CITY OF MANCHESTER

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Mayor

FOR IMMEDIATE RELEASE
Tuesday, March 22, 2011

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Mayor Ted Gatsas FY2012 Budget Address
Aldermanic Chambers, City Hall
March 22, 2011, 7:00pm

Aldermen, members of the School Board, Department Heads and the residents of Manchester, Good Evening.

A year ago we gathered in this chamber for a budget address. The moment was historic – for the first time the Mayor presented a budget and the Aldermen participated. There was no bitterness, no resentment. It was a new day in the Queen City and one that the taxpayers deserved.

Over the last year the economic landscape has not rebounded in the way we would all like, or had even hoped for; from Washington DC, to Concord, to Manchester we all continue to struggle to regain financial stability. This is the place where we begin this evening. Tonight we face obstacles that seem insurmountable to passing a budget that meets the needs of the residents, while avoiding unmanageable pressure on the taxpayers.

In spite of this dire situation, I believe that tonight we have the opportunity to face our challenges and move forward united in one common goal – finding a way to say "we can and we will." We've done it before and we can do it again.

The budget I present to you this evening is a blueprint for our future.

I respectfully ask for your indulgence as I take the necessary time to lay out a path for our future. Unlike last year, I am in a very different place than some of the School Board members with respect to the budget. I will use this opportunity to present and justify our budget proposal for the district.

Like so many of you I have lived in Manchester all of my life. Manchester is my past, Manchester is my present and Manchester is my future. I believe in the Queen City even in these trying economic times.

The source of my optimism is in this chamber tonight. When we took our oath of office we made a commitment to improve the infrastructure and services of this city, and to improve our financial foundation. Very willingly each one of you supported this mission and I thank you for your commitment.

As early as tomorrow we will break ground on two very important and long overdue projects: the Manchester Municipal Complex and the Hackett Hill Fire Station.

Many of us wondered if the municipal complex would ever make it off the paper. We knew that the Highway Department was not only unsafe but a disaster waiting to happen. Today, mechanics are working on 20 ton refuse trucks stacked on wooden blocks; costly equipment is being stored improperly taking years off its lifespan; and the office building is literally crumbling to the ground. Ultimately this is costing the taxpayers more money, and frankly, it's embarrassing.

Tomorrow the shovels will go in the ground at the Manchester Municipal Complex. A year from now we will not only move the Highway Department into this new building but the Parks and Recreation Division and the Facilities Division. All of these functions will be housed under one roof and the city will have the flexibility to increase revenues by leasing the space freed up at the Derryfield Country Club and the sale of the Facilities building on Clay Street.

We will also keep our commitment to the Police. In 2013 the new police station will be completed and finally after 10 years we can say we fulfilled our commitment to our men in blue.

Without question we will become more efficient and duplicate functions <u>will</u> be eliminated. That is why today, I am calling on the leadership of the Director of Public Works Kevin Sheppard and his division chiefs, in conjunction with my office, and a liaison of this Board, to come forward with a 3-year plan by September 1st, identifying the redundancies that will come about as a result of the Municipal Complex. I ask that this also include an analysis of the resulting cost savings and identify any potential revenues that may be realized by servicing vehicles from other communities.

And by December 1st 2011, when we are beginning to plan for the 2013 budget, a proposed reorganization of the Highway Department and its divisions will be presented to the Board of Aldermen for consideration.

A week ago we gave the final green light to the Hackett Hill Fire Station. The current station is a tin trailer and it stays together as a result of clever patch work by handy firemen. To put it bluntly it's disgraceful. That in this area of the city where we have experienced record growth we have not updated this vital safety component.

As this project moves forward I will continue to work with Chief Burkush to ensure we fulfill our promise to the firefighters of Engine 4 and the Ward 12 residents that deserve, and rightfully so, this new firehouse.

And as the snow begins to disappear on the ground and the signs of spring make headway the City of Manchester will begin a single-stream recycling program. Last year the Committee on Efficiencies and Consolidations recommended we move to a single-stream program. The benefits of this would be two-fold: residents will be encouraged to recycle and the city will realize savings in our solid waste disposal.

In conjunction with Alderman Craig, the chair of the Solid Waste Committee, Pinard waste systems, our recycling partners and the Department of Public Works we will be asked to bring forward a plan to the Aldermen by May 1st to roll-out the new single-stream recycling program. The priority of this program must be to educate and incentivize residents to recycle. In this budget I propose taking the first installment of $432,000 from the re-payment of our book loan to the Manchester School District to purchase the toters to get the program up and running.

Speaking of progress, the Manchester School District offices have finally found a home that we own. About a month ago we completed the punch list for the McGregor Street property and we reduced the leasing line item in the School District budget to a mere $36,000.

