

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(MAYOR'S FY2023 BUDGET PRESENTATION)
March 29, 2022 at 5:30 PM**

Mayor Craig called the meeting to order.

Mayor Craig called for the Pledge of Allegiance, this function being led by Alderman Burkush.

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen Cavanaugh, Stewart, Long, Sharonov, Trisciani, Levasseur, Heath, E. Sapienza, Burkush, Barry, Gamache George-Kelly

Absent: Aldermen Fajardo, T. Sapienza

1. Mayor's FY2023 Budget Presentation.

Mayor Craig stated tonight I am presenting my FY2023 budget proposal that adheres to the tax cap. I want to start by thanking Sharon Wickens and Michele Bogardus from Finance, Leon LaFreniere and Todd Fleming from Planning and Community Development, our City Clerk Matt Normand, as well as Dr. Jenn Gillis and Karen DeFrancis from the School District, for their guidance and assistance during this budget process. I also want to thank all of our department heads for their dedication and leadership throughout this budget process. The challenges we faced over the last two years were immense and the impact of COVID-19 cannot be overstated. The pandemic tested every aspect of how we live and work but we adapted to COVID-19 in ways that made our community stronger and I want to thank our city and school district employees for always going above and beyond to serve the residents of Manchester. As we continue to emerge from the pandemic, I want to be clear; this budget is a start. It builds upon the City of Manchester American Rescue Plan Act Funding recommendations that were approved last summer to ensure a safer, healthier and stronger community. Please know that I am committed to working with the aldermen through this process to ensure that the FY23 budget meets the needs of our community. As the economy continues to recover from COVID-19, we are still facing lingering challenges related to the pandemic. The city and school district are not immune to the challenges other

businesses across the country are facing – difficulty hiring, delays in supply chain, decreased revenues and increased healthcare and material costs but amid all this, our city is moving forward and implementing innovative solutions to the challenges we face. Since 2011, Manchester has had a tax cap. Per the charter, this cap limits the amount of revenue and the amount of property taxes that can be used in a given fiscal year. The tax cap is based on the three-year average of the Consumer Price Index and this year the tax cap is set at 3.57%. Based on this percentage, the budget presented to you this evening offers \$8.2 million in additional property tax revenue – \$4.3 million allocated to the city and \$3.9 million allocated to the school district. The charter compliant school district budget, proposed by the Manchester School District and approved by the Board of School Committee is \$189 million, which is appropriated in this budget. This includes an increase to the Manchester School District of \$5.1 million, \$3.9 million in local property tax revenues, as well as a \$1.1 million increase in other revenues. This budget covers current programming and staff, as well as costs associated with collective bargaining agreements, retirement, and a 6.5% increase in health insurance. It supports the district's strategic plan to grow our learners, grow our educators and grow our systems. By focusing on curriculum and instruction, the district continues to increase student achievement and recognize areas for improvement. This budget also continues professional development in support of reading and math curriculum, as well as curriculum development at the high school level giving staff the tools they need to meet the academic, behavioral and social emotional needs of each student. This budget allocates funds for additional special education staff needed to meet increased demand for specialized services and includes additional funds for the increased costs of transportation for special education students as well as those who are unhoused. For reference, transportation saw an approximate increase of 137% in McKinney Vento transportation costs and an approximate increase of 19% in special education specialized transportation for a total increase of \$3.3 million. The school district budget also outlines uses of one-time grant funds. ESSER funds received by the Manchester School District in three separate grants total \$91 million. In FY23, the Manchester School District anticipates spending \$27.2 million, which includes, but is not limited to: \$3.4 million in teaching personnel; \$4.8 million in materials and resources; and \$11 million in ventilation upgrades. This budget also includes \$4.4 million in bonding for

