign that we are in a recession. I have also increased the overlay to \$1.3 million on the recommendation of the Assessors.
- 2. Public Safety:** This budget funds the Manchester Police Department at full complement. This was done through a combination of property tax dollars and the use of available federal grants to fund personnel, programs like Drugs and Guns, planned overtime, and equipment. The budget also funds the Fire Department with a 3 percent increase, which keeps fire services intact.
- 3. Benefits:** The budget bears the burden of a \$5 million increase in benefits for city employees. Costs have increased significantly and we are also picking up costs not accounted for in the previous year's budget.
- 4. Capital Spending and Debt Service:** I am proposing significant changes to our capital spending policies, and am submitting proposals that if adopted, will bring debt service back to Fiscal Year 2001 levels. I have accomplished through numerous ways:
 - No bonding is proposed in this budget.
 - I am proposing (see handout) the suspension of several previously approved bond projects and applying available balances to complete important capital projects without overcharging the taxpayer.
 - I have greatly limited the amount of city cash used to fund capital projects.
 - I am proposing using \$2,550,000 from the Special Revenue Account to pay for certain capital projects; reducing our dependency on municipal bonding. Of note is a proposed change to the vehicle replacement plan previously approved by the Board.

These changes to the capital budget are a departure from the recent past. As we enter into this recession and city dollars become tighter, I believe that it is imperative that we limit our bonding so that we do not pass on a burden to future Boards. Our city grew accustomed to good economic times and we utilized our bonding power during those times to pay for many important capital projects. Without sufficient revenues to cover those bond payments, it is now prudent to reduce capital spending.

- 5. Manchester School District:** The District is reporting both a decline in student enrollment and a corresponding decline in revenues projected for the coming year. It is also requesting \$152 million for the FY2010 Budget – an increase of \$6 million.

I am allocating \$146,100,000 to the School District in this budget; a number that seems to be level funding but is actually not. The true value of the school budget is in excess of \$150 million after adjustment for the city wide work furlough proposed in this budget (a detail I am coming to) and after applying new federal funds to help pay for special education. An outline of this is attached with this address. This budget reduces the teacher complement through attrition and without the need for layoffs.

- 6. Department Budgets:** As previously stated, I have increased the budgets of our public safety agencies. All other departments receive appropriations slightly above or slightly below Fiscal Year 2009 levels. Our department heads have done a great job at keeping spending low and they recognize the need to work collaboratively to maintain services without adversely affecting taxpayers. This budget reduces the overall city general fund complement by fewer than 10 positions; many if not all reduced by attrition.
- 7. MCTV/MCAM:** I am reducing the overall appropriation to both entities to \$500,000 and am increasing city revenues accordingly. Greater savings must be found by both organizations. These services are important but not essential to the function of good government. I have met with representatives from both organizations and will continue to meet with them until an acceptable compromise is reached.
- 8. Revenues:** I am projecting city revenues in line with current trends and without change to the projections provided by department heads. I do not believe that there will be any significant increases in revenues prior to the end of FY2010. Revenues that we are counting on include \$7.4 million in state education funds and \$4 million in revenue sharing as allowed for in current state law. If the legislature changes these laws, the city budget will have to be adjusted accordingly in order to prevent a tax hike on the people. I am also recommending that the School Board increase revenues by using School Impact fees in the amount of \$2.5 million.

Policy Items

Policy Item 1: This budget is extremely tight and does not allow for mid-year appropriations. Departments should not plan to come to the Board for additional monies unless they have a plan that achieves corresponding savings.

Policy Item 2: This budget proposes a seven-day work furlough for all city employees: general fund, school and enterprise. This plan would save not just \$3.6 million in the FY2010 budget; it also saves nearly 90 jobs and does not decimate city services. Many details need to be worked out prior to adoption of this policy, but I think department heads can manage this without great duress. Rather than closing city government down for seven days or impacting employee paychecks adversely, I believe that the cost of a furlough can be distributed evenly throughout the year. Employees and department heads would be responsible for determining furlough days.

Policy Item 3: I believe the city needs to adopt a sunset provision for all non-city capital appropriations. Doing so will allow the city and the community to better determine which programs still need city funding. A proposed ordinance will be sent to the CIP Committee by the end of April.

Policy Item 4: In February, I indicated to the Board that I was considering another consolidation proposal. One is not included in this budget but I am tonight recommending that we consolidate the Elderly Services Department into the Health Department. This move would reduce overhead, increase available revenues, and would ultimately increase services to our seniors. A more formal plan will be forthcoming.

Conclusion

We are currently in an economic cycle, which challenges us to do more with less. Our families and our neighbors are struggling to make ends meet on a daily basis. We as a city government must do our part to not make those struggles worse for the average family.

The budget I am proposing tonight is not draconian as feared by some. It is workable and fair to all parties. It is above all realistic and transparent. I look forward to working with this Board in the coming weeks to adopt the very best budget for taxpayers.