Isn't it nice to finally be able to tell the taxpayers of this city that $300,000 of their taxpayer dollars is not being put towards rent? Finally we have a mortgage and we will own our space.

And given our steadfast diligence in fiscal year 2011 the city will realize approximately $500,000 in surplus. This credit is to be shared by everyone. The Finance Director for being a budget hawk, the Department Heads for managing their budgets and to the Aldermen for allowing me to control overtime and hiring.

My proposal for this surplus is to allocate $400,000 toward pre-paying the cost of city retirement, $50,000 to the rainy-day fund and $50,000 to be used towards reducing taxes. This is a very significant step in the right direction.

Now I will shift the focus to the sheet before you – my proposed budget for Fiscal Year 2012. In this budget there is pain, more pain than any of us veterans on this Board have ever experienced. However, this evening I stand before you as Mayor with accountability of delivering a budget. Not a budget that looks good on paper and sounds even better in a speech, but a realistic budget that the taxpayers can afford and meets the needs of our residents. I respect this City and all of you in this chamber too much to try and sugar coat things. Your deserve more.

My responsibility is to propose a budget that will work for the City of Manchester and protect our citizens. I take this responsibility very seriously and I would never, and will never, place political expediency ahead of the better good of the Queen City.

And I will never, put politics before safety. Not today, not tomorrow, not ever.

To this end my proposal for the Fiscal Year 2012 budget includes a 3.37% tax increase. It's the elephant in the room and I will not shy away from it. I learned from my father that if you are up front and honest one of two things will happen: they will either understand or appreciate your honesty. So to the taxpayers of the Queen City, and to the Aldermen, given all the financial challenges we face, and in the spirit of preserving the Queen City for all we know and love her for, I will justify this 3.37% tax increase to you and the taxpayers.

For the City of Manchester 70% of the operating budget is comprised of salary and benefits. In fiscal year 2012 we are contractually obligated to an additional $2.4 million in cost of living and merit increases as well as an additional $3.5 million in health insurance and $2.2 million in retirement costs.

For the School District 72% of the operating budget is comprised of salary and benefits. In fiscal year 2012 we are contractually obligated to an additional $4.1 million in cost of living and merit increases and the costs associated with them. As well as an additional $1.6 million in health insurance and an additional $720,000 in retirement costs. And in the school district budget we must also make up for the loss of $4.8 million in stimulus funding.

At the risk of sounding like a broken record, if we took all of this and just plugged it into the budget, without ever sharpening our pencils and making any cuts, the taxpayers would be looking at a tax increase of 12.75%. This is not acceptable and something has to give.

In your package this evening I have included one page sheets by department outlining my proposal for the FY2012 budget. Across the board city departments will remain level funded or see a budget decrease. In total there will be 50 layoffs across the city and 81 positions will remain vacant and unfunded. These vacant positions were not filled during the course of the year and as a result we generated a surplus which proved we can continue to operate effectively.

I credit the department heads with sound management of their departments and ask that they continue with their frugality through fiscal year 2012.

In this budget the Office of the City Clerk will undergo a reorganization. Despite the increased demands in the upcoming fiscal year due to the Presidential Primary, two municipal elections and the Charter Commission, the City Clerk will meet the needs of his department, perform the functions required of his department and deliver a cost savings to the City of $140,000. The office will be more efficient and the services the taxpayers enjoy will be unaffected. Matt Normand, the City Clerk, is to be commended for his leadership.

This budget also includes a reorganization of the Welfare Department. As a result of two retirements we can combine the functions of these positions into one for a cost savings of $70,000. Thank you Commissioner Martineau for your leadership.

The City Health Department is in a very difficult position – a position very much affected by the moves made by the State and the Federal Government. For many citizens in Manchester the Health Department is the safety net providing essential services we take for granted; it provides the health and human services functions of the city. Weed and Seed, vaccination clinics, public safety initiatives for food and health are all strong and vibrant programs here in the City and benefit our residents. Let's not kid ourselves, wholesale cuts at the state and federal level put the future of these programs in serious jeopardy.

We are extremely fortunate that our Public Health Director Tim Soucy goes above and beyond and keeps his ear to the ground. I trust that no matter what he will find ways to adapt, but I agree with his assertion that he made to me days ago - deeper cuts than what you see here might be necessary and services will affected.

Deeper cuts will also be forced at the Office of Youth Services, in Economic Development, Planning and Building and the thriving Community Improvement Program depending on the moves of the state and federal government.

There is also a very real chance that the savings we realize in welfare will quickly diminish as people will turn to the city for help. Make no mistake about it this is a downshift and it will force deeper cuts within the city budget.

In the proposed budget before you this evening I have decreased the appropriation to the Library by $250,000. This reduction will affect the "traditional" library services in Manchester and force the closure of the West Side Library Branch.