Capital Improvement Projects (CIP) previously approved by the Board of School Committee. The proposed CIP projects are as follows: \$575,000 for the purchase of five school buses; \$3 million for deferred maintenance projects in our schools including fire doors, roof replacement, elevators, and more; \$500,000 for school parking lot rehabilitation; \$300,000 for school playground replacements at Bakersville and Webster Elementary; and \$50,000 for Cullerot Park access to green space for Northwest students. Turning to the city side, the charter compliant FY23 budget is \$169 million which equates to a \$4.3 million increase. We're seeing a significant increase in health insurance claims in the second half of FY22 due to an increase in surgeries, inpatient COVID stays and members reaching the high claim category. As a result, I've allocated an additional \$1.5 million to health insurance in the FY23 budget. This budget keeps departments at their FY22 complement and allocates \$1.4 million to merits, longevity and associated benefits. This means 65% of all city employees will receive at least a 3% increase in pay. The city has a number of contracts with outside vendors and this budget covers an increase of \$519,000 associated with all existing contracts – including recycling and yard waste collection, software updates and the Manchester Animal Shelter. It also includes the City of Manchester's annual membership to the Southern New Hampshire Planning Commission as well as the New Hampshire Municipal Association. This budget covers an additional \$326,000 in state and city retirement costs. Over the past decade, Manchester has lost millions of dollars in state aid as a result of the state walking away from its obligation to pay 35 percent of pension costs; a cost that the city and Manchester taxpayers are now paying in full. I am hopeful HB1417 passes, as it would reinstate a small percentage of the state's share - 7.5%, for police, fire and teachers beginning in FY2024. This would equate to a savings of \$1,1 million for police and fire on the city side. The Assessor's Office has effectively been running surpluses in the overlay accounts each year since 2016, and have realized unprecedented surpluses in overlay over the past four years. They believe they will have accumulated enough surplus overlay monies since 2016 to carry the city through the 2022 property tax year – budgeting zero in overlay funds for FY23. While this budget accomplishes many things, it's important to note what it doesn't cover. The city charter states the anticipated year-end surplus must be equally distributed to three areas – the severance reserve, the rainy day account, and be applied to the tax rate.

We're fortunate that we have been able to use \$2 million in American Rescue Plan funds to supplement lost revenues in FY22; restoring them to FY19 levels. However, this means we are not anticipating a surplus to be used in the FY23 budget. As a result, the FY23 budget has had to make up \$950,996 in fund balance from FY21 that was applied to the FY22 budget. In addition, with no surplus I'm unable to adequately fund severance in this budget. Based on conversations with department heads, the city is anticipating 30 individuals may retire in FY23, which could cost approximately \$1.5 million. With approximately \$400,000 left in the severance reserve at the end of FY22, this leaves \$1.1 million that needs to be funded. If severance is unfunded, when an individual retires the department will have to cover severance costs from their existing budget by leaving much-needed positions vacant. I appreciate the aldermen addressing this issue, and I urge them to have department heads come before the Board and speak openly about the impact this could have on their operating budget. Employee retention and attraction is critical to providing quality city services for Manchester residents. While I'm able to fund merits and longevities, I am not able to fund cost-of-living adjustments (COLAs) for the 12 contracts that expire on June 30, 2022. This budget also does not cover some additional position requests, an increase in utility costs, or miscellaneous training requests. At this point in time, the city's health care consultants are projecting a \$3 million increase in health insurance claims for FY23. I budgeted an additional \$1.5 million for health insurance, leaving \$1.5 million unfunded. While we know things can change, the city's health care consultants will be providing an update to the Board of Mayor and Alderman at our next meeting on April 5. Over the years, the Board of Mayor and Aldermen have worked hard to ensure the city has sufficient funds in our reserve accounts to address unexpected expenses and preserve the city's excellent AA credit rating. This practice must continue as we head into FY23. I'm proud of the work our departments have accomplished over the past year, and want to start by recognizing the outstanding work of the Public Health Department, led by Director Anna Thomas. Throughout the pandemic, Director Thomas and her team worked tirelessly to keep our community safe establishing a COVID-19 Hotline answering 11,000 requests for information, investigating over 30,000 cases of COVID-19, and providing over 25,000 vaccinations at over 250 clinics. It's important to note that 63% of the Health Department's budget is composed of outside grants. While I commend the Health