This decision was not easy however we must acknowledge that times have changed and we can adapt. That is why I will ask the Library Director and the Trustees of the Library to focus their efforts on providing library services at the Manchester City Library.

This reduction, and proposed closure, is in no way a sign that the city is unsupportive of the Library and its mission. Just the opposite is true. A short week ago this board voted for $300,000 in capital improvement costs at the Carpenter Library. These improvements include a new boiler and other energy efficiency projects. These improvements will ensure the continued viability of the library and its services. Further, they will generate future savings for improved services and resources for Manchester residents.

I sympathize with the citizens of the west side for wanting services on "that" side of the river and with the west side Alderman who have championed their cause. I firmly believe, and I repeat it today, we are a city of one and no river will ever divide us, unless we let it.

I also propose that we put together a committee of Aldermen, School Board and community members to find the best use of that facility. It is a treasured property in this city, rich with history and it needs to remain a vibrant part of our city.

And for safety. The Fire, Highway and Police Departments comprise approximately 65% of the entire city workforce and based on this fact alone they will see the largest cuts in workforce. I acknowledge that this cut is deep but as Chief Mara said to all of us in this room, "the city will be safe."

At the Police Department I will suspend the mounted patrol to meet these budgetary needs to supplement the layoffs and vacancies.

At the Fire Department I maintain the current 44 minimum staffing level to supplement the layoffs and to give the chief flexibility and forgiveness in his overtime line item.

At the Highway Department, even as the current structures are demolished, and I have no doubt that we will see the immediate benefits of the municipal complex, there will still be layoffs.

These cuts are not optimal, Chief Burkush, Chief Mara, Kevin Sheppard and myself all agree it's difficult and certainly not something we like. However, even with a 3.37% tax increase the cuts are still this deep. This is the reality of the situation.

I've often heard budgeting compared to a chess match. I will not simplify this situation, or liken it to a game. We are talking about people's livelihood and that is no game. The revenues in this proposed city budget are realistic and I, along with the Director of Finance, am confident we will achieve them. I caution everyone that inserting unrealistic revenue numbers in our budget may make people feel good now, but will only result in further tax increases later in the year.

The only one time monies used in the city budget have been allocated to the medical reserve account resulting from a grant reimbursement to the city for breathing apparatus in the amount of $460,000. Beyond the surplus to pre-pay retirement, which I mentioned previously, and this allotment to the medical reserve account there are no other one time monies in the city budget.

Using other one time monies in this budget to alleviate the pressure, or to deliver a tax decrease, is not going to make the problem go away. In fact it will only make it worse.

For the Manchester School District our proposed budget includes a $150,200,000 appropriation and an additional $1.9 million allocation of surplus for a total spend of approximately $152.1 million.

I say "our" because Superintendent Brennan and myself worked together to develop this budget. Thank you Dr. Brennan.

For two years the Manchester School District has used stimulus funding to fill the gaps. This was one time money with strings attached and everyone knew it. But, like districts all across the country, we took it – and today, like those other districts, we face a major challenge.

Our proposal for the Manchester School district is responsible and it begins the very painful process of eliminating the stimulus dollars. I say begin because in my proposal I allocate surpluses as previously mentioned and a $1.67 million education jobs grant from the state to fund education. Let's be clear this is one time money and next year it will not be available. The taxpayers will be left to makeup the difference or else we will need to find other cuts.

Our proposal includes laying off 200 paraprofessionals and hiring 36 teachers to reduce class sizes in grades k-3. Not included in my proposal, and options I refuse to consider are: pay to play; the elimination or reduction of kindergarten; cut backs in transportation, extra curricular activities, athletics and fine arts programs and removing any of the 8 Student Resource Officers.

Eliminating any of those items is simply unfair and will only harm the students. It will eliminate opportunity and the Manchester School District is in the business of providing opportunities to students.

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I acknowledge that the present budget situation is not optimal, but compared to districts across the country where schools are closing and teachers are being handed pink slips – I believe that Manchester is weathering the storm.

On our horizon I see real possibility for full-day kindergarten in all of our schools and once and for all making the Manchester School of Technology a full-time technical high school. Imagine a scenario where kids could go to MST and learn a trade in addition to their required studies so on day one, following graduation, they could enter the workforce prepared and two steps ahead.

Businesses in Manchester are excited about this opportunity. They are excited about partnering with Manchester to develop their future workforce. Next year, this could be our reality.

For our Community Improvement Program (CIP) I have allocated zero dollars from the general fund just as we did last year. All appropriations in the CIP budget are a result of an appropriation made to the city of Manchester.

At this point in time nobody knows what the future of these programs is, or if there is any certainty in the funding. Knowing this, we estimated a 7.5% reduction. I have provided a fiscally responsible CIP budget that identifies the priority needs of our community.

We continue our investment in programs providing health, recreational and educational services to city youth such as City Year and the Manchester Police Athletic League. We also continue support for the health and wellness programs benefiting citizens of all ages such as Weed and Seed. We continue our support to assist in homeless prevention in partnership with the United Way and New Horizons. We continue our efforts to support local community housing initiatives and finally we continue our investment in public infrastructure and our facilities.

Every program that requested CIP funding had merit, but not every wish, or request, could be met. Despite how we approach this within my budget, I continue to question if we will be able to meet these funding levels moving forward as the situation continues to lack certainty.

So where do we go from here? As I said when I began my remarks this is a blueprint - a starting point. In September I sat down with the Unions, I asked for changes on the health insurance to help us address the rising costs. The Aldermen have since authorized the Director of Finance and the City Solicitor to negotiate with the Unions; I have faith that we can find common ground and I am ever hopeful that we will. However, this common ground must produce meaningful, long-term, cost savings to the taxpayer as opposed to short-term relief.

It would be easy for me, and frankly politically popular to sit here and point a finger at the Unions, but I won't do it. At the end of the day, assigning blame at this stage will not yield results. It will only prolong the process. The losers in that scenario are the taxpayers, the employees, and their families. I value the employees of this city far too much to have them fall victim to the current political climate. Having said that, we can, and we must resolve this unsustainable situation.

In this budget the Mayor, the Board of Aldermen, School Board members, Department Heads, Deputies, the Superintendent, an Assistant Superintendent and any non-affiliated employees making $90,000 or above in the city, schools and enterprise funds will contribute 20% to the health and dental plans with co-pays and deductibles as was presented to the unions.

This measure results in a collective cost savings of approximately $300,000. Although I am pleased with the savings this is more about leadership. This is about showing that we are willing to participate in the solution. I hope you agree, if we are going to be successful we must lead by example. And although there is no appropriation for new hires within any department in this budget, I propose that any new affiliated or non-affiliated employee, upon hire, will contribute at the 20% level with the same guidelines.

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As I hope everyone has now seen, reaching a financial position where we reduce a 12.75% tax increase to a 3.37% tax increase is extremely difficult. For months I have worked with our team and have been over this again and again. There is not a realistic scenario that doesn't come with significant sacrifice.

Sacrifice, that while very painful for most, is required to avoid bankrupting this city and driving taxpayers out.

Before I share a few concluding remarks, I would like to point out that within your budget package is the financial outlook for 2013 for the City of Manchester and the Manchester School District. Although we are a long way from 2013, as you will see, if we are not responsible this year, and fail to address the problems at hand, and alleviate the pressure before us today, 2013 will be devastating with an approximate 10% increase in taxes.

Rather than engage in a Q&A session right now, I propose that you all take some time to digest what I have shared this evening and develop your thoughts and questions. In the meantime please do not hesitate to pick up the phone and ask me what I was thinking, or why I did what I did, or tell me that I am wrong. I welcome and appreciate the feedback. Healthy dialogue can only lead to good things.

In closing, as you can see, we have some tough choices to make. Let me be perfectly clear, doing nothing is not an option that I will entertain. There is a great deal at stake that requires us to face our challenges and continue to implement sound fiscal discipline.

Despite these stark challenges, I remain hopeful. With a solid foundation of collaboration and trust established through last years budget process, I am confident that we can, and will persevere. I look forward to engaging in a very productive and positive dialogue that will align us around a responsible budget. A budget that continues to deliver essential city services while being ever mindful that the taxpayers cannot afford substantial increases.

In the coming weeks there will be increased pressure from all sides. There will be those who will ask if it's possible to avoid a tax increase altogether. There will be those who will say that we need to spend more money regardless of what the resulting tax increase will look like.

Can we get to zero? Yes we can. We can insert unrealistic revenue projections, eliminate athletics and extra curricular activities for students, use more one-time money to balance the budget, and continue our dependence on state and federal funding that is drying up faster then ever. We could do this, but it would come at a price that future boards and future generations would have to pay.

Can we spend more money? Yes we can. We can spend more on schools, fill vacant positions, and delay consolidation efforts, but if we do so, how do we expect families to pay higher taxes when they are already struggling to make ends meet?

All of us on this board have been asked to lead, we were elected to lead, and now we have the greatest opportunity in our public lives to do so.

A successful outcome to our challenges will require compromise and sacrifice. It will require us to work together and reject the traditional tactic of pitting one group against another. Most importantly, it will require us to stay unified in our shared objective to build a better Manchester.

To the residents of Manchester, to the Aldermen and School Board members thank you for your time this evening and Godspeed.

-end-

<u>Please Note:</u> *A complete set of budget documents presented this evening are available on the homepage of www.manchesternh.gov in the "Message from the Mayor" box.*