Department for their hard work in offsetting costs and I encourage them to continue, the city needs to be prepared in the event that any of these funding sources decrease. Two years ago, I began the practice of allocating funds to a Health Department Reserve. While I'm not able to allocate money in this budget, I urge the aldermen to consider doing so. Using a CDC grant, the Health Department is hoping to fund Chief Aldenberg's request for a full-time mental health professional for the Police Department to prioritize mental health and wellness and provide direct clinical level support and care. In the past year, our Public Works Department, led by Director Kevin Sheppard, continued to provide high level service to Manchester residents despite having 30-40 vacancies. This budget funds their FY22 complement as these positions provide critical duties such as trash collection, plowing, road work and engineering services. In addition, this budget continues to fund the department's seasonal employees meaning that we will have staff to open the pools, maintain the Derryfield Golf Course, run Fun in the Sun and continue to maintain our parks and cemeteries. It also allocates \$25,000 for fireworks. Bob Gagne and the Assessor's Office shared that in FY22 we have seen over \$60 million in new assessed value in the city; a clear marker of investment in economic growth equating to approximately \$1 million in revenue. While I am not able to capture this revenue in my budget, the aldermen may allocate these funds if they see fit. This budget also funds one Appraisal Technician in the Assessor's Office which the Assessor said will result in an offsetting increase in the tax base bolstering tax revenue and contributing to a lower net tax rate in future years. Our Police Department led by Chief Aldenberg is working diligently to keep our community safe. In the upcoming fiscal year, the Manchester Police Department is prioritizing work in four key areas – reducing violent crime, prioritizing employee mental health and wellness, improving recruitment and retention, and increasing community engagement. In order to ensure the safety of our residents and visitors, my budget includes funding a full complement of 267 officers. The men and women of the Manchester Fire Department under the leadership of Chief Andy Parent have continued their work fighting fires and responding to emergencies across the city. They have partnered with the Health Department at testing and vaccine sites and played a key role throughout the pandemic working with FEMA to keep residents safe. This budget includes \$120,000 to cover 50% of the fifth week of vacation that was approved in their FY22 one-year contract. In addition, I have

bonded \$96,000 for AED replacement to ensure that our firefighters have equipment to keep them safe, \$44,000 for a fire tower replacement and \$90,000 to update Station 3's sprinkler and fire alarm system. Over the past few years, the Information Systems Department led by Jean Fortier has seen a substantial increase in information technology needs, especially in the IT security arena. The Information Systems Department has continued to address over 4 million firewall drops a day, business email compromises, ransomware and individuals attempting to exploit vulnerabilities in major software applications. As a result, increased personnel are needed to help comply with the requirements of financial auditors, bond investors and cyber security insurance carriers so this budget funds one additional Server Administrator position. The Tax Office, led by Tax Collector Brenda Masewic Adams is continuing to work diligently amidst supply chain shortages. Interest on tax liens was reduced due to collection efforts on delinquent property tax payments, which although is a decrease in anticipated revenue highlights the hard work of the Tax Office in addressing outstanding collections. This budget also includes \$12.9 million of bonding on the city side. In a year where residents spent more time enjoying our local green spaces, trails and parks, this budget allocates funds to expand public spaces and quality of life amenities and leverages private investment funds to update recreation facilities across the city. Through a \$25,000 bond, we're funding a green streets tree canopy program. Similar to the 50/50 sidewalk program, this fund will cover 50% of a resident's cost for a new tree adjacent to the street. This is the first time a partnership program to increase green streets has been introduced in the city. I'm proposing to bond \$1.25 million for replacement of the West Side Arena refrigeration system, which is outdated and in dire need of replacement. This new system will ensure we maintain the nearly \$500,000 in revenue from the West Side Arena, and ensures that hundreds of area kids have a place to play hockey. We're also bonding renovations to Derryfield Park, including increased lighting and sidewalk access, and replacing the Livingston Park track. It also bonds \$150,000 to replace the playgrounds at Wolfe Park and Sheridan Emmett Park. We are continuing to forge opportunities and public-private partnerships to bring new development into the city and to make the Queen City a destination. This budget leverages private funds to make upgrades to the Livingston Park North Little League and North Soccer League fields, the Precourt Park fields for South Little League and South Soccer, updates to

Sheehan Basquil Park for the Pony League fields and updates to Stevens Park for Cal Ripkin baseball. Through the Municipal Mechanical Equipment Replacement (MER) program, we're bonding \$3 million to replace vehicles at the Fire Department, Police Department, Public Works and the Manchester Transit Authority. This budget also allocates funds to continue following our road replacement plan, outlining key arteries throughout the city to repair, replace and maintain. This budget bonds \$2.3 million for roads, in addition to allocating \$928,358 from the Degradation fund balance, \$400,000 from the Municipal Transportation Balance and \$507,000 in annual street reconstruction for a total of \$4,135,358 to address 7.9 miles of roads, along with 25 miles of crack sealing citywide resulting in 32.9 miles of streets scheduled to receive some type of surface treatment. Two years ago, for the first time we allocated funds to improve city sidewalks and in this budget, I have allocated \$1.6 million. We'll be utilizing the Sidewalk Conditions Assessment to prioritize repairs for city sidewalks, school sidewalks, and making more sidewalks ADA compliant and we'll continue with the popular 50/50 residential and commercial sidewalk replacement program. These continued investments in mobility improvements will help to create a more walkable city. The City of Manchester also receives federal funding to allocate toward specific criteria. This comes from three sources - Community Development Block Grants (CDBG), HOME funds, and Emergency Solutions (ESG); all of which have restrictions on how the federal funds can be used. Collectively in FY23, there is \$3.6 million available to fund requests. Projects within city departments using CDBG federal funds include, but are not limited to, the continuation of the City's Concentrated Code Enforcement Program to improve housing conditions in rental properties; demolition of buildings that pose a threat to public health and safety; community schools projects through the Manchester Health Department; as well as a targeted police officer. \$618,750 in CDBG federal funds will go toward funding a wide variety of programs focused on youth in the city, including, not limited to, the Boys and Girls Club, City Year NH, Granite YMCA, Amoskeag Health, My Turn, Girls at Work, and the Queen City Bike Collective. Through ESG and HOME funds I'm allocating approximately \$1 million in federal funds to address homelessness and affordable housing through organizations such as Families in Transition, the Manchester Housing and Redevelopment Authority (MHRA), and Waypoint. This includes funding to assist in the Phase 1 construction of 48 new units of

affordable housing at Kelley Falls in partnership with MHRA. Additional ESG and HOME projects include financing the development of affordable housing opportunities, homelessness youth programs, and emergency shelter for homeless individuals and families. It's important to note that this budget leverages work underway utilizing federal grants to build a stronger Manchester. In November of 2022, Manchester was awarded a \$25 million RAISE Grant by the USDOT to revitalize the South Millyard and South Elm Street areas. With this grant, we will reduce traffic congestion, increase biking and walking trails, add a pedestrian bridge over Granite Street and create development opportunities throughout the Elm Street corridor. We're looking forward to further guidance from the USDOT so we can begin this significant infrastructure work as soon as possible. In addition, the city received \$43.2 million in American Rescue Plan funding. As a result, we're implementing programs that increase services to residents. We're taking a community-centered, evidence-based approach to reducing violent crime with increased foot patrols and support for investigative overtime and we will soon establish a team of Community Health Workers to assist MPD in responding to check condition calls related to health, social and economic issues. We're hiring park rangers to patrol our parks and trails, and increasing community active living by making our parks safer, cleaner, and more accessible. Through a partnership with Police, DPW and Planning, we're utilizing crime prevention through environmental design addressing neighborhood cleanliness, lighting, graffiti and safety. We've reinstated the Office of Economic Development; a vital resource for our community and we are now providing \$10,000 grants to community groups and small businesses to help them recover from the negative impacts of the pandemic and increase community engagement opportunities. We have a unique opportunity in FY23 to leverage city and federal funds and coordinate efforts to ensure we come out of this pandemic stronger. The budget I am presenting tonight can be found on the front page of the city website at manchesternh.gov. In addition, there will be a public hearing on the FY23 budget on April 16th at 6:00 p.m. in the Aldermanic Chamber. As I mentioned at the beginning of my address, this budget is the first step in the process. I look forward to hearing from our community and working with the aldermen to put forward a budget that best meets the needs of our community. Together, we must continue to work hard to make our city stronger. I look forward to helping create positive change for Manchester.

*On motion of **Alderman Cavanaugh**, duly seconded by **Alderman Long**, it was voted to move the presented budget to the next regular BMA meeting and to hold a public hearing on April 19, 2022 at 6 PM.*

*This being a special meeting, no further business can be presented and on motion of **Alderman Long**, duly seconded by **Alderman Cavanaugh**, it was voted to adjourn.*

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Normand". The signature is fluid and cursive, with a long horizontal stroke at the end.

City Clerk